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Innovation and Entrepreneurship Development

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INNOVATION AND ENTREPRENEURSHIP DEVELOPMENT
(BBACC304)

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Innovation and Entrepreneurship Development
Course Code-MBAGE202

Course Objective: The objective of the course is to impart knowledge to the learners about entrepreneurship and its importance in socio-economic development of the nation and to create interest among them for starting their own business.

Block I An overview of Entrepreneurship

Unit I Entrepreneurship: Need, Scope and Philosophy
Unit II Entrepreneurial traits and Types
Unit III Development of Entrepreneurship

Block II Entrepreneurial Process

Unit IV Creativity, Idea Generation, Screening and Project Identification
Unit V Social Determinants of Entrepreneurial Growth
Unit VI Issues in new enterprise management: Locational, environmental and Managerial

Block III Theories and Legal Issues

Unit VII Theories of Entrepreneurship
Unit VIII Legal Issues for the Entrepreneur
Unit IX Small and Medium Enterprises

Block IV Entrepreneurship Planning

Unit X Enterprise Planning Process
Unit XI Family and Non-Family Entrepreneur: Professionalism $^{V}/_{S}$ Family Entrepreneurs
Unit XII Women Entrepreneurs: Challenges and Achievements

Block V Entrepreneurship Development in India

Unit XIII Entrepreneurship Development Programmes
Unit XIV Role of Various Institutions in Developing Entrepreneurship in India
Unit XV Growth and Transition through Entrepreneurship.

BLOCK-I

AN OVERVIEW OF ENTREPRENEURSHIP

UNIT-1 ENTREPRENEURSHIP: NEED, SCOPE AND PHILOSOPHY

1.1 Introduction

1.2 Objectives

1.3 Definition of Entrepreneurship

1.4 Entrepreneurship

1.5 Summary

1.6 Glossary

1.7 Answer to Check Your Progress

1.8 Reference/ Bibliography

1.9 Suggested Readings

1.10 Terminal Questions

1.1 INTRODUCTION

The term 'entrepreneur' has a French origin, derived from the French language 'enterprendre' which means "between-taker" and "go-between" that is 'to undertake' and meant to designate an organizer of entertainments like musical events etc. Entrepreneur defined by the Oxford English Dictionary (1987) as "the director or manager of a public institution, one who 'gets up' entertainment, especially musical performance." From the business point of view it means to undertake a business activity. Entrepreneur may be defined as 'one who organizes, manages and assumes the risks of a business or enterprise.'

1.2 OBJECTIVES

After reading this unit you will be able to:

- Understand who are entrepreneur?
- Understand entrepreneurship.
- Understand models of entrepreneurship.

1.3 DEFINITION OF ENTREPRENEURSHIP

Richard Cantillon an Irishman living in France, conceptualized the term entrepreneur as: "an entrepreneur is the agent who buys factors of production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future". He illustrated that a farmer buy at certain prices (pay out contractual incomes to the landlords which are 'certain') and sells at 'uncertain' prices. Thus they are 'risk bearing' agent of production by making certain payments in expectation of uncertain receipt. An entrepreneur is a risk bearer person who combines means of production, grabs opportunity, creates wealth and employment. He combine and buy factor of production in order to convert them into a product at certain price with a view to sell the products at uncertain prices in the market in future.

Knight defines entrepreneur as that specialized group of people who bear uncertainty which cannot be insured against and incalculable can be termed as uncertainty. This can be reduced through the insurance principle, where the distribution of the outcome in a group of instances is known, is termed as risk. Whereas the risk which cannot be calculated is uncertainty. According to Knight, the entrepreneur is the economic functionary who undertakes the responsibility of uncertainty.

Jean-Baptiste Say, the French political economist, defines entrepreneur as organizer or coordinator, who combine various factors of production to produce a product. According to him, "an entrepreneur is the economic agent who unites all means of production; land of one, the labour of another and the capital of yet another and thus produces a product. By selling the product in the market he pays rent of land, wages to labour, interest on capital and what remain is his profit". Thus, he shifts economic resources from area to another (lower productivity area to higher productivity area) and yield more and greater.

According to Joseph A. Schumepeter, "an entrepreneur in an advanced economy is an individual who introduces something new in the economy, a method of production not yet tested by experience in the branch of manufacture concerned, a product with which consumers are not yet familiar, a new source of raw material or of new market and the like". Thus, he defines entrepreneur as the innovator. The one, who bring the discrete dynamic change by instituting new combinations of means of production which he called 'innovation'. The innovation or new combination may occur in any one of the following forms, namely:-

i. Introducing new product.

ii. Introducing new methods and techniques of production.

iii. Opening of a new market.

iv. New source of raw material.

v. Carrying out of the new form of organization of an industry or reorganization of an industry.

Di-Masi conceives the entrepreneur as a person who perceives the market opportunity and then has the drive, motive, ability and motivation to mobilize resources to get and meet it.

A person who starts a business to follow a vision, to make money, to be the master of his/her own financially and spiritually soul and is an educated risk taker.

National Knowledge Commission (NKC) of India has defined entrepreneur as "the professional application of knowledge, skills and competencies and / or of monetizing a new idea, by an individual or a set of people by launching an enterprise denovo or diversifying from an existing one (district from seeking self-employment as in a profession or trade), thus, to pursue growth while generating wealth, employment and social good."

Characteristics of Successful Entrepreneur

In India, there are many persons who emerged as successful entrepreneurs like Azim Premji of Wipro, (late) Dhiru Bhai Ambani of Reliance Industries Ltd., Narayan Murthy of Infosys Technologies Ltd., Deepak S. Parekh of HDFC and many more. Their entrepreneurial profiles are found quite fascinating. What makes an entrepreneur to be successful? So, they are study in sharp contrasts. Some of them are highly educated and some of them are college drop out. Some are self-made and others are inheritors. Scanning the personalities of successful entrepreneurs there are certain characteristics features found to be a successful entrepreneur which are listed below:-

1. ***Hard work***: - there is no substitute for hard work. Willingness to work hard is one of the characteristics to be a successful entrepreneur.

2. ***Need for high achievement***: - the entrepreneur dare to dream high. They have got a strong desire to achieve higher goals in business. Successful entrepreneur have higher need for achievement (n-Ach) factor act as motivational factor. This keeps them continuously to be in action to achieve high goal.

3. ***Independence***: - Independence is one of the most common characteristics of a successful entrepreneurship. Most of the entrepreneurs don't like to work for others and follow their rules. They like to be independent to start their own business.

4. ***Highly positive***: - The successful entrepreneur are highly optimistic. They have always positive approach towards their action and things.

5. ***Foresight***: - Successful entrepreneur have a good foresight to think ahead which make them to think for future and know about future business environment. This quality make them to take necessary and timely action with

the changing condition of market, changing consumer taste and preference, attitude, technological development etc. they know how to grab opportunities and convert the problems into viable opportunities.

6. ***Organizer***: - Successful entrepreneur are good organizer. They have ability to combine together all the resources owned by different owner required to set up an enterprise and then produce goods or render services.

7. ***Innovative***: - Consumer requirement changes from time to time. To satisfy the consumer requirements entrepreneurs initiate research and innovative activities like introducing new products, discover new market, new source of supply raw material, new method of production and reorganizing the business.

8. ***Perseverance***: - Perseverance can make miracles happen. Never give up their efforts even if they fail. Even they learn experiences from their failure. They give their efforts until they achieve the goal. Ultimately they become successful.

9. ***Risk-bearer***: - Entrepreneur take calculated and moderate risk rather than play with wild gamble. They buy factor of production at certain price and sells the product at uncertain price.

10. ***Team – spirit***: - In team, efforts results in synergy. Entrepreneur make team and believe in team- spirit. This can be seems worth citing from Henry Ford's apt, "bringing people together is beginning, keeping people together is progress and working with people is success." Team work results in synergy and in turn more and better results.

11. ***Self- confidence***: - Entrepreneur are self –confident to accomplish their goals. They believe in themselves and confident they can achieve their goals. Without your consent no other one can make you feel inferior.

12. ***Decision- making***: - Decision – making means choosing the best one from alternatives. Decision – making skill is one of the quality required to become a successful entrepreneur. It is required and necessary at all time and mostly at the greater risk or uncertain conditions.

Check Your Progress-A

Fill in the blanks.

1. The ……..creates a new enterprise in a risky and uncertain environment.

2. The …….. type of entrepreneur is most suitable type of entrepreneur for a developing economy like India.

3. A ……entrepreneur is one who as an individual set up a business enterprise.

4. 'Withdrawal of status respect' as a pre-condition for the emergence of entrepreneurship is suggested by …….

