# MAR GREGORIOS COLLEGE OF ARTS & SCIENCE

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# DEPARTMENT OF COMMERCE

**SUBJECT NAME: ENTREPRENEURIAL DEVELOPMENT**

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# PREFACE

Entrepreneur is a person one who assumes risks, organize and operate a business venture they establish in pursuit of an opportunity they identified. Do develop the entrepreneurs is the need of the hour of our country. Hence our Indian government has implementing lot of policies and programmes to develop and promote entrepreneurship. Hence I made an attempt to write this book in a more precise and understandable manner with comprehensive syllabus prescribed by the University of Madras. I hope this book would be helpful to the Commerce and Management students not only to score marks but also motivate them to take up entrepreneurship.

I would like to express my gratitude towards many people without their support and encouragement this book would not have been possible.

First I would like to thank **Lord Almighty** for giving me enough strength and knowledge to write this book.

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# SYLLABUS

**UNIT I**

**CONCEPT OF ENTREPRENEURSHIP**

Entrepreneurship – Meaning – Types - Qualities of an entrepreneur – classification of entrepreneur - factors influencing entrepreneurship – functions of entrepreneurs.

**UNIT II**

**ENTREPRENEURIAL DEVELOPMENT AGENCIES**

Commercial banks - District Industries Centre- National Small Industries Corporation – Small Industries Development Organization - Small Industries Service Institute – All India Financial Institutions – SIPCOT and its objectives – MSME Sector and its coverage – Objectives of Ministry of MSME, Role and Functions of Micro Small and Medium Enterprises – Development Organization (MSME - DO) – Objectives of SIDCO– Functions of Tamil Nadu SIDCO – IRBI and its Role, NABARD and its role in the rural Development of INDIA-Introduction to Micro Units Development Refinance Agency (MUDRA).

**UNIT III**

**PROJECT MANAGEMENT**

Business idea generation techniques – identification of business opportunities – feasibility study – Marketing, Finance, Technology and Legal formalities – Preparation of project report – Tools of appraisal

**UNIT IV**

**ENTREPRENEURIAL DEVELOPMENT PROGRAMMES**

Entrepreneurial Development Programmes (EDP) – Role, Relevance and Achievements of EDP- Role of government in organizing EDPs- Critical evaluation.

**UNIT V**

**ECONOMIC DEVELOPMENT AND ENTREPRENEURIAL GROWTH**

Role of entrepreneur in economic growth – strategic approaches to the changing economic scenario for small entrepreneurs-Networking, Niche Play, Geographic concentration, Franchising/ Dealership – Development of women entrepreneurship – Self Help Groups and empowerment of women in India – Financing SHG and their role in Micro-Financing. Financial Inclusion and its penetration in India, Challenges and government role in financial inclusion – Pradhan Mantri Jan-Dhan Yojana – Six pillars and its mission objectives.

# TABLE OF CONTENT

# 1

# INTRODUCTION

**INTRODUCTION:**

In today‟s scenario of business environment, entrepreneurship plays an important role. Wherever you turn, you will hear about the role of entrepreneurs. The stories of successful entrepreneurs are often bringing out by Medias like newspapers, journals, magazines, television channels, radio, etc.

The entrepreneurs plays vital role in the economic development of a country. They have initiative, drive, skill and spirit of innovation who aims at high goals. The entrepreneur is the individual that identifies the opportunity, gathers the necessary resources and is ultimately responsible for the performance of the organization. They are action oriented, highly motivated individuals who take risks to achieve goals. This chapter is devoted to explore these topics in an elaborate manner.

**Concept of entrepreneurship**

Entrepreneurship is the process of designing, launching and running a new business, which is often initially a small business. The people who create these businesses are called entrepreneurs. It has been described as the "capacity and willingness to develop, organize and manage a business venture along with any of its risks to make a profit."

Entrepreneurship is an act of being an entrepreneur, or "the owner or manager of a business enterprise, by risk and initiative, attempts to make profits". Entrepreneurship is the process by which either an individual or a team identifies a business opportunity and acquires and deploys the necessary resources required for its exploitation.

The exploitation of entrepreneurial opportunities may include:

- Developing a business plan
- Hiring the human resources
- Acquiring financial and material resources
- Providing leadership
- Being responsible for both the venture's success or failure

**Who is an Entrepreneur?**

An entrepreneur is an individual who creates a new business, bearing most of the risks and enjoying most of the rewards. The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services, and business.

The entrepreneurs play a key role in any economy, using their skills and initiative necessary to anticipate needs and bring new ideas to market. Entrepreneurs who prove to be successful in taking on the risks of a startup are rewarded with profits, fame, and continued growth opportunities. Those who fail or suffer losses would become less prevalent in the markets. Entrepreneurs create something new, something different and they change or transmute values. Regardless of the firm size, big or small, they can partake in entrepreneurship opportunities.

**Meaning and definitions of entrepreneur**

The word „Entrepreneur‟ is derived from the French word "Entreprendre" means, "to undertake."

According to **Schumpeter**, an entrepreneur is a person who is willing and able to convert a new idea or invention into a successful innovation.

**Adam Smith**, "The Father of Economics "considers entrepreneur as a proprietary capitalist who supplies capital and works as a manager intervening between labor and the consumer.

**Francis A. Walker (1870)** calls the entrepreneurs as engineers of progress and the chief agents of production.

**F. H. Knight (1921)** propounds that entrepreneurs are a specialized group of persons who bear risks and deal with uncertainty.

**J.B. Say (1824)** defines an entrepreneur as "an economic agent who assembles factors of production, sees the price of produce in such a way that ensures the cost and profit, re-accumulates capital and possesses administrative and productive knowledge."

**Herberton G. Evans (I957)** defines, "Entrepreneur Is the person or group of persons who have the task of determining the kind of business to be operated."

**Differences between Entrepreneurship and Intrapreneurship**

| **Sl. No.** | **Points of difference** | **Intrapreneurship** | **Entrepreneurship** |
|---|---|---|---|
| 1. | Definition | Intrapreneurship is the entrepreneurship within an existing organization. | Entrepreneurship is the dynamic process of creating incremental wealth. |
| 2. | Core objective | To increase the competitive strength and market sustainability of the organization. | To innovate something new of socio-economic value. |
| 3. | Activity | Direct participation, which is more than a delegation of authority. | Direct and total participation in the process of innovation. |
| 4. | Risk | Bears moderate risk. | Bears all types of risk. |
| 5. | Status | Organizational employees expecting freedom at work. | The free and sovereign person doesn‟t bother with status. |
| 6. | Failure and mistakes | Keep risky projects secret unless it is prepared due to high | Recognizes mistakes and failures to take new innovative |

| | | | |
|---|---|---|---|
| | | concern for failure and mistakes. | efforts. |
| 7. | Decisions | Collaborative decisions to execute dreams. | Independent decisions to execute dreams. |
| 8. | Time orientation | Self-imposed or organizationally stipulated time limits. | There is no time-bound. |
| 9. | The focus of attention | Focuses on Technology and market. | Focus on Increasing sales and sustaining competition. |
| 10. | Operation | Operates from inside the organization. | Operates from outside the organization. |

**Characteristics of an Entrepreneur**

An entrepreneur is a person who is action-oriented and highly motivated to take a risk and to achieve such a goal that brings about a change in the process of generating goods or services and re-initiates progress in the advent of creating new organizations.

Therefore, experts have nine characteristics for the entrepreneur from different conceptual viewpoints.

The main characteristics of an entrepreneur are discussed below;

1. **Entrepreneur is an agent** - An entrepreneur is perceived as an economic agent who assembles materials for producing goods at a cost that ensures profits and re-accumulation of capital.

2. **Entrepreneur is a risk-taker-** Many experts portrayed that an entrepreneur is a person who identifies the nature of risk and takes a decision. They take a risk venture.

3. **Entrepreneur is a profit maker -** An entrepreneur is an individual who establishes and manages the business for the principal purpose of profit and growth.

4. **Entrepreneur is an achievement motivator** - The entrepreneurs are called "as per sun with a strong desire for achievement." They are action-oriented and highly motivated individuals. They have to have a deep-rooted need for achieving their goals.

5. **Entrepreneur is a capital provider** – Entrepreneur is a person who operates a business by investing his or her capital. They perceived entrepreneur as the founder of an enterprise who assembles necessary resources for the operation of the enterprise.

6. **Entrepreneur is an innovator** - Joseph A. Schumpeter characterized entrepreneur as an innovator of a new combination in the field of production. Entrepreneurs are a person who undertakes a small venture to the edge of success by his efforts, innovation and motivation.

7. **Entrepreneur is a reward receiver** - An entrepreneur is a person who creates something new of value by devoting time

and efforts and in turn receives monetary and personal rewards.

8. **Entrepreneur is a challenge taker -** It perceives an entrepreneur as a person who accepts challenges for developing and exercising vigilance about success and failure to take a risk and to generate products.

**Types or classifications of Entrepreneurs**

Entrepreneurs take various initiatives with various motives that direct them to various functional areas. This context and motives are taken here as the bases for classifying entrepreneurs into different categories.

**I.** **Classification on the basis of Nature:** Nature denotes here the human characteristics that act as a prime motivator for taking entrepreneurial ventures. On this basis entrepreneurs are classified into two groups;

i. **Individual entrepreneur -** When a single person undertakes an entrepreneurial venture then it is termed as an individual entrepreneur.

ii. **Institutional entrepreneur -** When an institution undertakes entrepreneurial ventures then it is called an institutional entrepreneur.

**Individual and Institutional entrepreneurs** are further classified into various types of their motivational force. They are:

1. **Technical Entrepreneur-**The entrepreneur who uses a modified form of existing technology for producing a good or rendering service is known as a technology entrepreneur.

These entrepreneurs may enter the business to commercially exploit their inventions and discoveries. Their main asset is technical expertise.

2. **Innovative Entrepreneur -** An innovative entrepreneur is a person who discovers new use of the old product through adding new utilities. The entrepreneur who takes the initiative to do existing activities in a new way that has value to customers is called an innovative entrepreneur.

3. **Drone Entrepreneur -** Drone entrepreneurs are those persons who can immediately transfer an opportunity into a viable project. The environment is an ever-changing phenomenon. A wise and prudent entrepreneur may grasp the visible change and its potentiality and initiates a venture of enormous prosperity. They are known as drones or opportunist entrepreneurs.

4. **Imitative Entrepreneurs -** Imitation is the art of creating a product similar to another product already in the market. A person who adopts this technique is an imitative or adoptive entrepreneur.

6. **Fabian Entrepreneurs -** Fabian entrepreneurs are very cautious and skeptical while practicing any change. They are shy and lazy. Their dealing is determined by custom, religion and past practices. They do not have much interest in taking a risk and try to follow the footsteps of their predecessors.

7. **Forced Entrepreneurs -** The entrepreneurs who are forced to become entrepreneur by the competing environment are known as forced entrepreneurs. The fall of a business may force a person to initiate a new venture.

**II. Classification on the basis of type of business:**

1. **Business entrepreneur** – Business entrepreneurs are individuals and they are also called solo operators, who work alone. They conceive an idea for a new product or service and then create a business to convert their idea into reality.

2. **Trading entrepreneur** – Trading entrepreneur is one who undertakes treading activities and does not concerned with any manufacturing activity. He would engage in both domestic and overseas trade.

3. **Industrial entrepreneur** – Industrial entrepreneur is essentially a manufacturer who identifies the potential needs of customers and caters a product or service to meet the marketing needs. He is a product oriented person who starts an industrial unit for making some new product.

4. **Corporate entrepreneur** – Corporate entrepreneur is a person who demonstrates his innovative skills in organizing and managing corporate undertakings. They plan, develop and manage a corporate body.

5. **Agricultural entrepreneur** – Agricultural entrepreneurs are those who undertake agricultural and allied activities as cultivating and marketing of crops, fertilizers and other inputs of agriculture, dairy farming, poultry farming, plantations, etc.

6. **Retail entrepreneur** – Retail entrepreneurs do not take manufacturing activities. They too take risks and stock the products. They provide a wide choice to the customers. We have a huge network of small and big retail traders in India.

Ex: medical shops, provision shops, vegetable and fruit shops, textile shops, etc.

**III. Classification on the basis of motivation:**

1. **Pure entrepreneur** – A pure entrepreneur is an individual who is motivated by psychological and economic rewards. He undertakes an entrepreneurial activity for his personal satisfaction in work, ego and status.

2. **Induced entrepreneur** – Induced entrepreneurs are those who are induced to take up an entrepreneurship due to the policy matters of the government. Assistance may be in the form of incentives, concessions and necessary facilities given by the government to take up a new venture.

3. **Motivated entrepreneur** – These entrepreneurs are motivated by the desire for self-fulfillment. If their product is developed to a saleable stage, the entrepreneur is further motivated by reward in terms of profit.

**IV. Classification on the basis of growth:**

1. **Growth entrepreneurs** – These entrepreneurs would necessarily take up a high growth industry, which has substantial growth prospects.

2. **Super – growth entrepreneurs** – Super-growth entrepreneurs are those who have shown enormous growth performance in their venture.

**V. Classification on the basis of Gender:**

Entrepreneurs are classified based on the natural division of human and therefore, there are two sections of entrepreneurs on the criteria of sex. They are:

1. **Male entrepreneurs** – If the entrepreneur is a male then he can be called as male entrepreneur.

2. **Female entrepreneurs** – If the entrepreneur is a female who come forward to undertake risk is called as female entrepreneur.

**VI. Classification on the basis of place:**

The place of entrepreneurial activity is the basis of classifying entrepreneurs into two categories, such as rural and urban entrepreneurs.

1. **Urban entrepreneurs** – Urban Entrepreneurs are the persons who initiate their venture in the urban area of a country. They are large in number in all the countries of the world.

2. **Rural entrepreneurs –** Rural entrepreneurs are take their initiatives in rural areas of the country. They use indigenous resources, which enhance the use of local natural resources and enhance the local standard of living.

**VII. Classification on the basis of size:**

The size of an entrepreneurial project is taken as a basis for categorizing entrepreneurs into two classes. They are;

1. **Small scale entrepreneurs:** Small-scale entrepreneurs are those who have small capital or investment, as well as small production capacity, number of employment and a small area of the market, it denotes the limited operation of a business.

2. **Large scale entrepreneurs:** Large-scale entrepreneurs are those persons or groups of persons who initiate a venture with a large-scale production capacity. They address large aggregate demand and involve with huge investment in production technology.

**VIII. Classification on the basis of generation:**

Entrepreneurs are classified in the context of generation. The enormous types of new ventures initiate this classification.

1. **New generation entrepreneurs:** New generation entrepreneurs are those who utilize technology or idea in their new version.

2. **Old generation entrepreneurs:** Old generation entrepreneurs are those who do not like change. They normally take the initiation of old styled projects. They are hesitant to new technology but fond of traditional and prevailing technology.

## RELATIONSHIP BETWEEN ENTREPRENEUR AND ENTREPRENEURSHIP

The relationship between the two is just like the two sides of the same coin as depicted in the following;

| Sl. No | Entrepreneur | Entrepreneurship |
|---|---|---|
| 1. | Person | Process |
| 2. | Organizer | Organization |
| 3. | Innovator | Innovation |
| 4. | Risk-bearer | Risk-bearing |
| 5. | Motivator | Motivation |
| 6. | Creator | Creation |
| 7. | Visualizer | Vision |
| 8. | Leader | Leadership |
| 9. | Imitator | Imitation |

### Traits or Qualities of Entrepreneurs

Entrepreneurship is the result of the entrepreneurial quality of entrepreneurs. Hence, every entrepreneur should possess the following qualities to become successful.

1. **Confidence** – Entrepreneurship requires a high state of self-confidence that would be the driving force for going into an unforeseen uncertain future with the certainty of success. Only a bend less mind can take the initiative to new ventures under uncertainty. Confidence is a belief on own ability.

2. **Independence -** Independence is the sense of sovereignty that makes a person able to run the self and takes a decision independently.

3. **Individuality** - Individuality is a sense of distinctiveness that identifies oneself separately. This forces a person to do something new, distinct and unique that qualifies him separately.

4. **Optimism** - Optimism is the driving force of all initiatives. It is the shining ray that energizes people to go into uncertain ventures. Optimism is the state of hope and aspiration that people rest on self to walk in the future.

5. **Need for achievement** - The need for achievement is the strong orientation toward accomplishment, an obsession with success and goal attainment. It has been observed that entrepreneurs have got a higher level of need for achievement.

6. **Profit-oriented** – Entrepreneurs normally take a venture for making material gain. This gain is the profit that drives them to take ventures.

7. **Persistent -** Persistent is the quality of continuing something with determination and in spite of difficulty, opposition, argument or failure. It is a mentality to refuse to give up.

8. **Perseverance** – The entrepreneurs does not bow before barriers to achieve the desired target. Perseverance is the continued steady effort to achieve an aim. This is the unique quality of entrepreneur that keeps him tied to the path of the goal.

9. **Hard work -** Entrepreneurs are hard-working and energetic persons. They are immensely involved in work.

10. **Drive -** Entrepreneurs have got a strong drive for action and the accomplishment of their desired goal.

11. **Energy -** Entrepreneurs have enormous energy to take the toll of diversified and tedious works required for making a new venture successful.

