The aim of the editor is to alleviate the students' community by providing the hand book at a modicum cost. This initiative is made to provide a study material for reference and to refresh their gained knowledge which was induced by the teachers.

This hand book is a reference copy covering the basics and not the proficiency in the subject. I take this opportunity to thank the authors of various books in the same title for helping me in seeking the references.

Your suggestions and feedbacks are welcome as they will help in further enhancing the content. If the reader feels that, the efforts are to be appreciated then I would like to share and thank **Mr. J. P. Jaideep**, Head, BBA, for providing such a platform to embellish the skills of the faculties and students, I also thank **Mr. K. Sarvasvaran**, for documenting the notes which took a form of a handbook.

ENTREPRENEURIAL DEVELOPMENT

- Hand Book

'Be an employer than being an employee'

- P.J.

Edited by

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UNIT – I
CONCEPT OF ENTREPRENEURSHIP

Define entrepreneurship:
A.H.Cole has defined entrepreneurship as "the purposeful activity of an individual or group of associated individuals, undertaken to initiate, maintain, or earn profit by production and distribution of economic goods and services".

7mark
Characteristics of entrepreneurs (or) roles of entrepreneurs:
- Generation of employment.
- Increasing per capita income.
- Helping in capital formation.
- Balanced regional development.
- Promoting self reliance.

Qualities of entrepreneur:
- Capacity to take risk.
- Capacity to work hard.
- Energetic.
- Drive.
- Self-confidence.
- Intelligence and knowledge.
- Ability to foresee future.
- Willingness to change.
- Ability to mobilise resources.
- Ability to build up organisation and administer.
- Ability to take decisions.
- Willingness to take responsibility.
- Innovativeness.
- Desire for higher achievement.
- Capacity to solve problem.
- Using feedback.
- Taking initiative.
- Handling failures.
- Locus of control.
- Tolerance of uncertainty.
- Flexibility.
- Guarding business secrets.
- Quality conscious.
- Tactful.
- Have vision.

- Information seeking.
- Monitoring.
- Welfare orientation.
- Systematic planning.
- Persuasion.

Characteristics of entrepreneurship:

- Risk-bearing.
- Innovation.
- Decision making.
- Achievement orientation.
- Organisation building.
- Accepting challenges.
- Gap filling.
- Creative personality.
- Mobilising resources.

Influence of various internal factors on entrepreneurship:

Internal factors

Demographic Factors.	Personal factors.	Social factors.	Personal qualities.	Cultural factors.	Environmental factors.
1. Age 2. Sex 3. Order of birth. 4. Education. 5. Nationality. 6. Cultural background.	1. Technical skills. 2. Managerial skills. 3. Entreprene urial skills. 4. Leadership skills. 5. Personal values.	1. Community. 2. Parantal epitome. 3. Support of family. 4. Culture.	1. Need for success. 2. Risk taking. 3. Desire for freedom. 4. Accepting of uncertainty.	1. Dynamism. 2. Collectivism. 3. Individualis m. 4. Avoiding ambiguity.	1. Unemployment 2. Resource. 3. Political scheme. 4. Opportunities for development.

15 marks

Functions of an entrepreneur:

- Generating business idea.
- Determining business objectives.
- Product analysis.

- Deciding the form of enterprise.
- Promoting the enterprise.
- Raising necessary funds.
- Procurement of machine and material.
- Recruiting men.
- Undertaking the activities.

Influence of various external factors of entrepreneurship:

- Social environment.
- Cultural environment.
- Technological environment.
- Economic environment.
- Legal environment.
- Political environment.

Advantages of being an entrepreneur:

- High degree of independence.
- Getting to use a variety of skills and talent.
- Freedom in making decision.
- Accountable to only himself.
- Scope for tackling challenges.
- Experiencing feeling of achievement and pride in attaining goals.
- Potential for greater financial rewards.

Obstacles to an entrepreneur:

- Change and uncertainty.
- Bewildering numbers of decision.
- Comfortable with taking risk.
- Need many different skill and talents.
- Ready to accept failures.

Distinction between an entrepreneur and manager:

1. **Status:**
   An entrepreneur is the owner of his enterprise he makes his own investment and owns his business.
   A manager is just an employee in the enterprise which is owned and run by entrepreneur.
2. **Target :**
   The main target of an entrepreneur is to start his venture by setting as a sole trader of a firm or company. He sets his own goals to achieve them.
   The main goal or motive of a manager i give his services to an enterprise set up by someone else i.e.. an entrepreneur.
3. **Decision making:**
   All of these policies and strategic decisions, like those comprising of expansions, diversification, take-overs, mergers, pricing policy etc.. are taken by the entrepreneur.

While all these managerial operational decisions which would have impact on the short and medium term results are taken by the managers.

4. **Rectification of wrong decisions:**
The wrong decisions taken by the entrepreneur may not be rectifiable and may result in losses or even closure of the unit.
Whereas wrong decisions taken by the manager can be amended and rectified by the entrepreneur.

