



## **Fundamentals of Entrepreneurship**

### **SYLLABUS**

- UNIT-I** **Entrepreneurship** : Meaning, Concept, Characteristics, Need, Functions, Theories of Entrepreneurship, Entrepreneur: Meaning, Characteristics, Qualities, Functions, Types, Difference between Entrepreneurship & Entrepreneur, Difference between Entrepreneur, Intrapreneur & Manager, Entrepreneurship & Environment.  
Success story of some renowned Indian Entrepreneurs.
- UNIT-II** **Entrepreneurship Development Programme (EDP)** : Meaning, Need, Objective, Steps, Outline, Achievements, Government Assistance and Incentives, Women Entrepreneurship: Meaning, Characteristics, Problems and Steps taken to promote Women Entrepreneur, Qualities of Women Entrepreneur.
- UNIT-III** **Promotion of a Venture** : Concept of Projects, Project Identification, Formulation and Report, Project Appraisal. Product Selection and Techniques, Raising of Funds: Concept, Need, Types and Sources.
- UNIT-IV** **MSME Business** : Process of Establishing MSME Business, Nature, Objectives and Importance of MSME Business. Role of Financial Institutions in Financing of MSME Business, Infrastructural Facilities. Legal Requirements for Establishment of New Unit. Entrepreneurial Consultancy Process and Methods.

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## CONTENTS

• <b>UNIT-I</b>	: Introduction to Entrepreneurship	...3
<b>UNIT-II</b>	: Entrepreneurship Development Programmes (EDP)	...41
<b>UNIT-III</b>	: Promotion of a Venture	...68
<b>UNIT-IV</b>	: MSME Business	...103

# UNIT-I

## Introduction to Entrepreneurship

### SECTION-A (VERY SHORT ANSWER TYPE QUESTIONS)

**Q.1. Define the term 'entrepreneur'.**

**Ans.** The word entrepreneur has an interesting definitional history and it stems from a French word 'entreprendre' thereby meaning 'between-taker or go between or undertaker.' In Middle Ages (*i.e.*, the period from about 1,000 A.D. to the 15th Century), the word 'entrepreneur' was used to mean an actor and person in charge of large scale production projects. Thereafter, in the early sixteenth century, the men engaged in leading military expeditions were referred to as entrepreneur. In the early seventeenth century, entrepreneur denoted a person bearing risks of profit (loss) in a fixed-price contract with government.

**Q.2. What do you mean by 'intrapreneur'?**

**Ans.** According to Giffard Pinchot, "Intrapreneur is an entrepreneur within an already established organization." He says that 'intrapreneurship' is connected with the innovation that leads to new corporate divisions or subsidiary ventures in established, larger firms. Intrapreneurship is also called "corporate entrepreneurship" or "intra-corporate entrepreneurship." Eminent researcher.

**Q.3. What are the main reasons behind preparing a business plan?**

**Ans.** The main reasons to prepare a business plan are :

- (i) It brings the realization to the entrepreneur about the amount of financing that he will need and the times at which he will need it.
- (ii) It enables the entrepreneur to look ahead and prepare for future developments.
- (iii) It enables him to start activating in the direction that would lead him to realize the future goals.
- (iv) It removes the vacuum and provides specific guidelines to proceed on the right path.

**Q.4. What do you mean by motivated entrepreneurs?**

**Ans.** They are motivated by the fact that they possess sufficient resources such as capital, technical skills, or organizing capacity needed for launching an innovative business venture. They also believe to possess initiative and courage to risk their personal capital investment. They are motivated by a keen desire for doing something new or searching out and launching a new product or service or finding a new market. Their secondary motivating factor may be earning good financial rewards.

**Q.5. Classify entrepreneurs according to Evans.**

**Ans.** Entrepreneurs have been classified by **Evans** into the following three categories, on the basis of their motives (motivations) :

**Managing entrepreneurs** whose chief motive is security.

**Innovative entrepreneurs** who primarily look for excitement.

**Controlling entrepreneurs** who become entrepreneurs to fulfil their desire for power.

**Q.6. What is meant by life timers as entrepreneurs?**

**Ans.** These type of entrepreneurs see their business as integral to their life. It is a matter of ego satisfaction and personal concern to them to run the business successfully. Family enterprises and businesses depending on exercise of personal skill fall under this category. This class is also called “entrepreneurs by inheritance”, because they become entrepreneur when they inherit the family or parental business (and also develop the personal skill found in their parents). In such cases firms are passed from one generation to another.

**Q.7. Discuss the term ‘individual entrepreneur’.**

**Ans.** An individual entrepreneur is one who acts solo, that is, by himself without any partnership in the business enterprise. Such entrepreneurs are solo operators as described above. An individual entrepreneurs specializes in taking entrepreneurial decisions about collection, allocation and coordination of organizational resources.

**Q.8. What is an entrepreneurial decision process?**

**Ans.** ‘Entrepreneurial decision’ means to determine that one should be an entrepreneur go for launching a new business venture to exploit probable opportunity by introducing new things or current things in new ways. This entrepreneurial decision involves a few stage before reaching its final shape and hence it is called entrepreneurial decision process. It entails a movement from a present lifestyle to forming a new enterprise.

**Q.9. What are the major similarities between inventors and entrepreneurs?**

**Ans.** The major similarities between inventors and entrepreneurs are that both of them are highly motivated by their own work or personal ideas of opportunity. Both are highly motivated by their own work or personal ideas of opportunity. Both are highly creative, self-confident, and willing to take risk in the face of ambiguity and uncertainty.

**Q.10. What do you mean by drone entrepreneurs?**

**Ans.** ‘Drone’ means a person who lives off the work of others. Drone entrepreneurs keep themselves away from the innovations made by others. In fact, they refuse to adopt and use opportunities to make changes in production, either methods or products, even though they may suffer losses or face reduced return relative to other entrepreneurs in the same field of activity. They lay behind others in progress or development and continue to operate on traditional lines without indulging in any kind to changes.

**Q.11. Discuss an entrepreneur as a risk-taker.**

**Ans.** An entrepreneur is a moderate risk taker. He acts in uncertain environment and assumes risks-financial, psychological, and social. He risks his personal capital investment as well as the loan capital taken from outside sources. On the contrary, a manager is a salaried employee and therefore he does not assume any risk of business.

## **SECTION-B (SHORT ANSWER TYPE) QUESTIONS**

**Q.1. What are the four fundamental aspects of being an entrepreneur regardless of the field?**

**Ans.** **Fundamental Aspects**

Four fundamental aspects of being an entrepreneur regardless of the field as follows :

1. **An entrepreneur assumes the necessary risks :** These risks have a variety of forms which depend on the field of effort of the entrepreneur. However, such risks usually centre around financial, psychological and social areas.
2. **Requires the devotion of the necessary time and effort :** Only those going through the entrepreneurial process appreciate the significance of the amount of time and effort that is invested in creating something new and making it operational.
3. **Indulges himself in the creation process :** Creating something new of value. The creation has to have value to the entrepreneur as well as value to the audience for whom it is developed. This audience may include : (a) the market of buyers in the case of a business innovation, (b) the hospital's administration in the case of a new admitting procedure and software, (c) prospective students in the case of a new course or even college of entrepreneurship, or (d) the constituency for a new service provided by a non-profit agency.
4. **An entrepreneur owns rewards of his entrepreneurship or risk-taking :** The most important of these rewards is independence, followed by personal satisfaction. For profit entrepreneurs, monetary rewards also comes into play. It may be noted that for some of the profit entrepreneurs, 'money' becomes the indicator of the degree of success.

**Q.2. Discuss the differences between an inventor and an entrepreneur.**

**Ans. Difference between Inventor and Entrepreneur**

Major differences between an inventor and an entrepreneur may be summarized as follows :

1. **Basis of development :** An inventor's work develops on the assistance of his laboratory and other experiments, whereas the development of an entrepreneur's new venture unit is based on an inventor's work.
2. **Dependence :** An inventor is often dependent on an entrepreneur for the latter's expertise in adopting the patents developed by an inventor through his inventions and commercializing. Then, that is, producing and marketing the newly developed products or services. On the other hand, the entrepreneur is not always dependent on the patents of the inventor. He himself may innovate some new useful products and services, or make changes in the production methods, or find new markets.
3. **Ardent and lively desire :** An inventor is emotionally attached with the invention, whereas an entrepreneur is emotionally attached with the organization, that is, his new venture unit.
4. **Action propensity :** An inventor has a natural tendency to be reluctant in modifying the invention to make it more commercially feasible, whereas an entrepreneur has a natural tendency to do anything to ensure the survival and growth of his new venture unit.

**Q.3. Discuss the trait 'theory of entrepreneurship'.**

**Ans. Trait Theory of Entrepreneurship**

This theory holds that entrepreneurship developed because the individuals called entrepreneur possessed certain specific traits or characteristics or competencies which made them capable of generating new ideas and creating a new venture. The major traits responsible for the emergence of entrepreneurship are said to be : creative and innovative

skills, propensity to take risks, ability of building on organisation and managing it effectively, perseverance, and foreseeability. Different studies have emphasised different traits.

However, it may be noted that there are opponents of the trait approach. They ask a logical question as to whether those among us who do not choose to be entrepreneur, have similar traits. In other words, they ask : can a non-entrepreneur be also achievement oriented, perseverant, creative, and risk taking.

**Q.4. Differentiate between entrepreneur and intrapreneur.**

**Ans. Distinction between Entrepreneur and Intrapreneur**

The main points of difference between an entrepreneur and an intrapreneur may be listed as follows :

1. **Definition** : An entrepreneur is a person who strives for creating something new of value, organizes resources, assumes risks, and owns the rewards. An intrapreneur an employee in a big organization, who commits time and energy to create innovative new products or services by using company resources, without taking personal investment risks and without owning the rewards.
2. **Independence** : An entrepreneur is independent or free in his operations and decisions, whereas an intrapreneurs is dependent on the owner of a big organization or its system of authority.
3. **Capital investment** : An entrepreneur makes personal capital investment in the new venture, while an intrapreneur uses the financial and other resources of the big organization.
4. **Risks** : An entrepreneur assumes all kinds of risks such as financial, psychological and social involved in creating a new venture, whereas an intrapreneur does not bear the risk involved in creating new products or services in the organization.
5. **Nature of venture** : Usually, an entrepreneur establishes a new small enterprise, whereas an intrapreneur is a salaried person who innovates new things in an existing big enterprise, which may sometimes result in the establishment of a new "unit" in the form of a division or a subsidiary company.

**Q.5. Discuss the basic elements of a business plan.**

**Ans. Basic Elements of a Business Plan**

A summary of the basic elements or issues outlined in a business plan may be given as follows :

- (i) **Executive summary** : It refers to the complete business plan.
- (ii) **Industry analysis** : It includes nature of competition, market segmentation, and future trends.
- (iii) **Description of the venture** : Nature of business , product/service, size, project cost, background of the entrepreneur, capacity of the plant, location, land and building, plant and machinery, miscellaneous equipments and facilities etc.
- (iv) **Production plan** : Production process, production programmes, raw materials details, requirements of utilities like power, water etc.,
- (v) **Organization plan** : Form of ownership, manpower requirements, authority and resource allocation, roles and responsibilities, etc.

- (vi) **Marketing plan** : Current market status, proposed approach towards marketing including price, distribution channels, sales promotion schemes, etc.
- (vii) **Financial plan** : Working capital requirements, long-term funds requirements, cost of production and profitability projections for 5 to 10 years, cash flow statements, break-even analysis, etc.
- (viii) **Risk management** : Assessment of risks; SWOT (Strengths, Weaknesses, Opportunities, Treats) analysis of business; new technologies; contingency plans; etc.

**Q.6. Discuss the evolution of the term 'entrepreneur'.**

**Ans. Evolution of the Term Entrepreneur**

The term 'entrepreneur' is derived from French word 'Entreprendre' which means undertaking the risk of enterprise and further it was used to designate an organizer of musical or other entertainments. Later in 16th century it was used for army leaders. It was extended to cover civil engineering activities such as construction in 17th century. But it was Richard Cantillon, an Irishman living in France who first used the term entrepreneur to refer to economic activities. According to Cantillon "An entrepreneur is a person who buys factor services at certain prices with a view to selling its product at uncertain prices". Entrepreneur, according to Cantillon, is a bearer of risk, which is non-insurable. Schumpeter gave a central position to the entrepreneur who believed that an entrepreneur was a dynamic agent of change; that an entrepreneur was a catalyst who transformed increasingly physical, natural and human resources into correspondingly production possibilities. Since then the term entrepreneur is used in various ways and various views.

**Q.7. Give the major definitions of the term entrepreneur.**

**Ans. Definitions of Entrepreneur**

Following are the major definitions of entrepreneur :

1. **International labour organization (ILO)** : Defines "entrepreneurs as those people who have the ability to see and evaluate business opportunities, together with the necessary resources to take advantage of them and to initiate appropriate action to ensure success".
2. **According to Max Weber** : "Entrepreneurs are a product of particular social condition in which they are brought up and it is the society which shapes individuals as entrepreneurs".
3. **Frank Young** : He defined entrepreneur as a change agent.
4. **Peter F. Drucker** : He defines an entrepreneur as one who always searches for change, responds to it and exploits it as an opportunity. Innovation is the basic tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service.
5. **According to E.E. Hagen** : "An entrepreneur is an economic man who tries to maximize his profits by innovation, involve problem solving and gets satisfaction from using his capabilities on attacking problems".
6. **According to Mark Casson** : "An entrepreneur is a person who specializes in taking judgement decision about the coordination of scarce resources".

**Q.8. Discuss the concept of entrepreneurship.**

**Ans. Concept of Entrepreneurship**

Entrepreneurship may be described as the propensity of mind to take calculated risks with confidence to achieve a pre-determined business or industrial objectives. That points out the risk taking ability coupled with decision making.

The word 'entrepreneurship' typically means to undertake. It owes its origin to the western societies. But even in the west, it has undergone changes from time to time. In the early 16th century, the term was used to denote army leaders. In the 18th century, it was used to denote a dealer who buys and sells goods at uncertain prices. Towards 1961, Schumpeter, used the term innovator, for an entrepreneur. Two centuries before, the concept of entrepreneurship was shady. It is only in the recent years that entrepreneurship has been recognized widely all over the world like in USA, Germany, Japan and in the developing countries like ours. Gunnar Myrdal rightly pointed out that Asian societies lack entrepreneurship not because they lack money or raw materials but that because of their attitudes. Till recently, in the west, the entrepreneurship is mainly an attribute of an efficient manager. But the success achieved by entrepreneurs in developing countries demolishes the contention that entrepreneur is a rare animal and an elusive character.

**Q.9. Discuss the skills and duties of an entrepreneur.**

**Ans. Skills and Duties of an Entrepreneur**

1. **Optimum utilisation of resources** : To ensure the maximisation of profits, an entrepreneur may optimally use their resources available, be it human resources, capital or raw materials.
2. **Ability to take risks** : Entrepreneurship is the ability and willingness to take risks in creating new services and items if necessary.
3. **Creation of goals** : An entrepreneur usually sets objectives to fulfil and is clear in their vision.
4. **Leadership quality** : To fulfil their objectives and manage different tasks, possessing leadership qualities is necessary.
5. **Open-mindedness** : An entrepreneur typically welcomes new ideas and adapts to situations to reach their potential.
6. **Knowledge of product** : An entrepreneur often knows every aspect of the product they are trying to sell.
7. **Problem-solving skills** : An entrepreneur may have to work in a fast-paced environment and handle situations that require quick thinking and problem-solving skills.

**Q.10. Describe the major types of entrepreneurship.**

**Ans. Types of Entrepreneurship**

Given below are four different types of entrepreneurs :

1. **Small Business Entrepreneurship** : Small enterprises usually account for the vast majority of business ventures. Entrepreneurs who start small businesses often produce enough income to meet their family's needs. These individuals typically fund



their ventures themselves or borrow money from friends and relatives. Employees are typically locals or relatives, for example, neighbourhood grocers, hairdressers and shoe stores.

2. **Large Company Entrepreneurship** : Large-scale entrepreneurship often begins with the startup phase and progresses through rapid development, maturity and growth. During this stage, the company is usually prosperous and profitable. This type of business typically grows because of the ability to innovate. These business may offer a variety of products based on their core offering.
3. **Scalable Entrepreneurship** : These companies usually start with a unique idea. They develop a distinctive product or service that helps the firm expand and progress with time. Scalable entrepreneurship often recognises a gap in the market and develops a solution. Typically, venture capitalists grant investment for such businesses based on the newness of the idea. Several companies began as start-ups and have grown since then, like food delivery apps or educational technology companies, which are examples of scalable entrepreneurship.
4. **Social Entrepreneurship** : Social entrepreneurship's purpose is usually to benefit society and humanity. They often use their products and services to assist communities or the environment. These companies employ ethical methods to succeed, such as mindful consumerism and corporate social responsibility. Non-profit organisations are examples of social entrepreneurship.

**Q.11. Give the major differences between entrepreneur and entrepreneurship.**

**Ans. Differences between Entrepreneur and Entrepreneurship**

The difference between entrepreneur and entrepreneurship are discussed in the points given below :

1. An entrepreneur is a person, or a team of individuals, having a vision, which not just generates money, but can also ease the way in which things are done, by providing such products and services that has value to the customer, while taking all the risks, which comes in the way. Conversely, entrepreneurship is an art of turning an idea into reality, which is not only about arranging the resources to give shape to the idea but constantly making efforts in that direction, to earn profit in future and bearing all the risks or rewards.
2. An entrepreneur is just a person having a unique and practical idea in his/her mind. As against, entrepreneurship is the process of starting and running a business of providing creative products and services.
3. An entrepreneur is an innovator, as he/she conceives an innovative idea, which is not yet introduced by anyone else in the market. On the contrary, entrepreneurship is the way through which one can make innovations.
4. An entrepreneur establishes the business venture, in order to convert the idea, into a product or service, which can help many by easing the way work is performed previously. In contrast, entrepreneurship is all about undertaking the business and bearing all the risks that come in the way, to give a proper shape to the entrepreneur's vision.

**Q.12. What do you know about Fabian entrepreneurs?**

**Ans. Fabian Entrepreneurs**

Quintus Fabius Maximus was a commander of the Roman Army who believed in delaying tactics and cautions—from his name comes the adjective 'Fabian' thereby meaning "of delaying and cautious approach." Hence, Fabian entrepreneurs are characterized by 'great precaution and scepticism (doubtfulness)' in experimenting or introducing any change in technology or product or market. Moreover, they do not have any will or desire to adopt or imitate new methods innovated by innovative entrepreneurs. In fact, such entrepreneurs are very shy, lazy, and fearful of unwanted risks. They are usually satisfied with 'status quo' (current situation). They imitate only when they clearly feel that if they do not imitate then it would be fatal to them and result in a loss of the relative position of the enterprise in their industrial field.

**Q.13. Who are adoptive or imitative entrepreneurs?**

**Ans. Adoptive or Imitative Entrepreneurs**

Such entrepreneurs do not innovate changes themselves. Instead, they adopt or imitate those successful innovations which are created by other 'innovative entrepreneurs'. In other words, imitative entrepreneurs simply and only copy or imitate the new technology or technique or product or service innovated by others. It may be noted that the existence of imitative entrepreneurs is quite purposeful and significant in an undeveloped or a developing country. Such countries attempt to industrialize themselves through establishing small scale industries and decentralizing the industrial structure. Hence, imitative entrepreneurs become important in such economies because they exploit possibilities of launching through imitation those products or services in their own country, which have already been innovatively introduced by innovative entrepreneurs in developed countries. They launch such products and services on a small scale by establishing small enterprises. Thus, they significantly contribute to the economic development of their less developed countries.

When in poor countries, entrepreneurs do not have much financial and other resources needed for original research and development activities that are required for innovations, imitation seems to be the right choice and the only alternative left of imitative entrepreneurs.

## SECTION-C LONG ANSWER TYPE QUESTIONS

**Q.1. Discuss the major qualities of an entrepreneur.**

**Ans. Qualities of an Entrepreneur**

Following are the main qualities of an entrepreneur :

- 1. The Organizer :** An entrepreneur is one who is expert in organizing the resources for building the business and running it successfully. He combines labour, land, machines, finance and material for the business and has a great knowledge of utilizing all the resources in an optimum way. He sells products in the market, earns profit, pays loan, distributes salaries of employees, purchases required stuff for business and keeps remaining for his own. He is an organizer because he organizes every task in the business. He tries to manage a balance between every activity that has been taken to run the business and to earn the profit.
- 2. The People Advisor :** This business personality type provides an extremely high level of assistance and advice to customers. The advisor's motto is—the customer is right

and we must do everything to please them. Companies built by advisors become customer focused. They think that their business must provide a complete satisfaction to the customers. They try to provide all the possible facilities to their customers. They take care of their customers and try to solve the problems faced by their customers.

3. **Personality Warning :** Advisors can become totally focused on the needs of their business and customers that they may ignore their own needs and ultimately burn out. But very much focused on customers may harm the business also because they should focus on the customers keeping in mind the situation of the business. If the entrepreneurs cannot provide many facilities to their customers because they do not have many resources but still they continue with providing services i.e., they are compromising with the other parts of the business.
4. **The Business Developer :** If you operate your business predominately in the developer mode, you are focused on using your company as a means to develop the world. You want to do something for the welfare of people, society as a whole. Your overarching motto is - morally correct companies will be rewarded working on a noble cause. You believe on noble work. Improvers have an unwavering ability to run their business with high integrity and ethics.

They never follow any unethical practices even though they have advantages in that. They try to do the business with legal practices. They never take the help of any illegal practices. They try to do something for the society for the welfare of the people. They see the business to improve the status of the society or the nation as a whole.

5. **The Leader :** They have an incredible will and ability to lead the world and their business through any challenge. They do not fear; they are ready to face any difficulties. They are the essence of entrepreneurship and can assemble great companies. They are in the business to do something. They want to touch the heights in the business. They overcome any problem. They never give up.
6. **The Creative or Artist :** This business personality is the reserved but highly creative type. Their creativity moves forward their business. Often found in businesses demanding creativity such as web design and ad agencies. As an artist type you tend to build your business around the unique talents and creativities you have. They are very artistic person and also they show their artistic work in the business. They mold the things in a different way. They have expertise in providing the things in a different way. They have the unique ideas.

Being a successful entrepreneur also means being innovative and creative. Successful entrepreneurs are able to take an existing product or service and make it better. They also need creativity for all aspects of their business, such as advertising, special promotions and rewarding deserving employees. Without this entrepreneurial personality trait, entrepreneurs will fall short.

7. **The Visionary :** An entrepreneur builds a business because it is exciting and challenging. It requires every part of them to make it successful. They have a picture, a clear vision of how that business is going to work in every detail and the result it is going to produce. They never work in their business; rather they work on their business. An entrepreneur rarely starts a business in his or her own field of knowledge. They put the right system in place to make their vision become a reality. An

entrepreneur looks at systems. They don't get tied up in the day-to-day activities of their business. This frees them up to start new businesses and either sells their existing businesses or takes them public.

8. **The Systematic Business Analyst** : If you run a business as an Analyst, your company focuses on fixing problems in a systematic way. Often the basis for science, engineering or computer firms, Analyst companies excel at problem solving. They have logic for every task. They try to take help of science and art to solve the problems. They think in a scientific way. They have a proper approach to their business. They are well aware about the different situation and accordingly they act. They have a proper reason for their act.
9. **Ambitious and Driven** : Without motivation, it will take a lot to justify the hard work and time required to get a business off the ground. No one should care more about your success than you and if you're not driven to achieve your goals, every obstacle will provide the perfect opportunity to quit.
10. **The Energizer** : A business owned and operated by an energizer is full of life, energy and optimism. Your company is life-energizing and makes customers feel the company has a get it done attitude in a fun playful manner. The customers suddenly get trust on the company.

**Q.2. What are the major functions of entrepreneurship?**

**Ans.**

### **Functions of Entrepreneurship**

Following are the main functions of entrepreneurship :

1. **Innovation and Creativity** : Innovation generally refers to changing processes or creating more effective processes, products and ideas. For businesses, this could mean implementing new ideas, creating dynamic products or improving your existing services. Creativity is defined as "the tendency to generate or recognize ideas, alternatives, or possibilities that may be useful in solving problems, communicating with others. Creativity and innovation have always been recognized as a sure path to success. Entrepreneurs think outside of the box and explore new areas for cost-effective business solutions.
2. **Risk taking and Achievement** : Entrepreneurship is a process in which the entrepreneur establishes new jobs and firms, new Creative and growing organization which is associated with risk, new opportunities and achievement. It results in introducing a new product or service to society. In general, entrepreneurs accept four types of risks namely Financial Risk, Job Risk, Social & Family Risk & Mental & Health Risk, which are as follows :
  - (i) **Financial Risk** : Most of entrepreneurs begin by using their own savings and personal effects and if they fail, they have the fear of losing it. They take risk of failure.
  - (ii) **Job Risk** : Entrepreneurs, not only follow the ideas as working situations, but also consider the current risks of giving up the job & starting a venture. Several entrepreneurs have the history of having a good job, but gave it up, as they thought that they were not cut out for a job.

- (iii) **Social and Family Risk** : The beginning of entrepreneurial job needs a high energy which is time consuming. Because of these undertakings, he/she may confront some social and family damages like family and marital problems resulting on account of absence from home and not being able to give adequate time to family.
- (iv) **Mental Health Risk** : Perhaps the biggest risk that an entrepreneur takes it is, the risk of mental health. The risk of money, home, spouse, child, and friends could be adjusted but mental tensions, stress, anxiety and the other mental factors have many destructive influences because of the beginning and continuing of entrepreneurial activity. This can even lead to depression, when faced with failure.
3. **Organization and Management** : The entrepreneurial organization is a simple organizational form that includes, one large operational unit, with one or a few individuals in top management. Entrepreneurial management means the skills necessary to successfully develop and manage a business enterprise. A small business start-up under an owner-manager is an example of an entrepreneurial organization. Here, the owner-manager generally maintains strict control over business operations. This includes directing the enterprise's core management functions. According to Mintzberg, these include the interpersonal roles, informational roles and decision-making roles. The smaller the organization, the more concentrated these roles are in the hands of the owner-manager. The entrepreneurial organization is generally unstructured.
4. **Catalyst of Economic Development** : An entrepreneur plays an important role in accelerating the pace of economic development of a country, by discovering new uses of available resources and maximizing their utilization. Today, when India is a fast developing economy, the contribution of entrepreneurs has increased multi-fold.
5. **Overcoming Resistance to Change** : New innovations are generally opposed by people because it makes them change their existing behaviour patterns. An entrepreneur always first tries new ideas at his/her level. It is only after the successful implementation of these ideas that an entrepreneur makes these ideas available to others for their benefit. His/her will power, enthusiasm and energy help him/her in overcoming the society's resistance to change.
6. **Research** : An entrepreneur is a practical dreamer and does a lot of ground-work before taking a leap in his/her ventures. In other words, an entrepreneur finalizes an idea only after considering a variety of options, analysing their strengths and weaknesses by applying analytical techniques, testing their applicability, supplementing them with empirical findings, and then choosing the best alternative. It is then that he/she applies the ideas in practice. The selection of an idea, thus, involves the application of research methodology.

**Q.3. Describe the need of entrepreneurship.**

**Ans.**

### **Need of Entrepreneurship**

Following points highlight the need of entrepreneurship :

1. **Creation of job opportunities** : Entrepreneurs start new firms, which may mean more job prospects for individuals. People who start a new business typically have the

opportunity of working for themselves and support other businesses while expanding their own. Entrepreneurs can both earn cash for themselves and employ others in their business activities. As a result, entrepreneurship usually creates new jobs at every level.

2. **Creation of new businesses** : Entrepreneurship is essentially the ownership of a business by a single person. The entrepreneurs can run the vast majority of these enterprises entirely by themselves. They assemble and coordinate their operational processes that support other business ventures. It is a sector in which a person might start a business idea that could grow into a large corporation. All big industrial organisations usually begin as small business initiatives. In every economy, entrepreneurship typically offers a diverse range of initiatives that lead to the creation of new businesses.
3. **Innovation** : Entrepreneurship is the ability to innovate, whether in an established company, a government agency or a new business. It is the process that either generates new wealth-producing resources or enhances the potential of existing resources to create more revenue. It creates new product lines and improves product quality, ideas, technologies and markets and usually makes life easier for both the entrepreneurs and the consumers.
4. **Leads to better standards of living** : 'Standard of living' is a term or theory which involves higher consumption of a variety of products and services over a period. It usually depends on the items found in the market. Entrepreneurship, by its innovative nature, can create a wide range of commodities in different areas. An entrepreneur can develop products and services to suit customer demands, even if they cater to a comparatively smaller market. They can meet even the most specific needs. Since entrepreneurship usually creates new jobs and generates income for a family, entrepreneurship can help improve your standard of living.
5. **Supports research and development** : Before introducing a new product or service in the market, an in-depth investigation and testing of the product is typically necessary. As a result, an entrepreneur works with research organisations and institutions and provides funding for research and development. This often helps boost research and development, which may make discoveries possible.
6. **Promotes community development** : Entrepreneurs can help bring unity and build goodwill among individuals who have common goals and interests. Entrepreneurs may also help finance charities. Their goods and services often lead to the social and economic well-being of communities. This usually brings positive changes like fewer slums, better sanitation, a skilled workforce and better infrastructure. Entrepreneurship generally promotes community stability and improves the quality of life.
7. **Leads to increased productivity** : Entrepreneurs can make current businesses more competitive by offering lower pricing and a wider range of products. Existing firms may rethink their strategies, increase the quality of their products, lower expenses and become more efficient. This competitiveness often encourages businesses and individuals to seek new solutions to enhance their services and, therefore, offers more value for the customer's money. Thus, entrepreneurship may help established companies in the market boost their productivity and performance.

8. **Creation of national wealth** : Entrepreneurship usually plays a key part in contributing to the country's national economy by generating wealth and paying taxes, which generally adds to a country's gross domestic product (GDP). Entrepreneurs not only invest their own money, but they also draw money from the market. They take advantage of these resources to develop unique products or services and open up new markets, which in turn leads to economic growth. This increase in revenue can significantly improve the national income of a country.

**Q.4. Elaborate the various problems faced in growth of entrepreneurship.**

**Ans. Problems in Growth of Entrepreneurs**

Following are the major problems faced in growth of entrepreneurs :

Undoubtedly, entrepreneurship growth in India is slow as compared to other countries. Women's entrepreneurship is still slower and rather negligible. As far as development of entrepreneurship is concerned, the factors responsible for its slow growth are :

1. Incompetence and poor management;
2. Low level of commitment;
3. Restriction imposed by custom and tradition;
4. Involvement of high risk;
5. Socio-cultural rigidities;
6. Lack of motivation;
7. Lack of infrastructural facilities;
8. Lack of communication network;
9. Absence of entrepreneurial aptitude;
10. Low status of businessmen;
11. Market imperfections;
12. Legal formalities involved to set up a unit;
13. Low quality products;
14. Low package of salaries to employees.

The reasons or the obstacles are many. An enthusiastic entrepreneur starts his venture with determination but generally ends up with a sick unit. Incompetence of entrepreneur and environmental factors, both are responsible for his failure. Financial institutions are liberally sanctioning loans but the permission to commence production is not given in time resulting into heavy interest and debt burden. Entrepreneurs have to wait for months to get power connection for their unit making this financial position still more grave and pathetic. Although the government has simplified the loan procedures to a great extent but realities are different from theory. The stimulation of entrepreneurship is a function of both internal and external variables. There is no dearth of men with the right blend of vision and practical sense to become successful entrepreneurs. But how to identify such persons without a mistake The magnitude of industrial sickness proves and self-explains the causes of poor growth of entrepreneurship. Everyone cannot become demonstration model like Shehnaz Hussain or Dhirubhai Ambani or like. The right type of climate has to be generated. Once it is existing, entrepreneurship becomes a way of life. A mischievous child cannot be disciplined in a day, similarly, entrepreneurship cannot grow overnight. Growth also depends upon level of development.

Robert L. Garner quotes, "Development is a state of mind. People have to develop themselves before they can change their physical environment and this is a slow process. It involves changes in relations between classes and races. It requires improvement of governmental organizations and operations; the extension of social institutions, school, courts and health services. Habits of thoughts and conduct are the most stubborn obstacles to development'."

Similar are problems in the growth of women entrepreneurship. Various problems obstruct the growth of women entrepreneurship.

To name a few, various social factors includes :

1. Lack of education;
2. dual role of women;
3. lack of independence;
4. family burden;
5. responsibility of rearing the children and their home work;
6. unfavouring family background
7. lack of cooperation from spouse and other family members.

Similarly, economic factors could be the :

1. lack of mobility;
2. problem of getting the loan sanctioned;
3. exploitation;
4. shortage of finance;
5. lack of technical know-how;
6. non-availability of power and raw-material;
7. insufficient infrastructural facilities etc.

**Q.5. What do you mean by an 'entrepreneur'? Give its various major definitions.**

**Ans.**

### **Meaning of Entrepreneur**

The word entrepreneur has an interesting definitional history and it stems from a French word 'entreprendre' thereby meaning 'between-taker or go between or undertaker.' In Middle Ages (i.e. the period from about 1,000 A.D. to the 15th Century), the word 'entrepreneur' was used to mean an actor and person in charge of large scale production projects. Thereafter, in the early sixteenth century, the men engaged in leading military expeditions were referred to as entrepreneur. In the early seventeenth century, entrepreneur denoted a person bearing risks of profit (loss) in a fixed-price contract with government.

**Richard Cantillion** first defined an entrepreneur in 1725 as the person who bears the risk and faces the uncertainty of an activity. He expressed that an entrepreneur is different from a person who supplies capital.

**Adam Smith** (1776) describes the entrepreneur as an individual who forms an organization for commercial purpose who is a capitalist.

**Jean Baptiste Say** (1803) included the bringing together of factors of production in the role of entrepreneur. This French economist said, "The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield." He said that "an entrepreneur is the economic agent who unites all means of production, the labour force of the one and the capital and the land of the others and who finds in the value of the products



which results from their employment, the reconstitution of the entire capital that he utilizes and the value of the wages, the interest and the rent which he pays as well as profit belonging to himself." J.B. say emphasized the functions of coordination, organization and supervision.

**Francis Walker (1876)** included in entrepreneur a person who receives profit from managerial capabilities. He distinguished an entrepreneur from that person who supplies funds and receives interest.

**Joseph Schumpeter (1934)**, as compared to classical economists, analyzed the concept of entrepreneur from a new perspective and added the notion of innovation. According to him, entrepreneur is an innovator and develops untried technology. Even today, it is agreed by all that 'entrepreneurs innovate' and this innovation is purposeful. It is to create wealth; indeed, to create a resource. It may be noted here that whatever changes the wealth-producing potential of already existing resources, constitutes innovation. For Schumpeter, entrepreneurship resulted in new industries, but also in new combinations of currently existing inputs.

**David McClelland (1961)** defined entrepreneur as an energetic, moderate risk-taker.

**Peter Drucker (1964)** said that entrepreneur is one who maximizes opportunities. Later in 1980, he said, "Indeed, entrepreneurs are a minority among new business. They create something new, something different; they change or transmute (alter) values."