12. **Determination -** Entrepreneurs never drop the target for any reason. They are determined to do that as it is set with considerable efforts and justification.

13. **Initiative** - Entrepreneurs have the state of an initiative to run their venture into the uncertain future. The initiative is the capacity to do something in a new approach with the courage and willingness to do it without other‟s help.

14. **Risk-taking ability -** All entrepreneurs are risk-takers. They take their ventures in an uncertain environment of the future. Every future course contents uncertainty.

15. **Like challenges -** An entrepreneur must have a characteristic to take the challenge of uncertainties. They should have a mind to segregate risk from uncertainties and a mindset for taking the risk.

16. **Leadership behavior -** Entrepreneurs must have leadership qualities. They organize resources and engage in uncertain ventures that he will transfer into a certain enterprise.

17. **Gets along well with others –** Entrepreneurs should be able to get along well with others. It requires a high level of human relations skills, a cordial personality, an open mind, and sociability.

18. **Innovative -** An entrepreneur is an innovator. Innovativeness is the quality of adding or discovering new utility with the old product or process or system.

19. **Creative -** Creativity is the ability to invent or discover things of absolutely new phenomena. Entrepreneur perceives the use of indigenous means and materials in a new phenomenal direction.

20. **Flexible -** Entrepreneurs must have Flexibility and always ready to adopt new things with adaptability or use in the given situation of an economy.

21. **Resourceful -** Entrepreneurs have the basic resource to find the most beneficial ways of doing things with the tools and techniques appropriately designed and created by them for the purpose.

22. **Versatile -** Versatility is a desired quality of the entrepreneurs. A person can turn easily or readily from one subject, skill or occupation to another.

23. **Knowledge -** The entrepreneurs should possess the right education and experience in the area of operation in which they try to develop their ventures.

**24. Foresight -** Foresightedness is the ability to predict things to happen in the future. Entrepreneurs will search into the future environment the opportunities and threats that may be used to their advantage.

**25. Perceptive -** Perceptiveness is the ability to see, hear or understand things. Entrepreneurs see things differently and find things that others cannot. Therefore, they should be a future-oriented personality who perceives events of success and builds up ventures on it.

## FACTORS INFLUENCING ENTREPRENEURSHIP

Many factors influence the spirit of entrepreneurship can be categorized as (a) internal factors and (b) external factors

**I. Internal factors:** The internal factors are related to the personality of an individual which motivate a person to become an entrepreneur. These factors are like a seed of entrepreneurship that exists within an individual. They are need for achievement, being innovative, courageous, confident, self-reliant, etc. If an individual does not possess these internal characteristics he or she has to develop them to become a successful entrepreneur. The negative factors are lack of confidence and courage. Some people have ideas but they lack confidence and courage to go on their own.

**a. Family atmosphere:** Family background plays a very significant role in fostering entrepreneurship. The entrepreneurship quality of a person is influenced by the family background right from the birth. For example: In India, children in Marwari families are brought up in an environment which develops entrepreneurial qualities in them from an early age. The Joint Hindu Family system also promotes entrepreneurship by providing the right environment, developing skills and building strong traditions and customs. Hence, the north Indian family children do not give much importance to education as they know that they do not have to hunt for jobs as they have ready businesses to take care. But in south Indian families, believe in high education as they go in for jobs. The risk taking abilities are low among south Indians. Even if any child wants to become an entrepreneur, this is objected by the parents.

**II. External factors:**

There are many factors lay outside the environment which influences the internal factors from outside. They also motivate a person to become an entrepreneur.

a. **Political environment:** The political environment influences government policies which in turn influence entrepreneurship. Each political party in our country has different ideologies. Entrepreneurs will invest only when there is political stability. Hence, political stability is a must for encouraging and promoting entrepreneurship. The political environment in the country should be conducive for the growth and development of trade and business. Otherwise people will hesitate to come forward to start their venture.

b. **Social and cultural environment:** Social factors strongly affect the entrepreneurial behavior, which contribute to entrepreneurial growth. The social setting in which the people grow, shapes their basic beliefs, values and norms. There are certain cultural practices and values in every society which influence the actions of individuals. Entrepreneurial growth requires proper motives like profit-making, acquisition of prestige and attainment of social status. Ambitious and talented men would take risks and innovate if these motives are strong. The strength of these motives depends upon the culture of the society.

c. **Technological environment:** Science and technology contribute much for the development of entrepreneurship. The technological developments have modernized the way of living of the people. The growth of science and technology of various agencies give more and more opportunities for the growth of entrepreneurship every now and then. Hence, the new entrepreneurs must have knowledge about the latest technological advancements.

d. **Legal environment:** There are laws, rules and regulations framed by various acts under the constitution which the entrepreneurs have to be followed. Every business has to operate in a legal environment. As ignorance of the law is not excusable, an entrepreneur is required to know all legal requirements, which he is bound to comply with.

Economic environment: Economic environment relates to the economic background of the individual, which constitute the factors that influence the business and ability to take risks. There are micro level economic factors like the possessed property of the person, his current income, standard of living, financial status, etc. which influences business activity. Besides, macro factors like market structure, competition, profitability, investments, availability of land, labour, capital, raw-materials, etc also decides the level of entrepreneurship.

# 2

# ENTREPRENEURIAL DEVELOPMENT AGENCIES

The Central and State government have established a host of institutions to meet the financial requirements of small entrepreneurs. In this chapter, we shall see the developmental activities extended by the financial institutions to develop small entrepreneurs.

## COMMERCIAL BANKS

Commercial banks in India are the backbone of all major economic activities in the country. It is a financial intermediary which collects credit from lenders in the form of deposits and lends in the form of loans. They issues loans in the form of personal loans, business loans as well as mortgage loans. They have been playing a key role in the economic and social transformation and in the development of the country.

## ROLE OF COMMERCIAL BANKS IN ASSISTING SMALL SCALE INDUSTRIES

1. **Credit to small scale industries** – The small scale industries can avail term loan for acquisition of machinery up to a maximum amount of 50% of the cost, for a period of 5 to 7 years. They also provide working capital loans which can be disbursed in the form of overdraft, cash credit, etc.

2. **Financial assistance to technical entrepreneurs** – Commercial banks provides a term loan of Rs.5 lakhs to the technical entrepreneurs for establishing an industrial unit.

3. **Financing for Khadi and Village industries** – Under this scheme, the bank grants working capital loan upto a maximum amount of Rs.1,500 who has covered under KVIC subsidy scheme at an interest rate equal to 4% above the bank rate, out of which the 4% will be covered from the borrower whose family income from all sources does not exceed Rs.3,000 per annum and who should not own in excess of one acre or irrigated land.

4. **Finance to tiny sector** – Commercial banks provide term loans as well as working capital loans to borrowers covered under tiny sector at an interest rate of 9.5% for borrowers in backward areas and 11% for those in other areas.

5. **Finance to traders and small entrepreneurs** – Traders dealing in fertilizers can get working capital loans under the condition that the borrower continues to have authorized dealership. Small business firms can avail loans for purchase of equipment upto maximum amount of Rs.50,000 which is to payable in 36 installments.

6. **Finance to self-employed and professionals** – Banks provide credit facilities to engineers, technicians, architects, other professionals and self employed persons to meet their short term as well as medium term financial needs. The applicant must have minimum 5 years experience and justifiable income to avail this facility.

## DISTRICT INDUSTRIES CENTER (DIC)

The District Industries Center (DIC) was established in 1978 as a centrally sponsored scheme with an object of providing all the services and support to village and small scale enterprises under a single roof for the effective development of small scale industry in the widely dispersed rural areas and small towns of the country. The main thrust of the DIC is to develop industrial units, which can create large employment opportunities in rural and semi-urban areas.

### Objectives of District Industries Centre (DIC):

i. Accelerate the overall efforts for industrialisation of the district.

ii. Rural industrialisation and development of rural industries and handicrafts.

iii. Attainment of economic equality in various regions of the district.

iv. Providing government schemes benefits to the new entrepreneurs.

v. To minimize the efforts and time required to obtain various permissions, licenses, registrations, subsidies, etc to start a new industrial unit.

**Functions of District Industries Centre (DIC):**

1. **Identification of entrepreneurs** – DIC helps in identifying entrepreneurs by conducting motivational campaigns throughout the district, especially in Panchayat union headquarters.

2. **Conducting survey and investigation** – DIC conducts survey of the existing traditional and new industries and raw materials and human resources. It also prepares techno-economic feasibility reports so as to give investment advice to the entrepreneurs.

3. **Training courses for small entrepreneurs** – DIC conducts training courses for entrepreneurs of small and tiny units. It acts as an intermediary between the entrepreneurs and Small Industries Service Institute (SISI) in order to introduce new and improved product lines.

4. **Guiding entrepreneurs** – DIC guides an entrepreneur in selecting appropriate machinery, equipment and raw materials. It also issues certificates for the import and export of machinery and raw materials.

5. **Recommendation** – DIC recommends loan application for land and building acquisition to state level institutions and nationalised banks. It also recommends interest free sales tax loan at 8% of the total fixed assets to SIDCO.

6. **Power tariff concession** – DIC pursue with the electricity board for power connection. Scrutinizing and recommending to SIDCO, power tariff concession in the form of power

subsidy at the rate of 30% for the 1st year, 20% during 2nd year and 10% for the third year.

7. **Interest subsidy** – They disburse the interest subsidy for engineers for setting up industries in the rural areas.

8. **Marketing** – They assist entrepreneurs in marketing their products and assets the possibilities of ancillarisation and export promotion of their products

**NATIONAL SMALL INDUSTRIES CORPORATION (NSIC)**

The National Small Industries Corporation Ltd (NSIC) was set up in 1955 as a central government undertaking. The main aim of NSIC is to fulfill the requirement of machinery and equipment for the development of the small entrepreneurs. It is observed that the main constraint faced by the entrepreneurs is the dearth of investible funds to purchase machinery and equipment. Non-availability of finance deprives many new entrepreneurs from availing entrepreneurial opportunities.

Hence, NSIC was established to cater to the need of the entrepreneur. NSIC provides plant, machinery and equipment on a hire-purchase basis. Under the special scheme of NSIC, entrepreneurs can procure indigenous as well as imported machinery.

At present, the NSIC operates through 6 Zonal Offices, 26 Branch Offices, 15 Sub-offices, 5 Technical Services Centres, 3 Extension Centres and 2 Software Technology Parks supported by a team of over 5000 professionals spread across the country.

**Functions of NSIC:**

NSIC provides a wide range of promotional services to small-scale industries. They were:

1. NSIC provides financial assistance by way of hire-purchase scheme for the purchase of machinery and equipment, required for the setting up industries.
2. It provides various equipments on lease basis.
3. Assists in marketing of the products of SSIs.
4. Helps in exporting the product of SSIs.
5. Provides training to entrepreneurs of SSIs in various trades.
6. Helps in the development and up gradation of technology and modernization of the industries.
7. NSIC Undertakes construction of industrial estates.
8. Participate in government's bulk purchase programme and purchase raw materials and distribute the same to SSIs at reasonable rates.
9. Develops prototype machines and equipments to pass on to SSIs for commercial production.
10. Sets up small scale industries in other developing countries on turn-key basis.

Thus NSIC carries forward its mission to assist small enterprises with a set of specially tailored schemes designed to put them in competitive and advantageous position. The schemes comprises of facilitating marketing support, credit support, technology support, and other support services.

**Small Industries Development Organisation (SIDO)**

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

**Organizational structure of SIDO**

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

**Functions of SIDO:**

The functions of SIDO are performed through a national network of institutions and associated agencies created for specific functions. At present, the SIDO functions through 27 offices, 31 Small Industries Service Institutes (SISI), 37 Extension Centres, 3 Product-cum -Process Development Centres, and 4 Production Centres. All small-scale industries except those falling within the specialized boards and agencies like Khadi and Village Industries (KVI), Coir Boards, Central Silk Board, etc., fall under the purview of the SIDO.

**The main functions of the SIDO are classified into three services which have been explained below:**

**1. Co-ordination function:**

a. To evolve a national policy for the development of small-scale industries.

b. To co-ordinate the policies and programmes of various State Governments.

c. To maintain a proper liaison with the related Central Ministries, Planning Commission, State Governments, Financial Institutions etc., and

d. To co-ordinate the programmes for the development of industrial estates.

**2. Industrial development function:**

a. To reserve items for production by small-scale industries.

b. To collect data on consumer items imported and then, encourage the setting of industrial units to produce these items by giving coordinated assistance.

c. To render required support for the development of ancillary units and

d. To encourage small-scale industries to actively participate in Government Stores Purchase Program by giving them necessary guidance, market advice, and assistance.

**3. Extension services:**

a. To make provision to technical services, production planning, selecting appropriate machinery, and preparing factory lay-out and design.

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

c. To render marketing assistance to small-scale industries to sell their products effectively

d. To provide assistance in economic investigation and information to small- scale industries.

**Small Industries Service Institute (SISI)**

The SISIs were set up to provide various technical and consultancy services to small scale industries. It also provides promotions and extension services to small scale, ancillary and tiny units. Besides these services they also provide necessary training, library, exhibition, workshop facilities, etc.

**Functions of SISI:**

SISI performs the following functions:

**1. Technical Advisory Services:**

- To assist small units in manufacturing of quality and standardised product.

- To prepare designs and drawings for special equipments.

- To provide workshops and laboratory facilities to small-scale units and also demonstrates the use of modern machines and equipments.
- To guide small units in selecting and using raw materials and substitutes.

**2. Management Consultancy Services:**

- To conduct complete implant studies of individual small-scale units.
- To guide small units in industrial management, including finance, accounts, production management, etc.
- To provide special technical and managerial advice on cost reduction and economy in the use of raw materials, quality improvement, etc.

**3. Economic Advisory Services:**

- To guide small units on the sources of availability of finance from different agencies.
- To conduct economic surveys and suggest programmes for their future developments.
- To provide relevant economic and commercial information on different industries.

**4. Managerial Services:**

- To conduct export promotion training courses for small entrepreneurs.

- To conduct technical training courses for supervisors and artisans.
- To conduct small industrial management training courses for the benefit of small-scale units.

**All India Financial Institutions (AIFI)**

Industrialization of any country is closely associated with the provision of adequate long-term finance. A number of institutions have been established in our country by the government at all India and regional levels for the development of large, medium and small scale industries by providing financial and other required development assistance.

At present, the All India Financial Institutions comprise of:

**(a) 6 All India Development Banks (AIDBs)**

- Industrial Development Bank of India (IDBI)
- Industrial Finance Corporation of India Ltd (IFCI)
- Industrial Credit Investment Corporation of India (ICICI)
- Industrial Investment Bank of India (IIBI)
- Infrastructure Development Finance Company Ltd (IDFC)
- Small Industries Development Bank of India (SIDBI)

**(b) 2 Specialised Financial Institutions (SFCs)**

- Export-Import Bank Of India (EXIM Bank)

- National Bank for Agriculture and Rural Development (NABARD)

**(c) 3 Investment Institutions (IIs)**

- Life Insurance Corporation of India (LIC)
- General Insurance Corporation of India (GIC)
- Unit Trust of India (UTI)

**(d) 18 State Financial Corporations (SFCs) and**

**(e) 28 State Industrial Development Corporations (SIDCs)**

In this chapter, we shall discuss about some important financial institutions in our country which plays a vital role in developing entrepreneurship.

➢ **Industrial Development Bank of India (IDBI)**: The Industrial Development Bank of India (IDBI) was established in 1964. The main principle of this financial institution is to provide credit and other facilities for developing industries and assisting development institutions. IDBI is the tenth largest bank in the world in terms of development.

➢ **Organisational structure of IDBI:** IDBI consist of Board of Directors, which consists of a chairman and Managing Director appointed by the Government of India, a Deputy Governor of the RBI nominated by that bank and 20 other Directors are nominated by the Central Government.The board had constituted an Executive Committee consisting of 10 Directors, including the Chairman and Managing Director.

The executive committee is empowered to sanction financial assistance.

**Functions of IDBI:**

i To provide financial assistance to industrial enterprises.

ii To promote institutions engaged in industrial development.

iii To provide technical and administrative assistance for promotion management or expansion of industry.

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

**Assistance by IDBI:**

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

**(i)** **Direct Assistance:** The IDBI grants loans and advances to industrial concerns. There is no restriction on the upper or lower limits for assistance to any concern itself. The bank guarantees loans raised by industrial concerns in the open market from the State Co-operative Banks, the Scheduled Banks, IFCI and other financial institutions.

**(ii)** **Indirect Assistance**: The IDBI can refinance term loans to industrial concerns repayable within 3 to 25 years given by the IFCI, the SFCs, SIDCs, Commercial banks and Co-operative banks which extend term loans not exceeding 10 years to industrial concerns.

**Developmental Activities of IDBI:**

**(1) Promotional Activities:** The bank continues to perform a wide range of promotional activities relating to developmental programmes for new entrepreneurs, consultancy services for small and medium enterprises and programmes designed for entrepreneurship development, self-employment and wage employment in the industrial sector for the weaker sections of society through voluntary agencies.