1.4 ENTREPRENEURSHIP

Entrepreneurship refers to the function performed by an entrepreneur such as identifying and using opportunities, converting creativity and idea into action, bearing risk etc. Entrepreneurship is an elusive concept of much debate and discussion. It is the process of setting up a new business venture. It is the process of combining all the factors of production to produce goods. It is the innovative and creative response to the environment. Different people defined it differently. For some people Entrepreneurship is risk-bearing while for others it is innovating. Let us consider some definitions of Entrepreneurship.

According to Kao and Stevenson, "Entrepreneurship is the attempt to create value through reorganization of business opportunity, the management of risk-taking appropriate to the opportunity, and through the communicative and management skills to mobilize human, financial and material resources necessary to bring a project to function".

In the opinion of J. A. Schumpeter, "Entrepreneurship is based on purposeful and systematic innovation. It includes not only the independent businessman but also company directors and managers who actually carry out innovative functions."

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

National Knowledge Commission, defines, "Entrepreneurship is the professional application of knowledge, skills and competencies and/ or of monetizing a new idea, by an individual or a set of people by launching an enterprise de novo to pursue growth while generating wealth, employment and social good."

From the above definitions following are the characteristics of Entrepreneurship:-

i. Entrepreneurship is creative activity. Both creativity and innovation are not separable from entrepreneurship. It includes product innovation, new techniques or method of production, etc.

ii. Entrepreneurship is a dynamic process. It responds with the changes in the environment.

iii. Entrepreneurship is a purposeful activity. This purpose may be earning profit, serving humanity or social welfare.

iv. Entrepreneurship involves risk. For example: setting up a new business, introducing new method of technology or doing something new involves risk.

Core Elements of Entrepreneurship

i. Entrepreneurship is the process to identify opportunities. These opportunities may be large or small ones.

ii. Organizing the resources to pursue and exploit the opportunities for long term benefit.

iii. By combining resources in new ways to produce products for creating wealth, employment and economic development.

iv. Creativity and innovation are the core elements of entrepreneurship.

v. The entrepreneurs understand the people and scan the environment. They have ability not only to think creatively but also to apply creativity to business problem.

vi. They focus on creating values by doing things in more effective and efficient manner.

vii. They are adoptive in nature and ability to accept change as well as ability to change status-quo and achieve success by changing the way things are already being performed.

The Entrepreneurship includes Three Phases which are as follow

i. ***Initial Entrepreneurial or Inception Phase***: - It involves the identification, exploring and perception of an opportunity to start the business.

ii. ***Operational Phase***: - It includes the organization of business enterprise by theory and practice of management functions.

iii. ***Managerial Phase***: - Managerial phase includes taking and run the business enterprise as a going and growing unit and creativity wealth or earning profit.

Role of Entrepreneurship in Economic Development

Entrepreneurship, facilities the economic development of a country. Classical theories of economic development does not support any influence of entrepreneurship in economic development. For example: according to David Ricardo, there are only three factors of production like land, labour and capital. Adam Smith says economics is 'wealth of nation'. But later economist and thinkers like Schumpeter, Parson and Smelser, Sayigh etc. identified the role and importance of entrepreneurship in economics development.

Habison includes entrepreneurs as the prime movers of innovation Parson and Smelser describes 'entrepreneurship' and increased output of capital are two necessary conditions for economic development. In economic development role of entrepreneurship varies from economy to economy depending on its resources, political system, climate etc. Contribution of entrepreneurship also depends on the opportunity conditions in the economy. For favourable opportunity conditions they contributed more than economy with relatively less favourable conditions. For example: underdeveloped country, are less conducive to the emergence of innovative entrepreneurs because of the lack of skilled labour, paucity of funds etc. In these economy entrepreneurs are more imitator entrepreneurs less innovative entrepreneurs. As well as entrepreneurs in underdeveloped region also bound to launch small-scale enterprises due to paucity of funds and it is also observed that imitation on a massive scale can bring rapid economic development. Thus they treated as a agent to bring development in underdeveloped regions. Entrepreneurship promotes and facilitates rate of development of a country by contributing to the following factors given below in systematic and orderly manner:-

i. Entrepreneurship is not only an exercise of self-employment but also provide large scale employment opportunity. Thus, help in reducing unemployment problem in the country which cause of all socio-economic problems.

ii. By mobilizing idle saving of the public it promotes capital formation.

iii. It helps in promoting balanced regional development.

iv. It helps in reducing the economic power concentration in few hands.

v. It also promotes and facilitates the equitable redistribution of wealth, income and political power.

vi. It encourages optimum utilization and mobilization of resources like capital which might otherwise remain utilized and idle.

vii. It stimulates backward and forward linkage through setting up of an enterprise.

viii. It promotes country's export. Thus, help in generating foreign exchange.

ix. It also help in conversing the outflow of national wealth by producing products in country and thus reduce the need of import. It also reduce dependency on foreign countries and make self-reliance.

x. It increases the rate of gross domestic product (GDP), net national product and per capita income in the country.

xi. It improves the living standards of people increasing per capita income, removing scarcity of essential goods and introduce new product.

xii. It stimulates and promotes innovation in techno-managerial practices.

xiii. It improves international competitiveness.

Factors affecting Entrepreneurship

Emergence, growth, and development of entrepreneurship is not an automatic and spontaneous process. It depends on certain factors. These factors broadly divided into two types namely: economic and non – economic factor. Economic factors include capital, labour, raw material, market and infrastructure. Whereas, non-economic factors include social, psychological factors. Let us, discussed these factors one by one:-

1. ***Economic factors***: - Economic factors are those same factors which promote and facilitate economic development. They have direct and immediate influence on entrepreneurship. Following are the economic factors that affect the growth and development of entrepreneurship:-

    a. ***Capital***: - Capital is the one of the most important factors of production to establish an enterprise. Availability of capital facilitates the entrepreneurs to bring all other factors of production together from different persons to produce product. Therefore, capital is regarded as lubricant to the process of production. Increase in capital investment in sound projects also tends to increase in capital output-ratio. This results in increase in profit which ultimately accelerated the process of capital formation. Thus with the increase in capital supply or easy availability of capital will result in an increase in entrepreneurial activity. Russia exemplify that how an adequate supply of capital promoted entrepreneurial development and France exemplify that how the lack of capital for industrial pursuits impedes the same.

    b. ***Labour***: - Another factor which affect the entrepreneurship is the availability of right type of labour. Quality rather than quantity of labour influences the emergence of entrepreneurship. Entrepreneurship is encouraged by labour mobility. The labour immobility cancelled the advantage of low-cost labour. Considerations of Economic and emotional security are inhibit in labour mobility. Therefore, entrepreneurs find difficult to secure sufficient quality labour. But this problem can be solved by using capital-intensive technologies. And the problem of immobility of labour can be sorted out by providing better infrastructural facilities such as efficient transportation.

c. ***Raw Materials***: - Raw materials are the one of the most important factor required for establishing any industrial activity and thus affect the emergence and development of the entrepreneurship. Without raw materials neither any entrepreneur can be emerged nor can any enterprise be established. Availability of raw material affect entrepreneurial environment. Inadequate supply of raw material can adversely affect entrepreneurial activities but inadequacies of raw material can be compensated by technological innovation. It should be consider that supply of raw material also depends upon the opportunity conditions. More likely is the raw material to have effect on entrepreneurial activities in more favourable opportunity conditions.

d. ***Market***: - For the growth and development of entrepreneurship, market and marketing play a very important role. In the absence of the knowledge about market, no entrepreneur can think to survive in this highly competitive environment. Major determinants of probable rewards for entrepreneur from entrepreneurial function are determined by the potential of the market. It is well said that, 'if the proof of pudding lies in eating, the proof all production lies in consumption', i.e. marketing. Not only size but compositions of market also influence the entrepreneurship.

   Practically, competitive market for a product is less influential for entrepreneurship than a monopoly market. But by improving transportation system disadvantage of competitive market can be cancelled because it facilitates the movement of raw-material and finished good and increase the demand for the product. Similarly, transportation is more beneficial to heavy industry than to light industry. Wilken suggested that sudden improvement in market potential provide evidence of the influence of market on entrepreneurship. He takes the example of Germany and Japan, where rapid entrepreneurial appearance follows the rapid improvement in market.

e. ***Infrastructure***: - Developed communication and transportation facilities is important for the expansion of entrepreneurship to expand the horizons of business with enlarge the market. For example: in 1850's in India, establishment of post and telegraph system and construction of roads and highway considerable contributed in entrepreneurial activities. For promoting and sustaining entrepreneurship, in the economy, contributions like trade/business association, business, schools etc. valuable.