5. **Innovation:**
An entrepreneur innovates and exploits his innovation commercially. He keeps on changing the factor combination in order to increase profit and productivity.
A manager is merely an officer or executive who is appointed for the promotion of the unit. He simply implements the plan prepared by the entrepreneur.

6. **Risk bearing:**
An entrepreneur being the owner of his unit undertakes all risks and uncertainty of running his enterprise.
A manager does not bear any risk because he is paid fixed salary.

7. **Skills:**
The skill expected from an entrepreneur is in the form of creativity, innovation, desire for higher achievement, intuition etc..
Whereas manager depends on public dealing abilities and conceptual abilities.

8. **Qualification.**
An entrepreneur doesn't need to have distinct degree from a reputed university. Rather qualities like foresightness, risk taking, hard work, creative thinking etc.. are more important.
On the other hand, a manager now a days need to possess degree in the stream of management theory and practise. He has to appear for an interview to get a job.

9. **Rewards:**
The reward of an entrepreneur is the profit earned by him. Entrepreneur reward is uncertain and variable.
A manager gets his monthly salary as his reward for the services rendered by him and his rewards are certain and fixed and regular.

Explain the term concept of entrepreneur:

The term entrepreneur has been treated differently by various authors. However there was a consensus among them as to skills and abilities which a person should possess in order to become an entrepreneur and how the entrepreneurs can be developed or how the supply of entrepreneurship can be increased in any particular society. Most authors have simply given definitions in terms of entrepreneurial function. Some of them are:

Richard cantilon, the originator of the term entrepreneur defined entrepreneur as one who buys factors of production at certain prices, thereby bearing a non-insurable risk. Cantilon divided the in habitants of a country, expert the prices and landlords into two classes:

- Entrepreneurs including farmers and merchants and
- Fixed people.

J.B.Say expanded the term and included the function of co-ordination, organisation and supervision. According to him entrepreneur is the most important agent of production who provides continuing management and brings together factors of production. Say was the first economist who differentiated the function and remuneration of the entrepreneur from that of the capitalist.

Classification of entrepreneurs:

I. **Classification based on the behaviour of entrepreneurs**
   1) Nascent entrepreneurs.
   2) Novice entrepreneurs.
   3) Habitual entrepreneurs.
   4) Serial entrepreneurs.
   5) Portfolio entrepreneurs.

II. **Classification based on American agriculture**
   1) Innovating entrepreneurs
   2) Imitative entrepreneurs.
   3) Fabian entrepreneurs.
   4) Drone entrepreneurs.

III. **Classification based on types of business carried on by them**
   1) Business entrepreneurs.
   2) Trading entrepreneurs.
   3) Industrial entrepreneurs.
   4) Corporate entrepreneurs.
   5) Agricultural entrepreneurs.

IV. **Classification based on technology adopted**
   1) Technical entrepreneurs.
   2) Non-technical entrepreneurs.
   3) Professional entrepreneurs.

V. **Classification based on motivation**
   1) Pure entrepreneurs.
   2) Induced entrepreneurs.
   3) Motivated entrepreneurs.
   4) Spontaneous entrepreneurs.

VI. **Classification based on developmental stage**
   1) First generation entrepreneurs.
   2) Modern entrepreneurs.
   3) Classical entrepreneurs.

I) Based on behaviour of entrepreneurs:

1) **Nascent entrepreneur:** A nascent entrepreneur is an individual who is in the process of starting anew business. They use entirely different styles of problem solving, decision-making and discovery when compared to non-nascent entrepreneurs.
2) **Novice entrepreneurs:** A novice entrepreneur is an individual who has no prior business ownership experience as a business founder or a purchaser of a business.

3) **Habitual entrepreneur:** A habitual entrepreneur is an individual, who has sold or closed an original business, established another new business and continues this cycle of entrepreneurial behaviour.

4) **Portfolio entrepreneur:** A portfolio entrepreneur is an individual who retains an original business and builds a portfolio of additional businesses through inheriting, establishing, or purchasing them.

II) Based on American agriculture:

1) **Innovative entrepreneur:** Innovative entrepreneur look at the opportunity for introducing a new technique of production process. They are competitive and possess inventiveness, which enable them to invest a new product.

2) **Imitative entrepreneurs:** Imitative entrepreneurs are also known as adaptive entrepreneurs. They adopt successful innovation introduced by innovative entrepreneurs.

3) **Fabian entrepreneurs:** Fabian entrepreneurs are characterised by great caution and scepticism in practising any change in their organisation. They are easily adaptable to the changing environment.

4) **Drone entrepreneurs:** Drone entrepreneurs are characterised by refusal to adopt and use opportunities to make changes in the production. They are conservative. They always feel comfortable with their old fashion technology of production.

III) Based on types of business carried on by them:

1) **Business entrepreneurs:** Business entrepreneurs are individuals. They normally work alone and also they called as solo operators. Business entrepreneurs conceive an idea of new product or service and start a business to produce that product or service.