**(2) Technical Consultancy Organisations:** IDBI provides consultancy and advisory services to entrepreneurs, particularly to new and small entrepreneurs. It has set up a network of Technical Consultancy Organisations (TCOs) covering the entire country. This offer diversified services to small and medium enterprises in the selection, formulation and appraisal of projects, their implementation and review.

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

## I. INDUSTRIAL FINANCE CORPORATION OF INDIA LIMITED (IFCI)

The Industrial Finance Corporation of India was the first development finance institution established by the Indian government after independence. The main aim of the bank is to cater to the long-term financial needs of the industrial sector. The government established the Industrial Finance Corporation of India (IFCI) on **1st July 1948**.

➢ **Objectives of IFCI:** The main objective of IFCI is to provide medium and long-term financial assistance to large scale industrial undertakings, particularly when ordinary bank accommodation does not suit the undertaking or finance cannot be profitably raised by the concerned issue of shares.

➢ **Functions of IFCI:**

(i) The IFCI grants loans and advances to industrial concerns.

(ii) They Grant loans both in rupees and foreign currencies.

(iii) They underwrite the issue of stocks, bonds, shares etc.

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

**Promotional activities of IFCI:**

1. **Soft Loan Assistance:** IFCI provides soft loan assistance to existing industries in small and medium sector for developing technology through in-house research and development.

2. **Entrepreneur Development:** IFCI provides financial support to Entrepreneurial Development Programmes (EDPs) conducted by several agencies all-over India.

3. **Industrial Development in Backward Areas:** IFCI also take measures to promote industrial development in backward areas through a scheme of concessional finance.

4. **Subsidised Consultancy:** The IFCI gives subsidised consultancy for,

   (i) Subsidies given to small entrepreneurs to meet the cost of the project.

   (ii) To promote ancillary industries

   (iii) For doing market research.

   (iv) Reviving of sick units.

   (v) Implementing modernization.

   (vi) To control Pollution in Factories.

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

## II. Industrial Credit and Investment Corporation of India (ICICI)

Industrial Credit and Investment Corporation of India (ICICI) was established in 1955 as public limited company under Indian Company Act, for developing medium and small industries of private sector.

Initially its equity capital was owned by companies, institutions and individuals but at present its equity capital has been owned by public sector institutions like—Banks, LIC, CIC and its associate companies. In March 2002, the ICICI was merger with the ICICI Bank and created a first universal bank in India. With this merger, ICICI does not exist any more as a development financial institution.

**Objectives:**

**The important objectives of the ICICI are as follows:**

(i) To provide loans to industrial projects in private sector.

(ii) To stimulate the promotion of new industries.

(iii) To assist the expansion and modernization of existing industries.

(iv) To provide Technical and managerial assistance to increase production.

**Financial Assistance of ICICI:**

To achieve its objectives, ICICI provides financial assistance in various forms such as:

i) Long term and medium term loans both in terms of rupee and foreign currency.

(ii) Participating in equity capital and in debentures.

(iii) Underwriting new issues of shares and debentures.

(iv) Guarantee to suppliers of equipment and foreign loaners.

**Activities of ICICI:**

**1.** **Project Finance:** ICICI provides project finance to industries for the cost of establishment, modernization or expansion of manufacturing and processing activities. The loan is given for the purchase of equipment and machinery, construction and preliminary expenses.

**2.** **Leasing:** ICICI provides leasing assistance for computerization, modernization, energy conservation, export orientation, pollution control etc.

**3.** **Project Advisory Services:** ICICI provides project advisory services to the Central and State Governments on policy reforms and on value chain analysis and public sector and private sector companies on strategic management.

**IV. Unit Trust of India (UTI)**

Unit Trust of India was first set up in 1st February 1964. It is a statutory public sector investment institution having the main objective to encourage and mobilize the savings of the community and channelize them into productive corporate investment.

**Objectives of UTI**

- To promote and pool the small savings from the lower and middle-income persons who cannot have direct access to the stock exchange, and
- To provide them with an opportunity to share the benefits of prosperity resulting from rapid industrialization in India.

**Functions of UTI**

- Mobilize the saving of the relatively small investors.
- Channelize these small savings into productive investments.
- Distribute the large scale economies among small income groups.
- Encourage savings of lower and middle-class people.
- Convert the small savings into industrial finance.
- To give investors an opportunity to share the benefits of industrialization in the country.
- To grant loans and advances to investors.
- To provide merchant banking and investment advisory service to investors.
- Provide leasing and hire purchase business.
- To extend portfolio management service to persons residing in other countries.
- To buy, sell or deal in foreign currency.

## III. General Insurance Corporation of India (GIC)

The General Insurance Business Nationalization Act was passed in 1972 to set up the general insurance business. It was the nationalization of 107 insurance companies into one main company called General Insurance Corporation of India and its four subsidiary companies with exclusive privilege for transacting general insurance business.

**Objective of the GIC:**

- To carry on the general insurance business other than life, like accident, fire, etc.
- To aid and achieve the subsidiaries to conduct the insurance business.
- To help the conduct of investment strategies of the subsidiaries in an efficient and productive manner.

**Role and Functions of GIC**

- Carrying on of any part of the general insurance.
- Aiding, assisting and advising the acquiring companies in the matter of setting up of standards of conduct and sound practice in general insurance business.
- Rendering efficient services to policy holders of general insurance.
- Advising the acquiring companies in the matter of controlling their expenses including the payment of commission and other expenses.

- Advising the acquiring companies in the matter of investing their fund.
- Issuing directives to the acquiring companies in relation to the conduct of general insurance business.
- Issuing directions and encouraging competition among the acquiring companies in order to render their services more efficiently.

**I. State Financial Corporation (SFC)**

At the time of setting up of IFCI, there was a necessity of establishing similar other institutions at the state level for assisting the smaller industrial concern. Hence, in 1951, the State Financial Corporation was passed by the Central Government to create a separate financial corporation for the states. The SFC meets the financial requirements of small industrial concerns in the private sectors.

**Objectives SFC:**

The main objectives of the SFC are to provide financial assistance to medium and small scale industries which are outside the scope of IFCI. The main function of SFC is limited within its states. It covers both public and private limited companies, partnership firms and proprietary concerns.

**Functions of SFC:**

The main functions of SFCs are as follows:

1. It grants loan and advances to industrial concerns that are repayable within the maximum period of 20 years.

2. It subscribes and underwrites the shares and debentures of industrial concerns.

3. It guarantees deferred payments for purchase of capital goods with India.

4. It acts as an agent of the State and central Government.

5. SFC provides foreign exchange loans under World Bank schemes.

**State Industries Promotion Corporation of Tamil Nadu (SIPCOT)**

The State Industries Promotion Corporation of Tamil Nadu (SIPCOT) was formed in the year 1972. It is a Tamil Nadu Government owned institution which was formed with the aim of being a catalyst in the development of industries in the backward areas of Tamil Nadu.

**Functions of SIPCOT:**

The Functions of State Industries Promotion Corporation of Tamil Nadu Limited are listed below:

- To develop industrial complexes, parks, industrial estates with basic infrastructural facilities.
- Establishment of sector wise specific Special Economic Zones (SEZs).
- Implementation of Special infrastructure Projects.

**Small Industries Development Corporation (SIDCO):**

**Need for Small Industries Development Corporation**

For the promotion of small scale industries, a separate corporation has been set up by many state governments called Small Industries Development Corporation. They undertake all kinds of activities for the promotion of small scale industries. Right from the stage of installation, to the stage of commencing production, these Corporations help small scale industries in many ways.

They provide infrastructure facilities to small scale industries. Many backward areas in most of the states have been developed due to the assistance provided by SIDCO. It has also been responsible in spreading the industrial activity throughout several states.

**Objectives of SIDCO**

The following are the main objectives of SIDCO

1. To stimulate the growth of industries in the small scale sector
2. The primary objective of SIDCO is to provide infrastructure facilities like roads, drainage, electricity, water supply, etc
3. Promoting industrial estates which will provide industrial sheds of different sizes with all basic infrastructure facilities.
4. It also provides technical assistance through training facilities to the entrepreneurs.
5. By setting up of industrial training institutes they are promoting skilled labourers in the economy.

**Small Industries Development Corporation, Tamil Nadu:**

In Tamil Nadu, the Small Industries Development Corporation (SIDCO) was set up in the year1971. The prime function of SIDCO was to identify potential growth centre in various parts of Tamil Nadu. There is a network of 76 industrial estates in the State which are maintained by SIDCO.

**Functions of SIDCO**

- **Supplies scarce raw materials:** SIDCO has a number of raw material depots for procuring various scarce raw materials. They procure materials either from the domestic market or from abroad and are provided to the needy small scale industries.

- **Provides marketing assistance**: The Corporation has taken up various schemes in order to provide an efficient marketing support to small scale industries. The corporation participates in the tenders floated by the state government departments and makes advance payments for obtaining orders and distribute them among the various small scale units. They also arrange for buyer and seller meets frequently.

- **Assists in Bills discounting:** There is a delay in receiving payments when small scale units supply goods to government departments. In such a situation, the bills drawn on government departments will be discounted by SIDCO and up to 80% of the bill value is given to the supplier. This helps the SSI units in solving their working capital crisis.

- **Provides Export marketing assistance**: To promote export marketing among the small scale industries, SIDCO has developed websites to display the products of the small scale industries in foreign markets and obtain export orders. Once an export order is obtained, the Common export manager of SIDCO will make arrangements for extending various services for export of the product.

- **Set up Captive power plants:** SIDCO has taken up a plan to set up captive power plants in major industrial estates in order to provide uninterrupted and good quality power supply. Now they are planning to set up these plants in 10 industrial estates.
- **It promotes skill development centres:** Skill development centres are being set up in various industrial estates to supply skilled laborers to various small scale industries, which give training to the workers in varied industrial activities.
- **Helps in promoting women entrepreneurs:** In order to promote women entrepreneurs, a separate industrial estate for women has been set up at Thirumullaivoyal in Chennai, where women entrepreneurs are trained in various fields of small scale industries.

**IRBI - Industrial Reconstruction Bank of India!**

The Industrial Reconstruction Corporation of India (IRCI) was set up in April 1971, by the government of India under the Indian Companies Act. Its main aim is to look after the problems of sick units' and provide assistance for their speedy reconstruction and rehabilitation by undertaking the management of the units and developing infrastructure facilities like those of transport, marketing etc.

In 1984, the Government of India passed an Act converting the IRCI into the Industrial Reconstruction Bank of India (IRBI). It was established in March 1985. The bank is empowered to supplement its resources by issuing and selling bonds and debentures, accepting deposits from the public, borrowing from RBI and other institutions.

**Activities of IRBI:**

- It provides term loans and working capital finance to medium, large, sick, small and tiny sector units.
- It also provides ancillary services like consultancy, preparation of schemes of amalgamation, merger, sale, reconstruction, equipment leasing, merchant banking etc.
- IRBI has full power to take any step to remove industrial sickness.

**Functions of Industrial Reconstruction Bank of India (IRBI):**

- The sick industrial units are provided with financial assistance by IRBI.
- Also provide managerial and technical assistance to sick industrial units,
- For the revival and revitalization of sick industrial units, IRBI secures the assistance of other financial institutions and government agencies.
- To provide merchant banking services for amalgamation, merger, reconstruction, etc.,

- To provide consultancy services to the banks in the matter of sick units, and
- To undertake leasing business.
- It also assists and promotes industrial development and rehabilitation of industrial concerns.

**NABARD – National Bank for Agricultural and Rural Development**

NABARD is a development bank established under statutory provisions. It is an apex development bank in India. NABARD was established on 12 July 1982 by a special act by the parliament. The main objective of NABARD was to uplift rural India by increasing the credit flow for elevation of agriculture and rural non farm sector.

**Role of NABARD:**

- It deals with all matters concerning policy, planning and operations in giving credit for agriculture and other economic activities in the rural areas.
- It provides investment and production credit for promoting several developmental programs for rural development.
- It imparts monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, and training of personnel.
- It co-ordinates the rural credit financing activities of all sorts of institutions engaged in developmental work at the field level.

- It also maintains liaison with Central Government, State Governments, RBI and other national level institutions that are concerned with policy formulation.
- It prepares rural credit plans annually for all districts in the country.
- It also promotes research in rural banking and in the field of agriculture and rural development.

**Functions of NABARD:**

- It gives high priority to projects formed under IRDP.
- It also provides refinance for IRDP accounts in order to give highest share for the support for poverty alleviation programs run by IRDP.
- NABARD prepares guidelines for promotion of group activities under its programs and provides 100% refinance support for them.
- It makes efforts to establish linkages between Self-help Group(SHG) that are organized by voluntary agencies for poor and needy in rural areas .
- It also has a system of District Oriented Monitoring Studies, under which, study is conducted for a cross section of schemes that are sanctioned in a district to various banks, to ascertain their performance and to identify the constraints in their implementation.

- It also inspects and supervises the cooperative banks and RRBs to ensure the development of the rural financing and farmers' welfare.
- NABARAD recommends about licensing for RRBs and Cooperative banks to RBI.
- NABARD provides assistance for the training and development of the staff of various other credit institutions that are engaged in credit distributions.
- It also runs programs for agriculture and rural development.
- It is engaged in regulations of the cooperative banks and the RRB's, and manages their talent acquisition through IBPS CWE conducted across the country.

**Micro Units Development and Refinance Agency - MUDRA**

The Micro Units Development and Refinance Agency Ltd (MUDRA) were set up by the Government of India on 8$^{th}$ April, 2015. It has been initially formed as a wholly owned subsidiary of Small Industries Development bank of India (SIDBI) with 100% capital being contributed by it. At present, the authorized capital of MUDRA is 1000 crores and paid up capital is 750 crore, fully subscribed by SIDBI. More capital is expected to enhance the functioning of MUDRA.

**Functions of MUDRA:**

- This Agency would be responsible for developing and refinancing all Micro-enterprises sector by supporting the finance Institutions which are in the business of lending to micro / small business entities engaged in manufacturing, trading and service activities.

- MUDRA would partner with Banks and other lending institutions at state level or regional level to provide micro finance support to the micro enterprise sector in the country.
- Micro Finance is an economic development tool whose objective is to provide income generating opportunities to the people at the bottom of the pyramid.
- It performs services like provision of credit, many other credit plus services, financial literacy and other social support services.

**Roles and Responsibilities of MUDRA**

- The primary objective of MUDRA is to develop the micro enterprise sector in the country by extending various supports including financial support in the form of refinance.
- MUDRA will monitor the Pradhan Mantri Mudra Yojana (PMMY) data by managing the web portal, facilitate offering guarantees for loans granted under PMMY and take up other activities assigned to it from time to time.
- The MUDRA banks were set up under the Pradhan Mantri MUDRA Yojana scheme. It will provide its services to small entrepreneurs outside the service area of regular banks, by using last mile agents.
- It will be made into a separate company and it will regulate Microfinance institution

## MSME - MICRO, SMALL, AND MEDIUM ENTERPRISES

**Introduction:**

**MSME** stands for Micro, Small, and Medium Enterprises. In accordance with the Micro, Small, and Medium Enterprises Development (MSMED) Act in 2006, the enterprises are classified into two divisions. Enterprises engaged in the manufacturing or production of goods in any industry as per the official estimates, there are about 63.05 million micro industries, 0.33 million small, and about 5,000 medium enterprises in the country. In India, Uttar Pradesh has the largest number of estimated MSMEs with a share of 14.20% of the total MSMEs in the country. West Bengal ranks second with a share of 14%, followed by Tamil Nadu and Maharashtra each shares 8%.

In India wide spread of COVID-19 and consequent lockdown has stressed national economic growth and put financial pressure on businesses. In light of this, the government has announced changes to the way it will categorize MSMEs.The contribution of MSMEs towards country's GDP was nearly 8%, around 45% of the manufacturing output, and approximately 40% of the country's exports. Hence, it would be considered as the –Backbone of the country'. 'Atma Nirbhar Bharat Abhiyan' or the Self-Reliant India Scheme of 2020 by the Government of India has given a new definition for MSMEs.

**Features of MSMEs**

**The following are some of the essential features of MSMEs:**

1. MSMEs works for the welfare of the workers and artisans by giving them employment and also by providing loans and other services.
2. MSMEs also provide credit limit or funding support to banks.
3. MSMEs help for promoting the development of entrepreneurship and up-gradation of skills by launching specialized training centers.
4. MSMEs support modernization, infrastructural development and upgrading technology of the sector as a whole.
5. Providing reasonable assistance for improved access to the domestic and export markets is another function of MSMEs.
6. MSMEs offer quality certification services and modern testing facilities.
7. They assist in development of product, product design, innovation, intervention, and packaging.

**Functions of MSME:**

The functions of MSMEs were listed below:

- Advising the government in policy formulation.
- They provide techno-economic and managerial consultancy services.
- Developing human resources.
- Maintaining a close liaison with the organizations.

- Coordinating and evaluating various policies and programs.
- Provides largest share of employment opportunities.
- Economic independence.

**Challenges of MSME:**

- Most of the unregistered MSMEs confined to rural India, operating with obsolete technology, limited access to institutional finance etc.
- Wasteful usage of resources and manpower.
- Energy inefficiency and associated high cost.
- Quality assurance and certification.
- Standardization of products and proper marketing channels to penetrate new markets.
- Absence of adequate and timely banking finance.
- Limited capital and knowledge.
- Non-availability of suitable technology.
- Low production capacity.
- Ineffective marketing strategy.
- Non-availability of skilled labour at affordable costs.