2. ***Non- economic factors***: - Besides economic factors, social factors and psychological factors may also necessary but are not sufficient conditions for the appearance of entrepreneurship. Existence of non-economic factors also affects the economic factors. Some major factors are listed below:-

a. ***Social factors***:- Social factors, those encourage entrepreneurship are as follow:

   i. ***Caste factor***: - In every society, there are certain cultural practices, values, norms and ethics which affect the individual's action. These practices have evolved over hundreds of years. This dominance of certain ethical group is a global phenomenon in entrepreneurship. The samurai in Japan, the trading classes in US and the protestant ethics in west have distinguished themselves as entrepreneurs.

   ii. ***Family background***: - Family background includes size, type and economic status of family. For instance: background of family in manufacturing facilities industrial entrepreneurship. If a family is very effluent it can gain access to political power and exhibit higher level of entrepreneurship or can raise fund/capital more easily and exhibit higher level of entrepreneurship.

   iii. ***Education***: - Education equips the person with knowledge and skills enable the person to understand the things, world and help him to deal with day to day problem as well as non-routine problem.

   iv. ***Attitude of the society***: - Attitude of the society towards entrepreneurship. Certain societies encourage change, innovations and novelties while certain societies do not accept change immediately. Thus, those encourage change encourage entrepreneurship and reward entrepreneur's action like profit. While in other societies, those do not accept change, entrepreneurship cannot encouraged by them.

   v. ***Cultural value***: - Entrepreneurial growth and development needs motive like profit-making, acquisition of prestige, social status etc. which keep the person in action. If these motives are very strong then determinant, talented and ambitious persons take risk. The strength of these motives depends upon culture of the society. For instance: Entrepreneurship would be applauded and praised if culture is monetarily and economically oriented, i.e. appreciation of the accumulation of wealth. The culture relatively less monetarily and economically oriented are relatively less attracted towards monetary incentives. They attain social distinction by non-economic pursuit. They do not use their abilities for economic ends but use in non-economic ends.

b. ***Psychological Factors***:- Some major psychological factors that affects the entrepreneurship are as follow:-

i. ***Need for Achievement***: - David McClelland's gives, 'theory of need achievement'. According to him, high need achievement is one of the characteristic of a person to become a successful entrepreneur especially when reinforced by cultural factors. It is the major determinant of entrepreneurship growth and development. The reason is that, people having high need-achievement motive like to take risk. This stimulates them to give greater efforts. McClelland attributed that some societies have high 'need achievement' relative to other societies. 'Need achievement' is more conditioned by these society (social and cultural) reinforcement. Parent influence, parent-child relationship and such other related factors also influence 'need achievement'. McClelland also argues 'Need achievement' can also be developed.

ii. ***Withdrawal of Status Respect***: - Psychological causes of entrepreneurship are also studied and understand by Everett Hagen. He stresses the psychological consequences of social changes. Everett Hagen attributed the withdrawal of status respect of a group to the genesis of entrepreneurship. With reference to a brief sketch of history of Japan, he concludes that due to two historical differences. Japan developed sooner than any non-western society expected Russia. First historical difference is that Japan has been free from colonial disruption and the other one is the, repeated long continued withdrawal of expected status from important group (Samurai) in its society drove them to retreatism. This results to the emergence alienated with increased creativity from traditional values. This ultimately leads them to technological progress by entrepreneurial roles. The loss of status by a group leads to entrepreneurial behaviour. Hages postulates that four types of event can produce status withdrawal.

    a) The group may be displaced by force.

    b) It may have its valued symbols denigrated.

    c) It may drift into a situation of status inconsistency.

    d) It may not be accepted the expected status on migration in a new society.

3. ***Political and Government Factors***: - In a country, actions of government also influence the emergence and development of entrepreneurship. With the supportive actions of the government, entrepreneurs are encouraged to function very well. The government can facilitates the entrepreneurs to establish the enterprises by providing them various incentives, subsidies and concession. Also, provide the basic facilities, utilities and services. Successful entrepreneurs

contribute to the upliftment and well-being of the society. So government should ensure the availability as well as accessibility of required resources to the entrepreneurs.

Growth of the entrepreneurship is affected by policies relating to various economic aspects like prices, availability of resources or factor of production, taxation, income distribution etc. to a large extent. Promotive Governmental activities contribute to the emergence and development of entrepreneurship and government policies like government monopolies, favouritism etc. are not desirable for the growth of the business enterprises. For example: 'policy measures for promoting and strengthening small, tiny and village enterprises 1991' industrial policy was first time announced by government of India to develop small enterprise in country. Later, the government of India enacted " Micro, small and medium enterprises development (MSMED) act,2006 " and also set up a separate ministry of Micro, Small and Medium enterprises for the growth and development of MSMEs in the country. This results in the continuous growth in the numbers of MSMEs in country.

Models of Entrepreneurs

On the basis of involvement of government and the way society values individual and collective action, following models of entrepreneurship can flourish:-

1. ***Free Market Model***:-

In Free market model government's role is limited. Basic conditions required for entrepreneurial culture can be created by public policy but rest is upto entrepreneur. The culture, in which entrepreneurial growth, development and success are celebrated. And less degree of social protection, As well as tax structure rewards initiative and financial gain is free market model. United States and Canada are the example of free market model.

2. ***Guided Individualism Model***:-

Guided Individualism model is based on individual enterprise's encouragement. Public polices play vital role by signalling industries in which entrepreneurial energies can be directed. Singapore and Taiwan are the example of Guided Individualism model.

3. ***Social Democrat Model***:-

Social democrat Model is the combination of social protection with encouragement of enterprises. It includes a sort of social partnership in which all partners are agreed upon social and economic framework. Sweden and Germany are example of social democrat model.

Entrepreneur's Philosophy

Individual's willingness to accept responsibility for his/her own work determines success of an entrepreneur to some extent. Risk of failure is always present in business venture despite of this entrepreneurs take risk by considering their own action's responsibility.

Success is the result of persistent efforts even sometime entrepreneurs gets success after experiencing failure. But they do not get disappointed from their failure. They learn from their failures and past experiences and channelizes their action to get more positive results.

Individuals have to pursue towards his/her goal depends on the individual's skills and abilities. He/she know and accept his strength and weakness. Or use strength as power and try to convert his/her weakness into strength and continuously give his/her best efforts for pursuing goals. Honestly and sincerely should pursue towards achieving goals. It is not necessary to get best and perfect results from his/her efforts but acceptable results are important. Pursuing towards goals helps an individual to groom him /her and bring out best qualities of an individual.

In terms of employment generation context, all self-employed and income generating persons may not be entrepreneurs but all entrepreneurs are self-employed and income generating person.

Check Your Progress- B

Write True or False.

5. Need for achievement is one of the psychological factors that affect entrepreneurship.
6. Mobility of labour is the only condition that is required for establishing and running an enterprise.
7. Entrepreneurship involves risk bearing and innovation.
8. Life-timers entrepreneurs take business as an integral part to their life.

1.5 SUMMARY

- Richard Cantillon an Irishman living in France, conceptualized the term entrepreneur as: "an entrepreneur is the agent who buys factors of production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future".

- The innovation or new combination may occur in any one of the following forms, namely: Introducing new product, Introducing new methods and techniques of production, Opening of a new market, New source of raw material, Carrying out of the new form of organization of an industry or reorganization of an industry.
- Characteristic of successful entrepreneur, hard work, needs for high achievement, independence, highly positive, foresight, organizer, innovative, perseverance, risk-bearer, team-spirit, self-confidence and decision-making.
- According to Kao and Stevenson, "Entrepreneurship is the attempt to create value through reorganization of business opportunity, the management of risk-taking appropriate to the opportunity, and through the communicative and management skills to mobilize human, financial and material resources necessary to bring a project to function".
- Three phases of entrepreneurship are Initial Entrepreneurial or Inception Phase, Operational Phase and managerial phase.
- Factors affecting entrepreneurship are economic, non-economic and political and government factors.
- Models of entrepreneur are free market model, guided individualism model and social democrat model.

1.6 GLOSSARY

- ***Entrepreneur***: An entrepreneur is the agent who buys factors of production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future.
- ***Entrepreneurship:*** Entrepreneurship is the attempt to create value through reorganization of business opportunity, the management of risk-taking appropriate to the opportunity, and through the communicative and management skills to mobilize human, financial and material resources necessary to bring a project to function.

- ***Free Market Model***: In Free market model government's role is limited. Basic conditions required for entrepreneurial culture can be created by public policy but rest is upto entrepreneur. The culture, in which entrepreneurial growth, development and success are celebrated. And less degree of social protection, As well as tax structure rewards initiative and financial gain is free market model. United States and Canada are the example of free market model.