Like Schumpeter and Drucker, **E.E. Hagen (1970)** also supports the notion of innovation and says that the entrepreneur is an economic man who tries to maximize his profits by innovations. He further says that innovations involve problem-solving and entrepreneur gets satisfaction from using his capabilities in attacking problems. Schumpeter says that entrepreneur is basically an innovator, and innovator is one who introduces new combinations.

International Labour Organization, ILO(1982)-expresses that "entrepreneurs are people who have the ability to see and evaluate business opportunities; to gather the necessary resources, to take advantage of them and to initiate appropriate action to ensure success."

**Q.6. Describe the various traits or features of successful entrepreneurs.**

**Ans.**

### **Features of Entrepreneurs**

The following dominant traits or features of successful entrepreneurs :

1. **Decision-making** : An entrepreneur is a good and prompt decision-maker. He takes many decisions in the new venture organization, including critical or major ones. He decides what to produce or not to produce; from where to get raw materials; how to collect organizational resources; how to allocate them; how to create and fill up various organizational positions; how to create proper channels of communication; how to establish coordination mechanisms; what channels of distribution should be adopted; how to introduce new products; what new technology should or should not be adopted; whether the present market channel be changed; what better alternatives can be introduced where; and how to maintain employee satisfaction in the organization.
2. **Desire for independence or autonomy** : Although there are various motivations for venturing out alone, the most frequent reason for becoming an entrepreneur is the desire for independence or autonomy-not wanting to work for anyone else. This desire to be one's own boss ignites a fire in the heart of an entrepreneur to accept all social,

psychological, financial, and technological risks and to work hard almost round the clock, which are needed to create and develop a new venture. Entrepreneurs are 'internals' who believe that they can influence events to their own good or bad, and rewards in life come from their own efforts and competence and not from forces outside themselves such as luck, fate, etc.

3. **Desire for responsibility** : An entrepreneur actively seeks responsibility and takes initiative to carry out the same. He prefers to use his own resources and to be personally responsible for the results. If he claims for the success of the venture, he unhesitatingly owns the failures of the operations, if any. Where no leadership exists, he promptly comes forward to fill up the vacuum, takes initiative, and solves the problem. He is especially fit to perform well in groups where he has particular ability to influence the results-taking responsibility in a joint effort.
4. **Use of feedback for stimulation** : Irrespective of the fact whether the signals about his performance are good or bad, positive or negative, a successful entrepreneur draws in both the conditions his inspiration from the feedback of his performance results. The feedback information unfolds as to how well or poorly he is performing. He is most contented with his good performance and therefore strives for still better results. On the other hand, if he has failed in achieving the desired results, he searches out reasons responsible for such a failure, takes remedial measures, and fights for achieving success in his mission. In this way, he always recognizes the value of feedback and uses it for his stimulation.
5. **Self-confidence** : Successful entrepreneurs are highly self-confident which means they strongly believe in the strength of their abilities and capacities to accomplish the challenging goals in spite of all the hindrances and problems of any kind. They feel sure to succeed in all circumstances whatsoever. They prefer hard work to depending on luck or fate.
6. **Future oriented and optimistic** : Successful entrepreneurs plan and think far into the future. They tend to anticipate future possibilities- opportunities and threats-that lie in the venturesome environment. They are highly optimistic and therefore not disturbed by present hurdles and problems. They believe that their 'future is bright', even in the face of present problems or failures.
7. **Energetic activity** : A successful entrepreneur exhibits a higher level of energy, hard work, and perseverance than an average person. He has undaunting courage. He is fully determined to crush the hurdles, solve the problems, face the tough times, and get over the misfortunes in order to ultimately achieve his present goals. He spends most of his times in energetic activities. He has commendable stamina for enduring all the frustrations and hardships.
8. **Organising capacity** : An entrepreneur is a good organizer of a new venture's activities. He possesses special skills for identifying and grouping of work, creating and filling the administrative or managerial positions, delegating authority and responsibility, creating coordinated relationships among various positions, distribution of resources among them, and supervising the events to happen in the desired ways so as to accomplish the pre-determined goals of the new venture. He is an extraordinary organization builder-organiser of work and people.

9. **Risk-taking: Preference for moderate risk** : Successful entrepreneurs are not high risk-takers-they are, not gamblers. They are moderate risk-takers who believe in taking calculated risks where the chances of achievement are consistent or match with the level of performance efforts and resources. In other words, they prefer such risks as provide reasonable chances of success and seem to be within proper control of available resources and capacities. They believe in "moderate risk, reasonable rewards."
10. **Visionary leadership** : An entrepreneur is able to influence people by the interpretation of the events for them, by the choice of objectives for the new venture unit, by the organization of work activities to accomplish. The objectives, by the motivation of the people in the unit to achieve the objectives, by the maintenance of cooperative relationships and team work, and by the enlistment of support and cooperation from outside persons and agencies.
11. **Attitude towards money** : It may be noted that the foremost reason (motivation) for becoming an entrepreneur has been cited to be the 'desire for independence' (or autonomy). Other motivating factors differ between male and female entrepreneurs and also vary by country. 'Money' is the second reason for men for starting a new venture. Whereas, job satisfaction, achievement, opportunity and money are the reasons in rank order for women for starting a new venture.
12. **Tendency to take initiative** : There is a marked tendency found in successful entrepreneurs that they spend a large portion of their time in thinking over finding out new or novel ways of doing things differently-finding out a new raw material, a new product, a new method of production, a new style of advertisement, a new style of packaging, and so forth. While taking such initiative, entrepreneurs duly keep in mind the needs and requirements of the customers, changing tastes and fashions, changing life-styles and attitudes, etc.

**Q.7. Explain the basic aspects of entrepreneurship.**

**Or Discuss the various features of entrepreneurship.**

**Ans. Basic Aspects/Features of Entrepreneurship**

Major features of entrepreneurship are as follows :

1. **Risk-taking** : Starting a new venture always involves a lot of risks. Similarly, trying for doing something new or different is also risky. Thus, the environment of entrepreneurship is uncertain and therefore full of risks. These risks take a variety of forms, depending on the field of effort of the entrepreneur, but they usually centre around financial, psychological, and social areas. Hence, an entrepreneur needs to be bold and courageous enough to assume the risks involved in attempting a new venture. He has to remember and follow the Japanese proverb: "Fall seven times, stand up eight."
2. **Devotion of time and effort** : Entrepreneurship requires the devotion of necessary time and effort. Only those who go through the entrepreneurial process understand and appreciate the significant amount of time and effort it takes to create something new and make it operational to be of value both to the entrepreneur and the consumer.
3. **Purposeful Innovation** : Innovation is the specific instrument of entrepreneurship. Innovation means changing the yield of resources or changing the value and

satisfaction obtained from resources by the consumer. Such a change in yield or value and satisfaction is brought about through a process of doing useful new things. Creativity is a prerequisite for innovation. Creativity means the 'ability to conceive or think of some useful new thing.' Whereas, innovation is 'doing some useful new thing.' Hence, creativity provides the needed basis for innovation.

According to Peter Drucker, "Systematic innovation consists in the purposeful and organized search for changes, and in the systematic analysis of the opportunities such changes might offer for economic and social innovation." Innovation is the knowledge base of entrepreneurship. Innovation may occur in various forms such as: introduction of a new product, a new method of production, opening of a new market, finding a new raw material or a new source of supply of such material, developing a new organization, etc. In essence, innovation is creating something new of value. The creation has to have value to the entrepreneur as well as to the consumer for whom it is developed.

4. **Rewards** : Entrepreneurship tends to be risky and risk involves rewards-the higher the risk, the more the rewards. The most important of these rewards for an entrepreneur is independence or autonomy. Other rewards for him include profits (money), personal (job) satisfaction, achievement, and opportunity. It may be noted that for an entrepreneur who actually starts his own business, the experience is filled with enthusiasm, frustration, anxiety, and hard work. There is a high failure rate in the field of entrepreneurship due to such things as intense competition, poor sales, poor organization, lack of managerial ability, lack of capital, and a tedious network of tiring licensing procedures and government formalities. In addition, the financial and emotional risks can also be very high. Then, what causes an entrepreneur to take a decision of starting a new venture The answer lies in the aforesaid rewards.

**Q.8. Discuss the term 'Intrapreneurship'.**

**Ans. Meaning of Intrapreneurship**

According to Giffard Pinchot, "Intrapreneur is an entrepreneur within an already established organization." He says that 'intrapreneurship' is connected with the innovation that leads to new corporate divisions or subsidiary ventures in established, larger firms. Intrapreneurship is also called "corporate entrepreneurship" or "intra-corporate entrepreneurship." Eminent researcher Hans Schollhammer has used the term "intra-corporate" entrepreneurship for corporate entrepreneurship. In his view, an entrepreneurial event does not take place when formal organization is involved in traditional research and development, unless individuals can work independently to create a new venture while sharing both risks and rewards. Corporate entrepreneurship does take place when new products or services are explicitly supported with company resources, and when employees are responsible for championing their innovations. More precisely, these individuals have the opportunity to work independently, are given tremendous latitude, and are expected to generate a new "unit" to extend corporate activities. These new units may take the form of divisions, subsidiaries, or entirely new entities having corporate capital backing.

In essence, intrapreneurship or corporate entrepreneurship is the process of encouraging innovation within existing companies through motivated employees who are supported with company resources.

Thus, the concept of corporate entrepreneurship does not exclude those managers in large organizations from being entrepreneurs, who combine resources of the company in unusual ways to create innovative new products or services. Hence, under corporate entrepreneurship concept, the manager creating innovative new things are also treated as entrepreneurs. In fact, there is no exact definition of corporate entrepreneurship, but various perceptions exist.

On one side of the opinions, there are those experts who argue that corporate entrepreneurship is a play on words and a contradiction in terms. The reason cited is that entrepreneurs make personal investment, assume risk and own rewards; whereas, there is little evidence, of corporate managers risking personal investment capital to champion a corporate innovation. In other words, they are salaried employees of a company who innovate but take little or no personal risk in the process, and they seldom reap the rewards for their achievements-in fact, rewards are owned by the company itself. Hence, corporate managers cannot be called entrepreneurs and therefore corporate entrepreneurship does not exist.

On the other hand of the opinion, there are those experts who praise corporate entrepreneurs in heroic terms as "corporate commanders" who alter the course of their companies through hard innovation. They are called courageous souls who risk their career for little compensation, championing new ideas as mavericks bent on smashing the status quo. However, they behave this way while they are protected in their jobs and have access to corporate resources. ['Maverick' is a person of independent or unorthodox views.]

Thus, intrapreneurship or corporate entrepreneurship (i.e., entrepreneurship-innovation-within an existing business unit) is a debatable issue. However, generally it is held by a large number of experts that corporate entrepreneurship does exist.

**Q.9. Differentiate between an entrepreneur and a manager.**

**Ans. Difference between Entrepreneur and Manager**

Following are the main differences between entrepreneur and manager :

1. **Meaning** : An entrepreneur is a person who strives for creating something new of value, organizes resources, assumes risks, and owns the rewards. A manager is a person in an organization, who directs and controls other people so that they work in concerted efforts, and who maintains a suitable balance among conflicting forces for efficiently accomplishing the predetermined goals under given environment.
2. **Position exchange** : An entrepreneur can be a manager also, whereas a manager cannot be an entrepreneur in usual cases. If a manager innovates some new products or services for his organization, he may become an intrapreneur, but not an entrepreneur.
3. **Motivation** : The significant motivations of an entrepreneur for taking risks are: independence or autonomy, money, achievement, personal (job) satisfaction, and opportunity; whereas the major motivations for a manager are pay raises, promotion, recognition, and, sometimes, achievement.
4. **Innovation** : An entrepreneur acts as an innovator and creates new things and ways of value for satisfying the ever changing needs and requirements of the consumers. He also acts as a 'change-agent' and persuades the consumers to change their demands in favour of the entrepreneur's new inventions. Whereas, a manager simply executes the plans and programmes as chalked out by the owner of the organization. Thus, a

manager ordinarily translates the ideas of an entrepreneur into practical shape. He is more concerned with running things properly to achieve given targets.

5. **Risk-taking** : An entrepreneur is a moderate risk taker. He acts in uncertain environment and assumes risks-financial, psychological, and social. He risks his personal capital investment as well as the loan capital taken from outside sources. On the contrary, a manager is a salaried employee and therefore he does not assume any risk of business.
6. **Rewards** : Since an entrepreneur assumes risks, he also own their rewards in the form of business profits and gains, which are by nature irregular and uncertain. Whereas, a manager gets salary as reward for his services rendered to the organization. Salary is by nature regular and certain.
7. **Strategic orientation** : An entrepreneur is driven by perception of opportunity, whereas a manager is driven by organizational resources currently available and controlled.
8. **Commitment to opportunity** : The commitment of an entrepreneur to the opportunity is revolutionary with short duration. On the contrary, the commitment of a manager to the opportunity is evolutionary with long duration.
9. **Commitment of resources** : An entrepreneur commits his resources to multi stages with minimal exposure at each stage. In contrast, a manager commits the organizational resources to a single-stage with complete exposure at that stage.
10. **Management structure** : An entrepreneur prefers flat management structure with multiple informal networks, whereas a manager prefers formalized hierarchy based on management theory and reward system.
11. **Control of resources** : An entrepreneur is mostly under pressures of limited resources, the risk of obsolescence, need for flexibility, and the risks involved. Hence he strives to take on rent, or otherwise achieve periodic use of the resources, on as-needed basis. On the contrary, since a manager is rewarded for effective resource management, there is often a drive on the part of the manager to own or accumulate as many resources as possible. The pressures of power, status, and financial rewards cause the manager to avoid rental or other periodic use of the resource.
12. **Getting things done** : A manager simply gets things done through other people, whereas an entrepreneur gets things done in an 'entrepreneurial way.'

While differentiating between an entrepreneur and a manager, Joseph Schumpeter says that a manager is one who deals with day-to-day affairs of a going concern. However, an entrepreneur attempts to change the factor combinations and thus increases productivity and profits. An entrepreneur launches a new enterprise, whereas a manager operates an existing enterprise.

**Q.10. Describe the various types of entrepreneurs as per Clarence Danhof Model.**

**Ans.**

#### **Danhof Model of Classification**

Danhof classifies entrepreneurs into the following four categories or types :

1. **Innovative Entrepreneurs** : An innovative entrepreneur strives to collect all possible information and facts and indulges himself deeply in the proper analysis of the results derived from the gathered information. He is one who carries out the following

activities: sees and avails the opportunity of introducing a new technique or method of production; launches a new product or service; discovers a new market; raises money to establish an enterprise; assembles the various resources and allocates them among properly selected executives; builds the organization, and also reorganizes the enterprise.

It may be noted that innovative entrepreneur can emerge and work only when a certain level of economic development has been achieved by a country and then its people look forward to further change, improvement, and progress. Hence, generally such entrepreneurs are found in developed countries, and only a few in undeveloped countries.

It may further be noted that in Joseph Schumpeter's system, entrepreneurship is essentially a creative activity (an innovation). Hence, Schumpeter's entrepreneur was in fact an 'innovative entrepreneur.'

- 2. Adoptive or Imitative Entrepreneurs :** Such entrepreneurs do not innovate changes themselves. Instead, they adopt or imitate those successful innovations which are created by other 'innovative entrepreneurs'. In other words, imitative entrepreneurs simply and only copy or imitate the new technology or technique or product or service innovated by others. It may be noted that the existence of imitative entrepreneurs is quite purposeful and significant in an undeveloped or a developing country. Such countries attempt to industrialize themselves through establishing small scale industries and decentralizing the industrial structure. Hence, imitative entrepreneurs become important in such economies because they exploit possibilities of launching through imitation those products or services in their own country, which have already been innovatively introduced by innovative entrepreneurs in developed countries. They launch such products and services on a small scale by establishing small enterprises. Thus, they significantly contribute to the economic development of their less developed countries.

When in poor countries, entrepreneurs do not have much financial and other resources needed for original research and development activities that are required for innovations, imitation seems to be the right choice and the only alternative left to imitative entrepreneurs.

- 3. Fabian Entrepreneurs :** Quintus Fabius Maximus was a commander of the Roman Army who believed in delaying tactics and cautions—from his name comes the adjective 'Fabian' thereby meaning "of delaying and cautious approach." Hence, Fabian entrepreneurs are characterized by 'great precaution and scepticism (doubtfulness)' in experimenting or introducing any change in technology or product or market. Moreover, they do not have any will or desire to adopt or imitate new method innovated by innovative entrepreneurs. In fact, such entrepreneurs are very shy, lazy, and fearful of unwanted risks. They are usually satisfied with 'status quo' (current situation). They imitate only when they clearly feel that if they do not imitate then it would be fatal to them and result in a loss of the relative position of the enterprise in their industrial field.
- 4. Drone Entrepreneurs :** 'Drone' means a person who lives off the work of others. Drone entrepreneurs keep themselves away from the innovations made by others. In

fact, they refuse to adopt and use opportunities to make changes in production, either methods or products, even though they may suffer losses or face reduced return relative to other entrepreneurs in the same field of activity. They lag behind others in progress or development and continue to operate on traditional lines without indulging in any kind of changes. Sometimes when their products or services lose marketability and their operations become uneconomical, they are pushed out of the market, but they don't shake off conventional ideas or products.

**Q.11. Classify entrepreneurs on the basis of motivational factors.**

**Ans.** Types of entrepreneurs on the basis of Motivational Factors :

On the basis of motivational factors, the entrepreneurs may be classified into the following three categories or types :

1. **Spontaneous Entrepreneurs** : Such entrepreneurs are motivated immediately by a desire for achievement and self-punishment. They want to achieve something new and which others have not achieved. They want to exploit their own abilities and capacities to the maximum by their excellent performance. Thus, they have inner motivation or self-motivation. In fact, they are natural entrepreneurs in a society. Their strength or force lies in their capabilities and it leads them to launch innovative business ventures. Such entrepreneurs are usually young personalities of the society who cherish a burning desire and an ambition of becoming the 'owner' or 'one's own boss' or 'subordinate to none' in their life.
2. **Motivated Entrepreneurs** : They are motivated by the fact that they possess sufficient resources such as capital, technical skills, or organizing capacity needed for launching an innovative business venture. They also believe to possess initiative and courage to risk their personal capital investment. They are motivated by a keen desire for doing something new or searching out and launching a new product or service or finding a new market. Their secondary motivating factor may be earning good financial rewards.
3. **Induced Entrepreneurs** : Such entrepreneurs are tempted to launch a new business venture due to attractive policy measures taken by the government for promoting entrepreneurship in the country for faster economic development. These measures include : needed assistance, incentives, concessions, simplification of licensing and other procedures, tax holidays, and other facilities like infrastructural support systems, to new business enterprises. Similarly, sometimes import restrictions on certain products or reservation of certain products for Small Scale Sector by the government also persuades such entrepreneurs to establish their new business ventures. Such entrepreneurs are sometimes persuaded (or forced) by their peculiar circumstances to adopt entrepreneurship, such as loss of the employment, inability to find a suitable job, etc.

Entrepreneurs have been classified by Evans into the following three categories, on the basis of their motives (motivations):

- (i) Managing entrepreneurs whose chief motive is security.
- (ii) Innovative entrepreneurs who primarily look for excitement.
- (iii) Controlling entrepreneurs who become entrepreneurs to fulfil their desire for power.



**Q.12. Classify the entrepreneurs on the basis of "to go it alone or share the risks".**

**Ans.**

### **Types of Entrepreneurs**

**On the basis of "to Go It Alone or Share the Risks"** : Entrepreneurs may be of different types on the basis of their preference "to go it alone or share the risks." These include the following ones :

1. **Solo operators** : They essentially work alone or have a few employees. When starting up a business, most people want "to go it alone" due to many apprehensions of "partnerships."
2. **Active partners** : They are basically solo operators who have partners to contribute money to the business but without actively participating in it.
3. **Partners** : They are those entrepreneurs who carry on the business enterprise as a joint activity, all of them actively participating in the firms' operations.
4. **Investors** : Their chief competence is their creativity, inventiveness, and promptness to share the risks. They like to invent the new products, to set up a business for their commercial production, and to market them. They are often ready to make financial investments. However, as they are basically interested in research and often lack in managerial experience or do not have a desire to run a business, they mostly face failures and frustrations.
5. **Challengers** : Such entrepreneurs are those who get into business because of the challenge (risk) it represents. They tend to feel boredom when the business seems to be settled and doing well. Then, they again begin to look for newer challenges.
6. **Buyers** : These entrepreneurs tend to purchase the running business rather than starting it themselves, as it appears them to be less risky and less hazardous.
7. **Lifetimers** : These entrepreneurs see their business as integral to their life. It is a matter of ego satisfaction and personal concern to them to run the business successfully. Family enterprises and businesses depending on exercise of personal skill fall under this category. This class is also called "entrepreneurs by inheritance", because they become entrepreneur when they inherit the family or parental business (and also develop the personal skill found in their parents). In such cases firms are passed from one generation to another.

**Q.13. What are the various stages involved in the entrepreneurial decision process?**

**Ans.**

### **Stages Involved in Entrepreneurial Decision Process**

The various stages involved in the entrepreneurial decision process may be briefly described as follows :

1. **Incubation of an idea to change from present lifestyle** : The first stage of entrepreneurial decision process begins at the point when an individual decides to leave his present career or lifestyle. In fact, such a decision is not an easy one and seems to be difficult. It also takes a great deal of energy and courage to change over to do something new and different, because it may be very risky under the uncertain and complex business environment. Perhaps an even stronger incentive or reason to leave a present lifestyle and create something new is a negative force of disruption. Such a disruption takes place in several situations such as : when a person is retired; when a person's service is terminated by his employer; when an employee is laid off for some

period by his employer; when a young man has completed his educational degree (say, MBA) but is unable to find a suitable job even after his all sincere and hectic efforts and becomes frustrated; and so forth. In such circumstances, people decide to start a new business. Owing to personal disruption, the individuals perceive that launching a new business unit is both desirable and possible and thus they decide to start a new trading concern, partnership firm, or a company.

It may be noted that individuals tend to start new business in the areas which are familiar to them, yet two work environments are supposed to be particularly entrepreneur-friendly. These are : (i) technology, that is, research and development, and (ii) marketing. When individuals work in technology, they develop new product ideas or new production processes. It has been found that when such new ideas are not accepted by their employer, individuals often leave the employment to launch their own new business units. Similarly, when individuals in marketing have become familiar with the market and have identified the unfulfilled needs and requirements of the customers, then they frequently leave to start new enterprises to exploit such a market.

2. **Desirability of new venture formation** : After an individual has decided to leave a career or lifestyle or to fight his personal disruption, he enters into the second stage of entrepreneurial decision process. At this second stage, he perceives and believes that launching a new business unit is desirable. There are several factors that affect his such a perception. These are his culture, subculture, family, teachers, and colleagues or friends. For example, a culture that values an individual who successfully establishes a new business unit will promote more new venture formations than the one that does not do so. It may be noted that such a culture places a high value on being one's own boss and exploit the opportunities to make money. It is further important to note that there are many pockets of subcultures existing within a cultural framework that also support and promote entrepreneurship, that is, forming new business units.

Similarly, individuals are also encouraged and stimulated by their teachers, colleagues, and friends who significantly influence them to regard entrepreneurship (launching a new business unit) as a desirable and viable career path.

3. **Possibility of new venture formation** : When an individual is convinced that launching a new business unit is desirable, thereafter he enters into the third stage of entrepreneurial decision process. In this third stage, he thinks over the likelihood of success in establishing a new business enterprise and decides that there is all likelihood of successfully launching the new venture, exploiting the opportunity, and making money.

At this stage, his thinking centers around the question: What makes it possible to launch a new business unit? There are several factors that contribute to the forming of a new venture, such as individual's background, new product or service, market availability, role models (success stories of other entrepreneurs), finances, and government support.

The individual considers whether he has the necessary background, that is, required formal education and needed previous business experience which provide him the skills wanted to form and manage a new enterprise. He determines whether he has any

new product or service at his hand that can satisfy the unfulfilled needs and requirements of the consumers. He also tries to ascertain whether there is a good market available for his new product or service. As marketing plays a critical role in forming a new enterprise, the individual should confirm whether a market of sufficient size does exist and there are good and effective channels of distribution keeping in view the packaging and price of the new product.

A role model (i.e., an example of another successful entrepreneur) powerfully influences the formation of a new company. His example becomes a strong motivation for the other individual who is deciding to launch a new business unit. To see someone else succeed makes it easier to picture himself in the same position and engaging in a new activity. Sometimes in such a comparison, the individual thinks and finds himself in a much better situation, and therefore determines that there are all possibilities of launching a new business venture "if he could do it, I can do better."

An important point is the possibility of having required financial resources. Most of the start-up money for any new business venture comes from personal savings, credits, friends, and relatives. However, some additional seed capital is often needed. Further, availability of risk-capital also plays a significant role in the growth and development of the new venture.

The government contributes by providing the infrastructure to help and support a new business enterprise, which includes roads, and other transportation systems, communication facilities, utilities, and economic stability. Tax concessions are also allowed to new ventures.

After considering all the 'possibility factors' as above, the individual settles that there are good chances of launching a new business venture.

4. **Decision to establish the new venture :** At this fourth and final stage in the entrepreneurial decision process, the individual finally takes the decision to form the new business venture and prove to be a successful entrepreneur. He clearly identifies the actual business opportunity, the new product or service, and prepares a feasible business plan. He also identifies his entrepreneurial team and his markets and launching timings. At this stage, it is also essential for him to define his business ideology, that is, a system of beliefs about how will he conduct his new enterprise, such as "service first and profits afterwards" or "earning profits through customer satisfaction" or any other thing like this. The individual essentially decides about the form of his new start-up like sole trading concern, partnership firm, or an incorporated company.

**Q.14. Elaborate the following theories of leadership :**

1. **Sociocultural Theory of Entrepreneurship.**
2. **Psychological Theory of Entrepreneurship.**

**Ans. Sociocultural Theory of Entrepreneurship**

Another way to explain the emergence of entrepreneurship is from a sociocultural standpoint as done by the sociologists. They plead that entrepreneurship is most likely to emerge under a specific sociocultural environment. They hold the view that social changes, cultural values, and role expectations are responsible for the emergence of entrepreneurship.

*Thomas Cochran* (1965) says that the entrepreneur represents society's model personality and his performance depends upon his own attitudes towards his occupations, the role expectations of the social groups, and the occupational requirements of the job. According to him, the attitudes and role expectations are mostly determined by the values that are held by the society.

**Max Weber** holds that religious beliefs generate a drive for entrepreneurial growth. *B. F. Hoselitz* (1964) says that culturally marginal (in significant) groups promote entrepreneurship and economic development. Owing to their ambiguous position, they are peculiarly suited to make creative adjustment and thereby develop genuine innovations. It may be noted that in many cases entrepreneur have emerged from a particular socio-economic class. For example, Marwaris and Parsees in India and Samurai in Japan are considered to be the dominant social classes as the source of entrepreneurship.

*Everett Hagen* (1968) conducted a study of the origin and background of entrepreneurs in several countries. He concludes that entrepreneurs have emerged from certain specified communities and castes. Hagen also consider the entrepreneur to be the product of social changes. In many cases, social changes may cause a loss in the status of certain social groups. There are five ways of responding to such a loss of status, that is, retreatism, ritualism, innovation, reformism, and rebellion. Of these, retreatism is the most important in promoting entrepreneurship.

**Randall Stokes** (1974) argues that sociocultural values channel economic action. He says that an individual moves into industrial entrepreneurship due to such conditions as personal and social opportunity, and the presence of the requisite psychological distributions.

**Albert Shepero** (1985) made comparative studies between nations, peoples, and ethnic groups. He also accumulated information from historical trends, and conducted many firsthand interviews with the entrepreneurs. He concluded that individuals open become entrepreneurs by being thrown into situations that force them to fashion their own means of economic livelihood. Immigrants of war or political oppression (like Punjabi refugees from Pakistan to India) fit this model well. Circumstances afford few options for these "displaced persons", who frequently establish independent new ventures. Shapero also found a high correlation between increases in new ventures and rising unemployment. Many individuals become "economically displaced" (unemployed) or find themselves disillusioned with faltering careers a state life-style and therefore usually start a new venture. Similarly, individuals who retire, particularly those who retire early, are seldom ready to quit working. For many out of these, starting a new business is an exciting opportunity.

### Psychological Theory of Entrepreneurship

The advocates of this theory argue that entrepreneurship is most-likely to emerge when a society has a class of individuals who possess specific "psychological" characteristics which motivate them to create new ventures. It is said that the true power of generating and growing any enterprise is 5 per cent technology and 95 per cent psychology."

**Joseph Schumpeter** (1934) suggested that entrepreneur are primarily motivated by a will to reverse to power, a will to establish a private kingdom, or a will to conquer. He describes their main psychological characteristics as follows : (a) An institutional capacity to see things in a way that later on proves to be correct; (b) Energy of will and mind to overcome fixed habits of thought; and (c) The capacity to withstand social opposition.

**David McClelland (1961)** developed a theory to explain the psychological roots of entrepreneurship. He argued that certain needs are learnt and socially acquired as the individual interacts with the environment. Such acquired needs or basic human motives drive individuals towards entrepreneurial activities. He identified three such acquired needs or basic human motives :

- (i) **Need for achievement** : This relates to the desire to do difficult or complex tasks, to do something better or more efficiently, and to solve problems. A person with a high need for achievement, wants to take personal responsibility for building solutions to problems, seeks a challenge, desires immediate and specific feedback on his performance, is objective oriented, is preoccupied with his work, and has a high level of energy to willingly work, and has a high level of energy to willingly work hard. Persons who have high need for achievement tend choose for entrepreneurial activities or position.
- (ii) **Need for power** : This represents the desire to influence or control other people, to be responsible for others, to hold authority over them, and to control one's environment including resources and information. A person with a high need of power, spends considerable amounts of time and energy seeking power, likes to compete with others to come out to be dominant, and enjoys confrontations with others. Such a person comes out to be a successful entrepreneur.
- (iii) **Need for affiliation** : It relates to the desire to establish and maintain friendly and warm relationships with others. As entrepreneurs such persons who have need for application, prove successful in entrepreneurial activities because they may effectively work in groups and with other people whose efforts are necessary for creating new ventures.

**Q.15. Explain the following theories of entrepreneurship :**

1. **Trait Theory of Entrepreneurship.**
2. **Economic Theory of Entrepreneurship.**

**Ans. Trait Theory of Entrepreneurship**

This theory holds that entrepreneurship developed because the individuals called entrepreneur possessed certain specific traits or characteristics or competencies which made them capable of generating new ideas and creating a new venture. The major traits responsible for the emergence of entrepreneurship are said to be creative and innovative skills, propensity to take risks, ability of building on organisation and managing it effectively, perseverance, and foreseeability. Different studies have emphasised different traits.

However, it may be noted that there are opponents of the trait approach. They ask a logical question as to whether those among us who do not choose to be entrepreneur, have similar traits. In other words, they ask can a non-entrepreneur be also achievement oriented, perseverant, creative, and risk taking?

### **Economic Theory of Entrepreneurship**

This theory has been propounded by economists. They are of the on that entrepreneurship and economic growth will take place in those where particular economic conditions are most favourable. The chief advocates of this theory are G. F. Papanek (1962) and J. R. Haris (1970). They hold the view that the economic incentives are the main drive for the entrepreneurial activities. In some cases, individuals, inner drives have always been associated with economic

gains. Therefore, these incentives and gains are regarded as sufficient condition for the emergence of industrial entrepreneurship. M. Kirzner (1973) says that when an individual recognises that the market for a product or service has gone out of equilibrium, he may purchase or produce at the prevailing price and sell to those who are prepared to buy at the highest price. It may be noted that if vigorous entrepreneurship is lacking then various kinds of market imperfections and inefficient economic policies are said to be the main reasons responsible for such lacking, according to the economists.

The economists hold that when favourable economic conditions are prevailing, then entrepreneurship develops at a faster rate and come forward to establish new ventures and bring resources, labour, materials and other assets and put them together to increase their wealth.

It is important to note that under the economic factors are included the following ones: (a) the market incentives which present themselves in the form of new social needs and wants, (b) the existence of sufficient stock of capital to finance new enterprises, and (c) the occurrence of institutions, such as development banks, so as to direct the capital to those who want to use it for entrepreneurial (new) projects.

**Q.16. Explain in detail the critical evaluation of the theories of entrepreneurship.**

**Ans. Critical Evaluation of the Theories of Entrepreneurship**

Each theory of entrepreneurship has been developed from personal perspectives. Hence these differ in their arguments and emphasis on the factors responsible for the emergence of entrepreneurship in a society.

Trait theory proposes that entrepreneurship is the outcome of certain traits found in the individuals which make them successful entrepreneurs. Economic theory holds that entrepreneurship emerges due to the presence of certain economic conditions conducive or favourable to entrepreneurial activities. Sociocultural theory lays emphasis on the view that entrepreneurship develops if a particular sociocultural environment is prevalent. Whereas, psychological theory proposes that certain psychological motives are responsible for the evolution of entrepreneurship.

Thus, each theory ignores the arguments placed by the other theory and lays emphasis on a single factor responsible for the emergence of entrepreneurship. Hence, they have their individual perspective or context. As such, individually all of them are lame and incomplete. All may be right in their own individual perspective, but none of them gives the composite, or "whole" idea of the emergence of entrepreneurship. Hence, there is a need of a comprehensive or integrated theory of entrepreneurship.

An integrated or composite theory of entrepreneurship will propose that instead of a single factor, a set of factors is responsible for generating entrepreneurship—the entrepreneurship is the function (result) of a group of economic, political, legal, social, cultural, psychological, technological, and natural environmental factors. The entrepreneurs make use of certain factors as they exist, while influence some other factors to change in their own favour. Thus, emerges a right kind of environments, based on an integrated scheme of factors, that becomes favourable or conducive to the development of entrepreneurship.

**Q.17. What are the salient features of entrepreneurial class?**

**Ans. Salient Features of Entrepreneurial Class**

There are following significant features or specialities of the entrepreneurial class :

1. **Entrepreneurial Role of Task :** Entrepreneurial class plays the entrepreneurial role as one of gathering and using resources to produce valuable results through their allocation to "opportunities." Entrepreneurial role occurs when resources are redirected to progressive opportunities, and not used to ensure administrative or managerial efficiency alone. This redirection of resources distinguishes the entrepreneurial role from the traditional managerial role of increasing efficiency.
2. **Entrepreneurial Perception and Attitude :** Perception is a thought process that involves the way in which an individual processes an information, like a computer. An attitude is a way of responding or reacting to an idea, object or a challenge. The entrepreneurial class has sharp perception and positive attitude towards opportunities in its environment. Entrepreneurs catch immediate hold of a probable new idea and respond positively to it to create a new venture for giving it a proper shape in the form of a new product or service.
3. **Entrepreneurial Values :** Values are global concepts that guide actions and judgements across a variety of situations. Values are a set of beliefs about various aspects of life. They provide standards that guide behaviour. They are also reflective of a culture or a class and are widely shared by those belonging to that culture or class. They provide the goal and direction to individuals of the class. The entrepreneurial class holds the following significant values: Continuous learning and relearning; Innovativeness; Independence or Autonomy; energetic effort for outstanding performance; and respect for quality work.
4. **Entrepreneurial Personality :** Personality means the overall profile or combination of characteristics that capture the unique or typical nature of a person while he reacts with his environment. Entrepreneurial class has many characteristics which indicate towards entrepreneurial personality. These include: need for achievement; desire for independence and responsibility; risk taking; self-confidence; future oriented and optimistic; organizing capacity; use of feedback; tendency to take initiative; visionary leadership; and internal focus of control-the direction of life is in the hands of a person himself and it is not controlled from outside or by fate.
5. **Entrepreneurial Skills and Strategies :** The entrepreneurial class has some specific skills and strategies such as :
  - (i) Record keeping and financial control over such activities as cash flow, inventory, receivables, customer data, and costs;
  - (ii) Inventory control-control of stocks at optimum (neither too much nor too little);
  - (iii) Ability to interview, hire, evaluate and place employees;
  - (iv) Marketing skills; and
  - (v) Strategic planning skills-skills to plan for both the short term and the long term.