**Conclusion:**

We may conclude that with the fast growing economy and vast opportunities, MSME are about to challenges international competition. We hope to see them in a far better position in terms of growth as well as manufacturing excellence. We also expect more schemes from government to make MSME excellent.

# 3

# PROJECT MANAGEMENT

## BUSINESS IDEA GENERATION TECHNIQUES

A business idea is considered as a business seed which would expand and grows into a business tree. And this business idea can be emerge from two sources. They were:

(a) **Technical sources** – within the company, internal Research & Development.

(b) **Market sources** – outside the company like consumers, distributors, suppliers.

1. **Business idea from technical source:**

   In general, new ideas are generated within the company by the scientists working in Research and Development department, by the engineers in production department and also by the field staff who may get new ideas while solving problems.

**1.** **Business idea from Market source:** There are various methods of generating new ideas from market sources which has been discussed below:

- **Focus groups**: This method can also be used for generating new business ideas as well as screening ideas and concepts. In this method, a group of consumers is interviewed. A leader of the group focuses the discussion of the group on the new product either directly or indirectly. The group of 8 to 14 members is stimulated by comments from other group members in creativity, conceptualizing and developing new product idea to fulfill a market need.

- **Brain storming**: A group method of obtaining new ideas and solutions is called brainstorming. In this method also, a group of consumers is selected. They focus on a specific market or product area. Freewheeling discussion is encouraged which tends to generate lot of ideas. Criticisms and negative comments are prohibited in this method and there are no experts present to dominate the discussion. All the ideas generated, no matter how illogical, must be recorded in this method.

- **Reverse brainstorming**: **R**everse brainstorming is similar to brainstorming, but criticisms are allowed and encouraged as a way to bring out possible problems with the ideas.
- **Rawlinson brainstorming:** This method gets round the problem of group behavior by allowing the groups interact individually with the leader rather than with each other. For example: The group leader will hold up a pen and ask the group like "This is not a pen. What is it? Now the group would start to produce a series of answers like it‟s like a midget space rocket, it‟s a back scratcher, its earplugs and so on. All the emerging ideas would be writing up by a group of people and directly fed to the chairperson. This method is a

good technique for untrained people to generate lot of ideas quickly.

- **Problem inventory analysis**: This method uses individuals to generate new ideas. The consumers are provided with a list of problems in a general product category. They are then asked to identify and discuss products in this category that have a particular problem. This method is often effective, since it is easier to relate known products to suggested problems and arrive at a new product idea.

- **Synectics method**: It is a creative process that forces individuals to solve problems through one of four analogy mechanisms like personal, direct, symbolic and fantasy. This forces participants to consciously apply preconscious mechanisms through the use of analogies in order to solve problems.

- **Gordon method:** It is a method of developing new ideas when the individuals are unaware of the problem. In this method, the entrepreneur starts mentioning a general concept associated with the problem. The group members respond with number of ideas. The actual problem is then revealed and the group is encouraged to make suggestions for implementation or refinement of the final solution.

- **Checklist method:** In this method, a new idea is developed through a list of related issues. An entrepreneur can use a list of questions or statements to get entirely new ideas.

- **Free association method**: This method is one of the simplest one to generate new ideas. In this method, a word or phrase related to the problem is written down, then another and another, with each new word attempting to add something new to the ongoing process and thereby creating a chain of ideas with an emerging new idea.

- **Forced relationship method**: As the name itself implies, it tries to force relationships among some product combinations. It is a technique that asks questions about objects or ideas in an effort to develop a new idea. For example: paper and soap are the two combinations taken to develop a concept through a five step process:

  1. Isolate the elements of the problem
  2. Find the relationship between the two elements
  3. Record the relationship in an orderly form
  4. Analyzing the resulting relationship to find ideas
  5. Developing new ideas from these patterns

- **Collective note book method:** In this technique, a small notebook that could easily fits in a shirt pocket is prepared. It includes a statement of problem, blank pages and any pertinent background data. The selected individuals consider the problem and its possible solutions, and records ideas preferably three times a day. By the end of the month, a list of best ideas is developed along with suggestions.

- **Scientific method**: This method is widely used in various fields of inquiry, consists of principles and processes, conducting observations and experiments and validating hypothesis.

- **Creative listening**: This method is done by understanding the body language of the people. While most people in business are taught to talk, very few are taught to listen, yet creative listening is an essential feature of group behavioural technique.

**Conclusion:**

The starting point for any successful new venture is the basic product or service to be offered. From the above discussion, we knew that idea can be generated either internal or external sources. The entrepreneurs can pick up new venture ideas even by observation. Once the idea is generated, the entrepreneur can plan and develop the process. If there are more ideas then it would be screened and evaluated.

**IDENTIFICATION OF BUSINESS OPPORTUNITIES**

After generating business idea from various sources, next step is to screen those ideas for identifying business opportunities. An entrepreneur should have the ability to spot a business opportunity among various business ideas. In this chapter, we shall see the difference between idea and business opportunity.

**SOURCES OF IDENFYING BUSINESS OPPORTUNITY**

There are three sources from which we can identify business opportunity. They are:

- Systematic innovation
- Trade fairs and exhibition
- Positioning

1. **Systematic innovation:** Systematic innovation means monitoring seven sources of innovative opportunities. The first four sources are considered as internal sources which lies

within the enterprise and the remaining three sources refers to external sources which means the changes outside the enterprise. We shall discuss both internal and external sources in the following.

**(a) Internal sources of innovative opportunities**

- **The unexpected success** – Unexpected success offers rich opportunities for successful innovation. Success made the entrepreneurs to think about appropriate changes to be made in business, technology to be adopted, its market, etc. If these things are forced to think, then an unexpected success is likely to open up most rewarding and least risky of all innovative opportunities.

- **The unexpected failure** – Unlike success, failures cannot be rejected or unnoticed but they are seen as symptoms of opportunities. Failures should always considered as symptoms of an opportunity and taken seriously. According to Peter Drucker, a competitor‟s unexpected success and failure is equally important. In both the cases one must takes the event seriously as a possible symptom of innovative opportunity.

**(b) Incongruity:** Incongruity means inconsistency which lies between „what is‟ and „what ought to be‟. It is a symptom of an opportunity to innovate. It speaks an underlying fault which is an invitation to innovate. It creates an instability in which quite minor efforts can move large masses and bring about a restructuring of the economic or social configuration.

**(c) Process need:** According to Peter Drucker, „process need‟ is an important source of innovative opportunity. It is task-focused rather than situation-focused. It perfects already exists process, replaces a weak link and redesigns an existing old process with recent available knowledge.

**(d) Industry and Market structure:** A change in the industrial structure offers exceptional opportunities for innovation. If an industry grows rapidly than nation‟s economy or its population, it can be predicted with high probability that its structure will change drastically.

**(ii) External sources of innovative opportunities**

**(e) Demography:** It refers to the study of population. A population study will bring out many facts such as what will be bought, by whom, and in what quantities, etc. hence, a changing demography offers a highly productive and dependable innovative opportunity.

**(f) Changes in perception:** When a change in perception takes place, the facts do not change. A critical problem in perception-based innovation is timing. In fact, timing is the essence of exploiting changes in perception.

**(g) New knowledge:** The basic characteristics of knowledge-based innovation are they have the longest lead time of all innovations. They are based on the convergence of different kinds of knowledge. This knowledge based innovation requires careful analysis of all the necessary factors like social and economic factors.

2. **Trade fairs and exhibition:** Trade fairs and exhibitions are used as a tool for generating new business ideas both for domestic and overseas marketing. The term fair refers to the large international event offering a wide range of goods, and exhibition denotes a national event or a specialized fair. Trade fairs and exhibitions offer wide range of opportunities for meeting buyers from different countries at one place and exchanging views on business environment. The entrepreneurs may pick up some new business ideas by visiting these kinds of fairs and exhibitions. Nearly, 2000 trade fairs and exhibitions are held annually all over the world.

   There are different types of fairs like horizontal fairs and vertical fairs.

   - **Horizontal fair** – multi-product fairs of a general nature. They attract both business firms and household buyers.
   - **Vertical fair** – specialized fair which devoted to a single industry, product or a product group.

3. **Positioning:** Positioning is a tool which helps in identification of the business opportunities. It is the position of the product or brand in the minds of consumers. It is possible to quantify the gaps in the market with the help of marketing research. This can be explained with the help of a perceptual map.


In the above map, we can see that all the existing brands are of high quality and low price. Hence, it clearly shows the gap in the market for high quality and high price, low quality and low price, low quality and high price. Any entrepreneur can develop a product and occupy any of the three places. This is known as product positioning.

# FEASIBILITY STUDY

## MARKETING FEASIBILITY

### INTRODUCTION:

A feasibility study is an analysis that taken into account of all relevant factors of a project, including economic, technical, legal, and scheduling considerations to ascertain the likelihood of completing the project successfully. Before investing lot of money and time into a project, the project managers use these feasibility studies to discern the pros and cons of undertaking a project. This study also prevents a company from entering blindly into a risky business by providing necessary information to the management of a company.

**Objectives of feasibility study:**

- To understand all the aspects of a project, concept, or plan
- To become aware of any potential problems that could occur while implementing the project
- To determine whether the project is viable or not and if it is worth undertaking.

**Marketing feasibility:**

Market feasibility studies helps to identify market competition, potential markets, and market analysis to assess a business idea. This study is valuable for anyone looking forward to start a business. This study include a description of the industry, current market analysis, competition, anticipated future market potential, potential sources of revenue, and sales projections.

## STAGES IN THE NEW PRODUCT DEVELOPMENT


Source: marketing-insider.iu

1. **Idea generation:** For the development of new product idea, generating idea is the first step in this process. It refers to the systematic search for new product ideas. A company may get thousands of ideas from which the entrepreneur has to find out the good one. A company can collect ideas from two sources namely internal sources and external sources.

- **Internal sources:** The Company finds new ideas within the organization like company R&D and from the employees.
- **External sources:** The Company finds new ideas from external sources like distributors, suppliers, consumers and also competitors.

2. **Screening:** The next step in the new product development process is idea screening. Screening of idea means filtering the ideas to find out a good idea. The company would like to go ahead only with those product ideas that will turn into profitable products.

3. **Concept development and Testing:** After screening, the attractive ideas selected must be developed into a product concept. A product concept is a detailed version of the new-product idea stated in meaningful consumer terms.

   The new product concept needed to be tested with groups of target consumers. The concepts can be presented to the consumers either symbolically or physically. After representing the concept to the group of target consumers, they will be asked to answer the questions in order to find out the appeal of the consumer and the value of each concept.

4. **Marketing strategy development:** After the promising concept has been developed and tested, the next step is to design an initial marketing strategy for a new product based on the product concept for introducing this new product to the market.

5. **Business Analysis:** Once decided upon a product concept and marketing strategy, the management can evaluate the

business attractiveness of the proposed new product. This process involves a review of sales, costs and profit projections for the new product to find out whether these factors satisfy the company"s objectives.

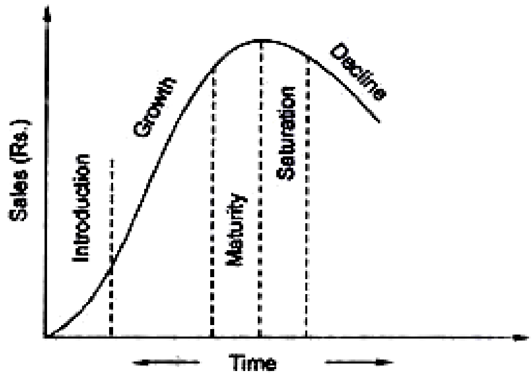
6. **Product development:** Once the product concept has passed the business analysis stage, work can begin to develop the product physically. It means, convert the product concept into concrete product. The R&D department will develop and test one or more physical versions of the product concept. .

7. **Test marketing:** In this stage, the product is tested in selected markets to determine the success with the given objectives. Test marketing provides an opportunity to test the acceptability of the product with minimum resource commitment and minimize the risk of failure in the large market place.

8. **Commercialization:** The final stage in the new product development is commercialization. It means introducing a new product into the market. Large amount may be spent on advertising, sales promotion and other marketing efforts in the first year.

## PRODUCT LIFE CYCLE

Product life cycle is an analytical tool which can be used by an entrepreneur to take various strategic decisions about the product and market. Once the product is introduced in the market, it follows a cycle similar to the cycle of individuals. The following diagram depicts the life cycle of the product.




Product life Cycle (PLC) Curve

The length and shape of the curve varies for product categories and industries. Some products may have long life cycles and some may have short life cycles. The actions and decisions taken by the entrepreneurs dictate the shape of the curve.

**(i)** **Introduction:** At the introduction stage, the product is new in the market; consequently its demand is low and requires effective sales efforts. There are few entrepreneurs and slowly with their efforts, market is developed and more customers take to the product resulting in the growth stage of the market.

**(ii)** **Growth Stage**: In this stage, there is a rapid expansion in sales, market acceptance of the product and gains reputation of the product.

**(iii)** **Maturity Stage:** When the market grows, many entrepreneurs imitate the product and enter the market in this stage. Hence, the rate of growth of its sales declines, though the volume of sales keeps on increasing. It faces a small and declining number of potential buyers. Consequently, the firm has to take necessary steps for sales promotion.

**(iv)** **Saturation Stage**: Once all the potential buyers started using the product, it reaches the saturation stage. At this stage, the growth of the entrepreneur stagnates due to decrease in sales volume.

**(v)** **Decline Stage:** As many substitute products arrives in the market, the sales of the original product declines. And when the consumers stop using the product, it faces its natural death. It is here that entrepreneurs start withdrawing from the market as the attractiveness of the market gets reduced.

From the above discussion, we can understand that throughout the product life cycle, changes occur in price-elasticity of demand and promotional elasticity. There are also continuous changes in the production and distribution costs over the product life-cycle. This necessitates continuous adjustments in the pricing policy over the various phases of the product-life- cycle so as to get the best return in each case. In this manner, the firm marks a new product line.

**Market size estimation:**

It is most important tasks for an entrepreneur are to calculate the size of their market. But determining the market size is critical. It tells the entrepreneurs, their partners, investors that how much potential business is really out there. It helps to calculate how much value is there for an individual venture.

**For example:**

If you are selling toothbrushes, virtually everyone can be counted in your big whole market figure. If people are listening to their dentists, and they are purchasing new toothbrushes 2-4 times per year. Each household is assumed to be consisting of four family members. Per person 4 brushes per year so for a household 4x4=16 brushes per year is consumed. Hence, the consumption of 4 sets per family, 4 sets x total number of households is the market size per annum in terms of sets.

**Competitive analysis:**

It is the process of using competitive intelligence to analyze the strengths and weaknesses of a company‟s direct and indirect competitors. The information gathered can be obtained legally and ethically. There are different applications of competitive analysis for both short-term and long-term strategies, and it can be applied differently to each functional area of a company. This analysis also helps to identify one‟s own cost structure as compared to the competitors. If the cost of production and marketing is lower than the existing industry costs, then there is business opportunity.

**For example:**

In the detergent market, **surf** had brand loyal consumers. The manufacturers of **surf** were using high technology and fully automated plant for the production of the detergent. This led to the production cost higher and hence higher price for their product. **Nirma** entered the market with a very low price. It used semi-manual technology and the product was priced very low. But it also captured the market and production went in tonnage similar to **Surf.**

Thus **Nirma** had competitive advantage in terms of cost of manufacture.

**Market share estimation:**

Market share is the percentage goes to a company out of total purchases of a customer of a product or service. Market share is a measure of consumer"s preferences for a product over similar other products. A higher market share represents higher growth, the market expands and the leader gain more than the others. For example, if the consumers as a whole buy 100 soaps from which 40 soaps are from one company, that company holds 40% of the market share of soaps.

**Market growth:**

An entrepreneur has to watch the rate of growth of market. The product life cycle indicates the growth of a product. Some markets grow at a faster rate while others grow slowly. The market growth strategy often called for market development, which entails selling current products in the market. If a business does not find new market for its products, then it cannot increase its sales or profits.

**Price feasibility:**

In earlier days, the prices fixed by the manufacturers for their product was based on add up the costs and decide on the profit margin. But in the present scenario, where competition increases day by day and due to hectic competition, the entrepreneurs try to develop a new product at a competitive cost. The prices are being dictated by the market forces and not by the entrepreneurs.

## TECHNICAL FEASIBILITY

The technical feasibility study helps to determine the efficacy of a proposed project by examining the details including materials and labour, logistics and technology related to producing, delivering and tracking the products or services which are intended to develop. This study can provide relevant context to the different aspects of a project and serve as a great planning tool by providing an overhead view of how a project can evolve during the course of its development, troubleshooting and tracking the progress of a project from the concept to reality.

In short, technical feasibility lays out details on how a good or service will be delivered, which includes transportation, business location, technology needed, materials and labour.

### Technical analysis

Technology is an applied science which aids to convert basic science and research into production. Same product may be produced by adopting different methods of production. Each method may require different set off machines and tools. Hence, the entrepreneurs should have information about the type and size of machineries and equipments needed for production. Technology gives all sorts of information to the entrepreneurs. It also helps the entrepreneur to produce qualitative products and services.