- ***Guided Individualism Model***: Guided Individualism model is based on individual enterprise's encouragement. Public polices play vital role by signalling industries in which entrepreneurial energies can be directed. Singapore and Taiwan are the example of Guided Individualism model.

- ***Social Democrat Model***: Social democrat Model is the combination of social protection with encouragement of enterprises. It includes a sort of social

partnership in which all partners are agreed upon social and economic framework. Sweden and Germany are example of social democrat model.

1.7 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

1. Entrepreneur
2. Imitative.
3. Private.
4. Everett Hagen.

Check Your Progress –B

5. True
6. False
7. True
8. True

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1.10 TERMINAL QUESTIONS

1. What is meant by entrepreneur?
2. Define entrepreneurship?
3. Distinguish between entrepreneurship and entrepreneur?
4. Discuss the characteristics of successful entrepreneurs.
5. Define core elements of entrepreneurship.

UNIT 2 ENTREPRENEURIAL TRAITS AND TYPES

2.1 Introduction

2.2 Objectives

2.3. Entrepreneurial Traits

2.4 Characteristics of an Entrepreneur

2.5 Types of Entrepreneur

2.6 Summary

2.7 Glossary

2.8 Answer to Check Your Progress

2.9 Reference/ Bibliography

2.10 Suggested Readings

2.11 Terminal & Model Questions

2.12 Activity

2.1 INTRODUCTION

In the previous unit you learnt that Entrepreneur is an organiser who combines all factors of production for producing a product that is socially viable and relevant for the society at large.

S/He bears risk, combines all factors of production, exploits opportunities in to order to elicit demand and thereby contributes in creating wealth and employment. Thus, an entrepreneur is an economic agent who plays an important role in the economic and social development. S/He is an individual with knowledge, skills, initiative, drive and spirit of innovation who aims for achieving goals. Therefore, entrepreneurship is a dynamic activity which helps the entrepreneur in fostering changes in production, innovation, market, product and services. Entrepreneurship is an indispensable process for an economy which flourishes when opportunities are identified and resources are arranged for long term gains. Accordingly, entrepreneur is a one who aspires to live life with dignity, self-respect, values, aspirations, ideologies, positivity and perseverance. Therefore, the following are the charisma of being an entrepreneur and these charms may attract you to take some entrepreneurial activities;

a) To be independent.
b) For creating job for others.
c) Crafting one's own destiny.
d) Pursuing your own endeavour.
e) Taking own decisions.
f) Using talent, skills and knowledge for own, benefits and also for the nation's prosperity.
g) Magnifying uncertain rewards.
h) One can prove an achiever, because one seeks nothing else than excellence for one's venture.

Further, if you are interested for establishing entrepreneurial ventures or aspires for it then you should know how ready you are in terms of entrepreneurial traits and skills. Since it is a fact that you can develop yourself as an entrepreneur with proper guidance and training therefore, it is necessary for you to assess yourself on the grounds that require a certain level of characteristics, skills, competencies, attitude and traits for initiating your venture. Further, if you assess that you lack in few traits or skills that you should not be dishearten as these may be developed through proper guidance, education and trainings.

2.2 OBJECTIVES

After going through the unit you will be able to:

-learn the traits that an entrepreneur must possess.

-identify your traits for becoming a successful entrepreneur.

-classify entrepreneur into various types.

- assess yourself on the parameters of entrepreneurial competencies.

-explain the concept of e-Entrepreneur, Agripreneur, Social entrepreneur, Green Entrepreneur and Rural Entrepreneur

2.3 ENTREPRENURIAL TRAITS

Traits are individual characteristics, or qualities, that differ among people. These specific traits describe a person. These traits impact the destiny of the business venture undertaken by the entrepreneur. These specific traits are the driving force behind entrepreneurial competencies, motivations, and competitive strategies that guide the success of an enterprise. While many factors are important, the right entrepreneurial traits create a strong foundation for the construction of a successful venture. Oxford Dictionary has defined traits as "A distinguishing quality or characteristic, typically

one belonging to a person and is genetically determined characteristic". Therefore, for the purpose of determining entrepreneurial traits the same has been considered. However, these competencies are not only innate rather they may also be developed by proper training, right attitude and behaviour. The following traits should be possessed by the entrepreneurial for succeeding in the entrepreneurial ventures.

1. Initiative- Entrepreneurs possess an inner urge of doing something. They are self-reliant innovators. Entrepreneurs are generally considered as independent having high self-esteem and extraordinary self-reliance. They take initiative to start new ventures. They know that their acts and aspirations can lead to success or failure to the operations but with initiative seeking characteristic they extend the business into new products, new areas and new services.
2. Hard Workers-The successful entrepreneurs are possessed with the willingness to work hard in all the situations with sheer courage and determination. They work hard even when they face the ups and downs and joys and disappointments in their entrepreneurial ventures. Vice Lombardi, head coach of the Green Bay Packers in1959-1967 once said that "The price of success is hard work, dedication to the job at hand, and the determination that whether we win or lose, we have applied the best of ourselves to the task at hand." Thus, they are known to be workaholic.
3. Opportunity Seeker- Entrepreneur also tries to explore and acts on opportunities. S/He tries to seize opportunities coming in the way and converts them into realistic and achievable goals.
4. Quality Consciousness- Entrepreneurs are highly conscious about the quality and always strive for achieving excellence. They have inherent desire of producing work of high quality and this help them in stand out in the competition. Further, traits like quality consciousness give them sense of satisfaction and achievement across all the functions they perform.
5. Efficiency and Effectiveness Oriented- Entrepreneurs displays efficiency and effectiveness in all the endeavours they undertake. Utilization of resources with higher effectiveness also helps them to achieve the expected results with reduced inputs and reduced errors. They try to explore new methods and procedures that aim at promoting efficiency.
6. Problem Solving Ability- Successful entrepreneurs are challenging by nature. They always try to find out ways and means to overcome the problems that emerge while undertaking entrepreneurial ventures. They try to craft novel and potentially unique ideas to achieve their targets.
7. Self-Confident- Entrepreneurs tries to achieve goals and objectives with the belief on themselves as well as on their abilities. Entrepreneurs are highly self-determined and try to build their own destiny.
8. Risk taker- Successful entrepreneurs are generally risk takers. Sometimes they pursue short-term risky opportunities in anticipation of high growth and returns. Many a times, they also opt for the middle of the road of

calculated risk in which possibility of profits are quite high and the outcome depends upon their ability and hard work. But overall, risk taking is an important constituent in an entrepreneurial life.

9. Self-Motivated-Entrepreneur influence individuals and inspire them with his/her thoughts and pull them to work as per his/her aspirations. They are capable enough to motivate themselves and therefore they do not much require external drives for achieving pinnacles of success. They are consistent motivators who always aspire for getting the things done in a right way. Without considering the ups and down, you as an entrepreneur have to keep the spirit high without getting discouraged in the difficult times. As the author Ralph Waldo Emerson said "Finish each day and be done with it. You have done what you could".
10. Realistic Planner- They always works for achieving AIM that is 'Ambitions in their Minds'. S/He develops and uses logical step by step plans to reach goals. S/He plans by breaking a large task into subtasks, develops plans that anticipate obstacles, evaluate alternatives and most importantly takes a logical and systematic approach to activities.
11. Perseverance- Entrepreneur possesses high level of determination and desire which help him/her in overcoming all difficulties. They are persistent in their approach irrespective of obstacles and failures that come in their way. Their eyes are always on the goal and with consistent efforts, self confidence and optimism they pursue them patiently. Steve Jobs co-founder and CEO of Apple has rightly said that "I'm convinced that about half of what separates the successful entrepreneurs from the non-successful ones is pure perseverance."
12. Assertiveness- Assertiveness is the trait of being self-assured and confident without being aggressive. They believe in themselves and know how to assert what they want, what they feel and what they think.
13. Persuasive- Entrepreneurs possess an important quality of successfully persuading others. With this knowledge, abilities and confidence, s/ he try to convince others. S/He can persuade financers, creditors, employees, customers, suppliers and others to do the work the way s/he wants them to do.
14. Full of determination- The entrepreneurs have unending determination and commitment. They are creative and always aspire for results. They try to learn from their own mistakes and failures and they work hard again with renewed passion and determination.
15. Passionate- Entrepreneurs are highly passionate towards their work. They are highly passionate to encompass opportunities and challenges with sheer zeal and determination. Thus, this trait help them to stay for long till their entrepreneurial venture achieves success and help them to stay focussed on the business canvas they have sketched.