**Q.18. Discuss the internal factors that affect the development of entrepreneurship.**

**Ans. Internal Factors affecting Development of Entrepreneurship**

Following are the major factors that affect the development of entrepreneurship :

1. **Desire to work independently :** This is one of the main reasons responsible for making someone an industrial entrepreneur. This desire to be one's own boss ignites a

fire in the heart of an entrepreneur to establish a new venture in spite of the possibility of several future risks.

2. **Entrepreneurial ambition** : This a combination of ardent and lively desires to take risks to make money, to achieve high social status or prestige, and to form one's own new enterprise. The more the number of such ambitions people in a society the more the pace of development of entrepreneurship.
3. **Forcing or compelling reasons** : These factor force or compel the individuals to choose entrepreneurship career. These include: unemployment; dissatisfaction with the present job or occupation; immigration due to war or political oppression; status withdrawal due to any reason; sufficient funds lying idle with the individual; possession of good technical or professional, qualifications but lack of "proper" service opportunity; retirement especially at an early stage; etc.
4. **Facilitating or supportive reasons** : These are the factors within the personal and social environments of the individual that encourage him to form a new nature. These factors include the following:
  - (i) **Occupational or work experience** : Previous knowledge, experience or association with the similar line of entrepreneurial activity. Such experience encourages the individual to use the same in the formation of a new enterprise.
  - (ii) **Moral support** : Encouragement and assurance of support from family members, friends and relatives.
  - (iii) **Imitative encouragement** : Some individuals are encouraged by several known examples of successful entrepreneurs either in similar cases or even in less favourable situations.

Internal factors make or add to the personality of an entrepreneur and encourage him to choose entrepreneurship as his career. It is certain that without the presence of internal factors an entrepreneurial personality does not appear in an individual and therefore he will not be able to start a new venture. When internal factors are present, the external factors combined with them make a successful entrepreneur and pave the way towards development of entrepreneurship.

**Q.19. What are the external factors that affect development of entrepreneurship?**

**Ans. External Factors Affecting Development of Entrepreneurship**

The external factors that affect the development of entrepreneurship include the following :

1. **Availability of Financial Help** : Availability of financial assistance from banks and other special financial institutions on easy terms is an important external factor that promotes the pace of entrepreneurship.
2. **Availability of Infrastructural Facilities** : Where infrastructural facilities like industrial sheds or developed plots, electricity (power), water, roads, means of local transport, communication facilities, etc., are easily available, individuals are encouraged to go for entrepreneurship or forming new ventures. This is the reason why people are attracted by export promotion zones to establish new enterprises there because such infrastructural facilities are present there.



3. **Support from Government and Other Agencies :** Entrepreneurship is generated at a faster rate if the government policies towards establishment of enterprises are supportive and encouraging. If technical (training) and advisory (guidance) support is available from the government and other concerned such agencies, environment external promotes entrepreneurship. Sometimes people do not want to form new ventures even if they possess other needed resources, because they are dreadful of the lengthy and complex licensing and certification procedures of the government and its various agencies in the field of creation of new enterprises. Some individuals leave the idea of starting a new business enterprise when they face the hazards of getting a required legal licence for the purpose.
4. **Ancillary Support :** Ancillary support means encouragement from big enterprises in the form of their orders for making spare and supplementary or constituent parts of their main products. Where individuals get such orders, they are prompted to use their other resources in creating new ventures for manufacturing and supplying these parts to the big business houses. Many small scale enterprises are completely dependent for their work or operations on the large scale enterprises. Generation and the development of entrepreneurship is primarily dependent on establishment of small enterprises. The larger the number of small enterprises, the more the development of entrepreneurship. It may be noted that entrepreneurship developed by existing big business houses is called "intrapreneurship" and is found in narrow volume.
5. **Entrepreneurial Team :** An entrepreneur does not form a new venture only by himself. He should have a good team of partners, close associates, managerial and work employees, or advisers. If a good entrepreneurial team is easily available, it acts as an added factor for creating new ventures.
6. **Open and Meritocratic Environment :** Open and meritocratic environment in a society becomes the centre of entrepreneurship. This environment promotes a set of attitudes and relationships between individuals and companies of shared interests, shared problems, and shared informations. It encourages horizontal flow of information and joint problem-solving across traditional boundaries. Open environment supports continual experimentation with new technologies, products, markets and applications, and encourages learning from failure-failure is not a stigma. Instead, there is recognition that learning can only happen through failure. Risk taking is a part of open environment. There is cross-fertilisation of ideas and know-how that leads to unanticipated technological recombinations. [The traditional business attitude has been one of secrecy and pursuit of corporate self-sufficiency.] Meritocratic environment welcomes the knowledgeable, experienced, and bright entrepreneurs and helps them through the facilities of its support systems. Thus, an open and meritocratic environment is a very important external factor that affects the generation and development of entrepreneurship.
7. **Products and Markets :** Products and markets are the two dimensions that are extremely important in order to create new business enterprises and develop entrepreneurship. The more the unsatisfied needs and wants of the customer, the more will be the scope for introducing new products and finding new markets. Better range of products and unfed or partially fed markets open large possibilities for

generation of entrepreneurship. Change in customers' preferences, fashions, and requirements always keep the products and markets open for entrepreneurs. They only should have the ability to profit from and react to change-and this is what the same of entrepreneurship is all about.

**Q.20. Discuss the success story of renowned Indian entrepreneur J.R.D. Tata.**

**Ans.**

### **Sucess Story of J.R.D. Tata**

A steel man born in Paris, died in Geneva and made the India is a Karma Bhumi for more than seventy years, he is none other than the J. R. D. Tata (1904-1993). He born in 29-7-1904 and died in 29-11-1993. The Jahangir Ratan Dadabhai Tata is the full name of J. R. D. Tata allies "Jeh". He born in poor Parashi family as a elder son of R. D. Tata and Suni Tata. His father was working with Jamshetaji Tata. The J. R. D's child hood was not very comfortable. The Tata's family had moved to France, Japan and other place for business purposes. JRD has purchased a small aeroplane by worth 1200 £ (Pound) and also taken aeroplane driving license in 10-2-1929. He started civil aviation in India in 1932 and later in 1948 Air India International. JRD Tata's mother tongue was French, he loved the different language. When he settled in India in his early twenties he was decided that he would master in the English language and he proved himself as good in English language. He is always giving smiling look towards the respondent and the respondent feel very happy. He born in Paris, studied in Pairs; Mumbai and Yokohama. He was attended English grammar school for improving his English language. The JRD Tata was the Chairman of largest industrial group in India. Which has producing and serving Steel, Chemical, Electricity, Automobiles, Air transport, Casting production, Indian tube, Agricultural Equipments, Hotels, Tyres, Cement, Investment- venture capital, Machine tools and Bullet proof tin, Soap, Textile, Beauty products, Tea etc. At the beginning of the Second World War, JRD Tata became the President of Tata group having 14 companies and 280 crores turnover. He is first visionary and leading industrialist in India. He has always taken care of rural up-lift-ment and followed business culture. Because of this approach only he can able to create "Tata Culture" in India. JRD Tata had followed social responsibility beyond the welfare for their company employees. JRD Tata was a student and product of two great pennons, one is his father R. D. Tata and another is Jamsetji Tata, the man who brought the Industrial Revolution in India. The JRD Tata is a ambitious businessman. He always thinking beyond the normal things and because of this vision only he became the great businessman in India. Along with his various industries, he established, "Tata Institute of Fundamental Research (TIFR)". Where great scientist havn been developing and contributing to the nation. He had a vision about atomic energy for industrial use and growth. He is a well known businessman and great thinker in the field of business world. He always tries to make happy people in and around him by way of giving smile makes other happy and it does not cost me anything. The same philosophy has adopted in his business field that he has always in surplus or profit with less expenditures. After the death of the father, JRD Tata became the Director of the largest Industrial House of India in 1926. When he was thirty four, then he became the Chairman of the Tata Group of Companies. JRD Tata had focused on good and profit making companies along with social responsibilities. In 1929 he was completed Air Flying education and training and stood first in this flying school. He was the first Indian pilot in those days. At that time; there was the competition to fly from India to England and back solely. He contested for this solo flying Aga Khan Trophy in those days. With this experience, Mr. Nevill Vintcent suggested and own dream to start own airline, JRD Tata was launched Tata Airlines in India. This airline

is the pioneer one and in 1948 it became Air - India International, a joint venture with Indian Government. He launched Air - India with first overseas route from India to London. Then after, over the next thirty years he contributed and developed one of the world's best airlines and the total credit goes to JRD Tata. JRD Tata keeps himself always engaged; he is very sensitive, active, hard working person. He started TELCO, which producing heavy vehicles. In Indian market highest heavy vehicles are produced from TELCO, these vehicles are running on the roads in India. He focused and developed Tata Steels and Tata Sons in his 150 career. He has getting and gave satisfaction by way of developing industries and following corporate social responsibilities. He always keeps fit himself in physical term and in business world. He has interest in playing tennis and golf. He got awards for his life time activities. Especially he got the "Bharat Ratna" award in 1992 from Government of India as a highest Civilian award. JRD Tata was great businessman and social contributor.

**Q.21. Discuss the success story of Mr. Dhirubhai Ambani.**

**Ans. Success Story of Dhirubhai Ambani**

Dhirajlal Hirachand Ambani (Dhirubhai Ambani) was born in a humble household in Chorwad, Junagadh district, Gujarat, on December 28, 1932, to Hirachand Gordhanbhai Ambani and Jamnaben Ambani.

His father, Hirachand Gordhanbhai Ambani, was a rural school teacher, while his mother, Jamnaben Ambani, was a housewife.

Dhirubhai Ambani worked a part-time job after graduating from high school. His first wage, according to Aajtak, was 300 rupees. He became a business tycoon, though, by putting in extra effort and time. Dhirubhai Ambani got married to Kokila and had four children Mukesh Ambani, Anil Ambani, Nina Bhadrashyam Kothari, and Dipti Dattaraj Salgaocar.

Reliance Commercial Corporation began as a polyester company in 1966. The company was renamed Reliance Industries in 1973. Later on, the business expanded to include petroleum and financial services. His two sons, Anil Ambani and Mukesh Ambani took over the company after he died. He died in Mumbai on July 6, 2002, at an age of 69 years.

Dhirubhai Ambani attended Bahadur Khanji School for his early education. In his youth, he took part in anti-Nawab protests in Junagarh and organized several protests against the Nawab's aspirations to join Pakistan after independence.

In 1948, he and his brother Ramnikbhai moved to the Yemeni port of Aden to work for A. Besse and Co. He later worked at the company, selling shell and Burmah oil products.

Mukesh, his first son, was born in Aden on April 19, 1957. Two years later, in 1959, another boy, Anil, was born.

In 1958, he left Aden to try his hand at running his own textiles business in India.

At the age of 16, he relocated to Aden, Yemen, with the support of his brother. He worked at A. Besse & Co, the largest transcontinental trading firm east of Suez, as a petrol pump attendant and later as a bookkeeper. He was elevated to Supervisor because of his highly practical and resourceful intellect. He mastered skills like trade and accountancy while he was there. He came to Mumbai after saving some money to start his own business because he was ambitious and driven.

### **The Onset of Reliance Industries**

Dhirubhai Ambani and his second cousin, Champaklal Damani, co-founded a textile venture "Majin", which began importing yarn and exporting spices to Yemen.



preferences, increasing market competition, etc., are outside the business organisations' power but affect the business performance immensely.

For example, an increase in taxes by the government makes everything expensive in the market; technology changes may make the existing product obsolete, political uncertainty creates fear in the mind of investors, increase in competition in the market due to competitors may affect business profit, and changing in demand and preferences may increase the need for a new product and decrease the demand for old product.

### **Business Environment Definition**

The term "Business environment" is the sum of all conditions, events, and influences that surround and affect business activities and growth.

### **Need of Business Environment Analysis**

The following is the need and importance of environmental scanning :

1. **Identification of strength** : Strength of the business firm means capacity of the firm to gain advantage over its competitors. Analysis of internal business environment helps to identify strength of the firm. After identifying the strength, the firm must try to consolidate or maximise its strength by further improvement in its existing plans, policies and resources.
2. **Identification of weakness** : Weakness of the firm means limitations of the firm. Monitoring internal environment helps to identify not only the strength but also the weakness of the firm. A firm may be strong in certain areas but may be weak in some other areas. For further growth and expansion the weakness should be identified so as to correct them as soon as possible.
3. **Identification of opportunities** : Environmental analyses helps to identify the opportunities in the market. The firm should make every possible effort to grab the opportunities as and when they come.
4. **Identification of threat** : Business is subject to threat from competitors and various factors. Environmental analyses help them to identify threat from the external environment. Early identification of threat is always beneficial as it helps to diffuse off some threat.
5. **Optimum use of resources** : Proper environmental assessment helps to make optimum utilisation of scarce human, natural and capital resources. Systematic analyses of business environment helps the firm to reduce wastage and make optimum use of available resources, without understanding the internal and external environment resources cannot be used in an effective manner.
6. **Survival and growth** : Systematic analyses of business environment help the firm to maximise their strength, minimise the weakness, grab the opportunities and diffuse threats. This enables the firm to survive and grow in the competitive business world.
7. **To plan long-term business strategy** : A business organisation has short term and long-term objectives. Proper analyses of environmental factors help the business firm to frame plans and policies that could help in easy accomplishment of those

organisational objectives. Without undertaking environmental scanning, the firm cannot develop a strategy for business success.

8. **Environmental scanning aids decision-making** : Decision-making is a process of selecting the best alternative from among various available alternatives. An environmental analysis is an extremely important tool in understanding and decision making in all situation of the business. Success of the firm depends upon the precise decision making ability. Study of environmental analyses enables the firm to select the best option for the success and growth of the firm.

### MULTIPLE CHOICE QUESTIONS

**Q.1. Which of these is not a type of entrepreneurship?**

- (a) Small business entrepreneurship      (b) Scalable entrepreneurship  
(c) Large scale entrepreneurship      (d) Intrapreneurship

**Ans.** (d) Intrapreneurship

**Q.2. Which of these actions of an entrepreneur will most likely result in creative destruction?**

- (a) Developing a new product  
(b) Taking over a competitor's business  
(c) Issuing shares to individuals and institutions  
(d) Lowering prices of your product or service

**Ans.** (a) Developing a new product

**Q.3. According to Schumpeter, innovative entrepreneurs would :**

- (a) Thrive in the market  
(b) Not survive and disappear from the market  
(c) Get absorbed within larger innovative businesses  
(d) Get absorbed within non-innovative businesses

**Ans.** (c) Get absorbed within larger innovative businesses

**Q.4. Which of these is not a challenge for the entrepreneur?**

- (a) Managing the cash flow of their business  
(b) Recruiting new employees  
(c) Choosing the product or service to sell in the market  
(d) Formulating rules and regulations relating to conducting entrepreneurship in their country

**Ans.** (d) Formulating rules and regulations relating to conducting entrepreneurship in their country

**Q.5. Which of these theories involve taking a moderate amount of risk as a function of skill and not chance?**

- (a) Need for achievement      (b) Need for affiliation  
(c) Need for authority      (d) Need for independence

**Ans.** (b) Need for affiliation

**Q.6. Which of these is not a category of external forces that affects a business?**

- (a) Competitive forces (b) Technological forces  
(c) Economic forces (d) Socio-economic forces

**Ans. (b) Technological forces**

**Q.7. Which among these is a money manager who is involved in making risk investments from equity capital with the objective of gaining better returns?**

- (a) Entrepreneur (b) Businessperson  
(c) Buyer (d) Venture capitalist

**Ans. (d) Venture capitalist**

**Q.8. Who said that, "Intrapreneur is an entrepreneur within an already established organization"?**

- (a) Philip Kotler (b) M. Brown  
(c) J. Crowley (d) Gifford Pinchot

**Ans. (d) Gifford Pinchot**

**Q.9. The term 'entrepreneur' has been derived from the ..... word 'entreprendre'.**

- (a) English (b) Latin  
(c) French (d) None of these

**Ans. (c) French**

**Q.10. Who said that, "entrepreneur is an individual who forms an organisation for commercial purpose who is a capitalist"?**

- (a) R. Cantillion (b) Adam Smith (c) Jean Say (d) None of these

**Ans. (b) Adam Smith**

**Q.11. According to ....., "Intrapreneur is an entrepreneur within an already established organisation".**

- (a) Adam Smith (b) Philip Kotler  
(c) James Willey (d) Gifford Pinchot

**Ans. (d) Gifford Pinchot**

**Q.12. What is the purpose of a feasibility study for starting a new venture?**

- (a) Exploring for potential customers  
(b) Estimate sales  
(c) To understand if there are any barriers to success  
(d) None of the above

**Ans. (c) To understand if there are any barriers to success**

**Q.13. An entrepreneur who is the owner of more than one business is called :**

- (a) Portfolio Entrepreneur (b) Intrapreneur  
(c) Corporate Entrepreneur (d) None of these

**Ans. (a) Portfolio Entrepreneur**

**Q.14. Which of the following is a psychological factor affecting entrepreneurial growth :**

- (a) Legitimacy of entrepreneurship (b) Social status  
(c) Need for achievement (d) None of these

**Ans. (c) Need for achievement**

**Q.15. The entrepreneur who does not change the method of production already introduced is :**

- (a) Drone entrepreneur (b) Fabian entrepreneur  
(c) Classical entrepreneur (d) None of these

**Ans.** (a) Drone entrepreneur

**Q.16. Person who works within an organization and having entrepreneurial capabilities is :**

- (a) entrepreneur (b) intrapreneur  
(c) manager (d) chief executive

**Ans.** (b) intrapreneur

**Q.17. Who introduced the term intrapreneur :**

- (a) Schumpeter (b) Peter Drucker  
(c) David McClelland (d) Gifford Pinchot

**Ans.** (d) Gifford Pinchot

**Q.18. Which of these is not a environmental barrier to entrepreneurship :**

- (a) lack of skilled labour (b) custom of people  
(c) lack of fund (d) lack of infrastructure

**Ans.** (b) custom of people

**Q.19. Which of these is a social barrier to entrepreneurship :**

- (a) low status (b) custom of people  
(c) Both (a) and (b) (d) None of these

**Ans.** (c) Both (a) and (b)

**Q.20. .... is a combination of knowledge, skills and appropriate motives that an individual must possess to perform a given task.**

- (a) persistence (b) initiative (c) competency (d) creativity

**Ans.** (c) competency

**Q.21. If an entrepreneur takes decisions on behalf of their enterprise, it is known as :**

- (a) Routine decisions (b) Strategic decisions  
(c) Organisational decisions (d) Personal decisions

**Ans.** (c) Organisational decisions

**Q.22. Entrepreneurship Development Program is helpful for :**

- (a) First-generation entrepreneurs (b) Future generation entrepreneurs  
(c) Existing Entrepreneurs (d) None of these

**Ans.** (a) First-generation entrepreneurs



## UNIT-II

# Entrepreneurship Development Programmes (EDP)

### SECTION-A (VERY SHORT ANSWER TYPE QUESTIONS)

**Q.1. What do you mean by entrepreneurship development programmes?**

**Ans.** Entrepreneurial or Entrepreneurship Development Programmes (EDPs) may be defined as an action plan to create an entrepreneur with achievement motivation, who can develop business, can take strategic decisions, can cope successfully with the internal and external environment and can bear the risk of investment. It is an entrepreneurial training programme.

The EDPs embrace all aspects of business creation, risk-taking, management and the initiative for the socio-economic development and creation of a business culture among the community.

**Q.2. "Entrepreneurs are born and not made". Do you agree? Explain.**

**Ans.** "Entrepreneurs are born and not made" no longer holds good. It is now possible through EDP to assist an interested person to motivate him to become a successful entrepreneur and train him in required entrepreneurial characteristics or competencies. EDPs involve a variety of training programmes and associated service activities. They assume great significance as they cater to the requirements specifically of each person or of homogenous groups of persons. Thus EDPs assume great role and importance in entrepreneurship development.

**Q.3. Write two main objectives of EDPs.**

**Ans.** Following are the two main objectives of EDP :

- (i) To prepare the entrepreneur to bear the unexpected business risks for a long time after training.
- (ii) To develop a broad vision and provide visionary leadership to his enterprise—to see the "big picture" (whole) of the business and to foresee the future and establish a "fit" between the two.
- (iii) To make entrepreneurs subscribe to industrial democracy and employee welfare.

**Q.4. Discuss the sustaining phase of EDP.**

**Ans.** This phase includes some of the following functions :

- (i) Modernisation of units,
- (ii) Diversification, expansion or product substitution,
- (iii) Assistance in improving business and profitability,
- (iv) Creation of need based common facility center,

- (v) Deferred repayment/interest,
- (vi) Product standardisation and testing services,
- (vii) Additional finances for rehabilitation of units.

**Q.5. Explain the three major features of EDP.**

**Ans.** The significant features of EDPs may be discussed as follows :

1. **Selection of Entrepreneurs** : EDPs identify and carefully select person for entrepreneurial training.
2. **Entrepreneur Capabilities** : EDPs develop the required entrepreneurial capabilities of the trainees for making them successful prospective entrepreneurs.
3. **Managerial Skills** : EDPs equip the trainees with basic managerial understanding and skills-conceptual, analytical, human, administrative and technical skills.

**Q.6. What are small Industries Services Institutes (SISIs)?**

**Ans.** The Small Industries Services Institutes (SISIs) are set up to provide consultancy and training to small entrepreneurs-both existing and prospective. The activities of SISIs are coordinated by the Industrial Management Training division of the DCSSI's office. There are 28 SISIs and 30 branch SISIs set up in State capital and other places all over the country.

**Q.7. What is meant by women entrepreneur?**

**Ans.** Women Entrepreneurs means the women or a group of women who initiate, organize and operate a business enterprise.

A woman entrepreneur is therefore a confident, creative and innovative woman desiring economic independence individually and simultaneously creating employment opportunities for others.

**Q.8. Mention the major types of business which are suitable to the women entrepreneurs.**

**Ans.** Generally, the following three types of business are suitable to the women entrepreneurs :

1. Manufacturing a product for direct sale in the market.
2. Manufacturing a product or a part of the product to meet the short term or long-term order of a large industrial company, and
3. Operating purely as a sub-contractor of raw materials supplied by the customers. Generally, the last two types industry or business are known as ancillaries. The women entrepreneurs prefer to deal in consumer goods which have always a demand in the market.. They prefer to deal in intermediate goods which are used in the production of other products and mostly they are manufactured to the orders of large companies.

**Q.9. Give main suggestions for the development of women entrepreneurs.**

**Ans.** Following are the few suggestions for the development of women entrepreneurs :

1. Women should be considered as a specific target group for all developments.
2. Government should provide better educational facilities and schemes.
3. More Governmental schemes should be launched to motivate women entrepreneurs to engage in small scale and large-scale business ventures.
4. Adequate training programme has to be conducted for the women entrepreneur.

5. Continuous monitoring and improvement of training programmes is essential for grooming women entrepreneurs.
6. Making provision of marketing and sales assistance from government part.

**Q.10. Discuss marketing problem as a barrier in the path of women entrepreneurs.**

**Ans.** Marketing problem refers to the problems of women entrepreneurs in marketing their products or services. Lack of mobility and heavy competition in the market makes the women entrepreneurs dependent on middlemen. Middlemen take a huge amount of money to market the products. Women entrepreneurs lack information on changing market and find it difficult to capture the market and make their products popular.

**Q.11. Discuss the nature of women entrepreneur.**

**Ans.** The term 'women entrepreneur' deals with that section of the female population who venture out into industrial activities i.e. manufacturing, assembling, job works, repairs/servicing and other businesses.

The Government of India has treated women entrepreneurs of a different criteria-level of women participation in equity and employment position of the enterprise.

Women entrepreneurs have taken initiative in promoting and running an enterprise by having a controlling interest in that particular enterprise.

## SECTION-B (SHORT ANSWER TYPE QUESTIONS)

**Q.1. What are the major objectives of Entrepreneurship Development Programmes (EDPs)?**

**Ans.**

### Objectives of EDPs

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

1. Develop and strengthen the entrepreneurial quality, i.e. motivation or need for achievement.
2. Analyse environmental set up relating to small industry and small business.
3. Select the product.
4. Formulate proposal for the product.
5. Understand the process and procedure involved in setting up a small enterprise.
6. Know the sources of help and support available for starting a small scale industry.
7. Acquire the necessary managerial skills required to run a small-scale industry.
8. Know the pros and cons in becoming an entrepreneur.
9. Appreciate the needed entrepreneurial discipline.
10. Besides, some of the other important objectives of the EDPs are to :
  - (i) Let the entrepreneur himself/herself set or reset objectives for his/her enterprise and strive for their realization.
  - (ii) Prepare him/her to accept the uncertainty in running a business.
  - (iii) Enable him/her to take decisions.
  - (iv) Enable to communicate clearly and effectively.
  - (v) Develop a broad vision about the business.

**Q.2. Discuss the importance of women entrepreneurs.**

**Ans. Importance of Women Entrepreneur**

In modern days, women entrepreneurs are playing a very important role in business, trade or industry. Their entry into business is of recent origin. Women have already shown their vital role in other spheres like politics, administration, medical and engineering, technical and technological, social and educational services. This is true in advanced countries and now in recent years, they have been entering into these fields in our country. Their entry into business is a recent phenomenon in India.

It is an extension of kitchen activities. In certain businesses, women entrepreneurs are doing exceedingly well and even they have exceeded their male counterparts. Women are successful not only in law, science, medical, aeronautics and space exploration and even in police and military services, but now they are showing their might even in business and industry. They have proved that they are no less than men in the efficiency, hardwork, or intelligence, provided they are given proper scope.

**Q.3. Discuss the main entrepreneurial traits of women entrepreneurs.**

**Ans. Main Entrepreneurial Traits of Women Entrepreneurs**

Following are main entrepreneurial traits of women entrepreneurs :

1. **Imagination** : It refers to the imaginative approach or original ideas with competitive market. Well planned approach is needed to examine the existing situation and to identify the entrepreneurial opportunities. It further implies that women entrepreneurs have association with knowledgeable people and contracting the right organisations offering support and services.
2. **Attribute to Work Hard** : Enterprising women have further ability to work hard. The imaginative ideas have to come to a fair play. Hard work is needed to build up an enterprise.
3. **Persistence** : Women entrepreneurs must have an intention to fulfil their dreams. They have to make a dream translated into an enterprise. Studies show that successful women have worked hard. They persisted in getting loan from financial institutions and other inputs. They have persisted in adverse circumstances and in adversity.
4. **Ability and Desire to Take Risk** : The desire refers to the willingness to take risk and ability to the proficiency in planning, making forecast, estimates and calculations. Profits are the reward of risk. Enterprising women take risk but the risk is well calculated. It offers challenges where chances of survival and failure are on equal footing.

**Q.4. What are the major motivating factors which influence a woman entrepreneur?**

**Ans.** There are four motivating factors which influence a woman entrepreneur :

1. **Recognition** : A woman entrepreneur is motivated by recognition in respect of admiration, regard, esteem and celebrity. It is communication tools that reinforces and rewards the most important outcomes entrepreneurs create for the business.
2. **Influence** : It is the capacity or power of a person to be a compelling force on or produce effects on the actions, behavior, opinions, etc., of others.
3. **Internal** : It is the main factor which motivates businesswomen. It is the internal factors which are very much important for the motivation. It includes creativity, respect, and happiness of other people.

4. **Profit** : It is not the true motivation which influences an entrepreneur. Welfare of the employees, payment of tax to the government, is indirectly improving the living conditions of the entrepreneur. Thus the real motivation for Apple to create and sell popular products like ipod, iPhone and ipad is probably not money, but the interest.

**Q.5. Explain the role of woman entrepreneurs in society.**

**Ans. Role of Woman Entrepreneurs in Society**

As per Pandit Jawaharlal Nehru, "When women moves forward, the family moves, the village moves, and the nation moves."

Women entrepreneurship has been recognized as an important, untapped source of economic growth during the last decade. With the spread of education and awareness, Indian women have shifted from the extended kitchen, handicrafts, and traditional cottage industries to non-traditional, higher level of activities.

In the new industrial policy, the government has laid special emphasis on the need of conducting special entrepreneurial training programs for women to enable them to start their own ventures. Financial banks and institutions have also set up special cells to assist women entrepreneurs. This has helped the women a lot in taking up the entrepreneurial activity in India.

Estimates in Europe (both European Union countries and other), indicate that there exist more than 10 million self-employed women and in the United States 6.4 million self-employed women providing employment for 9.2 million people and creating significant sales. Women entrepreneurs not only create new jobs for themselves, but also provide jobs to others. However, the participation of women entrepreneurs is less than male entrepreneurs.

**Q.6. Discuss the evaluation of entrepreneurial development programme.**

**Ans. Evaluation of Entrepreneurial Development Programme**

Evaluation of EDPs begins with an assessment of philosophy or the central objective of the programme. The agency conducting the programme must be clear about the purpose underlying entrepreneurial development.

The objective may be to increase the production, to help the entrepreneur for selection of the product or project and for formulation of the project, to uplift certain people, to appreciate the needed social responsibility etc.,

Evaluation of EDPs means to check :

1. How these programmes do their work properly or not,
2. How many problems are faced by these programmes at the time of implementation?

**Q.7. Discuss the Small Scale Industries Board (SSIB).**

**Ans. Small Scale Industries Board (SSIB)**

The Government of India constituted a Board, namely, Small Scale Industries Board (SSIB) in 1954 to advise on the development of small scale industries in the country. The SSIB is also known as Central Small Industries Board. The range of developmental work in small scale industries involves several departments/ministries and several organs of the Central/State Governments. Hence, to facilitate co-ordination and inter-institutional linkages, the Small Scale Industries Board has been constituted. If is an apex advisory body constituted to render advice to the Government on all issues pertaining to the development of small-scale industries. The Industries Minister of the Government of India is the Chairman of the SSIB. The SSIB comprises of 50 members including State Industry Minister, some Members of

Parliament, Secretaries of various Departments of Government of India, financial institutions, public sector undertakings, industry associations and eminent experts in the field.

**Q.8. What do you know about Mahila Udyog Nidhi?**

**Ans. Mahila Udyog Nidhi**

This is a special scheme for the purpose of meeting the gap in the equity when women with inadequate resources venture come out to set their units. The scheme is re-finance scheme operated through State Financial Corporations and Scheduled Commercial Banks. Funds provided under the scheme are treated as equity for calculation of Debt Equity Ratio to satisfy the needs of the lending Institutions.

The scheme provides a soft loan up to 25 percent of cost of Project subject to a maximum of Rs. 2.5 lakh per project at zero interest but a service charge of only one percent is charged to meet expenses of the lending institutions. To avail this assistance the cost of project should not exceed Rs. 10 lakhs. The assistance is available to women entrepreneurs setting up new projects, expansion, modernisation, technology up gradation and diversification of an existing unit and also for rehabilitation of viable sick units in manufacturing or service sector.

**Q.9. Suggest various measures of strengthening women entrepreneurship.**

**Ans. Measures to Strengthen Women Entrepreneurship**

The following measures can strengthen self-employment, which will generate additional income leading to economic independence of women :

1. Identification and organization of innovative and high income generating activities suitable for woman.
2. Development of entrepreneurship abilities of women by organizing special types of training.
3. Encouraging women through formal and non-formal education to involve themselves in the entrepreneurship effective planning at the micro level.
4. Adequate representation of women experts in case of women related development planning.
5. Central and state governments to place more emphasis on untouched areas to involve women.
6. Government can establish a separate mechanism at the central, state and district levels to look after women's empowerment and their problems.
7. Establishment of supervisory bodies to monitor the implementation of constitutional provisions related to women.

**Q.10. What is meant by Small Industries Development Corporations (SIDCO).**

**Ans. Small Industries Development Corporation (SIDCO)**

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

1. It makes provision of constructed sheds/plots in industrial estates. These are sold to entrepreneurs on hire-purchase basis or given on rental basis.
2. Assistance in procuring some scarce key raw materials like iron and steel, paraffin wax, potassium chlorate, Fatty Acids, etc., through its various distribution centres.
3. Financial assistance in the form of subsidies to industrial units in backward areas like Central Investment subsidy, state capital subsidy. Interest-Free sales tax loans, power

tariff subsidy and margin money assistance for the rehabilitation of the sick small scale industries.

4. Marketing assistance to small entrepreneurs.

**Q.11. What is meant by National Small Industries Corporation Ltd. (NSIC)? What are its major functions?**

**Ans. National Small Industries Corporation Ltd. (NSIC)**

The National Small Industries Corporation Ltd. (NSIC), an enterprise under the Union Ministry of Industries, was set up in 1955 to promote, and foster the growth of small scale industries in the country. NSIC provides a wide range of services, predominantly promotional in character to small scale industries.

**Functions of NSIC :** Its main functions are :

1. To provide machinery on hire-purchase scheme to small scale industries.
2. To provide equipment leasing facility.
3. To help in export marketing of the products of small scale industries.
4. To develop proto-type of machines and equipments to pass on to small scale industries for commercial production.
5. To distribute basic raw material among small scale industries through raw material depots.
6. To help in the development and upgradation of technology and implementation of modernisation programmes of small scale industries.

## SECTION-C LONG ANSWER TYPE QUESTIONS

**Q.1. What are the major phases of Entrepreneurship Development Programme?**

**Ans.** The entrepreneurship development programme (EDP) normally runs through three important phases followed by EDP evaluation :

1. **Initial Phase :** This phase includes the activities and the preparations required to launch the training programme. The main activities of this phase are : (a) Arrangement of Infrastructure for training (b) Preparation of training syllabus and application form (c) Tie up of guest faculty (d) Designing tools and techniques for selecting the trainees (e) Formation of selection committee (f) Publicity campaign for the programme Thus, initial stage involves the identification and selection of potential entrepreneurs and providing initial motivation to them.
2. **Training Phase :** In this phase the training programme is implemented to develop motivation and skills among the participants. The objective of this phase is to bring desirable changes in the behaviour of the trainees. The trainers have to judge how much, and how far the trainees have moved in their entrepreneurial pursuits. A trainer should see the following changes in the behaviour of participants. (329) :
  - (a) Is there any change in his entrepreneurial outlook, role and skill?
  - (b) Is he motivated to plunge for entrepreneurial venture and risk that is expected of an entrepreneur?
  - (c) What kind of entrepreneurial behaviour does the trainee lack?