2) **Trading entrepreneurs:** Trading entrepreneurs are undertaking trading only. They do not normally carryout production activities. They identify potential markets, activate demand for their products and create a desire in the minds of buyer to buy their products.

3) **Industrial entrepreneurs:** they are essentially manufacturers who identify needs of customers and tailors to produce goods with ingenuity to meet the marketing needs. They are also called product oriented persons.

4) **Corporate entrepreneurs:** Corporate entrepreneurs are innovate in organising and managing a corporate body. They have special skills in planning, organising, developing and managing a corporate enterprise.

5) **Agricultural entrepreneurs:** Agricultural entrepreneurs involve in agricultural activities such as raising and marketing of crops, fertilizers and other inputs of agriculture.

IV) Based on technology adopted:

1) **Technical entrepreneurs:** Technical entrepreneurs as the name implies are worried more about production and quality of goods produced. They improve the techniques of production. They possess production skills.

2) **Non-technical entrepreneurs:** Non technical entrepreneurs are not concerned with the technical aspects of the product, which they are dealing. They are concerned more about market rather than production.

3) **Professional entrepreneurs:** A professional entrepreneur are those who are interested in establishing an enterprise not with an idea to manage it but to sell it after it is set up and starts functioning. He sells out the running business and starts another venture with the sale proceeds.

V) Based on motivation:

1) **Pure entrepreneurs:** Pure entrepreneurs are individuals and are motivated by psychological and economical rewards. They undertake work to attain personal satisfaction in work, ego or status.

2) **Induced entrepreneurs:** government all over the world offer various incentives to induce people to undertake entrepreneurial task such as assistance, concessions, and infrastructure facilities to start a venture. People who are induced by such offers of the government and start venture to avail them are called induced entrepreneurs.

3) **Motivated entrepreneurs:** Motivated entrepreneurs are new entrepreneurs who are motivated by the desire of self-fulfilment. At the time of getting profit they are further motivated.

4) **Spontaneous entrepreneurs:** Spontaneous entrepreneurs are those persons who possess natural talents. They are very bold and take initiative to start their venture. They have confidence in their talents.

VI) Based on development stage:

1) **First generation entrepreneurs:** First generation entrepreneurs are those who possess innovative skill. He is an innovator and combines his skills and technology to produce a good marketable product or service.

2) **Modern entrepreneur:** Modern entrepreneurs keenly watch the changes in demand and start a venture to fulfil the current marketing needs. They adopt changes very quickly.

3) **Classical entrepreneurs:** Classical entrepreneurs are those persons who are concerned more about customers as well as market. They take business as an integral part of life. They normally start a venture of self-supporting system.

UNIT – 2

ENTREPRENEURIAL DEVELOPMENT AGENCIES

2mark:

What are DICs?

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

Objectives of NSIC:

- To secure a reasonable share of government order for small units.
- To provide loans and technical assistance, which have secured firm orders from the government to execute the orders in time.
- To secure co-ordination between large scale and small scale industries so as to enable the latter to manufacturing ancillaries, components and other articles required by former.
- To arrange for marketing the products of small units.
- To underwrite debentures and guarantee loans from banks and other financial institutions.

7mark

Functions of NSIC (National Small Industries Corporation):

- Financial Assistance.
- Provides for equipment leasing.
- Hire purchase financing.
- Enable single point registration.
- Facilitates training.
- Enables small scale enterprises.
- Assists in Marketing.
- Export assistance.
- Undertakes the constructions of Industries Estates Abroad.

Roles and schemes of NSIC:

- Financial assistance by way of hire purchase scheme for purchase of local and imported machinery.
- Provision of various equipment on lease basis.
- Assistance for marketing the procedure in the country and also to help in exporting the products of SSI units.
- Enlisting quality conscious good SSI units for sending enquiries of government stores and purchase departments.
- Training of workers in various trades required for SSI units.
- Assistance in up-gradation of technology, processes, and modernisation of plant and machinery.
- To develop industrial estates and testing facilities in the industrial areas.

Role of IDBI (Industrial Development of India)

The provision of debt finance has been the major activity of IDBI. But it has also provided considerable support to the raising to the equity finance by industry. It has provided underwriting support for capital issues, direct subscription to equity and seed capital and venture capital support for select entrepreneurs. It has promoted and supported the development of certain capital market institutions such as stock holding corporation of India ltd. (SHCIL), over the country exchange of India Ltd (OTCEI) and National stock exchange (NSE).

IDBI has been providing direct financial assistance to large industries concerns. Aggregate assistance (provisional) sanctioned during 2002-03 amount of Rs.2, 950 crores registering a sharp decline of 78.4 percentage over the preceding year. Disbursements amount to Rs. 3,892 crores in 2002-03.

IDBI also provides merchant banking services. During 1993-94, IDBI's Merchant banking division lead managed 77 rights and public issues for mobilising Rs.7, 306 crores. Up to end-March 1994, IDBI lead managed 118 rights and public issues and public for mobilising Rs.12, 341 crores from the capital market.