16. Tenacity- Entrepreneurs possess an important trait of being tenacious. They are committed towards each and every decision and try to align their work with the desired results. With goals-directed action and energy driven approach, they instils cohesiveness among the groups working within the organisation and develop in them a sense of belongingness. Henry Ford has also said that 'Coming together is a beginning; keeping together is progress; working together is success'.
17. Information Seeker- Entrepreneur takes action after collecting all the information about opportunities, market, technology, loans, policies, location and even about the industry as well as the competitors. If you are planning to set your own enterprise you have to be information seeker and you have to gather information from various sources to acquire knowledge. With this characteristic you can build a strong interpersonal relationship which can used to strengthen business contacts and terms with suppliers and other persons related to the business.
18. Visionary- Visionary individuals are the one who can plan or can contemplate about the future with imagination or wisdom. They have an insight to see what others cannot see. They can realistically put the business canvas to work, which they have sketched for their venture. They are able to see exactly what their business is going to look like in the future.
19. Go Getter-Entrepreneurs are very energetic aggressively enterprising person. They are grounded with determination, zeal, out-of-the-box thinking and self-assurance which help them in dealing with new or difficult situations easily.
20. Team Builder-Entrepreneur work with great team spirit for achieving the common goals. Entrepreneur also cultivates team spirit among the employees and other group for amplifying the probability of success for the team's endeavour.

2.4 CHARACTERISTICS OF AN ENTREPRENEUR

For reaching at the top of the ladder, an entrepreneur should have technical competencies together with initiative, determination, commitment, self-confidence, clear objectives, self-motivation, problem solving attitude, risk taking attitude and an ability of balancing work and life. However, there are some characteristics that can be acquired after proper training, right attitude and unending efforts. Thus, the following common characteristics are found in the successful entrepreneurs;

1. The entrepreneurs are highly optimistic and are endowed with the positive approach for seeing the world. With optimistic attitude they transform difficult situations into favourable one.

2. Successful entrepreneurs have adequate knowledge of their businesses. They are well versed with the peculiar characteristics of the venture they are into and know the characteristics of the customers, markets, products and suppliers.
3. Alertness is a personality characteristic of entrepreneurs which can be acquired through practice. As an entrepreneur you need to practice continuously searching of possible opportunities and the same may result into profits in the long run.
4. The entrepreneurs also possess good communication skills. As an entrepreneur if you can communicate impressively with your customers, employees, suppliers, creditors and other stakeholders, you can sustain your business growth.
5. Entrepreneurs are confident about their beliefs and abilities. They not only depict confidence in their own abilities rather they also instil confidence in others. If you opt for any business venture and if you have confidence in yourself then you can accomplish benchmarks with better long –term outcomes.
6. Entrepreneur has an important characteristic of building personal relationship with the customers, employees and other stakeholders. With this characteristic s/he can definitely succeed in the business by influencing the people who are directly or indirectly associated with them.
7. Entrepreneurs should be intelligent with creative thinking which is helpful in analysing complex situations. Further, s/he should also possess emotional intelligence to manage behaviour, navigating social complexities and in making personal decisions and achieving positive results.
8. Entrepreneurs are intelligent and creative thinker. An entrepreneur should possess intelligence and creativity so that it may help them in solving complex problems which may come during entrepreneurial journey. Certainly, this will help them in handling typical situations appropriately.

Few Success Stories

Aditya Vikram Birla was India's cherished enterprising person who diversified his group extensively into textiles, petrochemicals and telecommunications. He was one of the first Indian industrialists to expanded business in abroad by setting up plants in South East Asia, the Philippines and Egypt. He endorsed that business could be global being still local and he proved by sketching his business canvas worldwide.

Dr Arokiaswamy Velumani, Chairman of Thyrocare Technologies Limited, has struggled in his childhood grew up in poverty at a village near Coimbatore. Before establishing Thyrocare Technologies Limited , he worked as a scientist at Bhaba Atomic Research Centre (BARC), Mumbai, for 15 years. He spent his Provident Fund Money to take up this venture in 1995. He is creative and a team builder who does not follows set traditions and employs freshers in his company. He is an optimist who always perceives glass half full and therefore have managed to build 122 outlets and collection centers across India and abroad.

N.R. Narayana Murthy is one of the most successful entrepreneurs and a truly acclaimed leader in the country. He has proved that merit doesn't matter but what matters is hard work, honesty, integrity, simple living and high thinking, under-promising and over delivering and performance orientation. He is an Indian IT industrialist and the co-founder of Infosys which has excelled in providing business consulting, technology, engineering, and outsourcing services.

Kiran Mazumdar Shaw is an entrepreneur who nailed all the peripheries which was set for a woman. She leaded the biotech industry in India which was fairly dominated by men, but she managed to break the myths and established Biocon a global brand. She learnt from her failure and carved a niche for herself with sheer dedication, zeal and vigorous attitude towards work. She has taken criticism positively and possesses courage and a dare-to-take-risk attitude. She once quoted that "I want to be remembered as someone who put India on the scientific map of the world in terms of large innovation. I want to be remembered for making a difference to global healthcare. And I want to be remembered as someone who did make a difference to social economic development in India."

Vijay Shekhar Sharma is an entrepreneur and founder of Paytm, a mobile wallet and e-commerce marketplace which is among the 11 recipients of a payments bank licence from the Reserve Bank of India (RBI). In his initial days he struggled a lot because of his poor English proficiency, he couldn't sit for the IIT entrance and other competitive exams. However, he passed out of Delhi College of Engineering at an early age of 19. Vijay established his first company- 'XS Communications', Content Management Systems in college days. *He overcame his weakness by reading English Newspapers and Magazines daily and spent time in the computer centre in the college. Today, in February,2017 Paytm's user base for wallets crossed 200 million. The payment platform is currently available in 10 regional languages – Tamil, Telugu, Kannada, Malayalam, Hindi, Gujarati, Bengali, Oriya and Punjabi.*

Check Your Progress-A

Q1. List out any seven traits that are relevant for the Entrepreneurial Pursuits?

Q2. What are the various Charms of becoming an entrepreneur?

Q3. Prepare a list of at least five factors that you believe motivate entrepreneurs to start up new businesses.

Q4. Choose the correct answer option.

I. Successful entrepreneurs are generally;
   a) Risk Seeker
   b) Risk Neutral
   c) Risk Averse
   d) None of these

II. Which of the following is not a personal characteristic often found in an entrepreneur?
   a) self-confident.
   b) independent-minded.
   c) perceptive.
   d) follower.

2.5 TYPES OF ENTREPRENEUR

Entrepreneurs are classified on the various dimensions depending upon the characteristics their share under each category. The entrepreneurs are classified on the basis of their functional characteristics, ownership of scale, size of entrepreneurship business, motivation types, personality types, gender, use of technology and development point of view. Further, Clarence Danhof and Arthur H. Cole has also classified the entrepreneur into various categories, these has been presented under functional characteristics. Let us study these classifications in detail;

2.5.1 Classification on the basis of Functional Characteristics

The sub division on the basis of functional characteristics has been classified by Clarence Danhof . Danhof's classification of entrepreneurs is based on the study carried by him on the American Agriculture. The entrepreneurs are grouped as per the stages of economic development. At the kickoff of economic development, entrepreneur is less initiative but as the development accelerates, they try to depict more newness and enthusiasm towards business and managerial activities.

a) Innovative-Innovative entrepreneur are the one who captures new opportunities, use novel methods, introduce new products, use new technologies, explore new markets, creates new organizations and always work with pristine avidity. They are aggressive in the approach and they sharply and skillfully put ideas into realities. They add lot to the economic progress of a country. Schumpeter view of entrepreneur was of this type. He stated that innovation can happen endogenously. These individuals depict their enthusiastic enterprising spirit and are passionate, visionary, persistent, energetic and creative. Their traits and skills foster changes in their enterprise, thereby bringing transformation in the economy as well as in the business world
b) Imitative- Imitative Entrepreneurs are also termed as Adoptive Entrepreneur. They immediately adopt those innovations and activities that are initiated or developed by Innovative entrepreneur. Such entrepreneurs are not the first movers rather they try to adapt to the technological changes that are brought in by others. These entrepreneurs are favorable for the developing or underdeveloped regions as they can analyze how the land, labour, capital and machinery are organized in the developed countries and with this analysis they can proceed for implementing the same in the developing as well underdeveloped regions.
c) Fabian – These entrepreneurs are skeptical in initiating for any change. They are too cautious and calculative while undertaking any business venture. They only start business activities when they are sure that their activities hardly result into any failure. Therefore they are hesitant, fearful, risk averse and lazy.