The technological impact on environmental activities is discussed below:

**Choice of technology:**

Technology is the most essential requirement of any enterprise. Without technology no production takes place and no products supplied in the market. While setting up of an enterprise, choice of technology is an important factor. Selection of technology involves the following steps:

- **Identification of alternatives** – Identifying appropriate alternatives to technology is the initial step in the selection of technology. In India, both central and state government is taking initiative and established institutions for assessing technologies in various fields. Hence, the entrepreneurs can approach these institutions for collecting information regarding technology.
- **Access to the technology** – this is the second stage in the choice of technology. At this stage, an entrepreneur should contact the concern agency from where he get necessary information as well as transfer of technology, type of raw materials required, quality of products to be produced, etc. This information would make them to choose right technology.
- **Assessing technology** – The entrepreneur has to choose technology according to his needs and available resources in hand. His managerial and financial strength must match with the technology chosen by him. as it is not an easy task, the entrepreneur has to get assistance from experts for this

purpose. The assessment of technology is based on the following:

**a.** The product to be produced

**b.** Whether the product would get good market

**c.** Availability of skilled labour

**d.** Easy availability of raw-materials

**e.** Infrastructural facilities.

**Location feasibility**

It is very important to select proper location for the profitable functioning of an enterprise. If any wrong decision made in selecting location, it would lead to dislocation of factory. Shifting of plant from one location to another incurs huge expenditure. Hence, it is very important for an entrepreneur to select suitable place carefully for establishing a unit.

**Factors influencing location**

There are several factors from which the entrepreneurs must weigh and find out the best possible location for their factory. Some factors are to be considered while choosing location has been discussed under following heads:

- **Primary factors** – This factor includes (a) raw-material, (b)Market, (c) labour, (d) fuel and power and (e) transport.

- **Secondary factors**- Secondary factors comprises of the following factors:

(a) Financial services

(b) Climatic factors

(c) Personal factors

(d) External economies

(e) Historical factors

(f) Political stability

(g) Concessions and benefits

**Selection of site:**

Site is called as the area which has been selected for the purpose of carrying out the production activities of an organization. The selected site may be of rural site, urban site or semi-urban site. The entrepreneur must consider some of the following factors which influence the selection of site.

- **Availability of land** – The availability of land should be sufficient for establishing an industrial unit and it should be adequate enough for future expansion.
- **Building availability** – the availability of land must be capable of permitting future expansion and the building cost must be within the limits of resources of the firm‟s earning capacity.
- **Transportation** – the chosen site must connect with road, rail and water transport facilities for delivery of raw-materials, dispatching of finished products and migration of employees.

- **Market facilities** – the market size and the demand for their products should be taken into consideration while selecting site.

- **Ancillary units** – It is important to see whether there is availability of ancillary industries, repairing units and after sale services are near by the site.

- **Other facilities** – It must be taken into account whether there is availability of other facilities like banking facilities, educational facilities, housing facilities, etc.

**Raw material analysis**

Easy availability of raw materials is very much essential for ensuring uninterrupted production. If it is not available at the right time, the production line stops. At the same time, too much of stocking raw materials results in blocking of working capital. For this purpose, the Economic Order Quantity (EOQ) has to be decided. In this method, the raw materials are made available when it is required which results in less storage place and less working capital requirement.

- **Make or buy decision:** Make-or-Buy decision is a judgment made by management whether to produce a component internally or buy it from the market. While making the decision, both qualitative and quantitative factors must be considered.

- **Qualitative factors:** The qualitative factors in make-or-buy decision are: control over quality of the component, reliability of suppliers, and impact of the decision on suppliers, customers, etc.

- **Quantitative factors:** The quantitative factors are actually the incremental costs resulting from making or buying the component. For example: incremental production cost per unit, purchase cost per unit, production capacity available to manufacture the component, etc.

The following example illustrates the numerical part of a simple make-or-buy decision.

***Example:***

The estimated costs of producing 6,000 units of a component are:

| Sl.No | Particulars | Per Unit Rs | Total Rs |
|---|---|---|---|
| 1. | Direct Material | 10 | 60,000 |
| 2. | Direct Labor | 8 | 48,000 |
| 3. | Applied Variable Factory Overhead | 9 | 54,000 |
| 4. | Applied Fixed Factory Overhead | 12 | 72,000 |
| 5. | Total | Rs.39 | Rs.2,34,000 |

The same component can be purchased from market at a price of Rs.29 per unit. If the component is purchased from market, 25% of the fixed factory overhead will be saved.

From the above given example, the entrepreneur must choose whether to buy or make the product. Hence, the solution for the above is given below:

Solution:

| Sl.No | Particulars | Per unit | | Total | |
|---|---|---|---|---|---|
| | | Make | Buy | Make | Buy |
| 1. | Purchase Price | | Rs.29 | | Rs.174,000 |
| 2. | Direct Material | Rs.10 | | Rs.60,000 | |
| 3. | Direct Labor | 8 | | 48,000 | |
| 4. | Variable Overhead | 9 | | 54,000 | |
| 5. | Total Relevant Costs | Rs.30 | Rs.29 | Rs.180,000 | Rs.174,000 |
| 6. | Difference in Favor of Buying | | Rs.1 | | Rs.6,000 |

Hence, for producing 6,000 units, the entrepreneur has to incur Rs.6,000 in addition (Rs.1,80,000 – Rs.1,74,000 = Rs.6,000). At this juncture, the entrepreneur may prefer to buy the product instead of manufacturing it.

## FINANCIAL AND ECONOMIC FEASIBILITY

A financial feasibility study is an assessment of the financial aspects of something, such as a project, investment, etc. It considers many factors including the startup capital, expenses, revenues, and investor income and disbursements, to contribute data to a more comprehensive feasibility study. A financial feasibility study should assess the viability of a project based on major pivotal component that whether the project or business has enough cash to complete the project and generates revenue.

### Methods of evaluation of financial feasibility

### Cost of production and marketing:

As the first step, both the short term and long term cost of production is estimated. This estimation depends on the selection of technology and the chosen plant size in the technical feasibility study. The demand and the expected market share determine the size and the costs are estimated overall and per unit cost basis. The initial project cost will be the total cost incurred and the fixed and variable costs are also estimated. The overhead costs, direct and indirect costs are all added. From all these estimation, the entrepreneur can check the competitive cost advantage for his firm.

### Break-even analysis

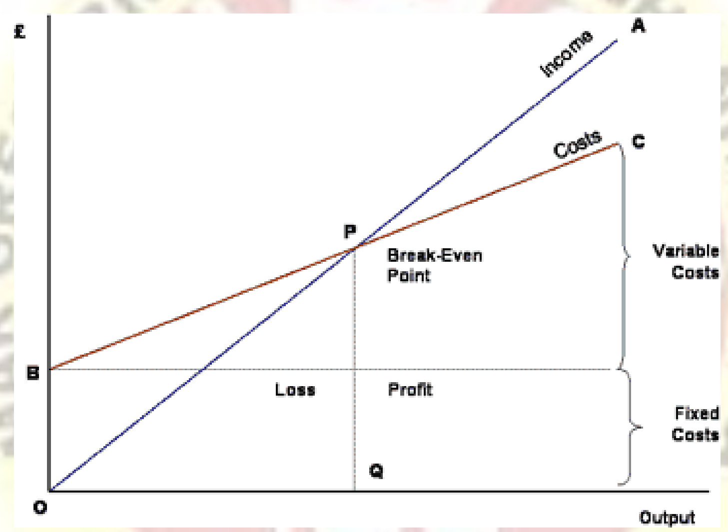
Break-even analysis is a technique widely used by the production management which helps to identify the minimum volume required to ensure that there is no loss. It is based on categorizing production costs between variable costs and fixed costs. The break-even point is at the level of operation where there is no profit and no loss, when the total costs are equal to total revenue.

(TC=TR). Hence, it is essential for an entrepreneur to know exactly the minimum number of units to be produced and the sales volume to be achieved for a break. For this purpose, the break even chart has been used.

Total variable and fixed costs are compared with sales revenue in order to determine the break-even.

**The Break-Even Chart**

The point at which neither profit nor loss is known as the "break-even point" and is represented on the chart below by the intersection of the two lines:




In the above diagram, the line OA represents the variation of income at varying levels of production activity (output). OB represents the total fixed costs in the business. As output increases, variable costs are incurred, which means that total costs (fixed + variable) also increase. At low levels of output, Costs are greater than Income. At the point of intersection, P, costs are exactly equal to income, and hence neither profit nor loss is made.

If the total fixed cost of a firm is Rs.2,00,000, selling price is Rs.10 and the variable cost is Rs.4.50. Then the enterprise has to produce and sell the following units.

**Break even formula:**

**For example:**

$$BEP = \frac{Total\ \ Fixed\ Cost\ \ (TFC)}{Selling\ \ price\ (SP)\ \ -\ \ Variable\ \ cost\ \ per\ \ unit\ \ (VC)}$$

$$BEP = 2,\ 00,000\ \ /\ \ 10\ \ -\ \ 4.50\ \ =\ \ 36.363.$$

Hence, the firm may produce and sell 36.363 units. The profit rate is Rs.5.50 per unit. A feasibility study has to estimate the time to break-even, whether it is within a year or five years and so on. If there is any change in price, the BEP will change accordingly.

**Capitalization:**

According to Guthmann and Doughall, “Capitalisation is the sum of the par value of the stocks and bonds outstanding”.

The total amount of capital employed in an enterprise is known as capitalization. It is an important constituent of the financial plan. It determines the amount of finance and mode of finance. The amount of capitalization of a new enterprise is the total of the cost of fixed assets, working capital and the costs incurred in setting up the enterprise.

**Over capitalization:**

Any enterprise has to protect themselves against over capitalization. It means that the actual earnings are lower than the expected ones. Suppose an enterprise has earned a profit of Rs.70,000 on its total capital investment of Rs. 7,00,00. If the expectation for return is 10% then the enterprise is regarded as properly capitalized. Whereas if the enterprise earns Rs.60,000 than against the expectation of 10% on its capital investment, the return comes to only 8%. Hence, it is over-capitalised.

**Under capitalization:**

It is just the opposite of over capitalization. The causes for this may be due to under estimation of required funds, using lower rate of capitalization, retaining profits and declaration of conservative dividend.

**Sources of finance:**

After estimating the costs, the next step of an entrepreneur has to finds out the gap between his own resources and the requirement of additional funds. He has to identify various sources from which he can raise funds.

There are two main sources of obtaining finance.

- Internal sources and
- External sources.

**Internal sources:**

The owner‟s capital known as equity, deposits and loans are the internal sources of financing. One source for raising funds internally may be personal loans taken by the entrepreneurs on his personal assets, provident fund, LIC, buildings, investments, etc. The funds can also be raised through the retention of profit or conversion of some assets into funds.

**External sources:**

External sources of raising funds are classified to (i) long-term funds and (ii) short-term funds.

**Long-term funds:**

These loans are called term loans and the funds are to be used for fixed assets.

- Shares
- Debentures
- Financial institutions
- Commercial banks
- Public deposits
- Profit retention

**Short-term funds:**

These funds are generally required for meeting working capital requirements and day-to-day business operations.

- Commercial banks
- Public deposits
- Trade deposits
- Factoring
- Bill discounting
- Bank overdraft
- Accrued accounts

**LEGAL FEASIBILITY**

Legal feasibility is the study to know if the proposed project conform the legal and ethical requirements. It is most important that the project or business is following the requirements which are needed to start a business like getting licenses, certificates, copyrights, business insurance, tax number, health and safety measures, etc.

An entrepreneur must aware of the various laws which are applicable for his business. The laws may vary from industry to industry. If it is a chemical based company, then the entrepreneur has to get legal clearance from the Pollution Control Board, environment clearance under Environment Protection Act and protection under the Patent Right and Trade Mark Act. The entrepreneur also must adhere to the procedure for disposal of waste materials from the factory. If the entrepreneur"s business is trading, then he has to follow the Shops and Establishment Act.

**Objectives of legal feasibility:**

- To ensure that the project is legally possible to do
- To facilitate risk management, indicating the risks and obstacles that are needed to be addressed within the technical analysis.
- To avoid the major problems in project development and implementation to the maximum possible extent.

Some of the Acts are listed below which the firms should follow for establishment:

- The Societies Registration Act, 1860.
- Indian Contract Act, 1872.
- Negotiable Instruments Act, 1881.
- Workmen‟s Compensation Act, 1923.
- Trade Union Act, 1926.
- The Indian Partnership Act, 1932.
- Payment of Wages Act, 1936.
- Drugs & Cosmetics Act, 1940.
- The Central Excise Act, 1944.
- Industrial Dispute Act, 1947.
- The Shop and Establishments Act, 1947.
- The Employees State Insurance Act, 1948.

- The Factories Act, 1948.
- The Sale of Goods Act, 1950.
- Industries (Development and Regulation) Act, 1951.
- Employees Provident Fund Act, 1952.
- Prevention of Food Adulteration Act, 1954.
- Essential Commodities Act, 1955.
- The Central Sales Tax Act, 1956.
- Tamil Nadu General Sales Tax Act, 1959.
- Income Tax Act, 1961.
- The Customs Act, 1962.
- Payment of Bonus Act, 1965.
- Monopolies and Restrictive Trade Practices Act, 1969.
- Payment of Gratuity Act, 1972.
- Water (Prevention and Control of Pollution) Act, 1974.
- The Standards of Weights and Measures Act, 1976.
- The Drugs (Prices control) Order, 1979.
- Prevention of Black Marketing and Maintenance of Supplies of Essential Commodities Act, 1980.
- Air (Prevention and Control of Pollution) Act, 1981.
- The Bureau of Indian Standards Act, 1986.

- Consumer Protection Act, 1986.
- Environment Protection Act, 1986.
- Foreign Exchange Management Act, 1999.

The Indian Companies Act, 2013

**PROJECT APPRAISAL**

Project Appraisal is a consistent process of reviewing a given project and evaluating its content to approve or reject this project, through analyzing the problem or need to be addressed by the project, generating solution with alternatives, solving the problem, selecting the most feasible option, conducting a feasibility analysis of that option, creating the solution statement, and identifying all people and organizations concerned with or affected by the project and its expected outcomes. It is an attempt to justify the project through analysis, which is a way to determine project feasibility and cost-effectiveness.

**Meaning and definition of project appraisal:**

Assessing the viability or feasibility of a proposed project by the lending institutions is called "Project appraisal".

A project may be defined as a temporary, unique and progressive attempt or endeavor made to produce some kind of a tangible or intangible result (a unique product, service, benefit, competitive advantage, etc.). It usually includes a series of interrelated tasks that are planned for execution over a fixed period of time and within certain requirements and limitations such as cost, quality, performance, others.

As per the given definition, any project can be characterized by these characteristics:

- **Temporary** - It means that every project has a finite start and a finite end. The starting time is when the project is initiated and its concept is developed. The end is reached when all objectives of the project have been met. If the objectives have unmet then the project will be terminated.
- **Unique Deliverable** – Every project aims to produce some deliverables which can be a product, service, or some another result. Deliverables should address a problem or need analyzed before project start.
- **Progressive Elaboration -** With the progress of a project, continuous investigation and improvement become available, and all this allows producing more accurate and comprehensive plans.

**Methods of project appraisal**

The methods of Project appraisal are used to access a proposed project's potential success and viability. These methods check the appropriateness of a project considering things such as available funds and the economic climate. A good project will service debt and maximize shareholders' wealth. Let us discuss the various methods of project appraisal below:

**Net Present Value method:**

A project's net present value is determined by summing the net annual cash flow, discounted at the project's cost of capital and deducting the initial outlay. Under this method, the discount rate should be equal to the company"s weighted average cost of capital.

The future cash inflows are discounted to the present value. This is the gross present value of cash flows. From this, the present value of the cost of the project is subtracted. The resulting surplus is the net present value of the investment.

**Payback period Method:**

This method attempts to calculate the period known as payback period required to recover the initial investment out of inflow of net cash flows or savings or profit from the investment. A company chooses the expected number of years required to recover an original investment. Projects will only be selected if initial outlay can be recovered within a predetermined period.

$$Payback\ period = \frac{Original\ cost\ of\ investment}{Annual\ net\ cash\ inflows}$$

**Internal Rate of Return method:**

This method equates the net present value of the project to zero. The project is evaluated by comparing the calculated Internal rate of return to the predetermined required rate of return. Projects with Internal rate of return that exceed the predetermined rate are accepted.

**Profitability Index:**

This is the ratio of the present value of project cash inflow to the present value of initial cost. Projects with a Profitability Index of greater than one are acceptable. The major disadvantage in this method is that it requires cost of capital to calculate and it cannot be used when there are unequal cash flows. The advantage of this method is that it considers all cash flows of the project.

$$Profitability\ index = \frac{Present\ value\ of\ gross\ cash\ inflows}{Initial\ cash\ outlay}$$

**Return on investment (ROI) method**

It is defined as the ratio to initial cash outlay. If the project does not yield the desired rate of return, it is not accepted.

$$Average\ rate\ of\ return = \frac{Annual\ net\ income}{Average\ investment} \times 100$$

Average investment = initial investment + scrap value/life of asset.