- (d) Does he possess the knowledge of technology, resources and other related entrepreneurial knowledge?
- (e) Is he skilful in choosing the right project, mobilising the right resources at the right time?

3. **Post-Training or Follow-up Phase :** Under this phase it is assessed that how far the objectives of the programme have been achieved. Monitoring and follow up reveals drawbacks in the earlier phases and suggests guidelines, for framing the future policy. In this phase infrastructural support, counselling and assistance in establishing new enterprise and in developing the existing units can also be reviewed.

**Q.2. What are the major problem faced by entrepreneurship development programme in India?**

**Ans. Problems Faced by EDPs**

Following are the major problems faced by EDPs :

1. **Lack of National Level Policy :** There is no suitable national level policy in India for entrepreneurship development. The Government did not formulate and enforce a policy for the promotion of entrepreneurship. Because of that the entrepreneurship development programmes faced many problems at the time of their organization.
2. **Difficulty in Pre-Training Phase :** It is also stated that there is ill-planned training methodology inconsistency during that phase, its content sequence, theme and the focus of the programme is not clear. There are large number of problems in that phase such as identification of business opportunities, finding and locating target group, selection of trainee and trainers etc.
3. **Over Estimation of Trainees :** There are over estimation of trainees by assuming that the trainees have aptitude for self-employment and training will motivate and enable the trainees in the successful setting up of their enterprise.
4. **Time Period of EDPs :** The duration period of these EDPs varies between 4 to 6 months, which is too short a period to instill basic managerial skills in the entrepreneurs. In that short period the trainees cannot develop their skills those are important for a successful entrepreneurs.
5. **Lack of Infrastructure Facility :** These programmes are conducted in the rural and backward areas. In that area there are many problems regarding class rooms, guest speaker etc., so that we can say that the EDPs faced many problems such as - no proper infrastructure facility.
6. **Wrong Selection Procedure :** Because of competition, the institutions not follow uniform method for the selection of trainees or prospective entrepreneurs. Some of institutions are still debating whether to have a proper identification and selection of entrepreneurs for preparing successful entrepreneurs.
7. **Absence of Competent Management or Faculty :** Experience revealed that entrepreneurial failures are mostly due to incompetence faculty and management. There is a problem of non-availability of competent teachers and even they are available, they are not prepared to take classes in the rural and backward areas.



8. **Non-Availability of Inputs** : Non-availability of various inputs i.e., raw materials, power etc., with poor follow up by the primary monetary institutions resulted failing in the entrepreneurship development programmes.

**Q.3. What are the major factors that influence women entrepreneurship?**

**Ans. Factors Influencing Women Entrepreneurship**

Following are the major factors that influence women entrepreneurship :

1. **Family Culture and Traditions** : Family culture and traditions influence entrepreneurship. Women entrepreneur will remain entrepreneur if its family tradition is so or if she belongs to a pioneer entrepreneur.
2. **Geographical Factors and Social Factors** : The society the state and the area to which she belongs also influence the entrepreneurship. If she is a Punjabi or Gujrati belonging to their respective state, will become entrepreneurs.
3. **Caste System** : The caste system also influences as a women who is Sindhi may start a business at an early stage as in their caste or communities it is a trend.

**Government aids and policies** : Government can never increase entrepreneurship, it always helps an entrepreneur. A capable person only can become entrepreneur even if she gets aids or adopts policies to start a venture.

4. **Government can help Poor Class People with Reservations** : Government help can be of significance if entrepreneur takes its help for logical conclusions. But for this, caliber of an entrepreneur is also seen.
5. **Inherent Capabilities and Efficiency** : Capabilities to withstand the competition with males requires guts and dare to become an entrepreneur. Females require same capabilities as that of males. They get benefit of being females only when the service has to be rendered to women only like in hospitals etc. Capabilities influence the entrepreneurship but efficiency is also required as if the person has capability to become an entrepreneur but if she is not efficient to run the venture she cannot become a better entrepreneurship.

(i) **Push Factors** :

- (a) Death of bread winner
- (b) Permanent inadequacy in income of the family
- (c) Sudden fall in family income

(ii) **Pull Factors** :

- (a) Need and perception of Women's Liberation, Equity etc.
- (b) To gain recognition, importance and social status.
- (c) To get economic independence
- (d) To utilize their free time or education
- (e) Women's desire to evaluate their talent

There are four motivating factors which influence a woman entrepreneur :

1. **Recognition** : A woman entrepreneur is motivated by recognition in respect of admiration, regard, esteem and celebrity. It is communication tools that reinforces and rewards the most important outcomes entrepreneurs create for the business.

2. **Influence** : It is the capacity or power of a person to be a compelling force on or produce effects on the actions, behavior, opinions, etc., of others.
3. **Internal** : It is the main factor which motivates businesswomen. It is the internal factors which are very much important for the motivation. It includes creativity, respect, and happiness of other people.
4. **Profit** : It is not the true motivation which influences an entrepreneur. Welfare of the employees, payment of tax to the government, is indirectly improving the living conditions of the entrepreneur. Thus the real motivation for Apple to create and sell popular products like ipod, iPhone and ipad is probably not money, but the interest.

**Q.4. Explain the various factors responsible for increasing the level of female entrepreneurship in India.**

**Ans. Factors responsible for Increasing Level of Female Entrepreneurship in India**

Following are the major factors responsible for increasing the level of female entrepreneurship in India :

1. **Nature of Entrepreneurship** : Women enter into entrepreneurial activity because regular employment does not provide them with the flexibility, control or challenge offered by business ownership.
2. **Empowerment** : Indian women are becoming more empowered now-a-days. Legislations are being progressively drafted to offer them more opportunities at various levels.
3. **Social Conditions** : For women, in particular, the relatively high involvement in necessary entrepreneurship indicates that self-employment is used as a way to circumvent institutional and cultural constraints with respect to female employment, as well as a way to provide supplemental family income.
4. **Literacy and Education** : Increased levels of education have played a crucial role in initiating the process of entrepreneurship. It is not only the illiterate that are starting the businesses but those with education and skills are also exploiting profit opportunities.
5. **Multitask Oriented** : Women are known for juggling many tasks at the same time and still producing excellent results. A woman can talk on the phone, open and read her email and schedule what else she needs to finish for the rest of the day all at the same time. Men have more trouble with this multitasking thing; therefore sometimes they miss many opportunities.
6. **Being Patient with the Process** : This is an extremely important attribute for entrepreneurs to have. Too often we hear of visionary entrepreneurs who tried to start their businesses and after a few months gave up. Very often we find these entrepreneurs gave up on their dreams too soon. They became impatient with the process. Women know naturally that you must wait in order to receive positive outcomes.
7. **Branding and Marketing Themselves** : Women are natural marketers. They are so passionate and enthusiastic about what they choose to do that they just do not stop

talking about it. They don't forget to emphasize the benefits of their services to their potential customers. They understand how to emphasize the positive.

8. **Collaborator** : Women entrepreneurs are becoming more and more successful because they are natural collaborators and love doing project together. When they find likeminded women whom they like and think they can accomplish something with by combining their talents they do it. A collaborative spirit and attitude reigns with women a competitive attitude is rarely seen and considered unsavory when witnessed. Women do work they love to do and they feel great when they can do it with other women.
9. **Structural Shift** : One of the primary drivers is a structural shift. Women are now a greater part of the economic make-up of society; there are more women in the workforce. They are resourceful, leaving the workforce to stay home and raise a family, re-entering when the kids are grown or working a flex schedule when their kids go to school.
10. **It's the Blend** : One of the biggest reasons women entrepreneurs are now in the forefront is their desire to blend career and life ambitions. Their personal goals are oftentimes meshed with career goals. They put their passions into practice and it shines through in entrepreneurial endeavors. For them it's not just a job, it's a significant part of who they are.
11. **Relating to Customers' Needs** : One of the biggest reasons women entrepreneurs are so successful is they are more conscious of their customers' needs. Men for the most part are not customers they're consumers. It is the big difference. As a woman they shop for price of course, but what is just as important is the buying experience. If the service is poor or they can't relate to the employees then it doesn't matter what it costs. It's all about word of mouth and customer loyalty.

**Q.5. Discuss the role of women entrepreneurs in society.**

**Ans. Role of Women Entrepreneurs in Society**

Women entrepreneurship has been recognized as an important, untapped source of economic growth during the last decade. With the spread of education and awareness, Indian women have shifted from the extended kitchen, handicrafts, and traditional cottage industries to non-traditional, higher level of activities.

In the new industrial policy, the government has laid special emphasis on the need of conducting special entrepreneurial training programs for women to enable them to start their own ventures. Financial banks and institutions have also set up special cells to assist women entrepreneurs. This has helped the women a lot in taking up the entrepreneurial activity in India.

Estimates in Europe (both European Union countries and other), indicate that there exist more than 10 million self-employed women and in the United States 6.4 million self-employed women providing employment for 9.2 million people and creating significant sales. Women entrepreneurs not only create new jobs for themselves, but also provide jobs to others. However, the participation of women entrepreneurs is less than male entrepreneurs.

The role of women entrepreneurs is explained in the following points :

1. **Employment Generation** : It implies that women entrepreneurs not only establish their enterprise, but provide job to others. Women entrepreneurship is about women's

position in the society and their role as entrepreneurs in the same society. It can be understood in two ways, namely, at the individual level (number of self-employed) and at the firm level (number of firms owned by women and their economic impact). In this way, woman entrepreneurs have an important impact on the economy in terms of their ability to create jobs for themselves as well as for others.

2. **Economic Development** : It signifies that women entrepreneurs contribute to the gross domestic product of the country by establishing enterprises and producing goods and services. Due to their entrepreneurial activity, women entrepreneurs bring dynamism in market. In this way, they also help in increasing the national income of the country.
3. **Better Utilization of Resources** : It implies that the involvement of women in industrial development ensure the effective utilization of all available resources (labour, raw materials, capital). The issue of women in the industrialization process has been emphasized only in the last decade when the 'Declaration of Mexico in July 1975', the equality of womanhood and their contribution to individual development became the center of attention.
4. **Improved Quality of Life** : It implies that women entrepreneurs are now economically independent and take decisions independently. They are now capable of upbringing their children according to their wish. They are providing quality education to their children and a better living standard to their family members. They not only improve their living standards, but also the living standards of others by providing them the means of earning.

**Q.6. Explain women entrepreneur in India perspective.**

**Ans. Women Entrepreneur in Indian Perspectives**

Indian women is changing and they are fast emerging as potential entrepreneurs. Role modeling of women in non-traditional business sectors to break through traditional views on men's and women's sectors.

Women companies are fast-growing economies in almost all countries. The latent entrepreneurial potential of women have changed little by little by the growing awareness of the role and status of economic society. Skills, knowledge and adaptability of the economy led to a major reason for women in business.

Women are coming forth to the business arena with ideas to start small and medium enterprises. They are willing to be inspired by role models- the experience of other women in the business arena.

Women entrepreneurs can be broadly categorized into five categories :

1. **Affluent Entrepreneurs** : These are daughters and wives of wealthy businessmen. These women have the financial aid and the necessary resources to start a new enterprise and take business risks.
2. **Pull Factors** : These are educated women living in urban areas with or without work experience who take the risk of a new enterprise with the help of financial institutions and commercial banks. These women take up a new business as a challenge in order to be financially independent.

3. **Push Factors** : These women take up some business activity in order to overcome financial difficulties. Generally widows and single women manage an existing family business or develop a new business due to difficult family situations.
4. **Rural Entrepreneurs** : These women belong to rural areas and choose a business suiting their resources and knowledge. Business carried out involves low investment, minimum risk and does not require any special skills.
5. **Self-employed Entrepreneurs** : They are uneducated women who fall below the poverty line. They choose tiny and small enterprise which are convenient to manage and adequate for the sustenance of her family.

**Q.7. Write about some well known women entrepreneurs of India.**

**Ans. Some Well Known Women Entrepreneurs**

Following are some well-known women entrepreneurs :

1. **Sunita Narain**, an environmentalist and political activist - A renowned social activist fighting for the importance of the Green concept of sustainable development, Sunita Narain has made India proud. She has been chosen as the director of the Society for Environmental Communications. She was also awarded the prestigious Padma Shri award in 2005.
2. **Neelam Dhawan**, Microsoft India managing director - A major name in the Indian business scene, Neelam Dhawan is the managing director of the Microsoft's sales and marketing operations. She is well known for implementing business strategies which have earned enormous profits for Microsoft.
3. **Naina Lai Kidwai**—Naina Lai Kidwai was listed by Fortune magazine as the World's Top 50 Corporate Women. She is the first Indian woman to crack the prestigious Harvard Business School. She is one of the top ten business women and the first woman to head the operations I of HSBC in India was awarded the Padma Shri award for her work.
4. **Sulajja Firodia Motwani** - Sulajja Firodia Motwani is a known name in Indian business. She was the Joint Managing Director of Kinetic Engineering Ltd and managed the overall operations and business development strategies. She has been nominated as the business 'Face of the Millennium' by magazine India Today and also as the 'Global Leader of Tomorrow' by the World Economic Forum."
5. **Mallika Srinivasan**, Director of TAFE India - Named as the one of the top ten business women of the year in 2006, Mallika Srinivasan is the director of TAFE India. Her skills and strategies have helped the company earn profits from a meagre Rs. 85 core to a mammoth Rs. 2,900 cores. She is also a leading figure in social services.
6. **Dr. Jatinder Kaur Arora** - Dr. Jatinder Kaur Arora has made India proud through her scientific research for development of women. Serving the prestigious post of a joint director in the Punjab State Council for Science and Technology, she was honoured with the national award for her brilliant works.
7. **Zia Mody, Senior Partner** - Zia Mody was listed as one of the top 25 most powerful business women by Business Today. Her strategies have helped AZB and Partners earn great profits. She has also been awarded as the Best Knowledge Manager by Financial Express.

Ritu Nanda, CEO, Escolife - The daughter of ace film personality, Raj Kapoor, Ritu Nanda has made her presence felt as one of the prominent business women of India. Currently serving as the CEO of Escolife, she was awarded the Best Insurance Advisor and entered the Guinness Book of Records for selling 17,000 pension policies in a day.

**Q.8. Discuss the major steps that may be taken to promote women entrepreneurs.**

**Ans. Steps to Improve Women Entrepreneurs**

Following steps may be taken to improve women entrepreneurs :

1. Holding regular consultations with key factors like women entrepreneurs, women entrepreneurs' associations, financial institutions, etc., to review progress and identify new bottlenecks.
2. Examining differential impacts of governmental policies, programmes and actions on their performance. Whether those policies and programmes are affecting women positively or negatively.
3. Another measure that may be considered in line with the target of enhancing women's entrepreneurship is about the development of specific programmes towards job experience acquisition for the unemployed and the measure is specified to target women and youths, whose participation in the labour market is most desired.
4. Better educational facilities and schemes should be extended to women folk from government part.
5. Strengthening the public administration to make the regulatory and administrative environment more conducive for women entrepreneurs.
6. Setting up labour organizations for all working women and reorganizing the existing organizations to act more effectively and for the better representation of women within them.
7. Give poor rural women a sense of belonging and the opportunity to benefit from and contribute to the development of country.
8. Women's education would be made a policy priority and women's integration in the development process would be enhanced in order to maximize social welfare and women's share within it.
9. Give the youth a sound knowledge of the local technology, tradition and culture that are sustainable for economic development.
10. Re-structuring the existing institutions and programmes, such as credit and guarantee cooperatives, in such a way as to increase their capacity and tendency to provide credit to the growing number of small enterprises; in case of the failure of this strategy in increasing the number of women entrepreneurs, supporting the institutions owned by women.
11. Ministry should provide outlets to women in trade shows to display products made by women.
12. Making provision of micro credit system and enterprise credit system to the women entrepreneurs at local level.

13. Counseling through the aid of committed NGOs, psychologists, managerial expert? and technical personnel should be provided to existing and emerging women entrepreneurs. Continuous monitoring and improvement of training programmes.
14. Training on professional competence and leadership skill to be extended to women entrepreneurs. Training in entrepreneurial attitudes should start at the high school level through well-designed courses, which build confidence through behavioral games.
15. Human resource development for increased competitive entrepreneurship, technology absorbing capacities and women's control over asset management.
16. Adequate training programme on management skills to be provided to women community. Vocational training to be extended to women community that enables them to understand the production process and production management. Skill development to be done in women's polytechnics and industrial training institutes. Skills are put to work in training-cum-production workshops.
17. Policies, laws and overall regulatory environment are frequently seen as barriers and disincentives to expansion and growth. However, they need to be promoted in such a way that women entrepreneurs see the advantages of and benefits that come with compliance.
  - (i) Identifying those instruments that act as barriers to expansion and growth;
  - (ii) Modifying or dismantling these instruments;
  - (iii) Taking account of the social and cultural contexts affecting policy implementation and redress inequalities and abnormalities;
  - (iv) Making use of IT and associations so as to minimize the administrative burdens on women entrepreneurs.
18. Trying to "push" more women entrepreneurs into growth situations as well as ensuring that laws and regulations do not stand in their way. Facilitating and "pulling" the women entrepreneurs into situations where they can actively pursue growth strategies.
  - (i) Providing incentives for expansion and growth after removing barriers and disincentives;
  - (ii) Promoting strong links and synergies with existing major economic players;
  - (iii) Promoting and rewarding programmes that serve women entrepreneurs.

**Q.9. What are the major barriers that came in the path of women entrepreneurs?**

**Ans. Barriers in the Path of Women Entrepreneurs**

There are many barriers or constraints that restrict the expansion of women entrepreneurship. The major barriers in the path of women entrepreneurs are as follows :

1. **Financial Problem** : It refers to the major problem of women entrepreneurs that arise due to the lack of access to funds. It is really difficult for them to arrange the requisite fund as they may not possess any tangible security and credit in the market. Generally, the family members of women entrepreneurs do not have confidence in their capability of running the business successfully. Women entrepreneurs even face problems in financing day-to-day operations of enterprises, including purchasing of

raw materials and paying wages to labors. The lack of access to funds makes the condition of women entrepreneurs extremely vulnerable. The complexities and the complications in the process of obtaining bank loans usually deter women from establishing enterprises.

2. **Production Problem** : Production problem act as a main problem that discourages women to be entrepreneurs. The data shows that the participation of women entrepreneurs in the production is minimal due to complications involved in the production process. In a manufacturing enterprise, production involves the coordination of a number of activities. Improper coordination and delay in execution of any activity cause problems in production. This may become difficult for women entrepreneurs to coordinate and control all the production activities.
3. **Marketing Problem** : Marketing problem refers to the problems of women entrepreneurs in marketing their products or services. Lack of mobility and heavy competition in the market makes the women entrepreneurs dependent on middlemen. Middlemen take a huge amount of money to market the products. Women entrepreneurs lack information on changing market and find it difficult to capture the market and make their products popular.
4. **Socio-Cultural Barriers** : Socio-cultural barriers refer to the constraints and barriers imposed on women entrepreneurs by the society. In conventional countries, such as India, the major role of a woman is acknowledged towards her family. She has to perform primarily her family duties irrespective of her career as a working woman or an entrepreneur. A woman entrepreneur has to bear double responsibilities, she has to manage her family as well as her business.

In our society, more importance is given to educating a male child than a female child. This results in lack of education and vocational training of women. Lack of education and technical skills becomes the root cause of lack of awareness of opportunities available by women entrepreneurs. Our society even gives more preference to male labor than to female labor. A male labor is paid more wages than a female labor. It is ascertained that male labor force are generally reluctant to work under a female boss.

5. **Lack of Confidence** : It refers to the personal problem of women entrepreneurs. Women have been dependent on their family members for a long time. They have been always protected and guided by the male members of their family. Right from taking any decision to going anywhere they are accompanied by male. This makes women feel less confident even about their own capabilities.

**Q.10. What do you know about District Industries Centres (DICs)? Also discuss their major functions.**

**Ans. District Industries Centres (DICs)**

The District Industries Centres (DICs) were established in May 1978 with a view to provide integrated administrative framework at the district level for promotion of small-scale industries in rural areas. The DICs are envisaged as a single window interacting agency with the entrepreneur at the district level. Services and support to small entrepreneurs are provided under a single roof through the DICs. They are the implementing arm, of the Central and State Governments for various schemes and programmes. Registration of small industries is done at the district industries centres. The organisational structure of DICs



consists of General Manager, four Functional Managers and three Project Managers to provide technical service in the area relevant to the needs of district concerned. Management of the DIC's is done by the State Governments. The scheme has now been transferred to the states and from the year 1993-94, funds will not be provided by the Central Government to the States for running the DICs.

**Functions of DICs :** The DICs role is mainly promotional and developmental. To attain this, they have to perform the following main functions :

1. To conduct industrial potential surveys keeping in view the availability of resources in terms of material and human skill, infrastructure, demand for product, etc. To prepare techno-economic surveys and identify product lines and then to provide investment advice to entrepreneurs.
2. To prepare an action plan to effectively implement the schemes identified.
3. To guide entrepreneurs in matters relating to selecting the most appropriate machinery and equipment, sources of its supply and procedure for procuring imported machinery, if needed, assessing requirements for raw materials etc.
4. To appraise the worthiness of the various proposals received from entrepreneurs.
5. To assist the entrepreneurs in marketing their products and assess the possibilities of ancillarisation and export promotion of their products.
6. To undertake product development work appropriate to small industries.
7. To conduct artisan training programmes.

**Q.11. Discuss the various needs for entrepreneurial development programmes.**

**Ans. Need for EDPs**

Following are the various needs for EDPs :

1. **Eliminates Poverty and Unemployment :** One of the important problems of any developing country is unemployment. The problem of poverty is severe and of longstanding duration in India, and is at its most acute in rural areas. In recent years central and state governments have started a number of schemes aimed at reducing rural poverty but they cannot solve the problem completely because of their shortcomings and inadequacies.

India needs to return to the syndrome of high growth rate quickly and sustain it for at least eight years to eradicate poverty, illiteracy, unemployment and backwardness. Entrepreneurship development programmes help people towards self-employment and provide entrepreneurship as a career.

Government of India has introduced various programmes to eliminate the poverty and solve the unemployment problem through National Rural Employment Programme (NREP), Integrated Rural Development Programme (IRDP) etc.

2. **Balanced Regional Development and Growth :** One of the objectives of setting up of public enterprises is to promote balanced regional development. It can be possible through the expansion of the employment opportunities in backward regions.

The pace of economic development of different States and Regions in the country has not been uniform over the years owing to historic reasons and a number of other

factors. Industrialization plays an important role in correcting the regional imbalances and accelerating the industrial growth.

In order to remove regional inequalities and encourage balanced industrial growth of different states/regions, subsidies to industries set up in backward districts. Successful EDPs help in faster industrialisation and reduce the concentration of economic power. It is because the small scale industries can be set up in remote areas with little financial resources which help in achieving balanced regional development.

- 3. Prevents Industrial Slums :** The Indian economy, which has over the last six decades passed through various phases of growth, is now all set to enter an altogether different orbit marked by a high rate of expansion, combined with 'inclusive growth.' Slums are an outcome of imbalanced urban growth resulting from over-concentration of economic activities. As per the census 2001, 42.6 million of India's population lives in slums.

This constitutes about 15% of the total urban population of the country. The urban cities are highly congested and leading to industrial slums. Decentralisation of industries is very much requiring for locating the industries. EDPs help in removal of industrial slums as the entrepreneurs are provided with various schemes, incentives, subsidies and infrastructural facilities to set up their own enterprises in all the regions.

- 4. Harnessing Locally Available Resources :** Human beings have inhabited the earth; they have used the earth's resources and have continuously transformed it. Each landscape is the upshot not only of natural processes but of the actions throughout history of human beings whose responsibility is to organize, protect and manage the environment they share.

People use many of the earth's natural resources. All of the products we use have a natural resource base. Minerals, forest products, water, and soil are just a few of the natural resources humans use to produce energy and make things people use.

Since abundant resources are available locally, proper use of these resources will help to carve out a healthy base for sound economic and rapid industrialisation. The EDPs can help in harnessing these resources by training and educating the entrepreneurs.

- 5. Defuses Social Tension :** Self-employment and entrepreneurship become increasingly important in our modern economies. Many people have an ambition to "run their own business", and these days more people than ever are starting up their own businesses. With redundancies on the increase in the recession, many people will take the chance of "working for themselves" and will relish the opportunity of being their own boss and not being answerable to anybody else.

It is, of course, admirable, but they could be digging a hole for themselves. Every young person feels frustrated if he does not get employment after completing his education. The talent of the youth must be diverted towards self-employment careers to help the country in defusing social tension and unrest among youth is possible by EDPs.

- 5. Capital Formation :** It is one of the most critical activities in getting a business started. Business creation has moved a lot from the days of Marco Polo and Schumpeter. The biggest hurdle the entrepreneurs face is in raising the initial capital needed for the new venture.

Getting equity from family and friends has many advantages over other types of financing. Entrepreneurship development programmes help an individual to raise capital to start a business or to grow an existing business.

6. **Improvement in per Capita Income** : Entrepreneurs play a vital role in achieving a higher rate of economic growth. Entrepreneurs are able to produce goods at lower cost and supply quality goods at lower price to the community according to their requirements. When the price of the commodities decreases, consumer gets the power to buy more goods for their satisfaction. All this is possible through entrepreneurship development programmes.
7. **Facilitating Overall Development** : Entrepreneurship development programmes are great and successful in India. If everything goes in proper channel with proper judgment, it will flourish to fill up the sky. Entrepreneurship development programmes inspire innovations, creative ideas and provide new solutions to the problems.

**Q.12. Elaborate the curriculum of EDPs and its contents.**

**Ans.**

### **Curriculum of EDPs and its Contents**

The curriculum (course of study) and its contents for EDPs are decided keeping in mind the objectives of a particular EDP. However, typically the training programme is designed to continue for a six week's duration. Generally, it contains the following inputs or contents :

1. **Introductory Session** : At the initial stage, the trainee participants are made aware about the general knowledge of the entrepreneurship, its various dimensions, its significance or role in economic development, entrepreneurial behaviour and competencies, concepts of achievement motivation and risk-bearing; the small scale industries: their nature, factors affecting them, special facilities available to SSIs, their role and relevance in the economy of a country; and evaluation of self.
2. **Motivation training session** : During this period of time, the EDP aims at generating the 'need for achievement' and then developing it among the participants. This is a crucial content of the EDP training course. The participants are coached into developing positive attitude, optimism, confidence, courage and sense of flexibility is their thought to be a successful entrepreneur. This session is devoted to ultimately make the participants start their new business ventures after completing their training programme. At this session, usually some successful entrepreneurs are invited to address the participant about their success stories and the real competencies required in practical entrepreneurial life.
3. **Skills development session** : During this session the trainers try to explain about the various entrepreneurial skills and how to develop them in oneself. The set of skills usually comprises the sectors or areas of knowledge that are necessary to help a person to become an effective self-employed trades person or entrepreneur. These skills include :
  - (a) **Basis trade or career or occupational skills** : Theory, training and practice of a basic skill (e.g, welding) or a set of basic skills (e.g, fabrication of items such as steel cupboards) seems most effective when the student has the opportunity to practice the skills in situations as close to real world experiences as possible. In

developing basic trade skills, the students combine theoretical and practical training in on-the-job training.

- (b) **Basic business routine skills** : Prospective entrepreneurs require certain basic business routine skills such as maintenance of records, dealing with customers, etc. relevant to the particular business or trade.
  - (c) **Management/marketing skills** : The success of any small business enterprise largely depends on management and marketing skills of the entrepreneur. These skills cover a wide variety of function such as planing, production/delivery of product/ service, decision making, human relations, communication, finance, sales and marketing. Such skills are most effectively developed in the participants when they have the opportunity to apply theoretical concepts to real world situations. These skills become all the more important because a small entrepreneur cannot employ managers or management experts to manage his business enterprise.
  - (d) **How-to-start skills** : Knowledge of what is involved in actually starting up a venture and the development of a business plan are essential skills for starting a business. These skills will be meaningful and most effective when the participants are ready to start a venture. Often, full development of a business plan is most effective after a person has started a business. The EDP caters to developing an effective business plan after the entrepreneur entered a business unprepared.
4. **Support system and procedure session** : In this session, the participants are exposed to the support available from different institutions and agencies for setting up running small scale enterprises. After such exposure, they are made acquainted with procedure for approaching these institutions, applying for the relevant support or finances and obtaining the requested support or finances.
  5. **Fundamentals of project feasibility study session** : During this session, guidelines are provided to the participants on the effective analysis of feasibility or viability of the particular project in view of marketing, technical organizational, financial and social aspects. They are also trained in the knowledge of how to prepare the Project or Feasibility Report for certain products.
  6. **Plant visits session** : During this period of time, the participants are taken on plant visits in order to familiarise them with the real life situations in small business. Such visits provide participants the knowledge and understanding about an entrepreneur's behaviour, discipline, personality, thoughts and aspirations. They leave an impact on the minds of the visiter participants to behave accordingly while running their own ventures in future and make them a success.

**Q.13. State the government's assistance in organizing EDPs.**

**Ans. Role of Government in Organizing EDPs**

The Government has an important role in organizing EDPs and making them a success for developing entrepreneurs to set up large numbers of enterprises for accelerated industrialization. There are several government organizations and centers which are engaged in conducting mainly the EDPs in India. The lead in this field was given by Small Industries Development Organization through its Small Industries Service Institutes. The National

Institute for Entrepreneurship and Small Business Development has been set up by the Government of India to carry out such functions as would further accelerate the training in entrepreneurship. Other than institutions meant exclusively for conducting EDPs, the State Financial Corporations, leading commercial banks, Voluntary Service Organizations and District Industries Centers are also conducting EDPs.

Apart from providing training, various institutions have been established to provide finance to the entrepreneurs under different attractive schemes. Moreover, several special institutions are operating in the country to help entrepreneurs in selecting viable projects, preparing project reports to be submitted to financial institutions. Some of them are engaged in developing industrial estates where all necessary infrastructural facilities like sheds, communication, water, power, transport, etc., are provided to entrepreneurs. Some of these institutions take up responsibility of supplying required raw materials to the entrepreneurs at reasonable rate.

Various government organizations have been engaged in rural entrepreneurship development. However, it has been found that they are inadequate keeping in mind the size of rural India.

**Q.14. Explain the various organisations providing EDP in India. Also discuss their features.**

**Ans. Organisations Providing EDP in India**

In India, there are many organisations which are providing training in developing potential businessman. Important ones are as follows :

1. National Institute for Entrepreneurship and Small Business Development (NIESBUD) :
  - (i) Established by Government of India in 1983.
  - (ii) An apex body for coordination and supervision on activities of various institutes engaged in entrepreneurial development.
  - (iii) Helps in evolution of EDP, model syllabi, effective training strategies, methodology, manuals and tools.
  - (iv) Activities undertaken :
    - (a) Organise and conduct training programmes
    - (b) Coordinate training activities of various agencies/institutes
    - (c) Provide affiliations to such institutes
    - (d) Hold examinations and confer certificates to trainers and trainees.
2. Small Industries Development Organisation (SIDO) :
  - (i) Runs EDP in collaboration with financial institutes
  - (ii) Provides on-the-job training on shop floor (carpentry, electrical devices)
  - (iii) Sends its officials/trainers to organisation to update their knowledge.
3. National Small Industries Corporation (NSIC) :
  - (i) Provides apprenticeship for 2 years
  - (ii) Training to set up own venture
  - (iii) Training to engineers up to 2 years
  - (iv) Training to supervisory staff up to 2 years

- (v) Training to workmen for 12 months
4. Small Industries Service Institute (SISI) :
- (i) Three months' part time evening courses in management
  - (ii) 4 to 6 weeks part time courses in intensive training functional areas (marketing, finance)
  - (iii) Special courses in quality control, HR, production planning, product development, etc.
  - (iv) Mobile workshops imparting training on correct usage of tools and equipment.
  - (v) Helps in preparation of plant layout.
  - (vi) Helps individual firms on specific problems faced.
5. Entrepreneurship Development Institute of India (EDII) :
- (i) Focused attention on women entrepreneurs with first such EDP in 1988
  - (ii) Famous for organising camps on entrepreneurship
  - (iii) Develops programmes for entrepreneurial training and development.
  - (iv) Develops innovative training techniques for trainers.
  - (v) EDP for rural entrepreneurship development in U.P. and Odisha.
  - (vi) Selection of potential entrepreneurship and motivating them to start their own business ventures.
  - (vii) Providing practical training in industries
  - (viii) Founded by Gujarat Government and Public Financial Institutions
6. National Alliance of Young Entrepreneurs (NAYE) :
- (i) Contribution in encouraging women entrepreneurship
  - (ii) Set up Women's Wing in 1975
  - (iii) This Wing assists women in :
    - (a) Identify investment opportunities
    - (b) Getting better access to resources, infrastructure, markets
    - (c) Attending to problems of individual industries
    - (d) Sponsor participation in trade fairs, exhibitions, conferences
    - (e) Organise seminars, training programme, workshops
7. Indian Investment Centre (IIC) :
- (i) Founded by Government of India
  - (ii) To facilitate entrepreneurial activities between Indian and foreign investors
  - (iii) To prompt the foreign investors to invest in India which in turn increases globalisation
8. Technical Consultancy Organisation (TCO) :
- (i) To provide technical training to potential entrepreneurs
  - (ii) To identify the industry and check its feasibility and generate report.
  - (iii) Then, to select the participants and provide them individual training.

(iv) To assist such trained individuals in the completion of the project.

**Q.15. Explain in detail the role and relevance of EDPs.**

**Ans.**

### **Role and Relevance of EDPs**

The Trait Theory of Entrepreneurship holds that highly successful entrepreneur process certain characteristic of traits which have been found common in majority of them. For example, successful entrepreneurs possess these traits : self-confidences, achievement motivation, desire to be independent, risk taking, ability to foresee future, perseverance, energy, creativity and innovation, versatile knowledge, initiative taking and so forth. It is usually supposed that people do not always possess these traits by birth. In other words, all entrepreneurs are not "born" with innate (internal) characteristics that prepare them for the troublesome life of new venture creation. There is substantial evidence that entrepreneurial characteristics may be environmentally based and therefore can be taught through training and development programmes. If the environmental theme has credence (reliable or trustworthy), then learning about the entrepreneurial process will better prepare students and other people to succeed in business. However, there are some persons who conclude that entrepreneurship cannot be taught. Anyhow, such persons are not correct in their conclusion. Entrepreneurship Development Institute of India (EDI) took up a research project with the help of David McClelland in three countries-India, Malawi and Equador. The findings concluded in the identification of a set of entrepreneurial competencies or characteristics that lead to superior performance. A major finding was that the said competencies are cross culturally valid (i.e. apply irrespective of cultures.) In other words, in order to perform will as entrepreneur, it is necessary to process there competencies in varying measures irrespective of the geographical location, where the entrepreneur is operating.