As regard debenture trustee services, 40 assignments were accepted during 1993-94 in respect of non-convertible debentures, partly convertible debentures, and fully convertible debenture and bond from the capital market.

Its loan sanctions and increased from Rs.1280 crores in 1980-81 to Rs 26,830 crores in 2000-01 and during the same period disbursements has increased from Rs.1, 010 crores to Rs 17,480. It reflects that industry and business of the country or growing on the one side and there is corresponding increase in the mobilisation of resource by the development finance institutions on the other.

Like other public sector turn tendency institutes, IDBI registered speed decline in loan sanctioned and disbursed since 2000-01. For instance, the finance assistance sanctioned by IDBI declined from Rs.26, 830 crores in 2000-01 to Rs 5,830 crores in 2003-04. Disbursement by IDBI declined from Rs 17,480 crores to Rs 4,410 crores between 2001 and 2004. This was mainly due to heavy accumulation of NPAs and paucity of funds.

Role played by government and non-government agencies in promoting entrepreneurship in India:

- Promotional role
- Supportive role
- Regulatory role

The role of commercial banks in assisting SSI (Small Scale Industries) SECTOR:

- Credit to small scale industry.
- Financing the establishment of small-scale units by technical entrepreneurs.
- Financing and development of khadi and village industries.
- Finance to tiny sector of SSI.

Functions and objectives of any one of the tamilnadu small scale industrial development corporations:

SIPCOT was set up in 1971 as public limited company wholly owned by the government of tamilnadu for the medium and major industries.

Objectives:

1) To establish, develop, maintain and manage industrial complex, parks and growth centres at various place across the state of tamilnadu.

2) To channelize incentives for industry set up in the state.
3) To provide sector service medium and large scale industry.
4) To provide entrepreneurial development programmes for the weaker sections to generate employment opportunities.
5) To help in project assistance and clearance.
6) To provide single window statutory clearance.

Functions of SIPCOT:

It provides financial assistance for medium and major industries in the form of –

1) Term loan under IDBI refinance scheme.
2) IDBIs seed capital scheme.
3) Underwriting the capital issues.
4) Guarantees to loan from commercial banks.

Functions of SISI (Small Industries Service Institutes):

1) To serve as interface between central and state government
2) To render technological support services.
3) To conduct entrepreneurship development programmes.
4) To initiate promotional programmes.
5) To assist in preparing the project profiles, training trade and market information, economic consultancy, state industrial potential survey and modernisation studies.
6) Co-ordination with DICs.
7) Preparation of directory of specific industry.
8) To control the pollution.
9) Other action plan activities assigned by head quarters.

Procedure for starting a small scale industry (SSI):

1) NOC (No Objection Certificate) on pollution angle from the department of science, technology and environment.
2) Approval of factory building and machinery layout from the inspectorate of factories.
3) Site clearness from town and country planning department.
4) Permission for land use conversion and ground water clearance from agricultural department.
5) Power feasibility certificate from Pondicherry planning authority.
6) Clearance from health department.
7) Clearance from fire service department.
8) Clearance from revenue department.
9) Licence from food and drugs administration.
10) Licence from civil supplies department.

Aims of UTI:

The primary object of the UTI is to promote investment habit amongst the middle and lower income groups of the society. Inaugurating the sale of units to the public by the UTI, then the finance minister Mr.T.T. Krishnamashary observed as follows-

"We are wedded to the establishment of a socialist society in which people will own the means of production, and distribution of the product will be equitable. In further once of that idea, we want people's ownership of the means of the production through the unit trust as one of the devices which we adopted from the western countries to suit-our own economic and social objectives".

Thus the primary objects of the unit trust are:

1) To stimulate and pool the savings of the middle and lower incomes groups.
2) To enable them to share the benefit and prosperity of the rapidly growing industrialisation in the country.
3) To ensure safety of savings of the individuals by diversification of the investment portfolio.
4) Channels the scattered savings into sound productive avenues of the investment.

Functions of KVIC (Khadi and village industries commission):

1) The KVIC is charged with the planning, promotion, organisation and implementation of programs for the development of khadi and other village industries in the rural areas in coordination with other agencies engaged in rural development wherever necessary.
2) Its functions also comprise building up of a reverse of raw materials and implements for supply to producers, creation of common service facilities for processing of raw materials as semi-finished goods and provision of facilities for marketing of KVI products apart from organisation of training of artisans engaged in these industries and encouragement of co-operative effects amongst them.
3) The KVIC is also charged with the responsibility of encouraging and promoting research in the production techniques and equipment employed in the khadi and village industries sector and providing facilities for the study of the problems relating to it, including the use of non-convention energy and electric power with a view to increasing productivity.
4) Further, the KVIC is entrusted with the task of providing financial assistance to institutions and individuals for development and operation of khadi and village industries and guiding them through supply of designs, prototypes and other technical information.
5) The KVIC may also undertake directly or through other agency studies concerning the problems of khadi/ or village industries besides research or establishing pilot projects for the development of khadi and village industries.
6) The KVIC is authorised to establish and maintain separate organisation for the purpose of carrying out any or all of the above matters besides carrying out any other matters incidental to its actives.