**PERT and CPM: Techniques of Project Management**

The PERT and CPM techniques are useful in project management in the basic managerial functions of planning, organising and control. PERT stands for "Programme Evaluation & Review Technique" and CPM are the abbreviation for "Critical Path Method". Now-a-days, the projects undertaken by business houses are very large and will take a number of years before starting commercial production.

The PERT and CPM techniques help greatly in completing the various jobs on schedule. They help in minimising production delays, interruptions and conflicts. These techniques are very much helpful in coordinating various jobs of the total project and thereby expedite and achieve completion of project on time.

PERT is a sophisticated tool used in planning, scheduling and controlling large projects consisting of a number of activities independent of one another and with uncertain completion times. It is commonly used in research and development projects.

**The following steps are required for using CPM and PERT for planning and scheduling:**

(i) Each project consists of various independent activities. All these activities must be separately listed.

(ii) Once the list of various activities is ready, the order of precedence for these jobs has to be determined. We must see which jobs have to be done first before others can be started. And that work has to be implemented first.

(iii) Many jobs may be done simultaneously and certain jobs will be dependent upon the successful completion of the earlier jobs.

(iv) The next step is to draw a picture or a graph which portrays each of these jobs and shows the predecessor and successor relations among them. It shows which job comes first and which next. It also shows the time required for completion of various jobs. This is known as the project graph or the arrow diagram.

The above steps can be further understood with the help of an example. Suppose, we want to construct a project graph of the simple project of preparing a budget for a large manufacturing firm. The managing director of this company wants his operating budget for the next year prepared as soon as possible.

In order to accomplish this project, the company salesmen must provide sales estimates in units for the period to the sales manager. The sales manager would consolidate this data and give it to the production manager.

He would also estimate market prices of the sales and give the total value of sales schedules of the units to be produced and assign machines for their manufacture. He would also plan the requirements of labour and other inputs and give all these schedules together with the number of units to be produced to the accounts manager who would provide cost of production data to the budget officer.

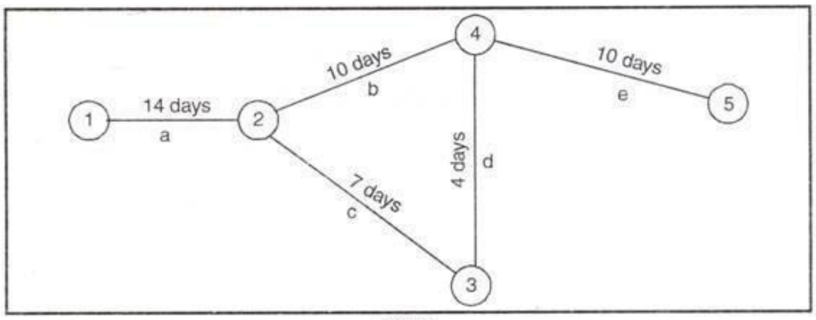
Using the information provided by the sales, production and accounting departments, and the budget officer would make the necessary arrangements for internal financing and prepare the budget. We have seen that the project of preparing the budget involves a number of activities.

**These activities listed in the order of precedence are given below:**

**TABLE 1. The project of budgeting for company A**

| Job identification | Alternate | description | Deptt. | Time of performing the Job |
|---|---|---|---|---|
| a | (1,2) | Forecasting units of sale | Sales | 14 days |
| b | (2,4) | Pricing sales | Sales | 10 days |
| c | (2,3) | Preparing production schedules | Production | 7 days |
| d | (3,4) | Costing the production | Accounting | 4 days |
| e | (4,5) | Preparing the budget | Budget | 10 days |
| | | | | 45 days |

In the following graph, jobs are shown as arrows leading from one circle on the graph to another. The arrow connecting the two circles represents a job. Circle 1 and 2 represent a job called forecasting of units sale which would take 14 days.



Graph 1

The circles 2 and 4 represent job b which will take 10 days and so on. The job c is not dependent upon job b and hence, the two jobs can be done simultaneously. Once we reduce the project to network of activities and events, we may estimate the duration of an activity and in a position to determine the minimum time required to complete the whole project.

To do so, we must find the longest path or sequence connecting the activities through the network. This is called the „critical path‟ of the project. The longest path is the critical path. In our example, there are two paths. One is connecting circle numbers 1, 2, 4 and 5. This path will take 14+10 + 10 = 34 days.

The other path is connecting circles 1,2,3,4 and 5. This path will takes 14 + 7 + 4+ 10 = 35 days. Obviously the 2nd path is the critical path and the project of budget presentation will take this much of time. We may notice that this time is shorter than the total time listed under Table 1 is 45 days. This is because jobs b and c can be done simultaneously

## PROJECT REPORT

### Meaning of Project Report

A Project Report is a written document which provides details on the overall picture of the proposed business. 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 the following business process:

- Land and buildings required
- The manufacturing capacity per annum
- Process of manufacturing
- Machinery and 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.

**CONTENTS OF A PROJECT REPORT**

Following are the contents of a project report.

1. **General Information:** A project report must provide general information about the details of the industry to which the project belongs to. It must give information about the past experience, present status, problems and future prospects of the industry. If it is a manufacturing unit, it must give information about the product to be manufactured and the reasons for selecting the product. It is necessary to estimate the demand for the product in the local, national and the global market. It should clearly identify the alternatives of business and should clarify the reasons for starting the business.

2. **Executive Summary:** It is essential for a project report to state the objectives of the business and the methods through which the business can attain success. The overall picture of the business with regard to capital, operations, method of functioning and execution of the business must be stated in the project report. It must mention the assumptions and the risks generally involved in the business.

3. **Organization Summary:** The proposed pattern and the organizational structure are to be indicated in the project report. It must state whether the ownership is based on sole proprietorship, partnership or joint stock company. It must provide information about the bio data of the promoters including financial soundness. The name, address, age qualification and experience of the proprietors or promoters of the proposed business also stated in the project report.

4. **Project Description** : A brief description of the project must be stated and must give details about the following:

- Location of the site,
- Raw material requirements,
- Target of production,
- Area required for the work shed,
- Power requirements,
- Fuel requirements,
- Water requirements,
- Employment requirements of skilled and unskilled labour,
- Technology selected for the project,
- Production process,
- Projected production volumes, unit prices,
- Pollution treatment plants required.

If the business is service oriented, then it must state the type of services rendered to customers. It should state the method of providing service to customers in detail.

5. **Marketing Plan:** The project report must clearly state the total expected demand for its product and the price at which the product can be sold in the market. It must also mention the strategies adopted to capture the market. If there is any provision of after sale services, that must also be mentioned

in the project. The mode of distribution of the product (from the production unit to the market) must also be stated in the report.

6. **Capital structure and operating cost:** The total capital requirements of the project are to be mentioned clearly in the project report. It must state the source of funds like the extend of owners funds and borrowed funds. Working capital requirements and the sources of supply of materials also to be included. Estimation of total project cost which includes the land, construction of buildings, plant and machinery, miscellaneous fixed assets, preliminary and preoperative expenses and working capital, proposed financial structure of venture indicating the expected sources and terms of equity and debt financing.

7. **Marketing plan:** The project report must state the business experience of the promoters of the business, details about the management team, the duties and responsibilities of the team members, current personnel needs of the concern, methods adopted for managing the business, plans for hiring and training personnel, policies and programmes of the management.

8. **Financial aspects:** To detect the profitability of the business, a projected profit and loss account and balance sheet must be presented in the project report. The estimated sales revenue, cost of production, gross profit and net profit which is likely to be earned by the proposed unit are to be estimated. In addition to this, a projected balance sheet, cash flow statement and funds flow statement must be prepared every year and at least for a period of 3 to 5 years respectively.

9. **Technical aspects:** The project report must include information about the technology and technical aspects of a project, which covers information on technology selected for the project, production process, capacity of machinery, pollution control plants, etc.

10. **Project implementation:** Every proposed business unit must draw a time table for the project. It must indicate the time within the activities involved in establishing the enterprise can be completed. Implementation schemes show the timetable envisaged for project preparation and completion.

11. **Social responsibility:** The proposed unit draws inputs from the society. Hence its contribution to the society in the form of employment, income, exports and infrastructure. The output of the business must be indicated in the project report.

# 4

# ENTREPRENEURIAL DEVELOPMENT PROGRAMME

**INTRODUCTION:**

Entrepreneurship Development Programme (EDP) is a programme initiated ny the government of India which helps in developing the entrepreneurial abilities. The skills that are required to run a business successfully is developed among the people through this programme. This programme consists of a structured training process to develop an individual as an entrepreneur. It helps the person to acquire skills and necessary capabilities to play the role of an entrepreneur effectively. EDP is not only a training programme but it is a complete process to make the possible transformation of an individual into an entrepreneur. This programme also guides the individuals on how to start the business and effective ways to sustain it successfully.

**MEANING OF EDP:**

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

**NEED FOR EDP:**

- **Essential for economic development of a country** – EDP is very much important for the economic development of a nation. Because, entrepreneurs use the factors of production to a maximum extent, create innovation, generates employment and improved standard of living which would result in overall development of a nation.
- **Removing unemployment** – EDP plays a vital role in solving unemployment problem by creating more self employment and wage employment opportunities.
- **Removes poverty –** EDP helps in removing poverty which is one of the serious problems of India. This can be ensured by creation of employment opportunities to large number of people in rural and backward areas.

**OBJECTIVES OF EDP'S:**

The main objectives of Entrepreneurial development programmes are listed below:

- Identifying prospective entrepreneurs and giving them necessary training.
- Developing knowledge and qualities of people who participate in these programmes.
- To provide them assistance after training.

- To guide them in selecting right project and product.
- To find out sources of financial assistance like incentives and subsidies available from the government in setting up the enterprise.
- To promote and develop small and medium enterprises.
- To develop new entrepreneurial opportunities.
- To develop industries in rural and backward areas.
- To help in balanced regional development.
- To enhance managerial capacities of the entrepreneurs.
- To make them understand rules, process, procedures and regulations for running the enterprise levied by the government.
- Prepare them to accept the uncertainty in running a business.
- Develop a broad vision about the business.

The overall objectives of EDP are mainly to help in rapid industrialisation by supplying skilled entrepreneurs. Their main objective is to promote industries in backward areas. The performance of small and medium scale industries are expected to improve by this and therefore providing a huge scope of employment generation in these sectors. This programme primarily aims at providing self-employment to the young generation.

**CURRICULUM OF EDP:**

The curriculum of EDP is similar to its objectives. The duration of EDP training programme is between 4 to 6 weeks. The participants in the programme are between 30 to 35 members. The curriculum consists of 6 inputs namely:

1. **Introduction to entrepreneurship** – This is the first stage of EDP where the trainees were introduced to the fundamentals of entrepreneurship like role of entrepreneurs in economic development, qualities of entrepreneur, viability for establishing small enterprises, etc.

2. **Motivating the entrepreneurs** – After learning about the fundamentals of entrepreneurship, the next step is to motivate the trainees towards entrepreneurship. Maximum efforts are taken to inject confidence and positive attitude and strengthening self awareness, confidence building, creativity, etc among the trainees towards business.

3. **Imparting managerial skills** – Managerial skills are most important for running an enterprise especially in the case of small enterprises where the entrepreneur cannot afford to employ management experts. Hence, EDP imparts various managerial skills like financial management, production, marketing, human resource management, etc.

4. **Exposure to support system** – Another important curriculum is to make the participants aware of various policies and procedures formulated by the government and also the support available from different institutions for setting up of an enterprise.

5. **Conducting feasibility studies** – EDP provides guidance to conduct feasibility study in an effective manner in areas such as marketing, organization, technical, financial, social, legal, locational and commercial feasibility of the project.

6. **Taking for field visits** – The trainees are taken to industries to familiarize them with real life situation of the entrepreneurs in small business. It gives them necessary information and exposure to the participants regarding the problems as well as the prospects of an industrial concern.

**PHASES OF EDP:**

EDP possesses the following three phases:

- Pre-training phase
- Training phase
- Post-training phase

1. **Pre-training phase:** In this phase, preparations are made for launching the programme. It involves the following activities:
    - Selection of area.
    - Selecting course coordinator.
    - Arrangement of infrastructure.
    - Conducting industrial survey.
    - Formulating the programme – this consists of publishing the programme, establishing contacts, printing entry forms, distribution of entry forms, appointing selection

committee, getting sanction from government, finalizing the syllabus and arranging guest faculties.

- Getting assistance from various financial institutions like DIC, SFC, etc.

2. **Training phase:** This phase involves three steps which is explained below:
   - **Confidence building –** The EDP is normally designed to build confidence in entrepreneur and expanding their vision.
   - **Improving managerial talents –** In this phase, the entrepreneurs must be made to understand the basic principles of management. They made to realize the benefits and significance of management functions like planning, organizing, staffing, directing, controlling and coordinating. Also their skills in managing an enterprise must be improved.
   - **Developing technical competence –** During the training phase, a candidate may select one or more products for manufacture. The technical competence suitable to the product selected should be developed in the participants. For this purpose, details about technology, plant and machinery, raw materials, manufacturing process, labour requirement are to be provided to the participants.

3. **Post-training phase:** This phase is the follow-up stage. Assessment has made that how far the objectives of the programme have been achieved. During this phase, the participants are given support to start their ventures. In this

stage, the entrepreneur is in need of counseling, advice and moral backing.

The following are the activities made during the phase:

- Registration of enterprise.
- Arranging finance for starting an enterprise.
- Purchase of plant and machinery.
- Providing land, shed, power connection, etc.
- Obtaining license for scarce raw materials.
- Granting incentives like capital investment subsidy, interest subsidy, etc.
- Management consultancy.
- Marketing facilities.
- Up-to-date information on the industry.

**ROLE OF EDP:**

An Entrepreneurship Development Programme primarily plays four roles to help an individual to become an entrepreneur. They are:

- **Stimulatory Role**: This role aims at influencing people in large number to become an entrepreneur. This includes:

1. It develops managerial, technical, financial, and marketing skill.
2. Inculcating personality traits.

3. Guiding entrepreneurs in product selection.
4. It also helps the entrepreneur in preparing the project report.
5. Identifying potential entrepreneur.
6. Motivational training and building proper attitude among entrepreneurs.
7. Creating a forum for entrepreneurs.
8. Recognizing entrepreneurs.

- **Supportive Role**: This role aims at assisting entrepreneurs to establish and operate enterprises. This can be done by group support activities which has been discussed below:

1. Registration of the business.
2. Procurement of fund.
3. Arrangement of land, power, water, shed etc.
4. Guiding in purchase of right kind of machinery and equipment
5. Supplying scarce raw materials
6. Providing tax relief, subsidy, etc.
7. Guidance in product marketing.
8. Providing management consultancy services.
9. Supplying required data.

- **Sustaining Role**: It aims at providing an effective safeguard to businesses to sustain against the cut-throat market competition. This includes:

1. Help in modernisation, expansion, and diversification of business.
2. Providing necessary finance for further development
3. Deferring interest payment.
4. Creating new scope for marketing.
5. Helping access to improved services and facility centres.

- **Socio-economic Role**: It aims at upgrading the socio-economic status of the public and includes:

1. Identifying entrepreneurial qualities in a person.
2. Creating employment opportunities in micro, small, and medium industries on an immediate basis
3. Arresting concentration of industries for enhancing balanced regional development.
4. Focusing on the equal distribution of income and wealth of the nation.
5. Channelizing the latent resources for building an enterprise.

**ACHIEVEMENTS OF EDP:**

Entrepreneurial Development Programmes played an important role in establishment, development and expansion of industries. In India almost all the training programmes conducted are organized and developed under EDP's.

EDP's have also developed and established various support systems necessary for the entrepreneurs. They strengthen and coordinate these support systems.

EDP's have created a background for industrialization and also given momentum to it.

EDP's have contributed a lot to solve the problem of unemployment. EDP's have conducted many self employment programmes and giving momentum to the speed of industrialization.

EDP's helps in establishment and development of new enterprise which is a very difficult task in this competitive era.

EDP's have provided various inputs to establish new enterprises and also provided various entrepreneurial skills and qualities.

Entrepreneurial education and training has spread due to entrepreneurial development programmes which has resulted in increase in the knowledge, imaginative power and risk taking ability of the entrepreneurs.

As resources are limited, it is difficult to choose a right type of project. In such situation, EDP's have also contributed in project formulation.

- EDP's have helped in balanced regional development by encouraging people to establish small industries in villages and backward areas.
- Another important achievement of EDP's is availability of cheap and quality product to the consumer.
- Many entrepreneurship development institutions have been established because of the EDP's in India.

**PROBLEM OF EDP'S:**

It is a difficult task in organizing and conducting EDP. It involves many problems which would lead to low level performance. The main reasons for the slow progress of EDP's are explained below:

- **Lack of incentives** - There is lack of incentives and facilities provided by government of India to encourage entrepreneurs.
- **Bureaucracy and red tapism** - The entrepreneurs face many difficulties in getting facilities from the government because of slow movement in government institutions, improper administration, corruption, etc.
- **Poor education and training** - The education and training provided in India for entrepreneur development is more of theoretical in nature which has not much practical significance. 
- **Lack of specialized organizations** – Lack of adequate number of specialized institutions is first and foremost problem of EDP's. Even the available functioning institutions are lack in commitment and sincerity.