Hence, it is well accepted that the entrepreneurial traits or characteristics or competencies can be induced and developed in people to make them fired entrepreneur. David McClelland (1961) concluded that the 'need to achieve' motivates people to work hard and money making is incidental to it. Further, in order to answer the question whether 'need for achievement' could be induced (generated) in individuals, he conducted a five-year experimental study in one of prosperous district of Andhra Pradesh in India in collaboration with Small Industries Extension and Training (SIET) Institute, Hyderabad, which study in popularly known as "Kakinada Experiments" (1969). A significant conclusion of the experiment was that the traditional beliefs did not inhibit (prevent or discourage) an entrepreneur (perhaps a belief by some that entrepreneurs are born), and that the suitable training can provide the necessary motivation to the entrepreneurs. The achievement motivation had a positive impact on the performance of entrepreneurs. The Kakinada Experiment of training young persons and motivate them to see fresh goals could be treated as a forerunner to the present day E.D.P. inputs on behavioural aspects. The entrepreneurial training nowadays is known as EDP.

Thus, the EDPs are needed to induce achievement motivation and develop entrepreneurial characteristics or competencies among young persons through training with a view to making them successful future entrepreneurs.

As stated earlier, the myth (illusion) that "entrepreneur are born and not made" no longer holds good. It is now possible through EDP to assist an interested person to motivate him to become a successful entrepreneur and train him in required entrepreneurial characteristics or competencies. EDPs involve a variety of training programmes and associated service activities. They assure great significance as they cater to the requirements specifically of each person or of homogenous groups of persons. Thus EDPs assume great role and importance in entrepreneurship development.

It may be noted that EDPs are relevant in both developed and developing countries. However, they are especially relevant in developing countries where these programmes develop young persons for self employment for the purpose of poverty alleviation. Further, they help in upgrading the quality of business to global standards. Such programmes lay emphasis on technology awareness and technology transfer methods.

The relevance of EDPs can be clearly understood by their role in the economic development of developing countries like India. Such programmes create many entrepreneurs who are able to establish small and micro enterprises which require less investment in funds and a few employees only. Hence, such enterprises are developed by the trained entrepreneurs in a large number promoting economic development. If such enterprises are set up in backward and rural areas of a developing country like India, they are sure to mitigate poverty in, such areas and also to remove lopsided economic development that is, concentration of business enterprises in urban areas only.

EDPs have great role and relevance in increasing the supply of new entrepreneurs to accelerate the process of industrialisation. It is widely accepted that persons interested to become entrepreneur will be greatly helped if appropriate training and development programmes are made available to them.

## MULTIPLE CHOICE QUESTIONS

**Q.1. Who said that, "when women moves forward, the family moves, the village moves and the nation moves"?**

- |                          |                    |
|--------------------------|--------------------|
| (a) Philip Kotler        | (b) Pandit Nehru   |
| (c) Subhash Chandra Bose | (d) Mahatma Gandhi |

**Ans.** (d) Mahatma Gandhi

**Q.2. Evaluation of EDP means to check :**

- (a) How many problems are faced by these programmes at the time of implementation?  
 (b) How these programmes do their work properly or not?  
 (c) Both (a) and (b)  
 (d) None of the above

**Ans.** (c) Both (a) and (b)

**Q.3. National Small Industries Corporation Ltd. (NSIC) was set up in the year :**

- |          |          |
|----------|----------|
| (a) 1935 | (b) 1945 |
| (c) 1955 | (d) 1965 |

**Ans.** (c) 1955



**Q.4. Sunita Narain was also awarded the prestigious Padma Shri Award in :**

- (a) 2005 (b) 2015  
(c) 1995 (d) 1985

**Ans.** (a) 2005

**Q.5. .... is primarily concerned with the identification of the project demand potential and the selection of the optimal technology.**

- (a) Techno-economic analysis (b) Feasibility analysis  
(c) Input analysis (d) Financial analysis

**Ans.** (a) Techno-economic analysis

**Q.6. Which of the following shows the process of creating something new :**

- (a) Business model (b) Modeling  
(c) Creative flexibility (d) Innovation

**Ans.** (d) Innovation

**Q.7. The entrepreneur was distinguished from capital provider in :**

- (a) Middle ages (b) 17th century  
(c) 18th century (d) 19th and 20th century

**Ans.** (c) 18th century

**Q.8. EDP (Entrepreneurship Development programmes) is required to help :**

- (a) Existing entrepreneurs (b) First generation entrepreneurs  
(c) Future generation entrepreneurs (d) None of these

**Ans.** (b) First generation entrepreneurs

**Q.9. Why should an entrepreneur do a feasibility study for starting a new venture :**

- (a) To identify possible sources of funds  
(b) To see if there are possible barriers to success  
(c) To estimate the expected sales  
(d) To explore potential customers

**Ans.** (b) To see if there are possible barriers to success

**Q.10. What is the process by which individuals pursue opportunities without regard to resources they currently control :**

- (a) Startup management (b) Entrepreneurship  
(c) Financial analysis (d) Feasibility planning

**Ans.** (b) Entrepreneurship

**Q.11. An individual who initiates, creates and manages a new business can be called :**

- (a) A leader (b) A manager  
(c) A professional (d) An entrepreneur

**Ans.** (d) An entrepreneur

**Q.12. Which could provide an individual with the motivation to start a new business venture?**

- (a) The financial rewards (b) A desire to be independent  
(c) Risk taking (d) All of these

**Ans.** (d) All of these

**Q.13. Why are small businesses important to a country's economy?**

- (a) They give an outlet for entrepreneurs
- (b) They can provide specialist support to larger companies
- (c) They can be innovators of new products
- (d) All of the above

**Ans.** (d) All of the above

**Q.14. A corporate manager who starts a new initiative for their company which entails setting up a new distinct business unit and board of directors can be regarded as :**

- (a) Ecopreneur
- (b) Technopreneur
- (c) Intrapreneur
- (d) Social Entrepreneur

**Ans.** (c) Intrapreneur

**Q.15. As a business grows, time management continues to be an issue, but the entrepreneur's major concern usually becomes :**

- (a) Setting goals
- (b) Finding, retaining and motivating qualified employees
- (c) Measuring performance
- (d) All of the above

**Ans.** (b) Finding, retaining and motivating qualified employees

**Q.16. An entrepreneur who owns more than one business at a time is called :**

- (a) An intrapreneur
- (b) A corporate entrepreneur
- (c) A portfolio entrepreneur
- (d) None of these

**Ans.** (c) A portfolio entrepreneur

**Q.17. Decisions taken by an entrepreneur on behalf of his enterprise are known as :**

- (a) Organizational decisions
- (b) Personal decisions
- (c) Routine decisions
- (d) Strategic decisions

**Ans.** (a) Organizational decisions

**Q.18. Why should an entrepreneur do a feasibility study for starting a new venture?**

- (a) To identify possible sources of funds
- (b) To see if there are possible barriers to success
- (c) To estimate the expected sales
- (d) To explore potential customers

**Ans.** (c) To estimate the expected sales

**Q.19. District Industries Centers are located :**

- (a) In each district
- (b) In each state
- (c) Only in selected districts
- (d) Only in selected states

**Ans.** (a) In each district

**Q.20. Entrepreneurship Can best be described as :**

- (a) a process that requires setting up a business
- (b) taking a significant risk in a business context
- (c) having a strong vision
- (d) a process involving innovation, new products or services and value creation

**Ans.** (d) a process involving innovation, new products or services and value creation

**Q.21. Every entrepreneur should draw an ..... for his project to ensure the timely completion of all activities involved in setting up an enterprise.**

- (a) Cost structure
- (b) Implementation plan
- (c) Market structure
- (d) Production structure

**Ans. (b) Implementation plan**

**Q.22. SIDO stands for :**

- (a) Small Industries Developing Organization
- (b) Small Industries Development organization
- (c) Short Industries Development Organization
- (d) Small Industries Deployment Organization

**Ans. (b) Small Industries Development organization**

**Q.23. DIC stands for :**

- (a) Disassembled Industries Centre
- (b) District Industries Collaboration
- (c) District Industries Centre
- (d) Developing Industries Centre

**Ans. (c) District Industries Centre**

**Q.24. NIESBUD stands for :**

- (a) National Institution for Entrepreneurship & Small Business Development
- (b) National Institute for Enterprise & Small Business Development
- (c) National Institute for Entrepreneurship & Small Business Development
- (d) National Institute for Entrepreneurship & Small Business Development

**Ans. (c) National Institute for Entrepreneurship & Small Business Development**

**Q.25. Who take the lead to extend financial assistance to small-scale industries :**

- (a) SBI
- (b) IFCI
- (c) IRBI
- (d) None of these

**Ans. (a) SBI**

**Q.26. An ..... in a tract of land which is subdivided and developed according to a comprehensive plan for the use of a community of industrial enterprises.**

- (a) Industrial plan
- (b) Industrial Estate
- (c) Industrial unit
- (d) None of these

**Ans. (b) Industrial Estate**

**Q.27. EGB stands for :**

- (a) Enterprise Development Bureau
- (b) Entrepreneurial Deli Censing Bank
- (c) Entrepreneurial Development Bureau
- (d) Entrepreneur Development Bureau

**Ans. (c) Entrepreneurial Development Bureau**

## UNIT-III

# Promotion of a Venture

### SECTION-A (VERY SHORT ANSWER TYPE QUESTIONS)

**Q.1. What is meant by the term 'venture'?**

**Ans.** "Venture" is an undertaking or enterprise (a task) that is risky or of uncertain outcome. If the venture is a business (i.e., commercial or industrial) undertaking, it is characterized by risk of loss as well as opportunity for profit. Venturing means exposing to or braving the danger. Hence, venture is full of dangers.

**Q.2. What do you mean by the promotion of a venture?**

**Ans.** "Promotion" indicates towards the aggregate or sum total of all those activities that are related to be taken up to bring into birth something.

"Promotion of a venture" means initiating all necessary efforts required to form a business or any other enterprise. Promotion starts from the stage of 'conceiving an idea of forming an enterprise and ends with its actually being established, and if necessary or desirable then being registered as per law.

**Q.3. Discuss the term 'project report'.**

**Ans.** The project report is a document which gives an account of the project proposal to ascertain the prospects of the proposed plan/activity. The project contains detailed information about the following: Land and building required; manufacturing capacity per annum; manufacturing process; machinery and equipment alongwith their prices and specifications; raw materials needed; power and water needs; manpower requirements; market scope; marketing channels; cost analysis-cost of the project and production; statutory obligations (such as pollution control and public safety, etc.); selling price; and financial analysis and economic viability of the project.

**Q.4. What do you mean by SWOT analysis?**

**Ans.** SWOT analysis is the process of analysing the strengths, weaknesses, opportunities, and threats existing in the environment. This analysis covers the investigations of internal and external environment. In the light of the technical, consumer reactions, profitability, finances, management and control, organization, publicity, and legal formalities, the entrepreneur has to identify as to what are his strengths and weaknesses. By looking at the external environment, he has to identify as to what are the opportunities (favourables) and what are the threats (unfavourables) existent in it.

**Q.5. What do you mean by 'project'?**

**Ans.** A project is an economic activity with a well-defined objective with certain durations and gains to entrepreneurs.

A project is a scientifically evolved work plan devised to achieve a specific objective within a specified period of time. It is an individual or collaborative enterprise that is carefully planned to achieve a particular aim.

**Q.6. What are quantifiable and non-quantifiable projects?**

**Ans. Quantifiable Projects :** Projects for which a plausible quantitative assessment of benefits can be made are called "quantifiable projects". Projects concerned with industrial development, power generation fall in this category.

**Non-quantifiable Projects :** On the contrary, projects for which a plausible quantitative assessment of benefits cannot be made are called "Non-quantifiable projects". Non-quantifiable projects are those where such assessment is not; possible e.g., Health education, defence etc.

**Q.7. What are the common problems that arise from poor project design?**

**Ans.** Common problems that arise from poor project design include :

1. The development of project objectives that are not consistent with the needs and values of intended beneficiaries.
2. Failure to identify stakeholders and involve stakeholders in project design and formulation, implementation and evaluation in a way that empowers them to act and build ownership of project results.
3. The development of project objectives that are not measurable and therefore cannot be used to evaluate project performance and achievements or to communicate project results.
4. Projects activities that do not deliver the desired outcome economically and do not have the desired impact.

**Q.8. What does project design include?**

**Ans.** Project design includes :

1. The systematic identification and prioritization of **problems and opportunities** to be addressed through development projects.
2. The identification of a hierarchy of project goals and objectives linked by causal relationships.
3. The planning of solutions in terms of inputs, activities, outputs, effects and impacts, and
4. The assessment of project outcomes.

**Q.9. What do you mean by financial analysis?**

**Ans.** The process of reviewing and analysing a company's financial statements to make better economic decisions is called analysis of financial statements. In other words, the process of determining financial strengths and weaknesses of the entity by establishing the strategic relationship between the items of the balance sheet, profit and loss account, and other financial statements.

The term 'analysis' means the simplification of financial data by methodical classification of the data given in the financial statements, 'interpretation' means, 'explaining the meaning and significance of the data so simplified.' However, both 'analysis and interpretation' are interlinked and complementary to each other.

**Q.10. What are profitability ratios?**

**Ans.** Profitability ratios are a class of financial metrics that are used to assess a business's ability to generate earnings relative to its revenue, operating costs, balance sheet assets, and shareholders' equity over time, using data from a specific point in time.

**Q.11. What do you mean by SCBA?**

**Ans.** Social Cost Benefit Analysis (SCBA) called Economic analysis, is a methodology developed for evaluating investment projects. In other words, it is concerned with Tactical Decision making within the framework of broad strategic choices defined by planning at the macro level.

**Q.12. What are sectoral projects?**

**Ans.** Sectoral projects have their specific sectors, such as Agriculture and similar sector Irrigation and power sector. Sectoral means relating to the various economic sectors of a society or to a particular economic sector.

- (i) Industry and Mining sector,
- (ii) Transport and Communication sector,
- (iii) The social services sector,
- (iv) Miscellaneous sector.

## SECTION-B (SHORT ANSWER TYPE) QUESTIONS

**Q.1. Discuss the term 'Promotion'.**

**Ans.** "Promotion of a venture" means initiating all necessary efforts required to form a business or any other enterprise. Promotion starts from the stage of 'conceiving an idea of forming an enterprise and ends with its actually being established, and if necessary or desirable then being registered as per law.

Here, we are primarily concerned with the promotion of a business enterprise. In this context, promotion has been defined as follows :

1. Promotion is the process of creating a specific business enterprise, Promotion begins when someone finds serious consideration to the formulation of the ideas upon which the business in question is to be based. When the corporation is organized and ready for operation, the major function of promotion comes to an end.
2. Promotion may be defined as the discovery of business opportunities and the subsequent organization of funds, property, and managerial ability into a business concern for the purpose of making profit therefrom.
3. Promotion starts with the conception of the idea from which the business is to EVOLVE and continues down to the point at which the business is full, ready to begin operation in a going concern.

**Q.2. Discuss the first stage of promotion of a venture process.**

**Ans.** Conception of an idea is the first stage in promotion process when a person or group of persons conceives an idea of some business opportunity possible to be availed of by starting a business enterprise. He thinks to tap some neglected natural resources; or to invent a new

product to cater to the still unfilled needs and requirements of certain class of consumers; or to compete with the existing weak enterprises in a particular business field; or to break the monopoly of the only one enterprise by supplying the concerned product at a lower price and with more beneficial package of services; or to invent new technology in a particular feasible area. Moreover, the entrepreneur may also have an idea to expand the existing business activity by converting the present proprietary firm to a partnership firm or a registered company.

**Q.3. What is meant by technical feasibility?**

**Ans.** Technical feasibility means that the necessary machines, methods, technical know hows, equipments, and raw materials are easily available to manufacture the product. To ensure technical feasibility, the entrepreneur may take proper advice from technical experts in the field.

It may be noted that process selection or choices of manufacturing process technology emerge after the product is finalized. For some complex products, process know-how has to be imported. In such cases, agreements for technology transfer should be made with due care to safeguard interest. The Council of Scientific and Industrial Research (CSIR) and Defence Research Labs are developing a lot of appropriate technology and some of this technology can now be bought by the private entrepreneurs. However, the entrepreneur should realize that indigenously developed process know-how has intrinsic benefits such as appropriateness and relative inexpensiveness.

**Q.4. What is meant by project report?**

**Ans.** A project report is a document which provides details on the overall picture of the proposed business. The project report gives an account of the project proposal to ascertain the prospects of the proposed plan/activity.

Project report is a written document relating to any investment. It contains data on the basis of which the project has been appraised and found feasible. It consists of information on economic, technical, financial, managerial and production aspects. It enables the entrepreneur to know the inputs and helps him to obtain loans from banks or financial institutions.

The project report contains detailed information about land and buildings required, manufacturing capacity per annum, manufacturing process, machinery & equipment along with their prices and specifications, requirements of raw materials, requirements of power & water, manpower needs, marketing cost of the project, production, financial analyses and economic viability of the project.

**Q.5. What do you mean by project design?**

**Ans.** **Meaning of Product Design**

A project design is a formed document designed to guide the control and execution of a project. A project design is the key to a successful project and is the most important document that needs to be created when starting any business project.

A project design is used for the following purposes :

1. To document and communicate stakeholder products and project expectations.
2. To control schedule and delivery.
3. To calculate and manage associated risks.

A project design/plan answers the following basic questions regarding the project :

1. Why?—What is the task related to the project? Why is the project being sponsored?
2. What?—What are the activities required to successfully complete the project? What are the main products or deliverables?
3. Who?—Who will take part in the project and what are their responsibilities during the project? How can they be organized?
4. When?—What exactly is the project schedule and when can the milestones be completed?

Project initiation requires detailed and vital documentation to track project requirements, functionalities, scheduling and budget. poor documentation can lead to disastrous results for all project stakeholders. Formal project plans establish detailed project requirements, including human and financial resource, communications, projected time lines and risk management.

A project plan/design is a formal agreement between the project procurer and developer, it documents and ensures mutual project stakeholder approval while assisting management and technical terms with project tracking.

**Q.6. Discuss break-even analysis. Also discuss its assumptions.**

**Ans.**

### **Break-even Analysis**

Break-even analysis is of vital importance in determining the practical application of cost functions. It is a function of three factors, i.e., sales volume, cost and profit. It aims at classifying the dynamic relationship existing between total cost and sale volume of a company.

Hence it is also known as "cost-volume-profit analysis". It helps to know the operating condition that exists when a company 'breaks-even', that is when sales reach a point equal to all expenses incurred in attaining that level of sales.

**Assumptions of Break-Even Analysis :** The break-even analysis is based on the following set of assumptions :

1. The total costs may be classified into fixed and variable costs. It ignores semi-variable cost.
2. The cost and revenue functions remain linear.
3. The price of the product is assumed to be constant.
4. The volume of sales and volume of production are equal.
5. The fixed costs remain constant over the volume under consideration.
6. It assumes constant rate of increase in variable cost.
7. It assumes constant technology and no improvement in labour efficiency.
8. The price of the product is assumed to be constant.
9. The factor price remains unaltered.
10. Changes in input prices are ruled out.
11. In the case of multi-product firm, the product mix is stable.



**Q.7. What are the limitations of break-even analysis?****Ans. Limitations of Break-Even Analysis**

We may now mention some important limitations which ought to be kept in mind while using break-even analysis :

1. In the break-even analysis, we keep everything constant. The selling price is assumed to be constant and the cost function is linear. In practice, it will not be so.
2. In the break-even analysis since we keep the function constant, we project the future with the help of past functions. This is not correct.
3. The assumption that the cost-revenue-output relationship is linear is true only over a small range of output. It is not an effective tool for long-range use.
4. Profits are a function of not only output, but also of other factors like technological change, improvement in the art of management, etc., which have been overlooked in this analysis.
5. When break-even analysis is based on accounting data, as it usually happens, it may suffer from various limitations of such data as neglect of imputed costs, arbitrary depreciation estimates and inappropriate allocation of overheads. It can be sound and useful only if the firm in question maintains a good accounting system.
6. Selling costs are especially difficult to handle break-even analysis. This is because changes in selling costs are a cause and not a result of changes in output and sales.
7. The simple form of a break-even chart makes no provisions for taxes, particularly corporate income tax.
8. It usually assumes that the price of the output is given. In other words, it assumes a horizontal demand curve that is realistic under the conditions of perfect competition.

**Q.8. What is meant by ratio analysis?****Ans. Ratio Analysis**

Ratio analysis is also defined as the process of establishing and interpreting various ratios for helping in making certain decisions.

**Analysis and Interpretation of Ratios :** Analysis is the dissection of a complex statement into elements and varied compartments. Whereas Interpretation brings out the meaning of such statements with the help of analysis.

There are four different ways in which ratios may be interpreted :

1. The individual ratio, by itself may have significance of its own. Thus, if the current ratio falls constantly and even goes below one, it may indicate that the liquidity position of the concern is not encouraging.
2. Ratios may be interpreted by expanding the analysis and considering a group of several related ratios. In this way, the ratios whose significance is not fully understood are made more meaningful by the computation of additional ratios like the profitability ratios.
3. The ratios may be compared over time. Moreover the same ratio or a group of ratios is studied over a period of years which indicates significant trends like increase or decrease in stability, etc.

4. The ratios of any given firm may be compared with the ratios of other firms in the same industry known as interfirm comparison. Such comparisons are significant as members of the same industry face similar financial problems.

**Q.9. Explain the various merits of ratio analysis.**

**Ans.**

### **Merits of Ratio Analysis**

The merits of ratio analysis are :

1. Ratio analysis simplifies the comprehension of financial statements.
2. Ratios portray the whole story of changes in the financial position of the business.
3. It provides data for interfirm comparison by which one firm can improve its financial standing and compete successfully with another.
4. Ratios highlight the factors associated with successful and unsuccessful firms.
5. Ratio analysis also makes possible comparison of the performance of the same unit over a period of time.

They are helpful in deciding about the efficiency or otherwise, in the past and likely performance in the future.

6. Ratio analysis helps in planning and forecasting the future activities of the firm.

**Q.10. State the various limitations of ratio analysis.**

**Ans.**

### **Limitations of Ratio Analysis**

Various limitations of ratios are as follows :

1. Ratios are meaningless by itself and acquire significance only when they are studied along with other ratios.
2. Ratio analysis focuses on the accounting data some of which at times turnout to be mere estimates. Any analysis based on the estimated figures, lacks precision which is very essential for the successful implementation of the physical as well as monetary targets.
3. Ratios provide only a part of the information needed in the process of decision-making. The information derived from the ratios must be used with that obtained from other sources so as to ensure a balanced approach in solving the problems.
4. Ratio analysis suffers from the serious limitations of the statistical concepts such as determination of proper standard for comparison, absence of the homogeneity of the data and danger of fallacious conclusions.
5. Financial analysis based on accounting ratios will give misleading results if the effects of changes in price level are not taken into account.
6. The qualitative factors which are important for the successful functioning of the organisation are completely ignored by the ratio analysis and hence, the conclusions drawn may get distorted. Ratio analysis is indeed, a double edged sword which requires a great deal of understanding and sensitivity of the management process rather than mechanical financial skill. But even with these limitations and problems the use of ratios to indicate future trends in business has increased to a great extent.

**SECTION-C (LONG ANSWER TYPE) QUESTIONS**

**Q.1. Discuss the steps involved in the process of promotion of a venture.**

**Ans. Steps or Stages in Promotion of a Venture**

The following are the major steps or stages involved in the promotion of a venture :

- 1. Conception of an idea :** This is the first stage in promotion process when a person or group of persons conceives an idea of some business opportunity possible to be availed of by starting a business enterprise. He thinks to tap some neglected natural resources; or to invent a new product to cater to the still unfilled needs and requirements of certain class of consumers; or to compete with the existing weak enterprises in a particular business field; or to break the monopoly of the only one enterprise by supplying the concerned product at a lower price and with more beneficial package of services; or to invent new technology in a particular feasible area. Moreover, the entrepreneur may also have an idea to expand the existing business activity by converting the present proprietary firm to a partnership firm or a registered company.
- 2. Exploring the possibilities :** After conceiving an idea of starting a new business, the entrepreneur explores the possibilities and tries to identify certain alternatives in the field. After having some preliminary discussions over the strengths and weaknesses or merits and demerits of the possible alternatives and fully weighing them, he selects the best looking, satisfying alternative, i.e., business opportunity, in all present and future circumstances.
- 3. Carrying detailed investigations :** With the best possible idea at hand, the entrepreneur indulges himself in carrying out detailed investigation with regard to various related matters or issues, so as to establish the commercial feasibility of his idea. For this purpose, he deeply or minutely examines the extent of demand, nature of present supply, sources of raw materials, supply of labour, availability of technology and technical know-hows, place of manufacturing, extent of working capital and fixed capital requirements, sources of finance, nature and extent of competition, strengths and weaknesses of the idea, and environmental opportunities and threats.  
At this stage, entrepreneurs usually hire the services of business experts like engineers, accountants, statisticians, technologists, market consultants, valuers, cost accountants, etc. They ask these experts to prepare and give what is called Feasibility Report in their respective fields, especially emphasizing the feasibilities of supplies, finances, and competition (market).
- 4. Making projections on the idea :** After it has been confirmed through Feasibility Report that the conceived business idea can be successfully carried out, the entrepreneur makes certain projections (i.e., predictions based on known evidence and observations) in various significant or critical fields such as cost, supplies, sales, fixed assets, distribution channels, capital structure, production, machinery and equipments, etc.
- 5. Entering into necessary contracts :** The purpose of necessary contracts or agreements is to acquire some property, supply of raw materials, skilled and unskilled labour, loans, hiring of technology or technical know-how, and marketing services.

6. **Fulfilling legal formalities** : This is the last step or stage in the promotion of a venture. At this stage, the entrepreneur takes various necessary preliminary steps before registration of the new business venture in the form of a proprietorship firm, partnership firm, or a company-preparation of various needed papers and documents. Thereafter, he files the required documents with the designated Authority for the purpose of registration and issuance of necessary licences. At this stage, the "conceived business idea" of the entrepreneur takes practical shape (is realized) in the form of the "birth of a new business venture."

**Q.2. What are the various channels or sources of idea generation?**

**Ans. Channels or Sources of Idea Generation**

A business idea should be sound and feasible. Such ideas may be discovered through the following important channels :

1. **Consumers** : The potential (future) customer is the final focal point of the idea for manufacturing a new product or providing a new service. Potential (future) entrepreneur should pay close attention to the prospective (future) customers for idea generation. This attention can take two forms: (i) formal and (ii) informal. The entrepreneurs informally monitor the potential ideas and needs of the consumers. Or, they can formally arrange some conferences or get-togethers for consumers to have an opportunity to express their opinions. In such cases, the entrepreneurs should ensure that the idea or need represents a large enough market to support a new venture. Contacts with prospective consumers may reveal the changes expected to occur in near future in their demands, fashions, and habits, requiring some new products or services, or some additional features in the present products or services. Nowadays, some firms conduct a opinion survey among the potential consumers before a business product selection is made. They also conduct what is called "text marketing" of the prototypes (first units manufactured of a product) before launching the product on the commercial scale. These steps are taken with a view to assessing the consumer's response.
2. **Existing companies, Market Survey** : Monitoring and evaluation of the competitive products and services of the existing companies provides good business ideas. For this purpose a market survey is carried out reveals the nature, number, supply and demand position, and deficiencies of various competitive products and services. It also sheds light on the trends in the field, including expected changes in fashions, habits, income levels, standard of living, and technology. From market surveys, the entrepreneurs or the intrapreneurs can identify those products and services which are expected to have good future market.
3. **Distribution Channels** : Member of the distribution channels (retailers, wholesalers, agents, distributors, etc.) are generally familiar with the needs and requirements of the market (consumers). Hence, they are an excellent source for new ideas. These channel members frequently give suggestions for the possibilities of introducing completely new products or services, as well as they can help in marketing the entrepreneur's newly developed products and services. For example, a retailer told to a packed-food entrepreneur that his fried-pulse-packets were not popular among ladies because of

the contents being less spicy. By heeding to this suggestion and making the appropriate spice-combination changes, his firm became the leading supplier of fried-pulse-packets in the local market.

4. **Professional experts** : Professional experts such as bank managers, advertising agencies, commercial consultants, etc., may also provide good business ideas for new products and services that appear to have bright chances of success in the future market. They usually base their suggestion on their scientifically or reasonably made projections of demands and supply.
5. **Governments and their agencies** : The Central Government, State Governments, and their agencies such as development banks, pollution control departments, special financial corporations, technical consultancy cells, investment centers, export promotion councils, etc., frequently provide advice and assistance in technical, marketing, and financial fields. Government's Five Year Plans, Industrial Policy Resolution, and Budget Announcements bring out the priority industries on the development of which special attention and help will be provided by the governments. Such priority announcements are a good source for new business ideas. Similarly, new product idea can come from the information supplied by the Government on the availability of the patents or patent rights. [A patent is an exclusive right granted by the government through a document to an inventor, thereby providing the exclusive privilege of using a certain process or of making, using, and selling a specific product or device for a specified period of time. There are both private and government patents. Government patents are available for licence or sale to the private individuals who may launch production of new patented products.]

Likewise, new product ideas can come in response to government regulation of business. For example, if the Government brings out a legislation aimed at eliminating unsafe working conditions in industry and mandates keeping of first-aid kits in the industrial enterprises, it unfolds a new product idea to the potential entrepreneur to launch a new venture for manufacturing the first-aid kits. Another business idea can also come up by looking at the needs and requirements of different companies for any special type of such kits. For example, a construction company may require a weatherproofed first-aid kit, whereas a company producing cosmetic items such as lipsticks, creams, powders, etc., may require only a simple kit with the intention of saving in price by avoiding unnecessary feature of weather proofing in the kit.

Small Industries Service Institutes can also assist an entrepreneur in identifying the activity (project) based on the Industrial Potential Survey and product-specific market studies. District Industries Center and State Directorate of Industries also facilitate in identification of a suitable activity (project).

6. **Trade fairs and exhibition** : Trade fairs and exhibitions are frequently organized (usually annually) at national and international levels. There't, many new or modified versions of products are displayed at their shops by various manufacturers or dealers. Visits to such a place naturally prove to be an excellent source for business ideas. These fairs and exhibition provide good opportunities for the purchase, manufacturing

collaboration, distributorship, and franchising of new products and services. In India, Trade Fair Authority of India (1976), an autonomous body, is the apex institution that organizes and controls trade fairs and exhibition in India and abroad. It periodically organizes trade and industrial fairs at Pragati Maidan pavilions (building structures), in New Delhi.

7. **Research and development findings :** A major source of new business ideas is the entrepreneur's own "research and development" efforts at his R&D Department or Laboratory. The research and development efforts may be formal endeavour at the said Department or at an informal lab in the basement or garage. An employee of a company may be engaged there in the R&D Department and may come across with a new business idea and may leave the company to become an entrepreneur to manufacture a new product. However, it may be noted that a formal R&D Department is often better equipped and therefore enables the entrepreneur to catch hold of new product.

**Q.3. Elaborate various reasons responsible for the failure of new products.**

**Ans. Reasons for the Failure of New Products**

Products fail for a number of reasons as discussed below :

1. **Product problems :** New products fail due to certain problems with the product itself, such as neglect of market needs or ignorance of market preferences, defects in product function, poor technical design or external appearance, poor packaging, inappropriate size, undependable performance, and too high a variation in quality. Thus, if product features do not match appropriate markets, it fails. As different features of a product may appeal to different market groups, therefore finding the most effective combination of features and target markets is crucial to the success of new products.
2. **Distribution and channel problems :** New products fail due to certain problems in distribution, such as inappropriate channels or outlets, lack of cooperation from middlemen, poor system of physical distribution, etc.
3. **Promotional problems :** Customers must comprehend the advantages they will have from the use of a new product. Unless sound communication strategies support the introduction of new product, failure usually follows. Promotional problems that contribute to the product failure are inadequate or ineffective promotion, advertising directed to wrong market segments, use of wrong appeals, failure to coordinate adequately with distribution system, improper training to salesforce, and so on.
4. **Pricing problems :** Pricing problems are also responsible sometimes for product failure, such as bad forecast of price that buyers would pay, price not on par with the product quality, poor cost estimates causing 'asking price' to be too high, adequate margins for the middlemen, etc.
5. **Changes at consumer end :** Lifestyle change, and consumers' age and preference also change. Similarly, the needs of industrial buyers are affected by changing business opportunities, shortages of energy and raw materials, technological advances, industry trends and actions of competitors. Such changes may affect adversely the success of a new product.

6. **Inappropriate organizational structure** : A firm may have difficulty in achieving new product successes because of an inappropriate organizational structure. The bureaucratic hierarchy common to organization especially large companies, can be highly efficient in controlling existing products but the same structure can hamper new product planning.
7. **Product development problems** : New products may fail due to various product development problems, such as inappropriate market strategy, inadequate market assessment, the lack of a market orientation, poor screening and project evaluation, inadequate launch efforts, etc.
8. **Managerial problems** : Managerial problems also account for new product failures. These problems include adequate budgeting to cover introduction costs, incomplete control over performance, poor timings of introductions, and failure to establish a competitive market position.
9. **Greater time-lag** : The time between the generation of new product ideas and their introduction in the form of new products into the marketplace, often spans several years. This means that changes in markets, competitive strategies, supply conditions, and economic trends can substantially alter as product's attractiveness by the time it reaches the market and then the product may prove to be a failure.
10. **Competition problems** : Competitor's aggressive strategies with respect to proper distribution, promotion, and price may cause serious setback to the product in the market. Then the company may have to react defensively rather than pursuing aggressive strategies.

**Q.4. Discuss the meaning and importance of project formulation.**

**Ans.                    Meaning and Concept of Project Formulation**

The process of formulating an idea for a project in order to arrive at a conclusion regarding whether or not to invest in it is referred to as project formulation. It has a built-in mechanism that sounds an alarm at the earliest possible stage of resource utilisation, so that you can take appropriate action. The conception of a project requires the collaboration of a group of knowledgeable individuals working together. Every single member of the team needs to have a comprehensive understanding of the overall strategy, goals and other aspects of the project. In addition to having extensive knowledge in his area of specialisation, he should also be capable of fitting into the larger picture of how things work.

Therefore, the process of looking at how a project works from a technical, economic, financial and business point of view is what we mean when we talk about project formulation. It is a preliminary project analysis that examines all aspects of the project, including the technical, financial, commercial, economic and managerial aspects to determine whether or not it is worthwhile to proceed with a more in- depth investigation and evaluation of the project.

The objective of any entrepreneur is to develop a product that will sell, regardless of the circumstances. The need to create a product gives rise to the concept of a project, which is determined by a variety of elements, including the accessibility of raw materials, energy, manpower and financial resources, as well as the organisational structure of the industry. Project formulation is a process in which an entrepreneur has to do an objective evaluation of

the different parts of the project's purpose investment. The main objective of this process is to analyse how the proposed project will affect everything. Project formulation is a key part of the beginning of the pre-investment phase, where product ideas are turned into project ideas. It helps reach the goals of the project, which are to get the maximum benefits at minimum cost in a certain period of time.

Thus, "project formulation is the systematic development of a project idea by evaluating its various components to take an investment decisions".