Commercial banks	Development banks
• Provide short term loans.	• Provide long term loans.
• Accept deposits from the public.	• Accept deposits from commercial banks.
• Direct finances to customers.	• Provide refinancing facilities to commercial banks.
• Play an important role in money	• Play an important role in capital

market.	market by providing long term loan and undertaking hire purchases, housing loan etc.
• Public sector banks have their share capital contributed by the government while private sector banks have share capital contributes by the public. • Promote savings among the public and help commercial activities.	• Central and state government contribute capital. • They promote economic growth of country.

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15 marks

Functions of DIC (District Industries Centre):

1) Identification of entrepreneurs.
2) Conducting surveys.
3) Registration under SSI.
4) Recommending the loan.
5) Guiding in selection of machinery and equipment.
6) Help in getting clearance from various departments.
7) Make arrangements for loans.
8) Sanctioning of interest-free sales tax loans.
9) Assisting for availing subsidy.
10) Providing training.
11) Giving self-employment to unemployed youths.
12) Providing marketing assistance.
13) Assists in procuring raw materials.
14) Giving special attention to khadi and village industries.

Give a brief account of ICICI and its role in capital market:

The creation of industrial credit and Investment Corporation of India is another milestone in the growth of Indian capital market. It was incorporated in the year 1955, as accompany registered under the companies act. It was sponsored by a mission from the World Bank for the purpose of developing small and medium industries in the private sector.

Objectives of ICICI:

1) To assist in creation, expansion and modernisation of industrial enterprises in the private sector.
2) To encourage and promote the participation of private capital, both internal and external, in such enterprises.
3) To encourage and promote the private ownership of industrial investment and expansion of markets.
4) To provide equipment finance.
5) To provide finance for rehabilitation of industrial units.

Functions of ICICI:

1) Providing finance in the form of long-term or medium term loans or equity participation.
2) Sponsoring and underwriting new issues of shares and other securities.
3) Guaranteeing loans from other private investment sources.
4) Making funds available for re-investment by revolving investment as rapidly as possible.
5) Providing project advisory services i.e.offering advice – (1) to private sector companies in the pre-investment stages on government policies and procedures, feasibility studies and joint venture search and (2) to central and state governments on specific policy related issues.

Various schemes offered by TIIC (Tamilnadu Industrial Investment Corporation):

1) General scheme.
2) Nursing home scheme.
3) Transport operator scheme.
4) Generator scheme.
5) Hotel scheme.
6) Single window scheme.
7) Ex-servicemen scheme.
8) Mahila udhyam nidhi scheme.
9) Refinance scheme for technology development and modernisation.
10) Technology development and fund scheme.
11) Refinance scheme of assistance for acquisition of ISO 9000 series and certification by SSI units.
12) TAHDCO scheme.
13) Soft loan.
14) National equity fund.
15) Hire purchase scheme and lease finance scheme.
16) Warehouse/storage godown.
17) Marketing assistance scheme.
18) Computer training institute.
19) Marriage hall/community hall/conventional centres.
20) Commercial complex.
21) Bill discounting/factoring.
22) Scheme for qualified professionals.

UNIT-3
PROJECT MANAGEMENT

7mark

What do you mean by feasibility report? Explain its contents?

The feasibility report is prepared by the promoter after the project formulation stage has been passed by the project. The report that contains all the factors that contributes for the feasibility of the project is known as feasibility report.

Contents of feasibility report:

1. **Introduction:** a general descriptive explanation about the nature and extent of the industry is given in this part.
2. **Selection of the project – an overview:** the feasibility report should contain a description regarding the process and know – how chosen for the project.
3. **Project analysis:** project analysis means identification of problem and selects the problem suitable for the situation. It involves examining the problem and find out the other analysis like finance, marketing etc .
4. **Market research:** market analysis involves examining the supply and demand factor of the product, as well as the requirements of the product and the method of distribution.
5. **Financial analysis:** the objective of financial analysis is to describe the project from the financial angle and it characteristics.
6. **Social- cost benefit analysis:** the overall benefit of the project on the society should be stated in the feasibility report.

Importance of project report:

A project report is very important from an entrepreneur's point of view. It highlights the practicability of the project in terms of different factor like economy, finance, technology and social desirability. It is required by the entrepreneur for starting a new enterprise or for carrying out the expansion in the existing unit. An entrepreneur while preparing the project report can depend on the expertise of scientist and engineers, financial institutes or bankers etc. Firstly the project report, like a road map, highlights the direction the enterprise is going in what its goal are and how it intends to realise these goals. It enables the entrepreneur to know that he is proceeding in the right direction.

Secondly on the basis of project report tendors and investors can know about the soundness of the project. The preparation of the project report helps the entrepreneurs in getting requisite financial assistance from financial institution and the banks.