- **Lack of trainers** – There are inadequate number of trainers and even the available number of trainers are not dedicated to their job. They do not motivate the participants to start their ventures.

- **Lack of conducive environment** – Lack of conducive environment makes the trainer's role ineffective.

- **Selection of wrong projects** – The entrepreneurs can succeed in their ventures only when there is selection of potential project. But in practice, most of the time the projects selected is unsuitable to the situation and trends prevalent in the business environment.

- **Apathetic attitude of the support agencies** - Another hurdle for the success of EDPs are apathetic attitude of the support agencies such as banks, financial institutions, etc.

- **Lack of support** – The entrepreneurs need adequate counseling, support services, etc are needed after training for grounding their projects. But in our country, follow-up action is not adequate and it creates lot of troubles to entrepreneurs.

**SUGGESTIVE MEASURES FOR SUCCESSFUL EDP:**

- The EDP's should be made varied and comprehensive. Only serious candidates are likely to be selected to successfully establish and run their enterprise.

- The financial institutions should provide adequate credit and technical assistance to small sectors.

- The education system should be changed comprehensively. Emphasizing on entrepreneurship oriented education instead of traditional education.
- Hiring of good faculty members from reputed institutions for provided successful training.
- EDPs are conducted for the period of 4 to 6 weeks which is not sufficient for imparting entrepreneurial training. Hence, the duration of these programmes should be increased at least 6 months.
- Establishment of industrial estates in backward and rural areas along with improved facilities. This would help in establishing new enterprises in these areas.

**CONCLUSION:**

Entrepreneurial Development Programmes play an important role in both economic and industrial development of any country whether developed or underdeveloped. In recent years, in India, these programmes have developed and proved successful but not up to the expectation. The above mentioned suggestions are to be implemented for improving government machinery and our country can move forward towards industrialization and economic progress through EDPs.

**ROLE OF GOVERNMENT IN ORGANIZING EDP'S - A CRITICAL EVALUATION**

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

**The institutions set up by Central Government are:**

1. **Small industries development organization (SIDO):** SIDO was established in October 1973 under Ministry of Trade, Industry and Marketing. It is an apex body at Central level for formulating policy for the development of Small Scale Industries in the country, headed by the Additional Secretary & Development Commissioner (Small Scale Industries) under Ministry of Small Scale Industries Govt. of India. SIDO is playing a very constructive role for strengthening this vital sector, which has proved to be one of the strong pillars of the economy of the country. SIDO also provides extended support through Comprehensive plan for promotion of rural entrepreneurship.

2. **Management development Institute (MDI):** MDI is located at Haryana. It was established in 1973 and is sponsored by Industrial Finance Corporation of India (IFCI), with objectives of improving managerial effectiveness in the industry. It conducts management development programs in various fields.

3. **Entrepreneurship development institute of India (EDI):** Entrepreneurship Development Institute of India (EDI), an autonomous institute, set up in 1983, is sponsored by apex financial institutions – the IDBI Bank Ltd., IFCI Ltd., ICICI Bank Ltd. and the State Bank of India (SBI). EDI has helped

to set up 12 state level exclusive Entrepreneurship Development Centres and institutes. In the international arena, efforts to develop entrepreneurship by way of sharing resources and organizing training programmes, have helped EDI earn accolades and support from the World Bank and several other renowned agencies. EDI has also set up Entrepreneurship Development Centre at Cambodia, Lao PDR, Myanmar and Vietnam.

4. **All India Small Scale Industries Board (AISSIB):** The Small Scale Industries Board (SSI Board) is the apex advisory body constituted to render advise to the Government on all issues pertaining to the small scale sector. It determines the policies and programmes for the development of small industries with a Central Government Minister as its president and the representatives of various organization. i.e. Central Government, State Government, NSIC, SFC, RBI, SBI, Small Industries Board, Non government members such as Public Service Commission, Trade and Industries Members.

5. **National Institution of Entrepreneurship and Small Business Development (NIESBUD):** It was established in 1983 by the Government of India. It is an apex body to supervise the activities of various agencies in the entrepreneurial development programmes. The major activities of the institute are:

   i) To make effective strategies and methods

   ii) To standardize model syllabus for training

   iii) To develop training aids, tools and manuals

iv) To conduct workshops, seminars and conferences.

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

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

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

6. **National Institute of Small Industries Extension Training :** It was established in 1960 with its headquarters at Hyderabad. The main objectives of this institution are:

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

ii) Advising managerial and technical aspects.

iii) Organizing seminars for small entrepreneurs and managers.

iv) Providing services regarding research and documentation.

7. **National Small Industries Corporation Ltd. (NSIC)**: The NSIC was established in 1995 by the Central Government with the objective of assisting the small industries in the Government purchase programmes. This corporation provides a vast market for the products of small industries through its marketing network. It also assists the small units in exporting their products in foreign countries.

8. **Risk Capital and Technology Finance Corporation Ltd.(RCTFC) :** RCTFC was established in 1988 with an authorized capital of 15 crores rupees. The main objectives of RCTFC are provision of risk capital for the extension and expansion of entrepreneurial development and venture capital for the projects with high techniques for technology development and transfer.

9. **National Research and development corporation (NRDC):** NRDC was established in 1953 under Department of Science and Industrial Research under Government of India. Its main objectives are:

   i) Providing assistance in technology transfer

   ii) Transfer of technology

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

10. **Indian Investment Centre (IIC):** IIC is an autonomous Institution established by Central Government. Its main objective is to assist in promoting foreign cooperation with Indian entrepreneurs and providing necessary information to foreign entrepreneurs.

11. **Khadi and village industries Commission(KVIC) :** KVIC was established by an Act of Parliament in the year 1956. It is a service organization engaged in promotion and development of Khadi and Village Industries in rural areas. Its main objectives are:

    i) Providing employment in rural areas.

    ii) Improvement of skills

iii) Rural Industrialisation

iv) Transfer of Technology

v) Building strong rural community base and self reliance among rural people.

**12.** **Indian Institute of Entrepreneurship (IIE)**: It was established by the Department of Small Scale Industries and Agro and Rural Industries in 1953. It is an autonomous organization with its headquarters at Guwahati. Its main objective is to undertake research, training and consultancy activities in the field of small industry and entrepreneurship.

# 5

# ECONOMIC DEVELOPMENT AND ENTREPRENEURIAL GROWTH

**Role of Entrepreneurs in Economic Growth**

Entrepreneur plays a vital role in economic development of a nation. They serve as the catalysts in the process of industrialization and economic growth.

Technical progress alone cannot lead to economic development, unless technological breakthroughs are put to economic use by entrepreneurs.

Some of the roles of entrepreneurs towards economic growth are listed below:

1. Capital Formation
2. Improvement in Per Capita Income
3. Generation of Employment
4. Balanced Regional Development
5. Improvement in Living Standards
6. Economic Independence

7. Backward and Forward Linkages

1. **Capital Formation:** Entrepreneurs mobilize the idle savings of the public through the issues of industrial securities. Investment of public savings in industry results in productive utilization of national resources. The entrepreneurs are the creators of wealth as they are the root cause for increasing capital formation which would further leads to economic growth.

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

3. **Generation of Employment:** Entrepreneurs generate employment both directly and indirectly. As an entrepreneur he is self employed and offers the best way for independent and honourable life. By setting up of industries, they offer job opportunities to million people indirectly. Hence, they help in reducing the unemployment problem in the country**.**

4. **Balanced Regional Development**: In both public and private sectors, the entrepreneurs help to remove regional disparities in economic development. As the central and state governments are providing various concessions and subsidies, they set up industries in backward areas to avail such benefits.

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

6. **Economic Independence:** Industrialists help to manufacture indigenous substitutes of previously imported products and thereby reduced dependence on foreign countries. Businessmen also export goods and services on a large scale and thereby earn the scarce foreign exchange for the country. Such import substitution and export promotion help to ensure the economic independence of the country without which political independence has little meaning.

7. **Backward and Forward Linkages:** An entrepreneur initiates change which has a chain reaction. Setting up of an enterprise has several backward and forward linkages. For example: the establishment of a steel plant generates several ancillary units and expands the demand for iron ore, coal, etc. These are backward linkages. By increasing the supply of steel, the plant facilitates the growth of machine building, tube making, utensil manufacturing and such other units.

## STRATEGIC APPROACHES TO THE CHANGING ECONOMIC SCENARIO TO SMALL SCALE ENTREPRENEURS.

### NETWORKING

Networking is the exchange of information and ideas among people with a common profession or special interest, usually in an informal social setting. Networking often begins with a single point of common ground. It is an interconnected system of people or things like network of computers, televisions and entrepreneurs. A chain of contacts develops networking. “Be very quick to build connections and extremely slow to break them” is the Golden Rule for networking.

Typical examples for developing network are chambers of commerce, associations of racially or ethnically similar business owners, Rotary Clubs, alumni associations focused on business development, community based business clubs, industry associations, investment clubs with thematic aims, some venture capital organizations, and SCORE (Service Corps of Retired Executives) sponsored by the Small Business Administration.

**Developing network:**

- The entrepreneurs can develop networking by trying to meet as many people as possible. Attend parties, join club meetings, attending lectures and seminars, introduce yourself, talk to people and appreciate others.
- Grab an opportunity and create an impact. Developing long-term relationship by keeping regular contacts through mail, telephone and other Social Medias.

**Network marketing**

Network of people and businesses is known as network marketing. It is a network of independent people. In this kind of marketing, the consumers would get unique and better quality products directly at a reasonable price without any middlemen. Examples of network marketing are Amway and Tupperware.

The small entrepreneurs use network strategy to face competition from multinational and large companies in an effective manner.

**Conclusion:**

With the inflow of foreign direct investment in retail trade, multinationals like Marks and Spencers, Tesco, Wall Mart would enter and explore the Indian market. Due to this reason the small business persons in our country fear that they would have to close down their businesses as they compete against those business giants. In order to face the competition, the small entrepreneurs come together and form a network by adopting common branding, purchasing together, develops system to link all the entrepreneurs. By doing this they can decentralize production and centralize marketing and develop marketing networks.

**NICHE PLAY**

In order to face challenges from the business giants, entrepreneurs can select niche markets and serve them. Niche markets are small in size but still not served by large companies. Niche marketing is otherwise called as **target marketing;** some may call it as **market segmentation** or **micro marketing.** The benefit of niche marketing is that it allows brands to differentiate themselves, appear as a unique authority, and resonate more deeply with a distinct set of customers. It also builds a stronger, longer-lasting connection with its ideal audience.

**Meaning of niche marketing:**

Niche marketing is an advertising strategy that focuses on a unique target market. Instead of marketing to everyone, the Niche strategy focuses exclusively on one group, a niche market or demographic of potential customers who would mostly benefit from the offerings.

A niche market could stand apart from others because of:

- Geographic area
- Lifestyle
- Occasion
- Profession
- Style
- Culture
- Habits
- Behaviour
- Demography
- Need

**Definition of 'Niche Marketing'**

Niche marketing is defined as "channeling all marketing efforts towards one well-defined segment of the population". It is important to note that niche market does not exist but it is created by smart marketing techniques by identifying the wants of the consumers.

**Advantages of niche marketing:**

- There is no or little competition under that segment.
- The company is virtually the market leader and enjoys price monopoly.
- Maintaining strong relationships with the customers as they operate in a small segment.
- The relationship between the company and the brand becomes stronger which is a key to customer loyalty.
- It often offers high margin business.
- Niche markets can serve the customers much better than the large retailers.
- A small entrepreneur can prepare and give what the consumer wants which the large business people cannot do it.

**Identifying niche market:**

The entrepreneur can identify the niche market in the following ways:

- By collecting secondary sources of information
- Closely watching the market
- Being on the field
- Collecting information through market research.

**GEOGRAPHIC CONCENTRATION**

Concentration of industries in a certain geographic region is known as geographic concentration. In planning, the concept has emerged and we can see concentration of human beings in certain pockets of region. The human settlements are found concentrated near a bus terminus, railway station, airport, schools and colleges, etc. concentration takes place due to the following factors:

- Public policies
- Private entrepreneurs

**Public policies:**

The availability of natural resources like water, electricity, other infrastructural facilities attract entrepreneurs and the concentration takes place in such areas. Hence, the government would like to develop all the regions and promote entrepreneurship in the region. The government promoted industrial estates in Chennai like Ambattur, Guindy, Maraimalai nagar industrial estates, SIPCOT, Tidel Park, MEPZ, etc. Tax concessions are offered to attract the entrepreneurs to set up industries in backward areas.

Regarding human settlements we can find geographic concentration in Mylapore, T.Nagar, purasaiwalkam and Anna Nagar as more number of people settled there. We can even find more textile industries in Maharashtra, Gujarat, Coimbatore, Kancheepuram, Banaras, Sivakasi for crackers, Tirupur for garments. We can also find more IT industries in Bangalore, Hyderabad, Chennai and Pune.

**Private entrepreneurs:**

Selecting location is an important task for every entrepreneur especially private entrepreneurs. After deciding about the product to be produced, the step is to decide about the location. The location may help the businesses to succeed or fail. While selecting location, an entrepreneur must look into the geographic concentration of human settlements, where they can get maximum visibility.

**For example:** Nalli, Kumaran, Pothys, Chennai silks, Sri kumaran, RMKV, Saravana stores are the shops located in T.Nagar as we see a concentration of jewellery and textile shops in that area.

**Advantages of geographic concentration:**

- Nearness to the market.
- Floating of large customer-base which makes the businesses successful.
- Ease of delivery for the suppliers.

- The business person may not have to do much to customers as they will walk into the shops themselves.
- Effective infrastructural facilities like transport, banks, etc.

**Disadvantages of geographic concentration:**

- High level of cut-throat competition
- Difficulty in differentiating themselves
- High cost of location as property value and rentals will be high.
- Too congested area.

**Conclusion:**

Hence, from the above discussion we may conclude that the entrepreneurs can choose any of the three strategies like – niche marketing, networking and geographic concentration when they decide to grow or to face competition effectively.

**FRANCHISING / DEALERSHIP:**

Franchising becomes more and more popular form of business nowadays. It is one of the options for an entrepreneur to enter a business. Franchising enables an entrepreneur to enter into business with minimum risks, and also without much knowledge and experience in the business.

**Meaning and Definition:**

Franchising is basically called as a right which manufacturers or businesses give to others. This right allows the beneficiaries to sell the products or services of these manufacturers or parent businesses. These rights could even be in terms of access to intellectual property rights. Franchising is a form of business by which the owner (franchisor) of a product, service or distribution through affiliated dealers (franchisees).

Franchising may be defined as "a form of contractual arrangement in which a franchisee (retailer) enters into an agreement with franchisor (producer) to sell the producer's goods/services for a specified fee/commission".

Franchising is a business relationship between two entities wherein one party allows another to sell its products and intellectual property.

**Examples of franchising in India:**

- McDonald's
- Dominos
- KFC
- Pizza Hut
- Subway
- Dunkin' Donuts
- Taco Bell
- Baskin Robbins
- Burger King

**TYPES OF FRANCHISING:**

Franchising is classified into three types namely:

1. Product franchising
2. Manufacturing franchising
3. Business format franchising

- **Product franchising:** It is an oldest form of franchising in which a franchisor gives right to distribute his trademarked goods to a franchisee for a prescribed fee. Ex: petroleum and automobile industries use this type of franchising.
- **Manufacturing franchising:** In this type, the franchisor gives the dealer exclusive rights to produce and distribute the product in a particular locality. Ex: soft drink industry.
- **Business format franchising:** This is a recent type of franchising which is most popular in USA. Under this type, a wide range of services is offered to the franchisee. The franchisee invests substantial funds from his own source.

**Features of Franchising**

- The franchisor grants permission to the franchise to use its intellectual properties like patents and trademarks.
- The franchise in return pays a fee to the franchisor and may even have to share a part of his profits. On the contrary, the franchisor provides its goods, services, and assistance to the franchise.

- Both parties sign a franchising agreement which is basically a contract that states terms and conditions applicable with respect to the franchise.

**Advantages of Franchising**

**1. To the Franchisors**

- Without incurring additional costs on expansion, franchising offers a great way to expand a business. This is because all expenses of selling are borne by the franchise.
- It also helps in building a brand name, increasing goodwill and reaching more customers.

**2. To the Franchisees**

- A franchise by starting a business on a pre-established brand name of the franchisor gives him confidence about his success and reduction in risk of failure.
- The franchise also does not need to spend money on training and assistance as the franchisor provides this.
- Another advantage is that sometimes a franchisee may get exclusive rights to sell the franchisor's products within an area.
- Franchisees will get to know business techniques and trade secrets of brands.

**Disadvantages of franchising:**

**1. To the Franchisors:**

- The franchise does not possess direct control over the sale of its products. As a result, its own goodwill can suffer if the franchisor does not maintain quality standards.
- The franchisee may even leak the franchisor's secrets to rivals.
- Franchising also involves ongoing costs of providing maintenance, assistance, and training on the franchisor.

**2. To the Franchisees**

- No franchise has complete control over his business. He always has to adhere to policies and conditions of the franchisor.
- Franchise always has to pay some royalty to the franchisor on a routine basis. In some cases, he may even have to share his profits with the franchisor.