### **Objectives for Project Formulation**

A new project idea does not become a reality until the entrepreneur has solved all of the problems that come with it. Setting up a new project is not an easy task because it involves a number of problems, such as choosing the right technology, not having access to external economies, not having enough qualified and skilled staff and not knowing enough about government rules and regulations. Here are some of the problems that entrepreneurs face when starting a new project. Thus objectives for project formulations are as follows :

1. **Choosing the right technology** : Choosing the right technology for the project is one of the most important problems an entrepreneur has to deal with. Modern technology made in more developed countries might not work in developing countries because the situations are different in each country. Project formulation helps choose the right technology by looking at the project idea in terms of the design, colour, price, output, demand potential and after-sales services needed for the proposed products.
2. **No access to economies outside of the country** : All new projects will have to rely on industries that supply raw materials, machinery, plants, tools, power spare parts, etc. They also need services like technical, financial, marketing, management, communication, transportation and so on. Without these services and resources from specialised agencies, the new projects cannot happen.
3. **Non availability of qualified people** : New projects may run into trouble if they do not have enough qualified, experienced and efficient people. For modern technology to be used, it needed people who were up to date. Few people in developing countries have this kind of training. Project formulation helps managers to understand how skilled their employees are and if their project ideas are likely to work.
4. **Getting the money** : Getting the money is one of the most important problems when starting a new project. Taking into account how the capital market is right now, an entrepreneur will have to go through a number of obstacles to get the money a project needs. But project formulation helps the entrepreneur in analysing the various sources of available funds.
5. **Lack of awareness about the rules and regulations set by the government** : When starting a new project, an entrepreneur must follow a number of procedures, rules and regulations set by the government. For a project to get off the ground successfully, the entrepreneur must know about export policy, price control, subsidies, grants, etc.



**Q.5. Elaborate project report. Also discuss its advantages.**

**Ans. Meaning of Project Report**

Project report or business plan is a written statement of what an entrepreneur proposes to take up. It is one kind of course of action about what the entrepreneur hopes to achieve in his business and how is he going to achieve it.

The project report is a document that contains all information about the proposed project. It is used as a blueprint for all operations to be carried out in order to achieve the desired results. The project report is essentially the business plan of action and clearly describes its goals and objectives. It is one that assists in converting a business idea into a profitable venture without chaos or confusion by defining project execution strategies. The project report is an important tool available to management for proper monitoring of operations and identifying any problems. Managers can estimate all operational costs and potential profitability of a proposed project using project reports.

The project report is a document prepared by experts that contains all information regarding the proposed project. It is served as a blueprint of all operations and helps in transforming the business idea into a productive venture without any confusion as it defines strategies for project execution. Project reports are important tools to both project teams and stakeholders. Through these reports, entrepreneurs track the current progress of the project and compare it against the original plan. They can identify risks early on and take corrective action. Reports estimate all costs of operations and possible profitability of the proposed project.

### **Importance of Project Report**

Here are the points that validate the importance of project report :

1. Project reports are an important source for managers and stakeholders, to monitor the current progress and measure against the original schedule.
2. It helps to predict the threats and develop proper steps to recover.
3. The report makes it easier to control the cost and budget apart from the budgeted cost.
4. It will be a source of information to respond to success, stagnation, team results or quality of work.
5. The project report requires completeness and accuracy, also ensures coverage of all dimensions of the project and makes the data more viable.
6. It helps the project manager to deal with potential or upcoming risks during projects.
7. The report increases the amount of visibility into your projects and will give you full insight into how your project is performing.
8. It also helps to avail certain loans and funding from various banks, NBFC, Private Equity, Venture Capital funds, Government Schemes such as MUDRA Loan etc.
9. It helps the entrepreneur to get an exact idea about the initial inputs required for the business.
10. Project report is an important document for bank loan including business plan, projected financials, viability study, technical analysis etc. for availing of the loan.

**Q.6. Discuss in detail about project appraisal.**

**Ans.**

### **Project Appraisal**

Project appraisal is the process of assessing, in a structured way, the case for proceeding with a project or proposal, or the project's viability. It often involves comparing various options, using economic appraisal or some other decision analysis technique. The entire project should be objectively appraised for the same feasibility study should be taken in its principal dimensions, technical, economic, financial, social and so far to establish the justification of the project or The project appraisal is the process of judging whether the project is profitable or not to client.

- 1. Economic Analysis :** Under economic analysis, the project aspects highlighted include requirements for raw material, level of capacity utilization, anticipated sales, anticipated expenses and the probable profits. It is said that a business should have always a volume of profit clearly in view which will govern other economic variables like sales, purchases, expenses and alike. It will have to be calculated how much sales would be necessary to earn the targeted profit. Undoubtedly, demand for the product will be estimated for anticipating sales volume. Therefore, demand for the product needs to be carefully spelled out as it is, to a great extent, deciding factor of feasibility of the project concern.
- 2. Financial Analysis :** Finance is one of the most important pre-requisites to establish an enterprise. It is finance only that facilitates an entrepreneur to bring together the labour of one, machine of another and raw material of yet another to combine them to produce goods. Assessment of the financial requirements both - fixed capital and working capital need to be properly made. You might be knowing that fixed capital normally called 'fixed assets' are those tangible and material facilities which purchased once are used again and again. Land and buildings, plants and machinery, and equipment's are the familiar examples of fixed assets/fixed capital. The requirement for fixed assets/capital will vary from enterprise to enterprise depending upon the type of operation, scale of operation and time when the investment is made. But, while assessing the fixed capital requirements, all items relating to the asset like the cost of the asset, architect and engineer's fees, electrification and installation charges (which normally come to 10 per cent of the value of machinery), depreciation, pre-operation expenses of trial runs, etc., should be duly taken into consideration. Similarly, if any expense is to be incurred in remodelling, repair and additions of buildings should also be highlighted in the project report. In accounting, working capital means excess of current assets over current liabilities. Generally, 2 : 1 is considered as the optimum current ratio. Current assets refer to those assets which can be converted into cash within a period of one week. Current liabilities refer to those obligations which can be payable within a period of one week. In short, working capital is that amount of funds which is needed in day today's business operations. In other words, it is like circulating money changing from cash to inventories and from inventories to receivables and again converted into cash. This circle goes on and on. Thus, working capital serves as a lubricant for any enterprise, be it large or small. Therefore, the requirements of working capital should be clearly provided for.

Inadequacy of working capital may not only adversely affect the operation of the enterprise but also bring the enterprise to a grinding halt. The activity level of an enterprise expressed as capacity utilization, needs to be well spelt out in the business plan or project report. However, the enterprise sometimes fails to achieve the targeted level of capacity due to various business vicissitudes like unforeseen shortage of raw material, unexpected disruption in power supply, inability to penetrate the market mechanism, etc. Then, a question arises to what extent and enterprise should continue its production to meet all its obligations/liabilities. 'Break- even analysis' (BEP) gives an answer to it. In brief, break-even analysis indicates the level of production at which there is neither profit nor loss in the enterprise. This level of production is, accordingly, called 'break-even level'.

3. **Market Analysis :** Before the production actually starts, the entrepreneur needs to anticipate the possible market for the product. He/she has to anticipate who will be the possible customers for his product and where and when his product will be sold. There is a trite saying in this regard: "The manufacturer Based on above, the product life cycle has been divided into the following five stages: (i) Introduction (ii) Growth (iii) Maturity (iv) Saturation (v) Decline.
4. **Technical Feasibility :** While making project appraisal, the technical feasibility of the project also needs to be taken into consideration. In the simplest sense, technical feasibility implies to mean the adequacy of the proposed plant and equipment to produce the product within the prescribed norms.

As regards know-how, it denotes the availability or otherwise of a fund of knowledge to run the proposed plants and machinery. (i) Availability of land and site. (ii) Availability of other inputs like water, power, transport, communication facilities. (iii) Availability of servicing facilities like machine shops, electric repair shop, etc. (iv) Coping-with anti-pollution law. (v) Availability of work force as per required skill and arrangements proposed for training in plant and outside. (vi) Availability of required raw material as per quantity and quality.

5. **Management Competence :** Management ability or competence plays an important role in making an enterprise a success or otherwise. Strictly speaking, in the absence of managerial competence, the projects which are otherwise feasible may fail. On the contrary, even a poor project may become a successful one with good managerial ability. Hence, while doing project appraisal, the managerial competence or talent of the promoter should be taken into consideration. Research studies report that most of the enterprises fall sick because of lack of managerial competence or mismanagement. This is more so in case of small-scale enterprises where the proprietor is all in all, i.e., owner as well as manager. Due to his one-man show, he may be jack of all but master of none.

**Q.7. Explain financial analysis. What are the significances and objectives of financial analysis.**

**Ans.**

### **Meaning of Financial Analysis**

The process of reviewing and analysing a company's financial statements to make better economic decisions is called analysis of financial statements. In other words, the process of

determining financial strengths and weaknesses of, the entity by establishing the strategic relationship between the items of the balance sheet, profit and loss account, and other financial statements.

The term 'analysis' means the simplification of financial data by methodical classification of the data given in the financial statements, 'interpretation' means, 'explaining the meaning and significance of the data so simplified.' However, both 'analysis and interpretation' are interlinked and complementary to each other.

### **Significance of Financial Analysis**

#### **To Finance Manager**

Analysis of financial statements helps the finance manager in :

1. Assessing the operational efficiency and managerial effectiveness of the company.
2. Analysing the financial strengths and weaknesses and creditworthiness of the company.
3. Analysing the current position of financial analysis.
4. Assessing the types of assets owned by a business enterprise and the liabilities which are due to the enterprise.
5. Providing information about the cash position company is holding and how much debt the company has in relation to equity.
6. Studying the reasonability of stock and debtors held by the company.

#### **To Top Management**

Financial analysis helps the top management in the following manner :

1. To assess whether the resources of the firm are used in the most efficient manner.
2. Whether the financial condition of the firm is sound.
3. To determine the success of the company's operations.
4. Appraising the individual's performance.
5. Evaluating the system of internal control.
6. To investigate the future prospects of the enterprise.
7. Appraising the ability of the company to meet its short-term obligations.
8. Judging the probability of firm's continued ability to meet all its financial obligations in the future.
9. Firm's ability to meet claims of creditors over a very short period of time.
10. Evaluating the financial position and ability to pay off the concerns.

**To Investors :** Investors, who have invested their money in the firm's shares, are interested in the firm's earnings and future profitability. Financial statement analysis helps them in predicting the bankruptcy and failure probability of business enterprises. After being aware of the probable failure, investors can take preventive measures to avoid/minimize losses.

### **Objectives of Financial Analysis**

Main objectives of financial analysis, are as follows :

1. **Reviewing the performance of a company over the past periods :** To predict the future prospects of the company, past performance is analyzed. Past performance is

analyzed by reviewing the trend of past sales, profitability, cash flows, return on investment, debt-equity structure and operating expenses, etc.

2. **Assessing the current position and operational efficiency** : Examining the current profitability and operational efficiency of the enterprise so that the financial health of the company can be determined. For long-term decision making, assets and liabilities of the company are reviewed. Analysis helps in finding out the earning capacity and operating performance of the company.
3. **Predicting growth and profitability prospects** : The top management is concerned with future prospects of the company. Financial analysis helps them in reviewing the investment alternatives for judging the earning potential of the enterprise. With the help of financial statement analysis, assessment and prediction of the bankruptcy and probability of business failure can be done.
4. **Loan Decision by Financial Institutions and Banks** : Financial analysis helps the financial institutions, loan agencies and banks to decide whether a loan can be given to the company or not. It helps them in determining the credit risk, deciding the terms and conditions of a loan if sanctioned, interest rate, and maturity date etc.

**Q.8. Discuss the contents of project report.**

**Ans.**

### **Contents of a Project Report**

The contents of a project report are listed below.

1. **General Information** : A project report must provide information about the details of the industry to which the project belongs to. It must give details about the industry's history, current situation, issues and hopes for the future. If the proposed firm is a manufacturing unit, it must include information about the product that will be manufactured as well as the criteria used to choose the product. The product's demand in the regional, national and international markets must be clearly stated. It should clearly identify the alternatives of business and should clarify the reasons for starting the business.
2. **Executive Summary** : A project report must state the objectives of the business and the methods through which the business can attain success. The project report must provide a summary of the industry's overall situation with relation to capital, operations and methods of operation and execution.
3. **Organizational Summary** : The project report should indicate the organization structure and pattern proposed for the unit. The ownership structure, sole proprietorship, partnership or joint stock company, must be specified. It must include details on the promoters, especially their financial stability, the owner's or promoter's names, addresses, educational backgrounds and work history.
4. **Project Description** : The project must be briefly described and must include information on the following :
  - (a) Location of the site,
  - (b) Raw material requirements,
  - (c) Target of production,
  - (d) Area required for the work shed,

- (e) Power, fuel and water requirements,
  - (f) Employment requirements of skilled and unskilled labour,
  - (g) Technology selected for the project,
  - (h) Production process,
  - (i) Projected production volumes, unit prices, if a company is service-oriented, it must specify the kinds of services it offers to clients. It should state the method of providing service to customers in detail.
5. **Marketing Strategy** : The project report must state the proposed total demand for the product. The price at which the product may be sold in the market must be specified. The market-capture techniques that will be used must also be mentioned. If any after-sale service is offered, it must be specified in the project. It must describe the mode of distribution of the product from the production unit to the market. Project report must state the following :
- (a) Customer types,
  - (b) Target markets,
  - (c) Nature of market,
  - (d) Market segmentation,
  - (e) Future market prospects,
  - (f) Sales goals,
  - (g) Marketing costs associated with the project,
  - (h) Market share of the proposed venture,
  - (i) Demand for the product on local, national and international markets,
  - (j) Potential product users and the channels that will be used to distribute the product must be indicated.
6. **Capital Structure and operating cost** : The total amount of capital needed for the project must be described in the project report. It must disclose the source of funding and the sums of the owner's funds and borrowed funds. Both the amount of working capital needed and the source of supply must be specified in the project. Estimated costs for the entire project must be broken down into land, building and civil work construction, machinery and equipment, other fixed assets, preliminary and preoperative costs and working capital. The anticipated sources and conditions of debt and equity financing must be stated in the proposed financial structure of the enterprise. The running costs must be specified in this area as well.
7. **Management Strategy** : In management strategy the following points should be included in the project report.
- (a) Business expertise of the business sounders,
  - (b) Information about the management team,
  - (c) Duties and responsibilities of team members,
  - (d) Current personnel needs of the organization,
  - (e) Management techniques,

- (f) Plans for hiring and training personnel,
- (g) Management programs and policies.

8. **Financial Aspects** : A projected balance sheet and profit and loss account must be included in the project report in order to assess the profitability of the company. It must display the anticipated gross profit, net profit, cost of production and sales revenue for the proposed unit. In addition to the above, a projected balance sheet, cash flow statement and funds flow statement must also be created annually and for a minimum of three to five years.

The income statement and cash flow projections should include a three-year summary, detail by month for the first year and detail by quarter for the second and third years. The project report has to include the break-even point and the rate of return on investment. In this portion of the project report, the accounting system and inventory management system that will be employed are normally covered. Whether the firm is financially and economically feasible must be stated in the project report.

9. **Technical Aspects** : Project reports give details on on a project's technical and technological components. It includes details on the technology used for the project, the production process, the machine capacity, pollution control facilities, etc.
10. **Executing the Project** : Every proposed business unit is required to create a project timeline. It must specify the deadline by which the steps necessary to start the project can be finished. Implementation plans outline the timeline for starting and finishing a project.
11. **Social Responsibility** : The proposed units incorporate input from society. As a result, it makes a positive impact on society through employment, revenue, exports and infrastructure.

**Q.9. What are the tools or techniques of project appraisal?**

**Ans. Tools/Techniques of Project Appraisal**

Five techniques are used with regard to project appraisal and they are covered below :

1. **Economic Analysis** : The quantity of raw materials required, the capacity utilisation rate, the anticipated sales, the anticipated costs and the likely profitability of the project are all taken into consideration during economic analysis. Because they will dictate other economic factors such as sales, purchases, expenses and so on, it is imperative that a corporation always be aware of its profit margins. The company has to make an estimate of the targeted sales required in order to generate the anticipated levels of profit. The level of demand for the products has a direct impact on the sales. Consequently, one of the most important factors that play a role in determining whether or not a project will be successful is the product demand. The location of the company is another important factor to consider when analysing the feasibility of the project. When deciding where to put the facility, careful consideration needs to be given to the many tax concessions, subsidies and other benefits that can be obtained from the government in the form of various programmes. As a consequence of this, one of the most important aspects of economic analysis is location.

2. **Financial Analysis** : The practice of conducting financial analysis is an indispensable activity for any prosperous enterprises. The requirements of the company in terms of both its fixed capital and its working capital are assessed in order to determine whether or not the project is financially viable. Fixed capital in a company is comprised of both tangible and intangible assets that, once purchased, are used repeatedly over the course of time. This type of capital is more commonly referred to as "fixed assets." Land, buildings, vehicles, machinery and other items are all considered to be examples of fixed assets. In addition to this, the costs of any building renovations, maintenance or additions should be included in the report on the project.

Current assets are assets that can easily be converted into cash within a week's time and this term refers to those assets. Current liabilities are defined as debts that have a maturity date within the next seven days and can be settled in full within that time frame. As a result, an organization's working capital satisfies its day-to-day needs and functions as a lubricant to ensure the company's smooth operation. The operation of the company might suffer if there is insufficient capital available for operating expenses.

3. **Market Analysis** : The entrepreneur must do a market analysis to see whether there is a market for the product before starting manufacturing. Demand forecasting is a component of market analysis. Demand forecasting is to foresee and pinpoint the necessary market for the good that will be purchased. Typical techniques for demand forecasting include :

**Opinion Polling Method** : A survey is carried out and the responses of the target audience are taken into account. This approach simply adds the potential requests of all consumers to estimate sales. The numerous techniques include :

- (i) **Sample Survey** : In this method, a population-at-large sample that is intended to be representative of the entire population is contacted in order to ascertain the level of demand for the product over the course of the anticipated time frame. The total for the defined sample's date is computed after it is taken from the sample. The total demand from the sample is used in order to calculate the total demand from the population as a whole.
  - (ii) **Sales experience approach** : Before releasing a brand-new product, this approach involves conducting research on a subsection of the target market. The findings of the survey are then extrapolated to include the entirety of the universe in order to satisfy the demand in its entirety.
  - (iii) **Vicarious Method** : With this strategy, dealers who are familiar with potential customers approach consumers directly. This approach records the dealer's perception of the customer's viewpoint.
4. **Technical Feasibility** : The ability of the planned plant and equipment to produce the desired product within the established standards is evaluated and assessed in terms of its technical feasibility. This evaluation and assessment takes place before the plant and equipment are built. Analyses of the company's technical viability determine whether or not the business possesses the necessary expertise and whether or not it



must be acquired from another source. In addition, the appropriate sources are being sought out in order to establish the agreement as soon as possible. The following elements need to be properly taken into account while determining the project's technical feasibility :

- (a) The availability of a place and land.
- (b) Accessibility of sufficient raw materials in accordance with specified amount and quality.
- (c) The availability of additional inputs such as water, power, transportation and communication infrastructure.
- (d) The availability of maintenance facilities, such as machine shops and electrical repair shops.
- (e) Adequate licenses to comply with environmental laws.
- (f) The availability of a workforce with the necessary skills and the projected plans for both inside and outside training.

5. **Managerial Competence** : The capability of the management team to successfully manage a company is an essential factor that should be considered when estimating the profitability of any project. Even a flawed initiative has a chance of being successful if it has strong executive support. Therefore, evaluating the competence of the management or the capabilities of the promoter can provide a strategic advantage for the success of the project.

**Q.10. Discuss the major steps or stages involved in the idea processing and selection or the concept development or zeroing in process.**

**Ans. Stages Involved in the Idea Processing and Selection**

The following steps or stages are involved in the idea processing and selection, or the concept development or zeroing in process :

1. **Technical feasibility** : Technical feasibility means that the necessary machines, methods, technical know hows, equipments, and raw materials are easily available to manufacture the product. To ensure technical feasibility, the entrepreneur may take proper advice from technical experts in the field.

It may be noted that process selection or choices of manufacturing process technology emerge after the product is finalized. For some complex products, process know-how has to be imported. In such cases, agreements for technology transfer should be made with due care to safeguard interest. The Council of Scientific and Industrial Research (CSIR) and Defence Research Labs are developing a lot of appropriate technology and some of this technology can now be bought by the private entrepreneurs. However, the entrepreneur should realize that indigenously developed process know-how has intrinsic benefits such as appropriateness and relative inexpensiveness.

While checking out on a manufacturing process technology, the following things need to be considered with utmost care :

- (a) Whether the process requires very high level of skilled workers or complex machines?

- (b) Whether any process or product patent needs to be honoured while utilizing the selected process technology?
- (c) Whether process requires large quantities of water or power?
- (d) Whether it attracts any special pollution or environmental regulations?
- (e) Whether the process is appropriate to Indian environment and conditions.

Consideration of machinery and equipment is equally important. One of the major deficiencies in the case of the small industries in India is that they usually possess and use outdated production methods machines, and equipments, hindering the profitable running of small units. It has also been found that the most important reason for the reluctance of the small industrialists to install modern machinery and equipment has been the lack of long-term invertible funds. It may be noted by the entrepreneurs that the main objective of National Small Industries Corporation (NSIC) is to provide machinery and equipment to small industrial units, offering them long repayment period with moderate rate of interest.

2. **Consumer-acceptance testing** : It is a market research attempt to measure consumer attitudes and perceptions relevant to the new product concept and determine their acceptance, without necessarily incurring the costs of manufacturing the physical product. Focus groups' or 'in-store polling' can be effective methods of consumer-acceptance testing. While symbolically (or physically, if possible) presenting the product idea (or product) to the consumers, the entrepreneur should give as many details of the product as possible. Under another method of 'conversational interview; selected respondents are exposed to statements that reflect their observations/reaction over the physical characteristics and attributes of the proposed product. Where competing products exist, these statements can also compare the primary features of the existing products. Favourable as well as unfavourable product features can be discovered by analysing consumers' responses. Later, favourable features can be incorporated into the product.
3. **Commercial viability (or profitability)** : A natural question should appear in the mind of the entrepreneur whether the proposed product idea is commercially viable or not. In other words, since he is going to form a new venture with a view to earning surplus (profit), he should fully ensure after cost-benefit analysis that the project has long-term profitability. Besides the cost-benefit analysis, the aspect of profitability is also to be assessed from the view point of market competition- especially keeping in mind that some new competitors may be attracted by the profitability of the product and may compete in future with the entrepreneur by introducing price reductions. Hence, consideration of the extent of profit margin is a critical aspect so as to remain safe even if the entrepreneur has to face price competition in future. Commercial feasibility or viability is a complex and technical matter requiring a number computations in the light of the demand volume, price, total cost of production, sales promotion expenses, trade discounts, break-even point (no profit no loss point), etc. Hence, the entrepreneur may seek help of experts in this field.
4. **Selection of site** : After deciding the several issues of product, and manufacturing process (technology), the entrepreneur has to take a major strategic decision on the

question of where to set up the new enterprise, i.e., where to construct/hire its building. The general objective in selecting a site is to minimize total cost of production and distribution. The selected site should be such as maximizes revenue and provides an opportunity for further growth and expansion. Regardless of the type of business, there are some general factors that will influence the site-selection for a new venture:

- (a) Economics (i.e., purchasing power of its population, number of employed people in the area, standard of living, per capita retail sales, etc.)
  - (b) Competition
  - (c) Personal factors
  - (d) Geographic considerations
  - (e) Local laws and regulations
  - (f) Special government schemes attached to area, such as backward declared area, free trade zone, export promoting zone, etc.
  - (g) Infrastructural facilities (roads, water, power, etc.) in the area
  - (h) Location of raw materials of supplies
  - (i) Location of target markets
  - (j) Labour supply.
5. **SWOT analysis** : It is the process of analysing the strengths, weaknesses, opportunities, and threats existing in the environment. This analysis covers the investigations of internal and external environment. In the light of the technical, consumer reactions, profitability, finances, management and control, organization, publicity, and legal formalities, the entrepreneur has to identify as to what are his strengths and weaknesses. By looking at the external environment, he has to identify as to what are the opportunities (favourables) and what are the threats (unfavourables) existent in it. Thereafter, he has to think over the point as to how he will be using his strengths to take advantage of opportunities and face the threats. He has also to take care as to how he is going to cover up his weaknesses. Thus, SWOT analysis is a comprehensive or detailed study covering or touching all important aspects of the business project. This analysis may be carried out with the help of experts in the related fields. It provides the real basis for the selection of a particular product.
6. **Idea or product or project selection** : The entrepreneur carries out the SWOT analysis or a detailed investigation in regard to a few business project ideas identified at the idea generation stage. After weighing the comparative merits and demerits of each project idea, he may finally select that one which appears to him "satisfying" (best looking) under the prevailing circumstances. For example, the entrepreneur has identified four business ideas or projects at the end of idea generation stage as discussed earlier. After taking up SWOT analysis in all the four cases, he may finally identify and select the "Plastic Auto Parts Making" project.

A framework for Project Selection may be given as below :

**Schedule for Product/Project Selection**

Product/ Service	Technical Feasibility	Commercial Viability	Consumer Acceptance	Total Investment	Market Competition	Raw Matter	Location	Labour & Utilities	Overall Rating
	1	2	3	4	5	6	7	8	9
Electric Switches									
Plastic Auto Parts									
Computer Learning Services									
Air-pins									

The entrepreneur can use the above given Schedule/Framework by using the following measurement/assessment indicators in case of individual columns separately :

S.No.	Assessment Indicator
1	Feasible or Not Feasible
2	Viable or Not Viable
3	Acceptable, Not Acceptable, Indifferent
4	High, Medium, or Low as per his financial strength
5	Stiff or Moderate
6	Easily Available or Not Easily Available
7	Favourable or Unfavourable
8	Favourable or Unfavourable
9	Good and Acceptable or Not Good and Unacceptable

In our case, after going through the above exercise, the entrepreneur is supposed to find the Plastic Auto Parts project as good and acceptable and the other three projects as not good and unacceptable.

It may be thus summarized that the project selection is the function (result) of three major factors: (i) Needs and requirements of the consumers, (ii) capabilities of the entrepreneur, and (iii) commercial viability of the project.

**Q.11. What do you mean by product selection? Discuss the criteria for product selection.**

**Ans.**

**Product Selection**

It is difficult to choose a product in entrepreneurship. Various criteria must be considered by an entrepreneur during the product selection process. So, let us now go over some criteria that an entrepreneur should think about before selecting a product. There are numerous sources for gathering a wide range of information about product selection. Government publications, development agencies, management and technical journals, public sector units such as ITI, HAL, BHEL and others, as well as various research laboratories, are among these sources. In many cases, entrepreneurs will hire specialised institutions or individuals to handle the product selection process on their behalf. Similarly, the entrepreneur can conduct the market survey himself or hire experts or consultants.

However, in the majority of cases, entrepreneurs develop product ideas based on their own set of references or environment. They usually get the information they need from places like

industrial journals, research institutions, the internet, consultants, syndicated research and so on. Similarly, entrepreneurs can obtain necessary patents by working with specialised marketing and R&D firms that specialise in the arrangement of patents, trademarks and so on. Thus, an entrepreneur must choose a viable product idea from among several alternatives and develop it into a marketable product.

### Product Selection Criteria

Before selecting a product, an entrepreneur considers a number of factors. These are the following :

1. **Technical knowhow** : An entrepreneur's technical knowledge is an important guiding factor when selecting a product. If an entrepreneur is in the product- related field, he can easily decide what product should be manufactured. Similarly, knowledge in the manufacturing or marketing fields helps the entrepreneur choose the best product.
2. **Availability of Market** : The availability of a large market for a specific product also aids in its selection. If there is a high demand for a product, the market risk of launching it is reduced. As a result, it is critical that the entrepreneur understand the product's market in terms of how and where the product can be sold.
3. **Competitive Rivalry** : The level of competition in the market has a significant impact on the returns from a product. Factors such as competitor market dominance, the availability of substitutes, any barriers to entry and so on all play a significant role in determining the viability of the product.
4. **Financial Strength** : The entrepreneur's relative financial strength also serves as a guiding force in product selection. Manufacturing a product generally necessitates significant investment in R&D capacity creation, plant and machinery and so on, which is typically beyond the expenditure capacity of a small firm. As a result, prior to product selection, an entrepreneur should assess his or her financial strength.
5. **Product Category** : In many cases, certain products fall into the priority sector category, while others may be reserved for smaller scale industries. The level and extent of competition for these product categories is lower in small sectors than in other sectors of the economy. Certain products have also been designated by the government as being exclusively purchased from the small scale sector. In the case of such products, the entrepreneurs will undoubtedly priorities a product that falls into this category.
6. **Consistency in Demand** : When there are few fluctuations in the demand for a product, the market for such products can be considered stable. Seasonal products are unique in that their demand varies greatly. The seasonality of a product also plays a significant role in its selection or non-selection because it is directly related to the stability of demand for the same. A product with consistent and stable demand should be preferred by the entrepreneur.
7. **Restrictions on Imports** : The government's foreign trade policy may restrict the import of certain products. In such cases, those items gain public attention and as a result, an entrepreneur should prefer products that fall into such restricted category.
8. **Availability of Raw Material** : The availability of raw materials is a critical factor in selecting a specific product. An entrepreneur should ensure that supplies needed for

the smooth operation of business operations are generally available in the desired quantity throughout the year. Furthermore, the source of raw material procurement is critical. Where supplies are to be obtained from outside sources, the entrepreneur must keep a sufficient amount of inventory in comparison to local sources.

9. **Business Location** : Business location is also important for selecting a specific product because certain products are designated for production in special zones such as free trade zones, export promotion zones and so on. Incentives and tax concession are also provided by the government for such products. Furthermore, the proximity of large consumer markets to manufacturing centers increases the attractiveness of certain products.
10. **Licensing System** : The government's licensing policies change over time. For some products, the entrepreneur must have the necessary license issued by the relevant authority. The licensing process is time-consuming for some products. As a result, products that require a large number of licensing approvals will be less appealing to entrepreneurs.
11. **Government Policy** : The entrepreneur should select a product from a sector with favourable government policies. Products that are not socially beneficial, such as tobacco and alcohol, do not receive government support.
12. **Government Incentives and Subsidies** : The government frequently provides a variety of subsidies and incentives to promote specific industry. These incentives and subsidies typically take the form of tax breaks, customs exemptions, concessions and so on. An entrepreneur should consider the availability of such government schemes because they can greatly assist an entrepreneur in establishing a new business.

**Q.12. What are short-term capital requirements?**

**Ans. Short-Term Capital Requirements**

### **Working Capital Requirement**

Working capital requirements means total money needed for one marketing cycle, i.e., one year. Working capital is required to meet short-term (usually one year) financial needs of an enterprise. It covers the costs of (i) current assets-cash, stock, debentures (credit sales), semi-finished goods, etc, (ii) raw materials, (iii) promotion of new unit-registration, licensing, market survey, expert consultation, legal advice and formalities, etc., (iv) establishment of business' (gestation period)-operating losses generally sustained during initial period of a few years or less, after which the business starts giving profit, (v) advance to suppliers, (vi) commission to selling agents, (vii) interest on loans, and (viii) periodical expenditure on salaries, wages, rents, advertising, etc., (ix) Expenses on consumables, (x) Miscellaneous manufacturing and day-to-day administrative expenses. These items are of current nature and keep on changing their requirements. The volume of working capital need also vary from enterprise to enterprise depending on a number of factors. Typically, in a money lending enterprise, most of the capital required is for working capital needs, whereas in a water supply enterprise or a transport enterprise, the working capital requirements are small.

The following factors determine the working capital (Short-term funds) requirements of an enterprise :

- (a) The proportion of the cost of raw materials to the total cost.

- (b) Importance of labour-more workers, more working capital.
- (c) Length of period of manufacture--the more this period, the more investment in work-in-progress (i.e., incomplete work or partially completed work) at all stages.
- (d) Rapidity of turnover-more rapid sale of goods, more needed working capital.
- (e) Terms of credit-the longer the period of credit allowed to customers, the greater the need for working capital.
- (f) Stocks-the larger the stocks either of raw materials or of stores and spare parts or of finished goods, the more the requirement for working capital.
- (g) Cash-the larger the amount of cash needs, the greater the working capital requirement.
- (h) Seasonal variation-The more the seasonal production or sale, the larger the working capital requirement. For example, sugar enterprise produces all its sugar during December and April, when working capital would be most required. Similarly, a woolen textile enterprise would sell its clothes during winter only, when more working capital would be required. Further, air conditioners and room cooler producing enterprises would require more working capital in summer season.

**Q.13. Elaborate the features of a project.**

**Ans.**

**Features of a Project**

The major characteristics of a project are listed below :

1. **Projects Are Unique** : Each project is unique in its own way. Each project is distinct from the others due to its own purpose, objectives, location, structure, resources, activities and other project characteristics. These are the things that make a project stand out.
2. **Projects Have a Goal** : Every project starts with some goals or objectives, such as time, budget, quality and quantity. When the goals are met, the project ends. Objectives are the most important parts of a project. They show how far the project has come and a time-to-time analysis will show you how much you have done.
3. **Single Entity** : A project is a single thing. This means that even though different people work on a project, it is still seen as a single thing. Most of the time, the teams are put together for a single project.
4. **Life Span** : Every project has to be done by a certain date. A project cannot go on forever and never end. It must have a point where it can't go any further.
5. **Require Funds** : Every project needs money to get to the end. Without appropriate fund, no project can be done well. Cost estimation is one of the most important things for any business.
6. **Team Spirit** : The project cannot be finished without team spirit because it is made up of different people with different skills and from different fields. But to reach a common goal, there needs to be harmony, missionary zeal and team spirit.
7. **Risk and Uncertainty** : Most of the project is based on making predictions. So, projects always come with risk and uncertainty. There will be a high degree of risk in those

projects which are not properly defined. Only the amount of control over risk and uncertainty changes depending on the project and the information that is available.

8. **Directions :** The project is always done based on what the customer wants in terms of time, quality, quantity etc. The needs of customers are more important than the supply side of economics, which includes things like the availability of labour or resources and good managers etc.
9. **Flexibility :** Change is a part of every project. During the course of a project's life, many things change. These changes can give projects more life and make them easier to change.
10. **Projects Require Cross-Departmental Collaboration :** To complete a project, teams or individuals from several departments must work together with a variety of abilities, positions and responsibilities. In project management, collaboration is extremely advantageous since it brings together the crucial knowledge, abilities and skills.
11. **Cost :** If the project's quality needs to be changed, it could have an effect on the project's cost. If more resources are needed to finish the project faster, the price could go up.

**Q.14. What do you mean by project identification? Discuss its objectives and advantages.**

**Ans.**

### **Project Identification**

In any project cycle, the first step is project identification. Before investing a considerable amount of time and resources in a project, entrepreneurs must pick and focus on one that meets their needs and may help them achieve their goals. A right direction may enable an entrepreneur to scale new heights. Otherwise he has to undergo a number of hurdles in his way. Before beginning to design the subsequent stages of the project cycle, they must also thoroughly research the viability of the proposed project. Usually, a project must be chosen after considering a number of factors.