Contents of a good project report:

1) Description of the enterprise.
2) Product characteristics namely use specification, standards and quality and production process.
3) Market position and trends i.e., production and anticipated demand, export prospects and trends.
4) Description of the machinery and equipment requirements.
5) Available alternative technologies.
6) Quality and quantity of the required factors of production.
7) Names and addresses of the suppliers.
8) Prices of factors/ inputs.
9) Requirement of fuel and other utilities.

10) Labour requirements.
11) Cost of production including fixed and variable cost.
12) Sales revenues to be generated from unit produced.
13) Means of raising funds.
14) Profitability analysis.
15) Cash flow.
16) Break even analysis.
17) Implementation schedule.

Specialist roles open to market niches:

1) End user specialist
2) Vertical- level specialist
3) Customer-size specialist
4) Specific customers specialist
5) Geographic specialist
6) Product or product-line specialist
7) Product-feature specialist
8) Job-shop specialist
9) Quality/price specialist
10) Service specialist channel specialist
11) Channel specialist

Describe briefly the phases of feasibility studies:

There are three phases of feasibility studies namely,

1) Pre-feasibility study.
2) Feasibility study.
3) Project report study.

1) **Pre-feasibility study:** It is conducted before one starts conducting feasibility study. Here actually only the groundwork is carried on, it is conducted to analyses whether-
   - The investment is worth making
   - The project idea requires a detailed study such as, market surveys, tests and pilot plant test etc.
   - The project idea is a viable proposition or not.
2) **Feasibility study:** It includes the most important elements of the entrepreneurial venture and entrepreneurs and analysis of the viability of these elements. These elements include the following:
   - Marketing consideration
   - Financial consideration
   - Legal consideration
   - Technical consideration
   - Economic consideration
   - Managerial consideration

- Locational consideration
- Organisational consideration

3) **Project report study:** It is a written documents that summarises the business opportunities and defines how the identified opportunity is to be seized and exploited.

<u>15 marks</u>

Various sources of ideas:

1) Personal interests or hobbies
2) Entrepreneurs work experiences etc
3) Products and services currently available
4) Discussion with people
5) Success of friends and relatives
6) Experience of existing entrepreneurs
7) Short supply/ excess demand for certain goods
8) Advertisements
9) Exhibition and trade fairs
10) Research institutions
11) Creative thinking
12) Recycling of waste materials
13) Improving existing products

Elements of project formulation or stages of project formulation:

1) **General information:**
    - Bio data of promoter i.e., name, address, qualification, experience and other capabilities of the entrepreneurs.
    - Industry profile i.e., the industry to which the project belongs, the past performance, present status, its problems etc.
    - Product details- product-utility, range, design and relative advantages\
2) **Project description:** Covering the details w.r.t the site i.e., the location of the enterprise, physical infrastructure, availability of raw materials, skilled labour, power fuel, pollution control, transport facilities, capacity of the plant, research and development etc
3) **Market potential:** Covering details like demand and supply position, expected price marketing strategy, after sale service, transportation etc.
4) **Capital cost and sources of finance:**
Estimate containing various components of capital like land and building, plant and machinery installation cost preliminary expenses, margin for marking capital etc.
The various sources of finance should be stated mentioning clearly the owner's contribution and funds raised from financial institution.
5) **Assessment of working capital:** The requirement for working capital and its sources of supply, length of working capital cycle should be estimated and mentioned.
6) **Other financial aspects:** For judging profitability of the project a projected profit and loss account indicating the sales revenue. Cost of production, allied cost and profit should be prepared.

7) **Economic and social valuables:** The various socio economic benefits expected from the project should be included in the project report, various benefits can be employment generation, import substitution, local resource utilisation, development of area etc.
8) **Project implementation:** The time table for implementation of the project should be stated and project delay resulting in cost over run should be avoided. Delay in the project can affect financial availability of the project.

Various methods of appraising the project:

1) **Financial criteria**
    - Payback method
    - Return on investment
    - Direct cash flow method
        - Internal rate of return method
        - Net present value method
        - Profitability index
2) **Non-financial criteria**

1) **Financial criteria**
    - Payback method
    Payback period (years) = estimated project cost/ annual savings
    - Return on investment method:
    $$\text{Return on investment} = \frac{\text{average additional profit per annum}}{\text{Average amount invested}} \times 100$$
    - Direct cash flow method:
    The various methods of direct cash flow method-
        - Internal rate of return method (IRR):
        $$Io = \frac{FV_1}{(1+K)} + \frac{FV_2}{(1+K)^2} + \frac{FV_3}{(1+K)^3} + \text{———} + \frac{FV_n}{(1+K)^n}$$
        - Net present value method :
        $$NPV = \frac{FV_1}{(1+K)} + \frac{FV_2}{(1+K)^2} + \frac{FV_3}{(1+K)^3} + \text{——} + \frac{FV_n}{(1+K)^n} - Io$$
        - Profitability index:
        Profitability index = NPV / I × 100
2) **Non financial criteria.**