They mimic innovators of the industry and invest when they are convinced that the ventures are grounded with the sufficient possibilities of profits.

d) Drone- Drone Entrepreneurs are the fourth subdivision of entrepreneurs as per the Clarence Danhof Classification. Such entrepreneurs neither want to grab opportunities nor want to initiate for changes in the methods of production even at the cost of reduced returns or losses. They are introvert, conservative and orthodox in their outlook and are laggards in their approach.

2.5.2 Classification on the basis of ownership

a) Private Entrepreneur- Private Entrepreneurs are the individuals who own a business or an industry that is run independently of the government and s/he solely takes the responsibility of managing an enterprise, s/he further undertakes the complete risk of losing capital and manages the business with the keen interest of profits and growth.
b) State Entrepreneur- State Entrepreneurs are those entrepreneurs who run and manage the trading or industrial venture of the State or the Government. They try to introduce innovation by implementing novel ideas and processes in the public sector.
c) Joint Entrepreneur- When a private entrepreneur and the Government jointly operate an enterprise they are termed as Joint Entrepreneur. Entrepreneurial activity under such system is jointly shared by the Private Entrepreneurs as well as Government.

2.5.3 Classification on the basis of Business

a) Agriculture- Agricultural Entrepreneurs are the one who undertakes agricultural activities such as cultivation of crop, harvesting, marketing of agricultural produce, irrigation, sheltered and cold storage facilities for agricultural produce, irrigation and application of technologies and other similar ventures. They cover wide range of agricultural activities such as crop production, livestock production, poultry keeping, agricultural support business, agro technologies and marketing of agricultural produce. Agricultural entrepreneurs are also related to agricultural inputs.
b) Manufacturing- These entrepreneurs manufactures products which are well suited to needs and aspirations of the customers. S/He tries to use resources including economic, human and technological resources for producing goods and services in the economy. When they manufactures in the small size and quantity, then they are termed as small manufacturers.
c) Trading- Such entrepreneurs undertakes trading activities and is not engage into production of goods and services. S/He undertakes domestic as well as international trade. They procure finished products from the manufacturers and later sell it to the customers either directly or through retailers. They serve as

the middlemen among wholesalers, dealers, retailers, manufacturers and customers.

d) Service- These entrepreneurs provide services to the consumers. They have expertise into a particular segment and accordingly, they provide generic services for the benefit of the customers. They may be into education, insurance, treatment, cleaning, consultancy, accountancy, designing etc. They deliver value to their customers by providing specialised services that cater to the benefit of its customers.

2.5.4 Classification on the basis of Use of Technology

a) Technical- The entrepreneur who utilizes science and technology for establishing an enterprise and also utilizes technology extensively for managing the enterprise is termed as technical entrepreneur. These entrepreneurs generally have science and engineering background or strengths and they try to develop products and services on the basis of knowledge, research and technology. As a technology-based entrepreneur, they always try to apply technological support in all functions of management right from planning to control and also they try to apply novel technologies from manufacturing to research. These entrepreneurs try to achieve high order success on the basis of the latest knowhow and knowledge.

b) Non-Technical- The entrepreneurs who do not apply technologies for running an enterprise are generally termed as non –technical entrepreneur. They generally try to adhere to the traditional methods to establish and run an enterprise.

2.5.5 Classification on the basis of Size of Enterprise

a) Micro Scale Entrepreneur- These are those individuals who invests in plant and machinery excluding land and building for enterprises engaged in manufacturing or production, processing or preservation of goods not more than 25 Lakhs. Further, in case of enterprises engaged in providing or rendering of services (loans up to Rs 1 crore) investment by such individuals in equipment excluding land and building is not more than Rs.10.00 Lakhs.

b) Small Scale Entrepreneur- An entrepreneur who is running the industrial undertakings with an investment in plant and machinery excluding land and building for enterprises engaged in manufacturing or production, processing or preservation of goods more than Rs.25.00 lakhs but less than Rs.500.00 lakhs, are termed as small scale entrepreneur**.** Further, investment in equipment excluding land and building for enterprises engaged in providing or rendering of services (loans up to Rs 1 crore) by such individuals are more than Rs.10.00 lakhs but less than Rs.200.00 lakhs**.** They play an important role in

employment creation, resource utilisation and income generation and they play a vital role in instilling changes in the economy in gradual and phased manner.

c) Medium-Scale Entrepreneur- Medium Scale Entrepreneurs are the one who has made investment in plant and machinery excluding land and building for enterprises engaged in manufacturing or production, processing or preservation of goods for more than Rs.500.00 lakhs but less than Rs.1000.00 lakhs. Further, investment in equipment excluding land and building for enterprises engaged in providing or rendering of services (loans up to Rs 1 crore) is more than Rs.200.00 lakhs but less than Rs.500.00 lakhs.
d) Large Scale Entrepreneur – They are the one who has made investment in plant and machinery for more than Rs.1000.00 lakhs. Large scale industries are the industries with huge infrastructure man power and heavy capital of more than rupees ten crores. The entrepreneurs of such industries play an important role in shaping the fortune of an economy.

5.5.6 Classification on the basis of Gender

a) Men Entrepreneur- When enterprises are owned, managed and controlled by men , they are termed as Men Entrepreneur.
b) Women Entrepreneur- When enterprises are owned, managed and controlled by Women or when they have a minimum financial interest of 51% of the capital and they render employment to at least 51% to women then they are termed as Women Entrepreneur.

   Women entrepreneurship may be defined as "women achieving economic independency and generates employment opportunities to others by running an enterprise". In the past fifty years, society shifted their perspectives of women being primarily child bearers and caregivers to include primary breadwinners or co-contributors to the family income (Parker, 2009).

   They are the one who plan for an enterprise with a vision, initiate to fulfil it, attempts to nurture it by employing factors of production while undertaking risk and run the enterprise with sheer zeal and courage. They are not just homemaker rather they are the one who can successfully manage both their home as well as their business effectively. They are recognized as contributor in the economic growth and development. They create new jobs for themselves as well as for nation. Government has provided various schemes for the promoting women entrepreneur in the country. Kiran Mazumdar Shaw Shahnaz Husain, Indu Jain, Kiran Mazumdar Shaw and Sabina Chopra are to be named few.

2.5.7 Classification prescribed by Arthur H. Cole

a) Empirical- The empirical entrepreneur are reluctant to changes and generally follows rule of thumb. They do not opt for revolutionary strategies.
b) Rational- The rational entrepreneur is well informed about the economic happenings and intends to introduce radical and appropriate changes.
c) Cognitive- The cognitive entrepreneur is well aware about the process, procedures, innovative methods and techniques. They chalk out plans and actions on the basis of expert advice and attempts to introduce changes that are completely different from the existing scheme of an enterprise.

2.5.8 Classification on the basis of Motivation

a) Pure-Pure Entrepreneur is the one who are motivated by monetary and psychological rewards. They aspire for the ventures in which possibility of gain is reasonably high and they undertake such ventures for personal satisfaction, ego and status.
b) Induced- Induced Entrepreneurs are the one who undertakes entrepreneurial activities because of the support and assistance received from the government. Such entrepreneurs are influenced to undertake such ventures because of policy measures of the government in terms of facilities, concessions, incentives, subsidies, tax rebates and the like. Such entrepreneur may undertake entrepreneurial tasks because of external factors like institutional support, family support and other organizational support.
c) Motivated- These entrepreneurs are self-motivated to undertake entrepreneurial activities because of self-fulfillment and desire. They are passionate for becoming a successful entrepreneur and they have an ability to think out of box and making things happen as per their desire. They are motivated for establishing such units for their benefits, for those who are near to them and for those who they care about.
d) Spontaneous – Such entrepreneurs are creative and natural entrepreneur. These have an ability of foresightedness, confidence, leadership skills, self-motivation, conviction and confidence. They exploit opportunities spontaneously which contributes in industry diversity and regional development.