Project formulation includes a crucial phase called project identification. These are designed with the intention of satisfying market demand, taking advantage of natural resources or making money. While the industrial projects often originate from identification of commercial prospects and profit potential, project ideas for developmental projects typically arise from the national planning process. There may be a number of alternate projects that will accomplish the same goals because projects are a tool for accomplishing certain goals. In support of the specific project that has been suggested for consideration, it is crucial to list all the other options that were justifiably investigated. Sectoral studies, opportunity studies, support studies and project identification primarily concentrate on screening the number of project ideas that are generated based on information and data currently available and based on expert opinions in order to come up with a small number of project options that are promising.

In order to achieve a given development goal in a particular location or setting, project identification aims to create a preliminary proposal for the best suitable set of interventions and course of action, within predetermined time and financial constraints. Ideas for investments can come from a variety of circumstances and sources. They may come from a



nation's sector plan, programme or strategy; as a follow-up to an ongoing project; or from priorities determined in a sector or local development debate involving several stakeholders. Thus we can say that, project identification is concerned with collection, compilation and analysis of economic data for the eventual purpose of locating possible opportunities for investment and with the development of such opportunities. In order to identify a project, the following steps must be taken :

1. A review of alternative approaches or options for addressing a set of development problems and opportunities;
2. The definition of project objectives and scope of work at the level of detail necessary to justify commitment of the resources for detailed formulation and respective preparatory studies; and
3. The identification of the major issues and questions to be answered before a project based on the concept can be implemented.

### **Objectives of Project Identification**

1. To know exactly what entrepreneur wants to accomplish in the future with his project.
2. Work with the team (stakeholders and business leaders) to analyse what the problems are and where they come from.
3. Working out the details of the project and making sure that the ideas for the project can help the organisation reach its goals.
4. Make sure that all the resources they need are set aside so they can work together to meet their goals and objectives while staying within their budget.

### **Importance of Project Identification**

Project identification is very important and crucial for the following reasons :

1. The identified projects serve as the catalytic agents of economic development.
2. They start the process of general development in terms of creating jobs and making money.
3. They have long-term beneficial effects.
4. Projects offer recommendations for an enterprise's future pattern of activities and services.
5. Identification of the project leads to the creation of the environment and fundamental infrastructure.
6. The project speeds up socio-cultural development.
7. Projects commitments are normally not revised.

**Q.15. Discuss the concept of raising fund. Also explain the need or objectives of raising of funds.**

**Ans.                      Meaning and Concept of Raising Fund**

Raising of fund refers to the monetary investment that the entrepreneur makes in a business venture for the purposes of expansion, product development, sales and marketing, office spaces, manufacturing and inventory etc.

Entrepreneurs generate ideas for new ventures. They require finance to commencement of business, to continue its operations and to expansion and growth of industry. There must be

continuous flow of funds in and out of business. So entrepreneurs have to make a financial plan, which indicates the need of funds and sources of funds. Financial planning is concerned with future requirements of funds, the sources of their supply and the optimum uses to which they may be put. Raising fund is an essential step in the process of beginning a new business or launching a startup. Fundraising is a necessary task, especially under certain circumstances and settings. The process of providing a project, a product or an idea with one or more financial resources in order to finance its development is referred to as funding.

### **Need or Objectives of Raising Fund**

Following points highlight the need for raising fund :

1. **Need Working capital** : Sufficient working capital is a key aspect of any industry's financial health and not having enough working capital can have a serious impact on the future of the industry. Many entrepreneurs choose to apply for external funding to create enough working capital to enable them to fulfill their growth ambitions. A loan can cover short-term funding requirements while giving the business the money it needs to grow or can bridge the gap between customer orders and supplier payments to help the company meet its funding obligations.
2. **Need to Purchase Assets** : When business grows, entrepreneurs need to purchase assets, such as vehicles and machinery, to keep up with the increased demands and sales. Although having enough cash, entrepreneur may look for a loan to cover the purchase of new assets to enable his business to expand. An asset funding loan is a great way to spread the costs of acquiring an expensive new asset. Another good use for an asset purchase loan is buying new office and IT equipment so that employees will have all the tools they need for their jobs and to improve internal infrastructure.
3. **Need to Startups** : Startup businesses need a lot of financial backing to get them off the ground. Although some company heads use their own money to start their business, it can be difficult for them to gain profit from self- funding alone. As a result, most entrepreneurs seek external funding instead. Entrepreneurs have various ways to get external funding, such as borrowing from friends and family, applying for bank loans and more.
4. **Need funding for Growth** : If entrepreneurs want to expand their industry and succeed in the long term, they will need enough funds to implement the plans. This growth can involve hiring new talent, expanding the products and services, offer or moving into a bigger and better workplace.

### **Q.16. Discuss the types of funds.**

**Ans.** Both the company's long-term and short-term financing requirements are factored into the capital structure. To successfully raise capital for the company, therefore, consideration is given to both long-term and short-term sources of financing simultaneously. Long- term financing can come from a variety of places, including equity shares, preference shares, bonds, debentures, term loans and money from venture capitalists. On the other hand, sources of capital funds that are considered short term include business advances, commercial papers, trade credit and bills of discount. Depending upon the nature of the activity the entrepreneur requires these types of finance i.e., :

1. **Debt Capital :** Debt funding refers to the allotment of funds to the company against the predetermined rate of interest and period. Here, for borrowing a fund, the company needs to provide a loan certificate to the investor by selling bonds. An external source of funding for the organisation is sometimes referred to as debt capital or debt financing. By taking on debt as a source of funding, an organisation takes on the liability of repaying the principal amount plus interest when a predetermined amount of time has passed. To facilitate the execution of the transfer of funds, the entity and the lender enter into a contractual relationship with one another. Debt capital can take many forms, including bank loans, individual lending, bonds and debentures, as some common examples.

The advantage of using debt capital is that it does not take a share in equity and as a result, it does not dilute the shareholders' rights to their part of the company's profits. However, it does come with a few drawbacks, such as the requirement to make interest payments and fulfill financial commitments arising from contractual agreements. In the event that this commitment is breached, the company may be lead to legal consequences.

2. **Equity Capital :** Equity funding is one of the most effective strategies to raise capital for the company seeking immediate financial backup for bill payment or a growth-oriented investment. This type of financing usually supports the startup and demands no immediate security against the allotted fund except a few company's shares. These shares are generally referred to as equity, thus naming the process equity funding. Raising money through the sale of shares of stock or through a joint ownership arrangement with a third party is an example of equity capital. In this method of generating cash, there is no requirement to give the money back to the investor after it has been used. Instead, the investor receives a proportional share of the company's ownership along with a proportional share of the company's obligations and risks. Equity capital can be raised by the issue of preference share or common shares. The holders of preference shares are the ones who are given priority when it comes to receiving dividends in the event that the organisation generates a profit. The return on the funds that were advanced to them can either take the form of dividends or an increase in the value of the stocks that they now hold.

**Q.17. Elaborate the various sources of funds.**

**Ans. Sources of Funds**

The sources of funds refer to the mediums by which an organization raises its long-term capital and working capital. The entrepreneurs can select any of the sources of funds depending upon the need and gestation period of the project to be financed.

1. **Issue of Shares :** This refers to the process of selling equity and preference shares to the general public through the stock exchange. Because there are many different types of investors who are willing to put their money into the stock market, issuing shares is the way of raising long-term capital that is used the most frequently. Shares are therefore utilized in the financing of enterprises that have a lengthy gestation period.
2. **Issue of Debentures :** Issue of debenture involves the collection of funds by issuing debentures in the stock exchange. When a company or organisation issues debentures, it is obligated to pay the holders of such debentures a predetermined rate of interest.

3. **Term loans** : Term loans are the money that is obtained from financial institutions in order to finance long-term projects. The interest rate that is applied to term loans is higher than the interest rate that is applied to debentures.
4. **Funds from Operations** : This term refers to the money that was collected by the organisation through its Own operations. It represents an organization's total accumulated profit; retained earnings are a source of funding for a wide variety of projects, both short- and long-term.
5. **Sale of Fixed Assets** : This method contributes to the generation of cash by selling fixed assets, such as land, buildings, plants and machineries, in order to finance either short-term or long-term projects. However, The use of this strategy may be hamper to the organization's credibility and goodwill in the marketplace.
6. **Sale of other Assets** : This method involves selling assets such as stocks and bills receivables. These assets are generally sold by an organization to mee short-term fund requirements.
7. **Decrease in Working Capital** : This refers to a reduction in the working capital that can occur either through a drop in current liabilities or an increase in current assets. Financing for short term projects can be obtained through either an increase in current assets or a reduction in current liabilities.
8. **Receipt of interest, Dividend and Refund of Tax** : These all contribute to the financing of short-term initiatives or the fulfillment of the requirements for working capital. Due to the fact that these funds represent income for the organizations, they do not give rise to any kind of responsibility. The process of capital budgeting is carried out utilizing a variety of methods. These methodologies are useful for determining an accurate cost and return on an investment in a project, as well as for evaluating the profitability of many projects in relation to one another. However, without knowledge of the idea of total value management (TVM), it is impossible to anticipate the actual costs and returns of a project.

## MULTIPLE CHOICE QUESTIONS

- Q.1.** ..... is an undertaking or enterprise (a task) that is risky of a uncertain income.
- |                  |                   |
|------------------|-------------------|
| (a) Entrepreneur | (b) Venture       |
| (c) SBI          | (d) None of these |
- Ans.** (b) Venture
- Q.2.** Project for which a plausible quantative assessment of benefits cannot be made are called ..... projects.
- |                      |                      |
|----------------------|----------------------|
| (a) quantifiable     | (b) non-quantifiable |
| (c) Both (a) and (b) | (d) None of these    |
- Ans.** (b) non-quantifiable
- Q.3.** What is the full form of SCBA?
- |                                      |                                 |
|--------------------------------------|---------------------------------|
| (a) Scientific Cost Benefit Analysis | (b) Social Cost Benefit Academy |
| (c) Social Cost Benefit Analysis     | (d) None of these               |
- Ans.** (c) Social Cost Benefit Analysis

**Q.4. A ..... is a document which provides details on the overall picture of the proposed business.**

- (a) Product design (b) Project report  
(c) Product report (d) None of these

**Ans. (b) Project report**

**Q.5. Break-even analysis is also called :**

- (a) Flat analysis (b) Straight analysis  
(c) Cost-volume-profit analysis (d) None of these

**Ans. (c) Cost-volume-profit analysis**

**Q.6. A ..... is a specialized firm that finances young, start-up companies.**

- (a) venture capital firm (b) finance company  
(c) small-business finance company (d) capital-creation company

**Ans. (a) venture capital firm**

**Q.7. Venture capital firms are usually organized as :**

- (a) closed-end mutual funds (b) limited partnerships  
(c) corporations (d) nonprofit businesses

**Ans. (b) limited partnerships**

**Q.8. Which of the following is not a characteristic feature of venture capital firms?**

- (a) Funding just one or a small number of firms  
(b) Holding equity in the firms that are funded  
(c) Having a long-term investment horizon  
(d) Providing advice and assistance to the firms that are funded

**Ans. (a) Funding just one or a small number of firms**

**Q.9. Which of the following is a characteristic feature of venture capital firms?**

- (a) Developing a portfolio of companies  
(b) Holding debt in the firms that are funded  
(c) Allowing firms to use the funds as they see fit  
(d) Having a short-term investment horizon

**Ans. (a) Developing a portfolio of companies**

**Q.10. The largest industry group receiving venture capital funding is :**

- (a) computer software (b) medical/health  
(c) computer hardware (d) None of these

**Ans. (d) None of these**

**Q.11. The source of venture capital funding has :**

- (a) shifted from wealthy individuals to pension funds and corporations  
(b) shifted from pension funds and corporations to wealthy individuals  
(c) decreased since 1990  
(d) None of the above

**Ans. (a) shifted from wealthy individuals to pension funds and corporations**

**Q.12. A typical venture capital firm has a ..... number of investors who each contribute a ..... amount of money to the fund.**

- (a) large; small (b) small; large (c) large; large (d) small; small

**Ans. (b) small; large**

**Q.13. The 20-year average return of venture capital firms has been about :**

- (a) 50 percent      (b) 8 percent      (c) 20 percent      (d) 100 percent

**Ans.** (c) 20 percent

**Q.14. the earliest examples of finance companies date back to the beginning of the 1800s when retailers offered :**

- (a) installment credit to customers      (b) balloon loans to customers  
(c) zero-interest loans to customers      (d) All of these

**Ans.** (a) installment credit to customers

**Q.15. Most automobile financing is provided by :**

- (a) commercial banks  
(b) thrifts  
(c) finance companies owned by automobile companies  
(d) finance companies owned by real estate brokers

**Ans.** (c) finance companies owned by automobile companies

**Q.16. Finance companies that make loans to purchase items from a particular retailer or manufacturer are called :**

- (a) retail finance companies      (b) sales finance companies  
(c) consumer finance companies      (d) corporate finance companies

**Ans.** (b) sales finance companies

**Q.17. GMAC is an example of a :**

- (a) captive finance company      (b) corporate finance company  
(c) floor plan finance company      (d) business finance company

**Ans.** (a) captive finance company

**Q.18. Finance companies are far less regulated than banks and thrifts because :**

- (a) its depositors are exclusively large institutional investors  
(b) there are no regulations on subsidiaries of a bank holding company  
(c) there are no depositors to protect  
(d) the capital-to-total-assets ratio of finance companies is relatively strong compared to that of banks and thrifts

**Ans.** (c) there are no depositors to protect

**Q.19. Which of the following is/are source(s) of funds?**

- (a) Issue of shares      (b) Issue of debentures  
(c) Term loans      (d) All of these

**Ans.** (d) All of these

**Q.20. .... is the process of assessing in a structured way, the case for proceeding with a project or proposal, or the projects viability.**

- (a) Project identification      (b) Project appraisal  
(c) Project report      (d) None of these

**Ans.** (b) Project appraisal

# UNIT-IV

## MSME Business

### SECTION-A (VERY SHORT ANSWER TYPE) QUESTIONS

**Q.1. What do you mean by small business?**

**Ans.** A business that is privately owned and operated, with a small number of employees and relatively low volume of sales as well as profit is called as a small business. Small scale enterprise manufactures, offers service and produces goods with minimal manpower and fewer machines. They offer services on a small scale. In other words, Small scale industries (SSI) are those where production, service delivery and manufacturing are carried out on a tiny or micro scale.

**Q.2. Discuss the role of commercial banks in the field of financing to SSIs.**

**Ans.** Micro, Small and Medium Enterprises (MSME) plays a dominant role in the generation of employment opportunities in a country. But these MSMEs are suffering from lack of financial resources. Among the sources of finance available to MSMEs the major source is loans from banks. Especially commercial banks are concentrating more on large scale and profitable industries. The introduction of 'Credit Guarantee Scheme' in 1960, was a big jump in the field of commercial bank financing to SSIs.

**Q.3. What are manufacturing industries?**

**Ans.** Manufacturing industries produce completed goods for consumer consumption or for use in processing sectors. The majority of businesses in this category are privately owned. Power looms, the engineering sector, the food industry etc. are a few examples of manufacturing sectors. Manufacturing industries include :

- (i) **Village and cottage industry** : These are carried on in homes of workers. They use local resources, local market and local skills.
- (ii) **Handlooms and handicraft industries** : These industry includes artisans, skilled craftsmen ship etc.

**Q.4. What do you mean by a feeder industry?**

**Ans.** Feeder industry means industrial enterprises engaged in the production of intermediate goods for utilization by other industrial enterprises in their manufacturing operation.

**Q.5. Discuss the role of SSI in contribution to exports.**

**Ans.** India's export economy depends greatly on the expansion and growth of these small businesses. Nearly half of the products that India exports are produced by these small businesses (45-55 percent). 15% of indirect exports and 35% of direct exports, respectively come from small industries.

**Q.6. Discuss the major objectives of IRBI.**

**Ans.** The main objectives are as follows :

- (i) To provide financial assistance to sick industrial units.
- (ii) To provide managerial and technical assistance to sick industrial units.
- (iii) To secure the assistance of other financial institutions and government agencies for the revival and revitalisation of sick industrial units.
- (iv) To provide merchant banking services for amalgamation, merger, reconstruction etc.
- (v) To provide consultancy services to the banks in the matter of sick units.
- (vi) To undertake leasing business.

**Q.7. What do you know about Credit Guarantee Fund Trust for Micro and Small Enterprise (CGTMSE)?**

**Ans.** The Credit Guarantee Fund Trust for Micro and Small Enterprises was formally launched on 2000, by the Government of India to make available collateral-free credit to the micro and small enterprise sector. Both the existing and the new enterprises are eligible to be covered under the scheme. The Ministry of Micro, Small and Medium Enterprises, GOI and Small Industries Development Bank of India (SIDBI), established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Fund Scheme for Micro and Small Enterprises.

**Q.8. Discuss Rural Small Business Development Centre (RSBDC).**

**Ans.** RSBDC is a government centre sponsored by NABARD for micro, small and medium businesses which are set up by world organization. The primary purpose of RSBDC is to work for socially and financially weak people and groups. RSBDC does many programmes on skill up gradation, entrepreneurship awareness, counseling and training. These programmes motivate various unemployed youth and young women learn different trades and introduce them to other good benefits from it.

**Q.9. What are the objectives of National Commission for Enterprises in the Unorganised Sector (NCEUS)?**

**Ans.** NCEUS was formed in the September 2004 by the government with these objectives :

- (i) Measures to improve the productivity of small industries in the informal sector.
- (ii) Generation of employment in the rural sector.
- (iii) Creating links between small sector and finance, infrastructure, raw materials and technology.
- (iv) To create public and private partnerships for engagement in imparting skills for the informal sector.
- (v) Providing micro-finance for the informal sector.
- (vi) Providing social security for the informal sector.

**Q.10. What is meant by incorporation of a company?**

**Ans.** The company was created legally and is a distinct legal entity from its owners. The legal process of forming a company is known as incorporation. The firm must be registered with the Registrar of Companies for this purpose.



**Q.11. What are the objectives of setting up of Industrial Estates?**

**Ans.** The following are the objectives of setting up industrial estates :

- (i) To provide the necessary infrastructure.
- (ii) To provide common facilities to a number of industries.
- (iii) To promote development of clusters.
- (iv) To enable small units to source products from one another.
- (v) To enable dispersal of industries.
- (vi) To promote balanced regional development.
- (vii) To ensure development of backward areas.
- (viii) To provide a climate for smooth functioning of industrial.

**Q.12. Discuss the objectives of export processing zone.**

**Ans.** The major objectives of EPZ are as follows :

- (i) Provide special areas where potential investors would find a congenial investment climate and free from cumbersome procedures.
- (ii) Promotion of FDI and local investment.
- (iii) Development of management.
- (iv) Upgradation of skill.
- (v) Transfer of technology.
- (vi) Generation of employment.
- (vii) Diversification of export.

## SECTION-B (SHORT ANSWER TYPE) QUESTIONS

**Q.1. Define the term 'small business'.**

**Ans.** **Definitions of Small Business**

Following are the major definitions of small business :

1. The **Fiscal Commission 1950**, firstly defined a small scale industry as "one that is operated mostly with hired labour, typically 10 to 50 hands."
2. The **small Scale Industry 1955**, defined small scale industry as, "a unit employing less than 50 employees, if using power and less than 100 employees without the use of power and with a capital asset not exceeding Rs. 5 lakhs."
3. The **MSME 2006**, defined, a small scale business is a business set up in which for manufacturing unit investment in plant and machinery must be between 25 lakhs and 5 crores and for Service enterprise Investment in machinery must be between 10 lakhs and 2 crores.
4. The **MSME 2020**, defined, small units business with investment of up to Rs. 10 crore and turnover of below 50 crore.

In a nutshell, Small Scale Industries are those industries in which the manufacturing, production and rendering of services are done on a small or micro scale. These industries make a one-time investment in machinery, plant and equipment, but it does not exceed Rs. 10 crore and annual turnover does not exceed Rs. 50 crore.

**Q.2. Discuss the features of small business.**

**Ans. Features of Small Business**

Following are the features of small business :

1. **Ownership** : A small-scale industry is owned by one person in case if it is a sole proprietorship and with few individuals in the case of a partnership.
2. **Gestation Period** : In the case of small-scale industries, the gestation period is less as compared to large-scale industries. The gestation period in terms of business refers to the duration from the conception of an investment project until it starts providing a return on investment.
3. **Area of Operation** : The area of operation of a small-scale industry is usually limited to a district and caters to the demand of the localities. It uses a limited amount of resources and so the activities are confined to the local level.
4. **Technology** : As we said earlier, small-scale industries are labor-intensive industries, which have significantly smaller capital influx. Hence, the units are appropriate for those economies where limited capital is used and there is enough labor supply.
5. **Resources** : Local and indigenous resources are used by small-scale industries and they can be found anywhere depending on their availability, i.e., they can be dispersed over a large area.
6. **Flexibility** : Small scale industries are change susceptible in the sense that they are more reactive and responsible for the dynamic business environment. They easily implement change, adopt new methods and techniques of production and introduce new products.

**Q.3. What are the main objectives of small scale industry?**

**Ans. Objectives of Small Scale Industry**

The main objectives of small enterprises are as follows :

1. **Employment generation** : SSI increases employment opportunities for the marginalized groups and for the people living in backward areas. To attain self-reliance and encourage self-employment SSI is essential.
2. **Equal income distribution** : Small scale industries by generating employment opportunities create equal income opportunities for the youth of the underdeveloped areas.
3. **Use of resources and development of entrepreneurial skills** : Small enterprises allow for the development of entrepreneurial skills among the rural population. These industries help in the appropriate use of the resources available in the rural areas, which leads to development of rural areas.
4. **Maintains regional balance** : It has been seen that small industries are mostly concentrated in the backward and rural areas. It removes regional imbalances, by ensuring equitable distribution of income.
5. **Reduce the dependence of agriculture** : Most of the rural population will be dependent on agriculture and this creates a burden on the agricultural sector. Small scale industries by providing employment opportunities to the rural population provides more avenues for growth and also paves way for a more arranged distribution of occupation.

**Q.4. What are the remedial measures that the government can do to improve in performance of small scale industries?**

**Ans. Remedial Measures**

The following are some actions that the government can do to improve in performance of small scale industries :

1. The government should make sure that SSIs receive adequate financial aid from banks and other financial organisations. Loan interest rates ought to be moderate. SSI must receive financial help through unsecured loans or upon the acquisition of minimal security.
2. New and current small-scale industries must be covered by insurance.
3. Useful marketing is required to close the gap between customers and small businesses. To promote the sale of SSIs' products, the government must sponsor a large number of industrial fairs and exhibitions.
4. Infrastructure needs to be strengthened and steps must be done to increase the delivery of water and energy to rural and underdeveloped areas.
5. In order for SSI to import machinery at a lesser cost, technological support must be given.
6. To prevent money lenders from taking advantage of small- scale industrialists, the informal money market should be regulated.
7. Entrepreneurs must receive training in the fields of technology, management, finance and marketing.
8. The licensing process must be easy and straightforward.

**Q.5. Discuss the major problems faced by small scale industries.**

**Ans. Problems of Small Scale Industries**

The following are the major problems of small scale industries, which have been discussed below :

1. **Financial Problems** : The issue of inadequate financing and a dearth of finances to meet the vital requirements is one of the most challenging difficulties that SSIs in India must contend with. These industries are hampered in their efforts to expand because they are unable to access the local capital market, which would allow them to mobilise more resources.
2. **Regulatory Concerns** : Over the course of time, a number of regulatory problems, including problems with tax compliance and adjustments to labour regulation, which have ended up costing the MSME sector a great deal of money, have been uncovered.
3. **Use Obsolete Technology** : The majority of the items that Indian SSIs create are based on old technologies and they are not very innovative. The growth of small scale enterprises has not been up to the mark. Most of the small-scale industrial units are running with outdated technology behind the times and thus, there is a lack of quality production and low productivity from such industries.
4. **Lack of Market Awareness and Market Trends** : Small-scale industries in India are not much aware of the market requirements. The lack of market knowledge

concerning rivals, preferences of the consumers and ongoing trends in the market create obstruction on their way to success.

**Q.6. What do you know about State Financial Corporation (SFC)? Also discuss its main functions.**

**Ans. State Financial Corporation (SFCs)**

The State Finance Corporation is an integral part of institutional finance structure of a country. SFC promotes small and medium industries of the states. Besides, SFC helps in ensuring balanced regional development, higher investment, more employment generation and broad ownership of various industries. At present in India, there are 18 State Finance Corporations (out of which 17 SFCs were established under the SFC Act 1951). Tamil Nadu Industrial Investment Corporation Ltd. which is established under the Company Act, 1949, is also working as State Finance Corporation.

**Functions of State Finance Corporation :** The various important functions of State Finance Corporation are :

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

**Q.7. What is meant by export processing zone? Also discuss its main objectives.**

**Ans. Export Processing Zone**

Export Processing Zone is also known as Special Economic Zones in some countries. All of India's Export Processing Zones help the country's exports grow by giving financial incentives, lowering taxes and giving other special benefits. The basic concept of Export Processing Zones was conceived in the 1970s and it was implemented to encourage the growth of export of India. An Export Processing Zone is a group of commercial areas that are designed to promote India's exports in a strong way. An Export Processing Zone (EPZ) is a type of Free Trade Zone (FTZ). EPZs are usually set up by the governments of developing countries to help their industries and businesses export more.

**Objectives of Export Processing Zone :** The major objectives of EPZ are as follows :

1. Provide special areas where potential investors would find a congenial investment climate and free from cumbersome procedures.
2. Promotion of FDI and local investment.
3. Development of management.
4. Upgradation of skill.
5. Transfer of technology.
6. Generation of employment.
7. Diversification of export.

**Q.8. Discuss the concept of entrepreneurial consultancy.**

**Ans. Concept of Entrepreneurial Consultancy**

Empowering entrepreneurs with new business opportunities and ideas and connecting them with the right business is a mission of entrepreneurial consultancy. An entrepreneur is both the owner and manager of an enterprise. He or she coordinates the resources that make the venture work. He needs entrepreneurial consulting to make his venture success. Entrepreneurial consultancy organizations work on the process of developing entrepreneurs and offers consulting services related to the function of developing entrepreneurs.

In this process, consulting organisations involved in entrepreneurship development programmes offer management consulting services at different stages and activities of entrepreneurship development. However the type and level of entrepreneurship affect how the entrepreneurial consulting system works. In reality, an entrepreneur is just a customer for organizations engaged in entrepreneurship development or consultancy organizations. The success of these organizations is directly linked with the level of success of the entrepreneur.

**Q.9. Discuss the major objectives of entrepreneurial consultancy.**

**Ans.** Entrepreneurial consultancy is a mechanism which provides a constant foundation for the growth of entrepreneurship. Generally, an entrepreneur has to deal with a lot of problems while making something or operating a venture. To solve these problems, he needs effective and useful consulting services. There are some organizations that offer technical consulting services to entrepreneurs, especially first generation entrepreneurs. However, it is their duty to give them advice from time to time so that they are more motivated to carry out their entrepreneurial vision.

### **Objectives of Entrepreneurial Consultancy**

Main objectives of entrepreneurial consultancy are as follows :

1. To study the entrepreneurial behavior of an entrepreneur by evaluating his or her background, personality, knowledge and skills.
2. To understand the entrepreneurial environment that entrepreneurs work in.
3. To find the problems of entrepreneurs under pre planning and post planning situations of entrepreneurship.
4. To know the entrepreneurial feasibility for starting and running an entrepreneurial unit.
5. To help the entrepreneur turn his plan into a real action that can make money.

**Q.10. What is meant by indirect method of consultancy? Also explain its advantages.**

**Ans. Indirect Method of Consultancy**

Under this method, the entrepreneur has enough chances to grasp the problems and solve them on his or her own, without help from the consultant. Instead of talking, the consultant's role is to listen with patience. With this method, the consultant tries to motivate the entrepreneur to think about the problem and take initiative to solve it. The consultant only develops the base for solving the problem before the entrepreneur and motivates the entrepreneur to take his own decisions. In other words, consulting is not meant to solve the problem directly. Instead, it drives the entrepreneur towards solution of the problem.

**Advantages of Indirect Method :** The main advantages of indirect method are as follows :

1. It provides an opportunity of entrepreneurial awareness among the entrepreneurs.
2. It enables the entrepreneurs to take intensive study at environment.

3. It ensures implementation of self formulated directives by entrepreneur for his own development.
4. It facilitates the formulation and implementation of work. business plan by the entrepreneur.
5. It encourages the entrepreneur to see the expertise of consultants for reviewing his work performance.
6. It facilitates the entrepreneur to identify the merits and limitations of his own decisions by reviewing his own work performance.

**Q.11. Elaborate the direct method of consultancy. Also explain the advantages of direct method.**

**Ans.**

### **Direct Method of Consultancy**

Under this method, consultants give advice to entrepreneurs by asking about his proposed or existing enterprise. He argues his case before the entrepreneurs and also gives his speech. At the end, he tries to answer the entrepreneur's questions or problems. After that, it can be turned into a question and answer. Now, it has been replaced by presentation form before the entrepreneur and his managerial team. This method enables the consultant expand his services based on his reputation, or standing in the industry and gives the entrepreneur enough time to make his own decisions about the business he wants to start or run. However, this method is not very useful because it does not push the entrepreneur to think deeply about his entrepreneurial problem on his own. In fact, the entrepreneur ends up relying on the consultant for every problem with his business and fails to solve this problem on his own thinking and initiatives. This method also defects the entrepreneur's creativity, which is one of the most important parts of running an industry.

**Advantages of Direct Method :** The main advantages of direct method are as follows :

1. It facilitates detailed study of the proposed or existing business.
2. It encourages effective interaction between the consultant and the entrepreneur.
3. It enables the entrepreneur to get specialized expertise in his enterprise.
4. It ensures higher level of satisfaction to entrepreneur.
5. It helps in guiding the entrepreneur on continuous basis.

## **SECTION-C (LONG ANSWER TYPE) QUESTIONS**

**Q.1. Discuss the process of establishing small scale business.**

**Ans.**

### **Process of Establishing Small Scale Business**

Businesses that produced goods and rendered services on a tiny or micro scale were registered as Small Scale Industries (SSI) by the Ministry of Small Scale Industries. However, the MSME Act's jurisdiction over the small and micro-scale businesses was expanded after the Government passed the MSME (Micro, Small and Medium Enterprises) Act in 2006.

The Ministries of Small Scale Industries and Agro and Rural Industries combined on May 9, 2007, as a result of a change to the Government of India (Allocation of Business) rules, 1961, to create the ministry of micro, small and medium enterprises. The SSIs are therefore governed by the Ministry of MSME Based on the turnover and investment caps outlined in the MSME Act. SSIs are now categorized as small or micro-scale industries and they are required to

register as MSMEs. With MSME registration, the Government currently offers numerous benefits to small scale industries.

Ministry of small scale industries (Laghu Udyog Mantralaya) has been merged into a single Ministry namely, "Ministry of Micro, Small and Medium Enterprises (Sukshma Laghu Aur Madhyam Udyam Mantralaya)". In accordance with the provision of Micro, Small and Medium Enterprises Development (MSMED Act, 2006) the process of small enterprises are in two categories i.e., manufacturing enterprises and service enterprises.

Basically, the enterprise must fall under the guidelines set by the Government of India. At the time being such limits are as follows :

1. **Manufacturing Enterprises** : The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951. The manufacturing enterprise is defined in terms of investment in plant and machinery. For manufacturing units for goods investment in plant and machinery must be between 25 lakhs and 5 crores.
2. **Service Enterprises** : The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment. For service enterprise investment in machinery must be between 10 lakhs and 2 crores.

As per the new definition of MSMEs announced in May 2020, the investment limit has been revised upwards and an additional criterion of turnover introduced. The distinction between manufacturing and services has been done away with.

Now a micro firm is one with investment up to Rs. 1 crore and turnover less than Rs. 5 crore, the small firm has investment up to Rs. 10 crore and turnover up to Rs. 50 crore and medium firm will be one with an investment of up to Rs. 20 crore and turnover under Rs. 100 crore.

**Q.2. Explain the various advantages of small scale industries.**

**Ans. Advantages of Small Scale Industries**

Following are the main advantages of SSI :

1. **Provides Employment** : Labour intensive techniques are used in SSI and so it provides employment to a large group of people, especially in rural areas, which may include artisans like handicraft makers, potter, weavers, metal wares makers, sericulture, leather workers, etc. and professionally and technically qualified youth. Further, it provides employment opportunities to the people involved in traditional arts. SSI provides high employment in the rural and unorganized sector. They are the second-largest employer in India after agriculture.
2. **Facilitates Women Growth** : A high percentage of women workers can be found in Small scale industries. This not just provides better opportunities to them, but also develops entrepreneurial skills in them as a number of special schemes and incentive programs are run by the government to encourage women entrepreneurs.
3. **Balanced Regional Development** : It is a well-known fact that the development level is high in urban areas, as compared to the rural areas. SSI encourages decentralized development as small scale units are mainly established in backward and rural regions. In this way, it removes regional disparities. It also initiates the government to

develop infrastructural facilities in rural areas. Also, it helps in improving the standard of living of the people, who live in rural areas.

4. **Mobilization of Large Resources** : SSI helps in mobilizing and utilizing local resources which might not be tapped or remain unutilized. Not just this, it tends to promote, traditional regional or family skills and handicrafts which have a very high demand in foreign countries.
5. **Optimization of Capital** : When it comes to per unit output, the capital required is quite less. Further, due to the shorter gestation period, the return on investment can be quick and the payback period is short. This acts as an incentive for the people living in rural areas, to mobilize their savings and use them for industrial activities. Moreover, it enjoys the benefit of the low cost of production, as the resources are available locally, which are comparatively less expensive.
6. **Promote Exports** : It earns valuable foreign exchange by way of exports. Further, it does not require heavy machinery to be imported from other countries. However, there is a very high demand in the international market for SSI produced goods.
7. **Develop Entrepreneurship** : SSI helps in developing a class of entrepreneurs in the country, which turns job seekers into job givers. It helps in the equitable distribution of national income among various members of society. Also, it encourages self-employment and develops the spirit of self-reliance.
8. **Complement Large Scale Industries** : Small enterprise complements and supports the large scale industry to work smoothly. Spare parts, components, equipment and accessories required by the large scale industries are provided by the small scale industries.

**Q.3. Discuss the various types of small enterprises.**

**Ans. Types of Small Enterprises**

Following are the major types of small industries :

1. **Manufacturing Industries** : Manufacturing industries produce completed goods for consumer consumption or for use in processing sectors. The majority of businesses in this category are privately owned. Power looms, the engineering sector, the food industry etc. are a few examples of manufacturing sectors. Manufacturing industries include:
  - (i) **Village and cottage industry** : These are carried on in homes of workers. They use local resources, local market and local skills.
  - (ii) **Handlooms and handicraft industries** : These industry includes artisans, skilled craftsmen ship etc.
2. **Ancillary Industries** : Although large corporations or multinational corporations (MNCs) manufacture completed goods, ancillary industries provide the spare parts needed to make those finished goods. These businesses suppliers are in related sectors. Machines for large corporations or medium- sized businesses can also be found in ancillary sectors. It supplies 50% of its production to other industries or its service volumes to other organisations.
3. **Service Industries** : The majority of small businesses are found in the service industries. It mostly consists of maintenance and repair services.