Causes of over capitalisations:

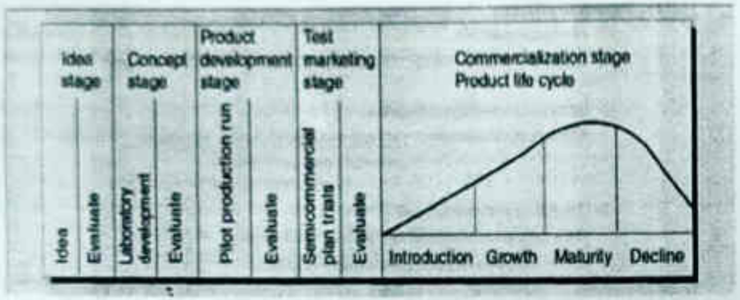
1) Promotion of a company with inflated assets
2) Huge promotional expenditures
3) Over estimating the earnings at the time of promotion

4) Inflationary conditions
5) Shortage of capital
6) Defective depreciation policy
7) Liberal dividend policy
8) Higher rate of taxation

Different stages of new product development:

There are 8 stages of new product development, they are

1) Idea generation
2) Screening
3) Concept development and evaluation
4) Business analysis
5) Product development and evaluation
6) Development and evaluation of marketing mix
7) Test marketing
8) Commercialisation of the product.



Project management or formulation technique:

1) **Market feasibility study:**

During this phase we will inspect the surrounding community, identify existing competition and determine primary and secondary market areas.

2) **Project management feasibility study:**

Project management feasibility study helps to decide if project are viable and worth undertaking.

3) **Economic feasibility study:**

This is when the recommended nature of project will be refined and an un-themed conceptual physical plan of the project developed.

Recommended mix of recreation, entertainment and other elements, facility size, floor plan etc

4) **Financial feasibility:**

Based upon the market analysis, project conceptual plan and cost estimate pricing recommendation and attendance projection will be made and three or five year operating pro forma will be prepared detailing probable revenue expenses, profits and return on investment (ROI)

5) **Technical feasibility:**

This study is an important phase in the development of business related services. This focus is the study of challenges, technical problems and solutions, models of information service realization and ability to meet goals of the project.

6) **Social feasibility:**

Many times plans may be viable economically and financially but it would be socially undesirable. So the entrepreneur has to make necessary arrangements to meet up those challenges.

UNIT- 4 ENTREPRENEURIAL DEVELOPMENT PROGRAMMES

Meaning of EDP:

EDP refers programme, which is designed to help a person in strengthening his entrepreneurial motive and in acquiring skills and capabilities required for performing his role effectively. Thus it aims at developing entrepreneurial motives and skills and thereby it helps in playing entrepreneurial role effectively.

Agencies involved in EDP:

- National Institute for Entrepreneurship and small Business Development (NIESBUD)
- Entrepreneurship Development Institute of India (EDII)
- Technical Consultancy Organisation (TCO)
- Indian Investment Centre (IIC)

Who provides EDP Training?

EDP training provides by the qualified trainers through EDP Success of EDPs depends on the trainers. They should be committed, competent and qualified. Trainers must be fully acquainted with whatever is latest in their respective fields.

Objectives of EDP:

- To identify and train potential entrepreneurs.
- To develop necessary knowledge and skills amongst the participants.
- To impart basic managerial understanding.
- To provide post training assistance.

Role of EDP:

- Stimulatory role.
- Supportive role.
- Sustaining role.
- Socio-economic role.

Need for EDP:

- Essential for economic development of a country.
- Removes the Unemployment problem.
- Removes poverty.

7 Marks

Need for entrepreneurship development in India:

- Essential for economic development of a country
- Removes the unemployment problem
- Removes poverty

Contents of EDP:

- Introduction of entrepreneurship
- Motivating entrepreneurs
- Imparting Managerial skills
- Exposure to support system and procedure
- Guidance to conduct Feasibility studies
- Taking for field visits

Methods of entrepreneurial training:

- Individual training
- Group training
- Lecture training
- Written instruction method
- Demonstration method
- Conference method
- Meetings

Problems in the conduct of EDPs:

- Emphasis on stimulating, supporting and sustainable activities
- Model based EDPs
- Focus on Achievement Motivation
- Designing of viable projects
- Selection of trainees
- Training of trainers
- Organising part time programme
- Duration EDPs

Objectives of entrepreneurial training:

- To attract people to EDP through effective promotion
- To make them aware of the various available business opportunities
- To motivate and strengthen entrepreneurial quality

- To develop the course content and the curriculum of the programme, keeping in view of characteristics and the factors influencing entrepreneurial growth
- To develop management related skills like problem solving, decision making, communication, opportunity identification, interpersonal, team building, etc.,
- To make participants aware of the various laws, procedures etc., relating to the entrepreneurship
- To develop passion and interest in entrepreneurship
- To conduct research and study on the effectiveness of the various programmes, schemes, market potential of various business opportunities, etc.,