2.5.9 Others-

a) e-Entrepreneur- E-entrepreneur is the one who tries to establish a venture which is based on electronic platform and internet. Such entrepreneur undertakes risk and invests capital in electronic business and thereby offers value through digital or electronic products and services. This notion of e-entrepenur is recently gaining importance and is defined as principally using the Internet to strategically and competitively achieve vision, business goals and objectives. e-entrepreneurs use the World Wide Web (WWW) to interact and

complete virtual transactions both with other businesses (B2B) and their consumers/customers (B2C) (Thompson and Stickland, 2003). 'e-Entrepreneurs are defined as individuals or organisations engaged in e-Entrepreneurship. It is also anticipated that e-Entrepreneurs will possess similar traits as entrepreneurs, in addition to having expertise in employing technical skills. 'A successful e-Entrepreneur is one who, along with being profitable in dollar terms, would have also survived external (such as technological changes, competitors, government policies) and internal (for instance, employee turnover, organisational culture) forces'. (Zutshi, Sohal and Zutshi,2005).

b) Agripreneur-This termed is quite prevalent these days. It refers to the new segment of entrepreneurs who has a passion of farming and agriculture and establishes businesses related to farming and agriculture by utilizing their managerial as well as business skills and competencies. They sometimes add value by enriching the produce by processing or by packaging food that they have grown in the creative and skillful style.

c) Social entrepreneur- Social Entrepreneurs tries to use business practices such as business planning, project management, marketing and sales, for advancing social causes. Social entrepreneurs use innovative tools and market□driven mechanisms to solve key and complex social problems, making a positive impact on society as a whole

Prof. Mohammed Yunus of Bangladesh set up the Grameen Bank, which pioneered the concept of giving micro loans to the people below poverty line. These micro loans have made a big impact in helping the poor people start their own business and uplift themselves from the clutches of poverty. Ela R. Bhatt established Self Employed Women's Association in Gujarat with the formation of women group and cooperatives. Rajendra Singh of Tarun Bharat Sangh decided to work for the improvement in the drought prone area of Rajasthan. He undertook massive work on water related infrastructure development with the cooperation of local community. He was awarded with Roman Magsasay Award for his contributions in community work.

d) Green Entrepreneur- Green Entrepreneurs are agents of change who destroy the existing conventional production methods, products, market structures and consumption models and replace them with new, superior ecological products and services. They have strong internal motivation related to a heightened sensitivity to environmental problems. They address an environmental/social problem/need consciously and this is at the core of their business activity. They consciously strive to contribute to a more sustainable future, contributing both to social as well as environmental values.

e) Ultraentrepenur- The term has gained importance by the book written by Hall Julain , Entrepreneur to Ultrapreneur - 100 Ways to Up Your Game . It denotes to the individuals who not only excelled in the managing their enterprise but also has a profound effect on their family, community, country or humanity.

Such entrepreneurs depicts a holistic approach of managing all aspects of one's life that portrays entrepreneurship, health and well-being, family, spirituality, morality and mentality which come together to provide a supreme balance.

Check Your Progress- B

Q1. Explain the various classifications of Entrepreneurs.

Q2. What do you understand by the term e-entrepreneur?

Q3. What is the Classification of entrepreneurs prescribed by Arthur H. Cole?

Q4. Multiple Choice Questions-

I. Among the following, which answer option denotes the **e**ntrepreneurs who have made investment in plant and machinery excluding land and building for enterprises engaged in manufacturing or production, processing or preservation of goods for more than Rs.500.00 lakhs but less than Rs.1000.00 lakhs?

a) Small Scale
b) Medium Scale
c) Large Scale
d) None of these

II. Which of the following entrepreneurs undertakes entrepreneurial activities because of the support and assistance received from the government?

a) Pure
b) Induced
c) Motivated
d) Spontaneous

Q5. Fill in the Blanks

I. …….is the most suitable type of entrepreneur for a developing economy.

II. ……refers to the new segment of entrepreneur who has a passion of farming and agriculture and they initiate for such businesses by utilizing their business skills and competencies.

2.6 SUMMARY

Entrepreneur is an economic agent who plays a vital role in the upliftment of a society. S/He is an individual with knowledge, skills, initiative, drive and spirit of innovation. Entrepreneurs possess specific traits that are useful in nurturing the enterprises as well as intellectual talents in the country.

In this unit you learned common characteristics of successful entrepreneurs some of which are hard work, desire for high achievement, , independent, foresight, strong mental ability, highly optimistic ,leadership ability and updated technical knowledge. In this unit you also came to know about the various classifications of entrepreneurs. Entrepreneurs are classified on the basis of their functional characteristics, ownership of scale, size of entrepreneurship business, motivation types, personality types, gender, use of technology and development point of view.

2.7 GLOSSARY

- ***E-Entrepreneur***- E-entrepreneur is the one who tries to establish a venture which is based on electronic platform and internet. Such entrepreneur undertakes risk and invests capital in electronic business and thereby offers value through digital products and services.
- ***Agripreneur***- This term is quite prevalent these days. It refers to the new segment of Entrepreneur who has a passion of farming and agriculture by utilizing managerial and business skills and competencies.

- ***Ultraentrepenur***- It denotes to the individuals not only excelled in the managing their enterprise but also has a profound effect on their family, community, country or humanity.

2.8 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

Q4. I a II d

Check Your Progress –B

Q4. I b II b Q5 Imitative II. Agripreneur

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2.11 TERMINAL QUESTIONS

1. Describe, with the help of examples, the essential characteristics of successful entrepreneur.
2. Discuss the various classifications of entrepreneurs in detail.
3. List the various charms of being an entrepreneur. Also describe your personal interest for becoming an entrepreneur.
4. Explain the various traits that must be possessed by an entrepreneur to succeed in the market.
5. List out the various competencies and skills needed on the various stages involved in the entrepreneurial process.

2.12 ACTIVITY

1. Assess yourself on the grounds of traits an entrepreneur should possess and list your strengths and weaknesses on the dimensions so identified. Also explain the ways how you can further strengthen your entrepreneurial traits and can add more to the inventory of traits you possess.
2. Interview an Entrepreneur near your area and list out his/her traits that have helped him/her in becoming a successful entrepreneur.
3. Identify any person of repute in your neighborhood who possesses the entrepreneurship traits. Five examples and instance where these qualities were reflected by him or her.
4. Visit any Green entrepreneur and find the benefits/advantages of Green entrepreneur over others.

UNIT-3 DEVELOPMENT OF ENTREPRENEURSHIP

3.1 Introduction

3.2 Objectives

3.3 Characteristics of an Entrepreneur

3.4 Entrepreneurship & Society

3.5 Starting an Enterprise

3.6 Funding an Enterprise

3.7 Entrepreneurial Success and Failure

3.8 Decisions for Entrepreneurial Process

3.9 Entrepreneurial Environment

3.10 Social Entrepreneurship

3.11 Check Your Progress

3.12 Challenges for Entrepreneurs

3.13 Summary

3.14 Glossary

3.15 Answers to Check Your Progress

3.16 References

3.17 Suggested Readings

3.18 Terminal Questions

3.1 INTRODUCTION

The term entrepreneur is derived from a French word '**Entreprendre**' which literally means '**to undertake'**. The word entrepreneur was introduced in the economic field for the first time by **Rechard Cantillon** in the year 1755. The word now is a concept which deals with entrepreneurs who are people who break new grounds in starting a business. They have new ideas and wish to organize, manage and develop business ideas which may have risks associated but have the potential to make money. The key

characteristics associated with Entrepreneurship are innovation and the ability to take a well calculated risk. It is also an important part of a nation's ability to succeed in changing and increasing competitive global marketplace.

Some of the world's most successful entrepreneurs include W.H. Bill Gates & Paul Allen (Microsoft Corporation), Steve Jobs (Apple), Pierre Omidyar (Ebay), Caterina Fake (Flikr) Mark Zuckerberg (Facebook) etc. **Dhirubhai Ambani** (Reliance group), JRD Tata (Tata Group), Azim Premji (Wipro), N R Narayana Murthy (co founder Infosys) and Shiv Nadar (HCL) are few of the many success stories scripted by Indians in the entrepreneurial horizon through their sheer grit and resolve to achieve success.

Some of the reasons behind individuals (alone or in association) opting for entrepreneurship can be interpreted as under:

1. They want to lead an organization and for that they have to start one..
2. They get inspired by the success stories of other entrepreneurs.
3. They have new innovative ideas which can be commercialized.
4. They love taking risks and wish to capitalize on their skill.
5. They feel responsible towards the society to find solutions for societal problems.
6. They wish to follow the legacy in their family and carry it forward.
7. They are too ambitious and want to charter their own growth.
8. They have problems with their existing jobs and want to get out of them.
9. They want to work in the location of their choice
10. They firmly believe that entrepreneurship is the only thing they can involve themselves into.

3.2 OBJECTIVES

After reading this unit you will be able to understand about:

- Characteristics of an Entrepreneur
- The impact of entrepreneurship on society
- How to start an enterprise
- Ways to Fund an enterprise
- Dealing with entrepreneurial Success and Failure
- Decisions during entrepreneurial Process
- The Components of entrepreneurial environment
- Social Entrepreneurship

3.3 CHARACTERISTICS OF AN ENTREPRENEUR

The entrepreneurs are characterized by some specific traits which enable them to succeed in their ventures as well as differentiate them from others. The following are some of the key traits of an entrepreneur:

Passionate about their Work

The most important trait defining an entrepreneur is his passion towards executing his ideas into reality. They tirelessly work on their ideas and have a keen willingness to surmount any challenge that is thrown against them. Their passion is the key towards building their businesses brick by brick.