4. **Feeder Industries** : Feeder industry means industrial enterprises engaged in the production of intermediate goods for utilization by other industrial enterprises in their manufacturing operation.
5. **Mining or Quarrying Industries** : The mining industry is involved in the extraction of precious minerals and other geological materials. The extracted materials are transformed into a mineralized form that serves an economic benefit to the prospector or miner. Typical activities in the mining industry include metals production, metals investing and metals trading.
6. **Export oriented Industries** : Export oriented small scale industry is considered as an export unit when the exporting is more than 50% of its production.

**Q.4. Discuss the role of MSME in contribution to the GDP.**

**Ans.**

#### **Role of MSME in Contributing to the GDP**

The MSME sector is recognised as having a major impact on the GDP of our nation. By boosting employment and output volume to meet domestic and international demand, it has reinforced the economic infrastructure. Currently, there are 6.33 crore MSMEs working in our country, of which 6.30 crore are micro-enterprises.

The number of registered MSMEs increased by almost 18.5 percent in Financial Year 2020 compared to Financial Year 2019. Although 15 lakh MSMEs were registered in the previous fiscal year, the growth rate has decreased from 40%. There have been 90 lakh MSMEs in the nation over the past five years. Small-scale industries are crucial for creating jobs, enhancing people's financial situations, developing rural areas and resolving regional imbalances in a country like India. Role of SSIs are as follows :

1. **Total Production** : SSIs are responsible for around 40 percent of India's total output of goods and services; hence their importance cannot be overstated. They are one of the primary forces contributing to the strength and growth of the economy.
2. **Employment** : Small-scale industries are a significant contributor to the job creation in developing countries such as India. They usually rely on labour and human resources for their manufacturing activities since they have limited access to resources and technology.
3. **Contribution to Exports** : India's export economy depends greatly on the expansion and growth of these small businesses. Nearly half of the products that India exports are produced by these small businesses (45-55 percent). 15% of indirect exports and 35% of direct exports, respectively come from small industries.
4. **Social Welfare** : SSIs are crucial for the social development and growth of any nation. These sectors have the ability to produce both money and jobs. Members of the lower or middle classes frequently start SSIs. It facilitates economic distribution and fosters social advancement.
5. **Make in India** : The small enterprises are the best representations of the make in India concept. They are dedicated to producing in India and marketing their goods internationally. Additionally, this increases the need on a global scale.
6. **Large-scale Industry Seedbed** : As it encourages the growth of businesses, SSIs acts as a breeding ground for large scale industries (LSI). Small enterprises are able to

address local demands through personal connections and with little capital and basic technologies.

**Q.5. Explain in detail the role of national level financial institutions in financing of small business.**

**Ans. Role of National Level Financial Institutions**

At the national level, the following financial institutions are rendering services towards financing for the promotion of small scale industries.

- 1. Small Industries Development Bank of India (SIDBI) :** The Small Industries Development Bank of India is a wholly- owned subsidiary of IDBI (Industrial Development Bank of India), established under the special Act of the Parliament 1988 which became operative from April 2, 1990. SIDBI was made responsible for administering Small Industries Development Fund and National Equity Fund that were administered by IDBI before. SIDBI is the primary financial institution for promoting, developing and financing MSME sector. Besides focusing on the development of the Micro, Small and Medium Enterprise sector, SIDBI also promotes cleaner production and energy efficiency. SIDBI helps MSMEs in acquiring the funds they require to grow market, develop and commercialize their technologies and innovative products.

**Functions of SIDBI :** The main functions are as follows :

- (i) Small Industries Development Bank of India refinances loans that are extended by the production linked incentives (PLIs) to the small-scale industrial units and also offers resources assistance to them.
  - (ii) It discounts and rediscounts bills.
  - (iii) It also helps in expanding marketing channels for the products of SSI sector both in the domestic as well as international markets.
- 2. Industrial Finance Corporation of India (IFCI) :** Initially established in 1948, the Industrial Finance Corporation of India was converted into a public company on 1 July 1993 and is now known as Industrial Finance Corporation of India Ltd. The main aim of setting up this development bank was to provide assistance to the industrial sector to meet their medium and long-term financial needs. The IDBI Scheduled Banks, Insurance sector and Co-operative Banks are some of the major stakeholders of the IFCI. The authorized capital of the IFCI is 250 crores and the Central Government can increase this as and when they wish to do so.

**Functions of the IFCI :** The main functions are as follows :

- (i) First, the main function of the IFCI is to provide medium and long-term loans and advances to industrial and manufacturing concerns. It looks into a few factors before granting any loans. They study the importance of the industry in our national economy, the overall cost of the project and finally the quality of the product and the management of the company. If the above factors have satisfactory results the IFCI will grant the loan.
- (ii) The Industrial Finance Corporation of India can also subscribe to the debentures that these companies issue in the market.
- (iii) The IFCI also provides guarantees to the loans taken by such industrial companies.

3. **The Industrial Development Bank of India :** Industrial Development Bank of India established under Industrial Development Bank of India act, 1964, is the principal financial institution for providing credit and other facilities for developing industries. Till, 1976, IDBI was a subsidiary bank of RBI and the ownership was transferred Government of India. IDBI is the tenth largest bank in the world in terms of development. The National Stock Exchange (NSE), The National Securities Depository Services Ltd. (NSDL), Stock Holding Corporation of India (SHCIL) are some of the institutions which has been built by IDBI.

**Functions of IDBI :** The main functions are as follows :

- (i) IDBI coordinates between various financial institutions who are highly involved in provide financial assistance, promoting and developing various industrial units.
  - (ii) IDBI is also engaged in a variety of promotional activities such as development programs for the first generation entrepreneurs, planning of consultancy services for both the small scale enterprises and the medium sized industrial units.
  - (iii) IDBI works for the advancement of technology and other welfare schemes to ensure economic development.
4. **The Export-Import Bank :** EXIM Bank was founded in January 1982 with the goal of assisting exporters and importers with financial support and serving as a nodal body for coordinating the activities of the institutions involved in financing export-import of goods and services in order to advance the nation's international trade. A new finance scheme was launched by EXIM in 1984 to boost considered exports to India. When certain transactions take place within India and produce a gain or loss in foreign currency, they are deemed to be exports. As an illustration, goods produced by Indian manufacturers to businesses in Free Trade Zones and units dedicated solely to exporting are considered regarded exports. The Bank provides deferred credit to eligible considered exports either through the supplier or directly to the customer at a rate that is competitive worldwide.

**Functions of EXIM Bank :** The main functions are as follows :

- (i) **Delayed Payment Exports:** Term loans are provided to those exporters who deal with exporting of goods and services and this enables them to offer delayed credit to the foreign buyers. This system of deferred credit covers Indian consultancies, technology and other services. Commercial Banks take part in this program either directly or under risk syndication arrangements.
- (ii) **Pre-shipment Credit:** Indian companies which are highly involved in the execution of export activities beyond the cycle time of six months are funded by EXIM Bank. The construction or turnkey project exporters enjoy the provision of rupee mobilization.
- (iii) **Term loans for Export Production:** EXIM Bank offers term loans to the 100 percent export oriented units, they involved in free. trade zones and exporters of various softwares in India. EXIM bank works in association with International Finance Corporation, Washington, to provide financial assistance to the small

scale and medium industrial units in terms of ameliorating the export production capacity of these units in India. EXIM Bank also provides funded and non-funded facilities to deemed exports from India.

5. **Industrial Reconstruction Bank of India (IRBI)** : The Industrial Reconstruction Bank of India (IRBI) was founded in 1971. The corporation was reorganised in 1984 to become the Industrial Reconstruction Bank of India. It provides support and financial and technical aid to sick industrial units that are unable to receive it through conventional banking channels. It provides loans and guarantees for reconstruction. Term loans, equipment leasing, hire-purchase, lines of credit for small-scale businesses and promotional finance are all possible forms of assistance.

**Objectives of IRBI** : The main objectives are as follows :

- (i) To provide financial assistance to sick industrial units.
  - (ii) To provide managerial and technical assistance to sick industrial units.
  - (iii) To secure the assistance of other financial institutions and government agencies for the revival and revitalisation of sick industrial units.
6. **The Industrial Credit and Investment Corporation of India (ICICI)** : The Industrial Credit and Investment Corporation of India was established as a private limited company in 1955. It was set up as a private sector development bank to assist and promote medium and small industries of private sector in the country. ICICI banks and Small Business FinCredit India Pvt Ltd. (SBFC) jointly provide credit to micro, small and medium enterprises.

**Functions of ICICI** : The main functions are as follows :

- (i) **Project Finance** : The project finance is provided to industries for the cost of establishment, modernization or expansion of manufacturing and processing activities in the form of rupee and foreign loans, underwriting, subscription to shares and debentures and guarantees to supply of equipment and foreign donors. The rupee loan is given for the purchase of equipment and machinery, construction and preliminary expenses. The foreign currency loans are provided for the purchase of imported capital equipment.
  - (ii) **Leasing** : The leasing operations of the ICICI commenced in 1983. Leasing assistance is given for computerization, modernization, replacement, equipment of energy conservation, export orientation, pollution control etc.
  - (iii) **Project Advisory Services** : The project advisory services are provided to the Central and State Governments and public sector and private sector companies. Advice to the governments is provided on policy reforms and on value chain analysis and to private sector companies on strategic management.
7. **The National Small Industries Corporation (NSIC)** : National Small Industries Corporation (NSIC) was set up in the year 1955 as the Central government undertaking. The main aim is to fulfill the machinery and equipment requirements for the development of small entrepreneurs. It has been observed that the primary constraint faced by entrepreneurs is the shortage of investible funds to purchase machinery and equipment. The non-availability of finance deprives many new

entrepreneurs of availing entrepreneurial opportunities. NSIC has been established to cater to this need of the entrepreneur. NSIC provides equipment, plant and machinery on a hire-purchase basis. Under its scheme, entrepreneurs can procure indigenous as well as imported machinery. But the scheme does not include second-hand machinery and machinery costing less than Rs. 1000. NSIC registration helps to assist the entrepreneurs in procuring government orders for various items of stores.

**Functions of NSIC :** The main functions are as follows :

- (i) NSIC provides machinery on hire purchase scheme to small scale industries.
- (ii) It provides equipment leasing facility.
- (iii) It helps in export marketing of the products of small scale industries.

8. **State Financial Corporation (SFCs) :** The State Finance Corporation is an integral part of institutional finance structure of a country. SFC promotes small and medium industries of the states. Besides, SFC helps in ensuring balanced regional development, higher investment, more employment generation and broad ownership of various industries. At present in India, there are 18 State Finance Corporations (out of which 17 SFCs were established under the SFC Act 1951). Tamil Nadu Industrial Investment Corporation Ltd. which is established under the Company Act, 1949, is also working as State Finance Corporation.
9. **Credit Guarantee Fund Trust for Micro and Small Enterprise (CGTMSE) :** The Credit Guarantee Fund Trust for Micro and Small Enterprises was formally launched on 2000, by the Government of India to make available collateral-free credit to the micro and small enterprise sector. Both the existing and the new enterprises are eligible to be covered under the scheme. The Ministry of Micro, Small and Medium Enterprises, GOI and Small Industries Development Bank of India (SIDBI), established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Fund Scheme for Micro and Small Enterprises.
10. **Micro and Small Enterprises Cluster Development Programme (MSE-CDP) :** In October 2007, Small Industries Cluster Development Programme was renamed as Micro and small Enterprises - Cluster Development Programme (MSE-CDP). The Government of India has issued new guidelines for Micro and Small Enterprises Cluster Development Programme. The aim of scheme is to assist the financial and infrastructural needs of the MSME sector. Accordingly it provides financial succor for the common facility centers which in return aid the clusters of MSE units. Further, this approach of serving several bur ches under the cluster development programme is the chief tactic to enhance the productivity and stability of the MSME sector.
11. **National Bank for Agriculture and Rural Development (NABARD) :** NABARD established by the government in 1982 to give action and to promote the rural industries. It has adopted multi-purpose strategies in promoting in rural business in India. It supports small industries, rural artisans, rural industries, cottage industries along with agriculture. Also, it sets up training and counseling plus it gives

development programmes for rural entrepreneurs. NABARD offers industrial financing through refinancing for cottage industries, small industries and other related endeavours. It offers space to State Cooperative banks so they can finance the marketing or operating capital needs of the top regional weaver's societies. Additionally, a refinancing credit is offered to help Kerala cooperatives that make wire meet their working capital needs. NABARD offers financial institutions refinancing under the Integrated Rural Development Program (IRDP) and offers a soft loan assistance fund scheme to give potential entrepreneurs margin money.

12. **Rural Small Business Development Centre (RSBDC)** : RSBDC is a government centre sponsored by NABARD for micro, small and medium businesses which are set up by world organization. The primary purpose of RSBDC is to work for socially and financially weak people and groups. RSBDC does many programmes on skill up gradation, entrepreneurship awareness, counseling and training. These programmes motivate various unemployed youth and young women learn different trades and introduce them to other good benefits from it.

**Q.6. What are the legal requirements of establishment of a new unit?**

**Ans. legal Requirements of a New Unit**

Following are the major legal requirements which are fulfilled for the establishment of a new business unit :

1. **Incorporation and Registration** : In the private sector, there are several different types of business proprietorship, including single proprietorship, partnerships, joint Hindu families and companies. Registration is not required for single proprietorships, partnerships or joint Hindu families, but it is essential for companies to be incorporated and registered. In this the process legal formalities are as follows :
  - (a) **Incorporation of a Company** : The Company was created legally and is a distinct legal entity from its owners. The legal process of forming a company is known as incorporation. The firm must be registered with the Registrar of Companies for this purpose. The following documents must be included with an application for registration from an entrepreneur :
    - (i) **Signed application form** : A properly completed and signed application form from an authorized party.
    - (ii) **Memorandum of Association** : This document serves as the company's charter. This contains the objective of the company, its name, the location of its registered office, the amount of capital the firm is permitted to raise, the degree of member liability, the names, addresses and consent of those who agree to form the company among other information.
    - (iii) **Articles of Association** : The articles of association, another crucial document, give the guidelines for the internal administration of the business. A public company limited by shares does not need to file the articles of association, though. Such public business is deemed to have adopted "Table A" of schedule I of the Act if it fails to file Articles of Association.

- (iv) **Written consent of the directors** : Written consent of the directors who have consented to act in that role, duly signed by each director, along with a written commitment by them to acquire the required qualification shares, if any, as specified in the articles.
- (v) A copy of the contract between the company and each candidate for the position of managing director, full-time director or manager.
- (vi) A statutory declaration certifying that all conditions previous to incorporation under the Act have been met.
- (vii) If the company's operations fall under the jurisdiction of the Industries (Development and Regulation) Act, 1951, a letter of intent is required under that Act.
- (viii) The company's registered office address. However, a business has 30 days from the date of registration to provide its registered address.
- (ix) The required registration fees and the filing fee for each document submitted for registration must be paid to the Registrar's office at the time of registration. The Registrar will examine these documents after receiving them and if he determines that they are all in order, he will insert the company's name in the register of companies and issue a certificate of incorporation.
- (b) **Capital Subscription** : The next step in the incorporation process is to raise capital for the prospective company. By offering shares to the general public, the company obtained the required capital. The following process is used for this :
  - (i) Approval of the "Securities and Exchange Board of India" for a public offering.
  - (ii) Agreements with the brokers, underwriters and share issue managers.
  - (iii) Submitting a prospectus copy to the Registrar.
  - (iv) Distribute the prospectus to the public and invite them to buy firm shares.
  - (v) Receiving applications for shares through the company's banker.
  - (vi) If the capital subscribed is at least equivalent to the minimum subscription of 90% of the capital issue, the allocation will be formally resolved.
  - (vii) If the required minimum subscription is not obtained, the entire application fee must be repaid 120 days after the distribution of the prospectus.
  - (viii) Issue of allotment letters and share certificates.
  - (ix) Filing a "Statement in lieu of Prospectus" with the Registrar at least three days before to the first allotment resolution in the case of a corporation with share capital but no prospectus.
- (c) **Commencement of Business** : A public company cannot commence its business immediately after incorporation unless it gets a certificate of commence from the Registrar. The following documents must be submitted for this purpose :
  - (i) The minimum subscription amount has been met by the allocation of shares payable in cash.
  - (ii) Each director has paid the application and allotment fees for the shares he has purchased in cash.

- (iii) No money is liable to be refundable to the applicants for failure to apply or obtain permission for the shares or debentures to be dealt in on any recognized stock exchange.
- (iv) The Registrar has received a statutory declaration in the prescribed form that has been duly certified by one of the directors or the secretary that the aforementioned requirements have been met.

These papers will be examined by the Registrar, who will then issue a "Certificate of Commencement of Business" if he is satisfied. This document is conclusive evidence that the company is authorized to commence its business and employ its borrowing powers.

2. **Small Unit Registration** : A small scale unit's entrepreneur should apply to get his selected project unit registered with the Directorate of Industries. This will make the entrepreneur and his unit eligible for availing Government assistance. Typically, a unit is registered provisionally at first and then granted permanent registration.
3. **Registration under the Factories Act** : Before starting a manufacturing unit, an entrepreneur must register his enterprise under the "Factories Act, 1948." The Factories Act includes regulations for the licensing and registration of factories, working hours, welfare and health protections, employment of women and young persons, annual leaves, risky operations, etc. The Act establishes a 14-year-old minimum age requirement for workers who enter factories. The Act specifies rules for hygiene, ventilation, crowding, lighting, explosive gases, dust, fume, fencing of machinery, etc.
4. **Import License** : If raw materials and other equipment are required for the new business enterprise, then entrepreneur should obtain the import license from the export-import controller.
5. **Permission from the Finance Ministry** : An entrepreneur needs to get the finance ministry's approval before signing a foreign partnership agreement.
6. **No Objection Certificate (NOC)** : A No Objection Certificate is required and the unit must have all required approvals. For example, the Pollution Control Board's NOC is obtained as necessary.
7. **The Industries (Development and Regulation) Act of 1951** : This Act establishes the licensing guidelines for industries. According to the Act, the Central Government may prescribe the criteria that small-scale industrial operations must meet in order to be classified as a small-scale or ancillary industry. In order to determine which small-scale or ancillary industrial undertakings need supportive measures, exemptions or other preferential treatment under this Act in order to sustain their viability and strength, the Central Government may conduct this analysis.
8. **Foreign Exchange Regulation Act** : All international partnerships require government clearance and must abide by the rules established by the Foreign Exchange Regulation Act 1973. Only with the Reserve Bank of India's clearance is any foreign company investment allowed in India. Once more, the government's approval of the investment plan forms the basis for the Reserve Bank of India's approval.



9. **Trademark Registration :** The Trade and Merchandise Marks Act, 1958 states that "the mark" "includes a device, brand, heading, label ticket, name signature, word, letter or numeral or any combination thereof." The purpose of trademark registration is to help consumers distinguish the manufacturer's or service provider's goods from those of competitors, so the use of "deceptively similar" trademarks is prohibited because they may lead to user confusion. No one else is allowed to use a comparable brand on any of its packaging after a trademark has been registered in accordance with the Trade and Merchandise Marks Act of 1958 and the Trademarks Act of 1999. The trademarks serve to promote sales and are registered for an unlimited time.
10. **Registration under the Sales-Tax Authority :** Entrepreneurs should register their enterprise with the sales-tax department of the state government and receive a certificate for this purpose.

In addition to the legal requirements listed above, an entrepreneur must also complete additional requirements based on the nature of product produced by the new business unit. He must register his enterprise under the Food and Drug Control Act and the Service Tax Act etc.

**Q.7. Elaborate the various schemes of infrastructure support system to assist small scale industries.**

**Ans. Infrastructural Support System for Small Scale Industries**

The following schemes have been formulated to assist small scale industries :

1. **Industrial Estates Programme :** India's government has taken a number of steps and given a number of incentives to encourage industrial growth. In 1955; the government started a plan to build Industrial Estates. Which are planned, built and taken care of by the State government. Industrial estates are set up with the help of the money needed from the Central government. The State government gets help with money from the Central government in the form of loans, grants and subsidies. An industrial estate is a place where entrepreneurs can find the infrastructure they need to run their enterprise. Industrial estates are also called industrial parks, industrial zones, industrial areas and industrial townships.

**Objectives of Industrial Estates :** The following are the objectives of setting up industrial estates :

- (i) To provide the necessary infrastructure.
  - (ii) To provide common facilities to a number of industries.
  - (iii) To promote development of clusters.
  - (iv) To enable small units to source products from one another.
2. **Integrated Infrastructural Development Scheme :** SSI units particularly the first generation of entrepreneurs faced difficulties in accessing bank credit because of their inability to provide adequate collateral security for loans. Considering this, the Government approved Credit Guarantee Fund Scheme for small industries on 19th May, 2000 with the objective of making available credit to SSI units, particularly tiny units, for loans up to Rs. 10 lakhs without collateral/third party guarantees. The Scheme is being operated by the Credit Guarantee Trust Fund for Small Industries (CGTSI) set-up by Government of India and SIDBI. The Trust was incorporated on

27.7.2000. The Scheme has been operationalised with effect from 1st January, 2001. Subsequently, the Government decided to increase the eligibility limit of loans to be guaranteed from Rs. 10 lakhs to Rs. 25 lakhs. Necessary modifications have been carried out in the indenture of the Trust to enable CGTSI to guarantee loans up to Rs. 25 lakhs and to provide for counter guarantees to other institutions.

3. **Small Industry Clusters** : The Ministry of Micro, Small and Medium Enterprises of the Government of India has adopted the Cluster Development approach as a key strategy for improving the productivity and competitiveness of Micro and Small Enterprises and their collectives in the country, as well as for building up their skills and abilities. A cluster is a group of enterprises that are located in the same area and, as much as possible, are close to each other. It can also be a value chain that goes beyond a single location and includes businesses that make the same or similar products or products that go well with each other. These businesses can be linked by common physical infrastructure facilities that help them deal with problems they all face. Small and medium scale enterprises can use this plan.

**Objectives of Small Industry Clusters** : The objectives of small Industry Clusters are as follows :

- (i) To set up Common Facility Centres (for testing, training, raw material depot, effluent treatment, complementing production processes, etc).
  - (ii) Promotion of green and sustainable manufacturing technology for the clusters so as to enable units switch to sustainable and green production processes and products.
  - (iii) To build capacity of MSEs for common supportive action through formation of self help groups, consortia, upgradation of associations, etc.
  - (iv) To upgrade infrastructural facilities in the new/existing Industrial Areas/Clusters of MSEs.
  - (v) To support the sustainability and growth of MSEs by addressing common issues such as improvement of technology, skills and quality, market access, etc.
4. **Industrial Growth Centre Scheme** : In 2018, the Government of Uttarakhand started a programme called the Growth Centre (GC) Scheme. The purpose of this programme is to set up growth centres in certain rural areas to promote specific economic activities and help specialised local goods and services reach national and international markets. This will help create income-generating opportunities and stop young people from leaving the state, which is a big problem right now. The Growth Centre Scheme will focus on finding the best products and services, promoting local goods, filling in the most important infrastructure gaps and developing certain areas by putting economic activities into place.

The objective of the Growth Centres is to give entrepreneurs, farmers, craftsmen and artists the tools they need to join product- specific value chains, improve the quality of their products and increase their productivity by giving them access to new designs, technologies and knowledge that will help them run micro and small businesses successfully. Through the development of fixed assets and supporting infrastructure, the plan will help with the production of high-value goods and the diversification of what is already being made. Linkages between rural and urban areas will also be

strengthened. This will allow growth centers in and across the most affected or vulnerable districts to become drivers of rural employment and help reduce rural poverty through public-private partnerships led by SHGs and FPCs.

5. **Export Processing Zone** : Export Processing Zone is also known as Special Economic Zones in some countries. All of India's Export Processing Zones help the country's exports grow by giving financial incentives, lowering taxes and giving other special benefits. The basic concept of Export Processing Zones was conceived in the 1970s and it was implemented to encourage the growth of export of India. An Export Processing Zone is a group of commercial areas that are designed to promote India's exports in a strong way. An Export Processing Zone (EPZ) is a type of Free Trade Zone (FTZ). EPZs are usually set up by the governments of developing countries to help their industries and businesses export more.

**Objectives of Export Processing Zone** : The major objectives of EPZ are as follows :

- (i) Provide special areas where potential investors would find a congenial investment climate and free from cumbersome procedures.
- (ii) Promotion of FDI and local investment.
- (iii) Development of management.
- (iv) Upgradation of skill.
- (v) Transfer of technology.
- (vi) Generation of employment.
- (vii) Diversification of export.

**Q.8. Discuss the entrepreneurial consultancy process.**

**Ans. Entrepreneurial Consultancy Process**

Under the entrepreneurial consultancy process, an entrepreneur has to make different types of decisions. He thinks that he needs help from a consultant to make sure that his entrepreneurial objectives are set and carried out well. So, in a consulting process, a consultant gives consultancy to an entrepreneur to help him evaluate the social and economic conditions of the society as much and encourages him to adjust with the existing environment. Consulting is a quick but useful way for entrepreneurs to reach their entrepreneurial objectives. However, the consultation process is relatively a broader framework under which support system and helps are extended to the prospective entrepreneur. Consultancy helps in seeking professional help, talk about entrepreneurship and solve problems related to entrepreneurship.

In practice, entrepreneurs identify what the problems are and then consultants are supposed to look at how the entrepreneurs plan to solve them. So, consultants offer their services to entrepreneurs based on the nature of their problems and try again to get the entrepreneurs moving. Consulting can help entrepreneurs make decisions at any stage of the process. But it all depends on what kind of consulting the entrepreneurs want and how useful that kind of consulting is for a certain level of entrepreneurial behaviour. Also, the need for consulting comes up at the pre-planning stage of a potential entrepreneur's behaviour, when a wider range of information is needed. In this way, it is usually based on what needs to be done and how an entrepreneur makes decisions.

Followings are the necessary elements for consultancy process:

1. To make the consulting process work well, both the consultant and the entrepreneur must work to create an open environment. It will give the entrepreneur time to study the problem in depth.
2. An entrepreneur and government officials should regularly share information with each other.
3. Consultants are expected to use their consulting skills to help by attending the meeting organised for the entrepreneur and government officials.
4. Government workers should be trained how to give entrepreneurs information and help in a formal or informal way.
5. For consulting to work well, the consultant should be well- prepared and use the previous information and experience.
6. Organizations engaged in entrepreneurship development functions should create effective consulting structures on a regular basis, since they are usually involved in every stage of entrepreneurship development.

**Q.9. Explain the various methods of entrepreneurial consultancy process.**

**Ans.**

### **Methods of Consultancy**

The two main methods of consultancy are discussed as follows :

1. **Direct Method** : Under this method, consultants give advice to entrepreneurs by asking about his proposed or existing enterprise. He argues his case before the entrepreneurs and also gives his speech. At the end, he tries to answer the entrepreneur's questions or problems. After that, it can be turned into a question and answer. Now, it has been replaced by presentation form before the entrepreneur and his managerial team. This method enables the consultant expand his services based on his reputation or standing in the industry and gives the entrepreneur enough time to make his own decisions about the business he wants to start or run. However, this method is not very useful because it does not push the entrepreneur to think deeply about his entrepreneurial problem on his own. In fact, the entrepreneur ends up relying on the consultant for every problem with his business and fails to solve this problem on his own thinking and initiatives. This method also defects the entrepreneur's creativity, which is one of the most important parts of running an industry.

**Advantages of Direct Method** : The main advantages of direct method are as follows:

- (i) It facilitates detailed study of the proposed or existing business.
  - (ii) It encourages effective interaction between the consultant and the entrepreneur.
  - (iii) It enables the entrepreneur to get specialized expertise in his enterprise.
  - (iv) It ensures higher level of satisfaction to entrepreneur.
  - (v) It helps in guiding the entrepreneur on continuous basis.
2. **Indirect Method** : Under this method, the entrepreneur has enough chances to grasp the problems and solve them on his or her own, without help from the consultant. Instead of talking, the consultant's role is to listen with patience. With this method, the consultant tries to motivate the entrepreneur to think about the problem and take

initiative to solve it. The consultant only develops the base for solving the problem before the entrepreneur and motivates the entrepreneur to take his own decisions. In other words, consulting is not meant to solve the problem directly. Instead, it drives the entrepreneur towards solution of the problem.

**Advantages of Indirect Method :** The main advantages of indirect method are as follows :

- (i) It provides an opportunity of entrepreneurial awareness among the entrepreneurs.
- (ii) It enables the entrepreneurs to take intensive study at environment.
- (iii) It ensures implementation of self formulated directives by entrepreneur for his own development.
- (iv) It facilitates the formulation and implementation of work, business plan by the entrepreneur.
- (v) It encourages the entrepreneur to see the expertise of consultants for reviewing his work performance.
- (vi) It facilitates the entrepreneur to identify the merits and limitations of his own decisions by reviewing his own work performance.
- (vii) It encourages the entrepreneur to use previous successful decision as a base for future decision. In this way, he can minimize his dependency on consultancy organizations.

**Q.10. Give an introduction to small business in India in detail.**

**Ans.**

### **Meaning of Small Scale Industries**

The small scale industries are generally comprised of those industries which manufacture, produce and render services with the help of small machines and less manpower. In India where unemployment is a serious issue, small business gains a special position in the industrial structure because of their ability to utilize labour and create employment. In developing countries like India, small-scale industries are vital to the survival of the national economy. It is essential to first understand the definition of industry in order to comprehend a small-scale industry or small business effectively. A set of businesses that are connected to one another based on the main commercial activity they engage in is referred to as an industry. Small scale industries, then, are those partnerships, corporations or sole proprietorships that operate on a smaller scale than typical industries or firms, employing a smaller workforce and earning less money.

These industries typically require a lot of work, based on labour intensive, thus they create lots of jobs. They also aid in resource use and per capita income growth for the economy. Due to their contribution in per capita income and resource utilization, SSIs play a significant role in the economy on both a financial and social level. Like many other fortune companies or larger enterprises, small scale enterprises or industries create numerous employment opportunities. Both monetarily and socially, they represent a very significant economic sector. These micro-enterprises take support from government tax policies and other business functionalities. Small scale industries in India constitutes around 95% of the



**Q.8. The full form of RSBDC is :**

- (a) Rural Small Business Development Centre
- (b) Regional Small Business Development Centre
- (c) Rural Small Business Development Care
- (d) None of the above

**Ans. (a) Rural Small Business Development Centre**

**Q.9. National Commission for Enterprises in the Unorganised Sector (NCEUS) was formed in :**

- (a) 2001
- (b) 2002
- (c) 2003
- (d) 2004

**Ans. (d) 2004**

**Q.10. Manufacturing industries include :**

- (a) Village and cottage industry
- (b) Handlooms and handicraft industries
- (c) Both (a) and (b)
- (d) None of these

**Ans. (c) Both (a) and (b)**

**Q.11. IFCI was initially established in the year :**

- (a) 1945
- (b) 1946
- (c) 1947
- (d) 1948

**Ans. (d) 1948**

**Q.12. Which of the following states is the best performer in terms as GSVA in the service sector?**

- (a) Maharashtra
- (b) Karnataka
- (c) Andhra Pradesh
- (d) Himachal Pradesh

**Ans. (b) Karnataka**

**Q.13. FDI equity inflows into the services sector accounted for how much per cent of the total FDI equity inflows into India in 2018-19?**

- (a) 90%
- (b) 63.7%
- (c) 10.4%
- (d) 30.1%

**Ans. (b) 63.7%**

**Q.14. As per the UN National Accounts Statistics data for 2017, India ranked :**

- (a) 3th in terms of GDP size
- (b) 7th in terms of GDP size
- (c) 6th in terms of GDP size
- (d) 5th in terms of GDP size

**Ans. (b) 7th in terms of GDP size**

**Q.15. Green colour indicates the ..... in terms of SGD index.**

- (a) Front runners
- (b) Performers
- (c) Aspirants
- (d) Achievers

**Ans. (a) Front runners**

**Q.16. In 2018 'Telecom Commission' has been re-designated as :**

- (a) 'Mobile Communications Commission'
- (b) 'Telecom Communications Commission'
- (c) 'Digital Communications Commission'
- (d) 'M2M Communications Commission'

**Ans. (c) 'Digital Communications Commission'**

**Q.17. Which of the following is NOT a feature of the manufacturing sector in India :**

- (a) Formal manufacturing is high productivity
- (b) It exhibits domestic convergence
- (c) Peak employment share is declining
- (d) Registered manufacturing is expanding fast

**Ans. (d) Registered manufacturing is expanding fast**

**Q.18. In which year was the Small-Scale Industries (SSI's) in India renamed as Micro, small and medium enterprises (MSME's)?**

- (a) 2006
- (b) 2007
- (c) 2005
- (d) 2004

**Ans. (a) 2006**

**Q.19. What is the total number of MSME's in India in organized sector according to the latest MSME census?**

- (a) 25.4 million
- (b) 29.8 million
- (c) 48.7 million
- (d) 43.4 million

**Ans. (b) 29.8 million**

**Q.20. FRBM committee recommended centre debt to GDP ratio to be at :**

- (a) 37 percent
- (b) 40 percent
- (c) 25 percent
- (d) 35 percent

**Ans. (b) 40 percent**

- यद्यपि इस पुस्तक को यथासम्भव शुद्ध एवं त्रुटिरहित प्रस्तुत करने का भरसक प्रयास किया गया है, तथापि इसमें कोई कमी अथवा त्रुटि अनिच्छाकृत ढंग से रह गई हो तो उससे कारित क्षति अथवा सन्ताप के लिए लेखक, प्रकाशक तथा मुद्रक का कोई दायित्व नहीं होगा। सभी विवादित मामलों का न्यायक्षेत्र मेरठ न्यायालय के अधीन होगा।
- इस पुस्तक में समाहित सम्पूर्ण पाठ्य-सामग्री (रेखा व छायाचित्रों सहित) के सर्वाधिकार प्रकाशक के अधीन हैं। अतः कोई भी व्यक्ति इस पुस्तक का नाम, टाइटिल-डिजाइन तथा पाठ्य-सामग्री आदि को आंशिक या पूर्ण रूप से तोड़-मरोड़कर प्रकाशित करने का प्रयास न करें, अन्यथा कानूनी तौर पर हर्ज-खर्च व हानि के जिम्मेदार होंगे।
- इस पुस्तक में रह गई तथ्यात्मक त्रुटियों तथा अन्य किसी भी कमी के लिए विद्वत् पाठकगण से भूल-सुधार/सुझाव एवं टिप्पणियाँ सादर आमन्त्रित हैं। प्राप्त सुझावों अथवा त्रुटियों का समायोजन आगामी संस्करण में कर दिया जाएगा। किसी भी प्रकार के भूल-सुधार/सुझाव आप [info@vidyauniversitypress.com](mailto:info@vidyauniversitypress.com) पर भी ई-मेल कर सकते हैं।