# DEVELOPMENT OF WOMEN ENTREPRENEURSHIP

## INTRODUCTION:

Women entrepreneurs are playing an important role in business, trade or industry in the modern world. Their entry into business is of recent origin. Apart from business, women have shown their vital role in other spheres like politics, administration, medical and engineering, technical and technological, social and educational services. Their entry into business is a recent phenomenon in India.

Women entrepreneurs are doing exceedingly well and even they have exceeded their male counterparts in certain businesses. 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, hard work, or intelligence, provided they are given proper scope.

**Definition of women entrepreneur:**

- Women Entrepreneurs may be defined" as 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.

**Functions of women entrepreneurs:**

The women entrepreneur is expected to perform the following functions:

**(a)** **Risk taking** – The women entrepreneur has to take risks in the form of changes in taste and preferences of consumers, techniques of production and new innovations. Such risks can be minimized if women take earlier initiative and proper judgement.

**(b)** **Decision making** – The women entrepreneur has to decide the nature of type of products to be produced. She must enter an industry which would offer her the best prospects and products and produces those goods which would give her good returns. She also effects suitable changes in the size of the business, its location, techniques of production if it is needed for the development of business.

**(c)** **Innovation** – The women entrepreneur conceives the idea for the improvement in the quality of product line. She considers the economic viability and technological feasibility in bringing about improved quality.

**(d)** **Managerial function** – She performs all managerial activities like formulating production plans, arranging finance, purchase of raw materials, provides production amenities, organizes the sales and also undertake the task of personnel management.

**Traits or Qualities of women entrepreneurs:**

The following are main entrepreneurial traits of women entrepreneurs:

**(i)** **Imagination:** Women entrepreneurs have imaginary skill where in an enterprise requires an imaginative approach or original ideas with competitive market. A well planned approach is needed to examine the existing situation and to identify the entrepreneurial opportunities.

**(ii)** **Attribute to Work Hard:** Women entrepreneurs have ability to work hard. Hard work is needed to build up an enterprise.

**(iii)** **Persistence:** Women entrepreneurs must have an intention to fulfill their dreams. They have to make a dream translated into an enterprise. Studies show that successful women persisted in getting loan from financial institutions and other inputs. They have persisted in adverse circumstances and in adversity.

**(iv)** **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.

**Factors influencing women entrepreneurship:**

1. **Family culture and traditions** – Tradition and family culture influences women entrepreneurship to a greater extent. The women entrepreneur will take up a venture if her

family tradition is so or if she belongs to a pioneer entrepreneur.

2. **Geographical factors and caste system** – The society the state and the area to which the women belongs to also influence the entrepreneurship. If the woman is from the states Punjab or Gujarat, she will become an entrepreneur as they are taking up business activity generation wise. The caste system also influences a women who is Sindhi may start a business at an early stage as it is a trend in their caste or communities.

3. **Government aids and policies** – The concession and subsidies, the policies provided by the Government for taking up entrepreneurship would influence the women to take up business. Government help can be of significance if entrepreneur takes its help for logical conclusions. But for this, caliber of an entrepreneur is also seen.

4. **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. 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.

5. **Recognition-** A woman entrepreneur is motivated by recognition in respect of admiration, regard, esteem and celebrity.

6. **Internal** – some internal factors like creativity, respect and happiness of other people would influence women to become entrepreneurs.

**Problems of Women Entrepreneurs in India**

**1.** **Problem of Finance:** Finance is regarded as “life-blood” for any enterprise whether the business is small or large. Women entrepreneurs suffer from shortage of finance on two counts**.**

- Generally, they do not have property on their names to use them as collateral for obtaining funds from external sources. Thus, their access to the external sources of funds is limited.
- The banks also consider women are less credit-worthy and discourage women borrowers on the belief that they would leave from business at any time. Hence, women entrepreneurs are bound to rely on their own savings, and loans from friends and relatives who are expectedly meager and negligible. Thus, women enterprises fail due to the shortage of finance.

**2.** **Scarcity of Raw Material:** Most of the women enterprises are plagued by the scarcity of raw material and necessary inputs. The available raw-materials are also high in price which leads to high cost of production.

**3.** **Stiff Competition:** The women entrepreneurs have to face stiff competition for marketing their products with both organized sectors and male counterparts. They normally do not possess organizational set-up to pump in a lot of money for canvassing and advertisement. Such a competition ultimately results in the liquidation of women enterprises.

4. **Limited Mobility:** Unlike men, women mobility in India is highly limited due to various reasons. They cannot travel freely from one place to another for business purpose. Cumbersome exercise involved in starting an enterprise coupled with the officials humiliating attitude towards women compels them to give up idea of starting an enterprise.

5. **Family Ties:** Women entrepreneurs face conflict between work and family. Child rearing and family responsibilities fall on them and they have to work for the family and business 24x7. Women who maintain a fine balance between the business and family would withstand in business and others face failure.

6. **Low literacy rate of women:** The literacy rate among women is very low in India. Education is most important for a person to be aware of latest technology, business trends, market knowledge, etc. Hence, this would be another problem for women to take up venture.

7. **Male dominated society:** In our country equality between men and women is only seen in newspaper, speeches, constitution, etc. But in reality, male domination is still in order of the society and women are considered weak in all respects. Men dominate the business world and does not permit female to start their new ventures. This acts as the barrier for women entrepreneurship.

8. **Lack of motivation:** Women entrepreneurs suffer from lack of motivation as they have fear to face failure in business. This lack f motivation among women entrepreneurs is another barrier for the development of women entrepreneurs.

9. **Low risk bearing ability:** Women in India are less educated and confined to the four walls of the house. This reduces their risk-bearing ability of women entrepreneurs.

9. **Production problems:**In a manufacturing unit, production involves coordination of number of activities while some activities are in the control of entrepreneur in which she has less control over some process. Thus improper coordination or unintended delay in execution of any activity would result in production problems in the industry.

**Steps Taken By the Government to Promote Women Entrepreneurs:**

Government, banks and other financial institutions have introduced different schemes for the development of women entrepreneurs in India. Some of the schemes are discussed below:

1. **Trade Related Entrepreneurship Assistance and Development (TREAD) scheme for women:** Under this scheme the women are provided with proper trade related training, information and counseling along with extension activities related to trades, products, services etc. Government Grant also provided up to 30% of the total project cost as appraised by lending institutions which would finance the remaining 70% as loan Assistance applicant

women. It will be beneficial for poor, illiterate and semi-illiterate women to take up their business.

2. **Mahila Vikas Nidhi :** To help women in rural areas to start their entrepreneurship, this scheme was introduced by SIDBI. It grants loan to women to start their venture in the field like spinning, weaving, knitting, embroidery products, block printing, handlooms handicrafts, bamboo products etc.

3. **Co-operative Schemes :** Under this scheme, financial support has been provided to the women who have engaged in agro-based industries like dairy farming, poultry, animal husbandry, horticulture etc.

4. **Government Yojanas :** Swarna Jayanti Gram Swarozgar Yojana and Swaran Jayanti Sekhari Rozgar Yojana were two important schemes launched by the government to provide reservations for women and encouraging them to start their ventures.

5. **Private Organisations :** Several Non Government Organisations, voluntary organizations, Self-help groups, institutions and individual enterprises from rural and urban areas are working to help new women entrepreneurs to set up their business and smooth running of an enterprise.

6. **Development of Women and Children in Rural Areas (DWCRA):** This scheme is introduced by the Indian government to encourage women entrepreneurship. The concept of tem work has been introduced to make them courageous enough to start their own enterprises.

7. **Mahila Udyam Nidhi (MUN):** This scheme was set up by IDBI with a corpus of Rs.5 Crores in order to provide seed capital assistance to women entrepreneurs who proposed to set up projects in Small Scale Industries sector.

8. **Khadi and Village Industries Commission (KVIC)**: This commission was established under the Khadi and Village Industries Commission Act 1956. It is a statutory body that encourages the development of Khadi and Village industries in India. It not only promotes the rural industries but also creates employment opportunities for the poor of the country.

9. **Swalamban (NORAD):** This scheme was implemented by Government of India by the Ministry of Women and Child Development .The objective of this scheme is to provide training to women for skill development in order to facilitate them to obtain employment or self-employment on a sustained basis.

10. **Support to Training and Employment Programme for women (STEP):** This scheme has administered by Ministry of women and Child Development for training and skill development of women. This scheme works towards employability of women and helps them to become self-employed.

11. **Swa Shakti project and Swamsiddha scheme**:These schemes provides financial aid from international agencies to capacitate rural poor women through microfinance.

12. **Women Component Plan (WCP)**: For the empowerment of women this scheme was introduced during 7$^{th}$ five year plan. This plan specifies prioritizing financial resources for

programmes or schemes for women, especially those which empowers women.

13. **Technology Development and Utilization Programme for Women (TDUPW):** This programme promotes acceptance of new technology by women, awareness creation about new technology, training of women on technology related issues, promotes technological up gradation of tiny, small and medium enterprises managed and run by women entrepreneurs.

14. **The Federation of Indian Women Entrepreneurs (FIWE)**: The main objective of this federation is to provide training facilities in export marketing and management, domestic marketing, quality control and standardization, management of enterprises, laws, regulations, procedures and systems for running a small and medium sized enterprise and sustaining its growth.

15. **Scheme of Assistance to Women Co-operatives (SAWP)**: The scheme will initiate various structural, functional and institutional measures to empower women, capacity building and improvement of their access to inputs, technology and other farming resources.

16. **Self Employed Women's Association (SEWA):** SEWA is a trade union registered in the year 1972. This union supports poor, self-employed women workers. It supports its members in capacity building and in establishment of their own economic organization. This has committed tom strengthening the movement of women workers.

## SELF HELP GROUPS

### Introduction:

The Self Help Groups are informal associations of people who choose to come to together to find ways to improve their living conditions. It is a self governed, group of people with similar socio-economic background and having a desire to collectively perform common purpose.

### What are Self Help Groups (SHGs)?

Self Help Groups are groups of people about 10-20 in a locality formed for any social or economic purpose. Most of the SHGs are formed for the purpose of better financial security among its members. SHGs can exist with or without registration.

### Objective of SHG:

- To meet the credit needs of the poor with the strength of technical and administrative capabilities and financial resources of the formal credit institutions.
- To build mutual trust and confidence between the bankers and the rural poor.
- To encourage banking activity both on thrift as well as credit side in a segment of the population that the formal financial institutions usually find difficult to cover.

**Statistics of SHGs in India**

- There are 80 lakh SHGs with active bank linkages in India.
- In Indian SHGs the involvement of people is around 10 crores.
- The SHGs maintain an aggregate bank balance of Rs.6500 crores all over India.
- In India, 90% SHGs consists of women.

**Role of Self Help Groups**

1. It acts as the root cause for income generation for poor.
2. SHGs help in access to banks for poor, financial inclusion.
3. It plays role against dowry, alcoholism etc.
4. It involves Pressure group in Gram Panchayats.
5. It works for Social upliftment of marginal sections.
6. It also helps for the moral Upliftment of women.

**Self Help Groups in Rural Development:**

The SHGs functioning for the rural development of the country in the following ways:

- In country like India, where there are underdevelopment features like poverty, unemployment, etc cannot be break by an individual person. Hence, a collective action is required to remove these problems. And SHGs plays a vital role in removing those problems.

- The poor sections of the people who seek to be self employed and financially independent, can join these SHGs and get those financial assistance.
- Bank credits are not easily accessible to individual poor, but by forming a SHG, people can make better prospects for bank credits even without collateral.
- The chances of successful income generation are high with SHGs than individual attempts.

**Functioning of SHGS:**

Any individual who has needed education or skills may help initiate the SHGs. This individual must involve in bringing together all those people who are facing similar problems and advocating the benefits of SHGs. This person is called as the "animator" or "facilitator". And he/she must be well known within the community.

**Eligibility for SHGS:**

The group should be in active existence for at least a period of six months.

- It must have successfully undertaken savings and credit operations from its own resources.
- They must maintain proper accounts and records of financial statements and meetings.
- They Work democratically wherein all members feel that they have a say should be evident.
- It is formed to reflect genuine need to help each other and work together and Branch Manager should be convinced that

the group has not come into existence only for the sake of participation in the project and availing benefits there under.

- It must have members preferably with homogenous background and interests.

## FINANCIAL INCLUSION

**Introduction:**

The financial inclusion concept was first introduced in India in the year 2005 by the Reserve Bank of India. It is a method of offering banking and financial services to individuals. The main aim of financial inclusion is to include economically underprivileged people in the society by giving them basic financial services regardless of their income or savings. It aims to ensure that the poor and marginal people to make the best use of their money and attain financial education. With advances in financial technology and digital transactions, more and more startups are now making financial inclusion simpler to achieve.

**Meaning of Financial Inclusion:**

Financial inclusion refers to the efforts that are made financial products and services accessible and affordable to all individuals and businesses, regardless of their personal net worth or company size. It strives to remove the barriers that exclude people from participating in the financial sector and using these services to improve their lives. It is otherwise called as inclusive finance.

**Definition of financial inclusion:**

Financial inclusion may be defined "as the process of ensuring access to financial products and services needed by vulnerable groups at an affordable cost in a transparent manner by institutional players".

**Objectives of financial inclusion**

The following are the main objectives of financial inclusion in India:

- Opening of basic no-frills banking account for making and receiving payments
- Saving products (including investment and pension)
- Simple credit and overdraft facilities linked with no-frills accounts
- Remittance, or money transfer facilities
- Micro insurance and non-micro insurance (life and non-life)
- Micro pension schemes
- It helps people by providing secure financial services and products at economical prices like deposits, fund transfer, loans, insurance, payment services, etc.
- To cater to the needs of the people it aims to establish proper financial institutions.
- It aims to build and maintain financial sustainability.
- It also intends to have numerous institutions which offer affordable financial assistance.
- It increases awareness about the benefits of financial services among economically underprivileged sections of the society.

- It improves financial literacy and financial awareness in the nation.
- It intended to bring mobile banking services in order to reach the poorest people living in extremely remote areas of the country.

**Importance of financial inclusion:**

Financial inclusion aims at strengthening the availability of economic resources and builds the concept of savings among the poor. It is a major step towards inclusive growth. It helps in the overall economic development of the underprivileged population. Effective financial inclusion is needed in country like India for the uplift of the poor and disadvantaged people by providing them with the modified financial products and services.

**Financial Inclusion Schemes in India**

The Indian Government has been introducing several exclusive schemes for the purpose of financial inclusion. These schemes intend to provide social security to the less fortunate sections of the society. The government has launched schemes for financial inclusion after lot of planning and research by several financial experts and policy makers. These schemes have been launched over different years. Let us discuss the list of the financial inclusion schemes in the country in the following:

**Prime Minister Jan Dhan Yojana (PMJDY):**

This scheme was launched on 28th August, 2014 by our Prime Minister Mr. Narendra Modi. It is run by the Department of financial Services, Ministry of Finance. Under this scheme, around 192.1 million accounts have been opened. These zero-balance bank accounts have been accompanied by 165.1 million debit cards, a life insurance cover of Rs 30,000 and an accidental insurance cover of Rs 1 lakh.

Other than PMJDY, there are several other financial inclusion schemes in India which has been listed below:

Atal Pension Yojana (APY)

- Pradhan Mantri Vaya Vandana Yojana (PMVVY)
- Stand Up India Scheme (SUIS)
- Pradhan Mantri Mudra Yojana (PMMY)
- Pradhan Mantri Suraksha Bima Yojana (PMSBY)
- Sukanya Samriddhi Yojana (SSY)
- Jeevan Suraksha Bandhan Yojana (JSBY)
- Credit Enhancement Guarantee Scheme (CEGS) for Scheduled Castes (SCs)
- Varishtha Pension Bima Yojana (VPBY)

**Prime Minister Jandhan Yojana and its six pillar mission objectives:**

PMJDY to be executed in the Mission Mode envisages provision of affordable financial services to all citizens within a reasonable distance. It comprises of the following six pillars:-

- **Universal Access to Banking Facilities:** Mapping of each district into Sub Service Area catering to 1000-1500 households in a manner that every habitation has access to banking services within a reasonable distance like 5km. It covers the parts of Jammu and Kashmir, Himachal Pradesh, Uttarakhand, North East and the Left Wing Extremism affected districts which have telecom connectivity and infrastructure constraints would spill over to the Phase II of the program.
- **No Frill Account with RuPay Debit card:** By August, 2015 efforts would be made to cover all uncovered households with banking facilities by opening basic bank accounts. Account holder would be provided a RuPay Debit Card. Overdraft Facility for each basic banking account holder would be provided after satisfactory operation of banking transaction history for 6 months of the account holder. And the overdraft facility would be provided to any one of the account holder of the family.
- **Financial Literacy Programme:** Financial literacy would be an integral part of the Mission in order to let the beneficiaries to make use of best financial services which are being made available to them.

- **Creation of Credit Guarantee Fund**: Creation of a Credit Guarantee Fund would be to cover the defaults in overdraft accounts.
- **Micro- Insurance:** To provide micro finance assistance to all willing and eligible persons by 14th August, 2018, and then on an ongoing basis.