15 Mark

Achievements of EDP:

- Creation of Employment Opportunities
- Capital formation
- Balanced Regional Development
- Use of Local Resources
- Improvement in per capita income
- Improvement in the standard of living
- Economic Independence
- Preventing Industrial Slums
- Reducing Social Tension
- Facilitating overall development

Problems faced by EDP:

- Lack of specialized organisations
- Lack of trainers
- Lack of conductive environment
- Selection of wrong trainees
- Selection of wrong projects
- Apathetic attitude of the support agencies
- Lack of entrepreneurial environment and culture
- Lack of support

Role of Government in Organizing EDPs:

- Establishment of specialized Institutions at National level
- National Institute for Entrepreneurship and small Business Development(NIESBUD)
- Small Industries Service Institute(SISIs)
- National Institute for small Industry Extension and Training(NISIET)
- Entrepreneurship Development Institute of India (EDI)
- National Science Technology Entrepreneurship Development Board (NSTEDB)
- IEDs CEDs in different states of India
- The Indian Institute of Entrepreneurship (IIE)
- Establishment of District Industries Centres (DIC)

- Introduction of Entrepreneurship courses
- Financial support by the Government/Development Bankers for conducting Seminars/Workshops and Industrial potential survey
- Financial support by the Government, Development Banks and Nationalised Public Sector Banks
- Institutional support system for entrepreneurial development.

UNIT 5
ECONOMIC DEVLOPMENT AND ENTREPRENEURIAL GRROWTH

2marks

Define franchising.
DavidD.Settz in his book "how to get started in your own franchised business" has defined the term franchising as A form of business ownership created by contract where by a company grants a buyer the rights to engage in selling and disturbing its producer or services under a prescribed business format in exchange for royalties for share of profits".

Write short note on development of women entrepreneurship.
Women entrepreneurs may be defined as the woman or group of women who takes initiating to set up a business enterprise and to run it smoothly. According to the data compiled by the small administration office of women's business ownership there are about 9.1 million women owned business employed 27.5 million people and contribute $3.6 trillion to the economy.

What is merger?
Merger is a type of external growth strategy. It refers to combination of two or more existing enterprise into one. It may take place in two way normally 1) absorption 2) amalgamation. If one enterprise is acquired by another it is called absorption. On the other hand, if two or more enterprise joins into one to form new concern it is what is called amalgamation. Thus in the case of absorption, no new firm is formed whereas in the case of amalgamation, and firm is formed.

State the functions of women entrepreneurs?
1. Exploring the prospects of starting new enterprises.
2. Undertaking of risks and the handling of uncertainties.
3. Introduction of new innovations.
4. Imitations of successful ones in existence.
5. Co-ordination, administration and control of business activities.
6. Supervising and leading in all aspects of the business.

What is niche marketing?
Niche marketing become implementable once the businessman has completed the process of identification of niche market. He has to focus the food lights on niche market first and identify it. Niche marketing means to plan out strategies to market product or service in market.
Niche marketing is the process of finding and serving small but potentially profitable market segments and designing custom mad products or services for them.

7marks

Discuss the role of entrepreneur in the economic growth as an innovator.
1. Introduce new combinations in the means of production.
2. Enables progress in technology.
3. Aims at leadership.
4. Implements skills.

Discuss the problem faced by the SSIs (small scale industries)
1. Inadequate supply of raw materials.
2. Lack of proper machinery and equipment.
3. Unskilled human factor.
4. Lack of finance.
5. Poor marketing facility.
6. Heavy taxations.

Define SSI describe its role in the Indian economy.
1. Minimum capital.
2. Employment opportunities.
3. Skill light.
4. Quick capital formation.
5. Import light.
6. Quick yielding.
7. Balanced development.
8. Even distribution of income wealth.
9. Flexibility.
10. Better Labour - Management relationship.
11. Less pollution.

Briefly enumerate the incentives offered by Indian government.
1. Capital investment subsidy (CIS) scheme offered by the government.
2. Transport subsidy scheme.
3. Sales tax exemptions.
4. Provision of seed capital.
5. Provision of concessional power and water.
6. Purchase of raw material.
7. Allotment of industrial sheds.
8. Exports incentives and subsides.
9. Subsidy for power for generations.
10. Special incentives to women entrepreneurs.
11. Exemption from stamp duty.
12. Subsidizing the cost of market studies/feasibility studies/reports.
13. Special concessions to scheduled caste and scheduled tribes entrepreneurs.
14. Preferential purchase from SSI units.
15. Interest free sales tax loans (IFST).

Discuss the problem of women entrepreneurs.
- Problem of finance.

- conflict between work and family
- Shortage of raw materials.
- Stiff competition.
- Limited mobility.
- Low literacy rate among women.
- Male-dominated society.
- Lack of motivation.
- Low risk-bearing capability.
- Low achievement need.
- Discrimination in upbringing.

Discuss the various types of growth strategies adopted by business firms.

Explain porter's five model of competition.