Always Motivated

Entrepreneurs are not bogged down by failures and their motivation keeps them trying again and again till they achieve success. They continuously work upon their shortcomings and do not give up unless they are firmly convinced that their approach needs to be changed.

Risk Bearers

Every business has inherent risk involved in it and it requires courage to accept the challenge to take that risk. Entrepreneurs are always willing to take these risks willingly as they have confidence in their business ideas as well as in their ability to execute it successfully. However, the risk is taken after a careful calculation of dealing with probable failures if any.

Discipline and Dedication

It requires lot of perseverance and discipline for an entrepreneur to keep the newly formed business going. This is very important as any complacency can derail the new enterprise and discipline by promoters always inspires the employees to give up their best as a team.

Flexible and Adaptable

Successful entrepreneurs are those who are open to ideas and suggestions from other people and tweak their business plan, products and services as per the need of the hour. They continuously adapt themselves as per the market dynamics and customer feedback. They accept their follies and are willing to adapt themselves to change in the business environment.

Efficient Fund Manager

Since there is scarcity of capital in the initial days of setting up of a business and the revenue generation is slow, an entrepreneur has to be very efficient in management of funds as well as keeping a buffer for unforeseen circumstances. The planning has to be meticulous so that cost of funds does not become unbearable. At later stages, good money management can help increase margins and tide over adverse situations.

Ability to Network

It is vital for all entrepreneurs to have great networking abilities to get valuable advice and information from mentors, professionals, industry peers and other sources which can be very crucial in planning and execution of strategy.

3.4 ENTREPRENEURSHIP AND SOCIETY

Entrepreneurship has a major contribution in the growth of a nation's economic development. So it is important to identify the motivational pulls enticing the people to become entrepreneurs and also explain why some are more successful while others are not. An enterprise is greatly affected by the society. Thus, we can say, it is a part of society. In the social environment, both of them share an intimate bond where they affect each other and share their profits as well as loss. In this "affecting & being affected relationship" a proper balance has to be maintained.

The entrepreneurs are not always motivated by the amount of profit earned or money made but they consider it as a standard for measuring success. An entrepreneur greatly gives an emphasis on self-reliance and looks for distinction through excellence. They are highly optimistic and they always prefer challenges having manageable levels of risk.

3.5 STARTING AN ENTERPRISE

An entrepreneur normally starts with a business idea and goes on to execute it into a thriving business. The various steps in this journey can be listed as under:

1. **Generate a business idea-** The business idea has to be unique or filling a void in the present market. The idea has to be a solution to the problem and should be validated by experts and research studies before moving further

2. **Make a business plan-** It is a written plan on how the idea will be executed and includes mention of all resources and strategy which would be utilized to start and run the enterprise. It broadly has two components- technical and financial.

3. **Assess your financial capabilities-** This is done to assess as to how much capital will be required for the business and what would be the sources for

acquiring these funds. We can also decide the capital structure (mix of debt and equity) at this stage.

4. **Decide upon the legal structure of business-** This involves deciding upon the organizational structure (proprietorship, partnership, company, cooperative etc) as well as the various regulatory and legal provisions required to be complied for running the business.

5. **Register the business with the government-** This is the stage when the business gets life and a unique identity as it gets registered by the government under the relevant statute.

6. **Hire the best possible team-** The success or failure of an organization depends a lot upon its employees. The entrepreneur has to strive to get the best possible talent under limited financial resources. Also critical is to retain talent with employee friendly policies.

7. **Brand and start operations-** After everything is in place, comes the stage where a brand name is given to the product / service and it is launched in the market. It is a very critical stage and quality, price and distribution all has to be perfect in order to gather initial momentum.

8. **Advertise your product/service-** It is essential to spread the word about the product among the prospective customers and hence various media platforms like print, outdoor, audio-visual, digital etc are utilized for running an advertising campaign.

The company form of organisation is most popular among entrepreneurs as it has the best scope of raising capital once the business grows in size. The following are the steps required in the legal procedure to start a company in India:

- **Application for DIN (Director Identification No.) online in form DIR-3 and Digital Signature Certificate.** (This process calls for submitting attested support documents as proof of identity and address.)

- **Decide for a Company name and check for its availability on MCA website.**
- **Drafting of Memorandum of Association** (It is akin to the constitution of the Company. It lists out the various objectives of the company, information about its activities, capital, liability, names of founding directors etc) **and Articles of Association** (describes the rules and procedures for the routine conduct of the company)
- **Filing of e-Forms with the RoC. (**Form INC-7 for incorporation of a Company, INC-22 for notice of situation of registered office and DIR-12 for providing information about appointment of Directors and key managerial personnel)

- **Payment of RoC fees and Stamp Duty electronically.**
- **Verification of documents/forms by RoC** (Make necessary changes as advised by RoC after scrutiny of documents).
- **Issue of Certificate of Incorporation by RoC** (Digitally signed certificate is emailed to Directors. After receiving this, the Company can start its operations)
- **Filing of e-Form INC 21 with RoC (**declaration regarding share subscription, paid-up capital and registered address of the Company**) within 180 days from the date of incorporation of the company.**

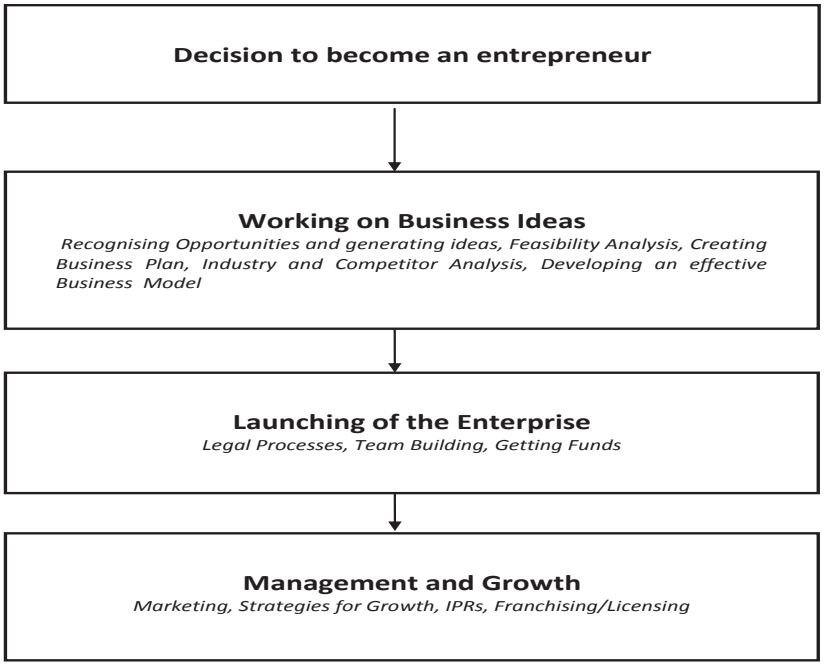

Figure: Journey of Entrepreneur

Check Your Progress-A

Q1. Who are entrepreneurs?

Q2. Why are entrepreneurs necessary in a society?

Q3. What are the different steps in starting an enterprise?

3.6 FUNDING AN ENTERPRISE

One of the most important requirements of starting an enterprise is arranging the capital for initial investment. There are many ways to do it depending upon factors like promoter's capacity, risk appetite, market conditions etc. Some of the prominent ways to arrange funds are described as under:

Bootstrapping

This is the most basic form of arranging funds and relates to using one's own money to start the business. This is suitable for businesses which do not require heavy capital expenditure in the beginning and can be used till the stage of prototype. Normally people who bootstrap do not give up their existing jobs or sources of income.

Business Incubators

The entrepreneur needs resources to work upon his idea in order to reach the prototype stage. During this process it is neither viable nor possible to commit to heavy capital expenditure on acquiring facilities for development. It is here that platforms or Institutions called Incubators step in which provide a host of services like office spaces, pilot plants, administrative support, legal advice and compliances, mentorship support etc. This helps the entrepreneur to a great extent as he doesn't have to worry about financial drain till he reaches the launch stage. Normally the incubation period is for two to three years. In exchange of providing these services, the Incubators can charge some fee or a share in equity of the proposed business. However, entry into an incubator is difficult as it is subject to a rigorous vetting of the business proposal by a committee. Various prestigious institutes in India like the IITs or IIMs have started their own incubators.

Angel Investors

Once the individual is ready with the market version of the product or service, the next stage is to get seed capital. Angel Investors are those individuals or group of persons who invest into the launch stage of business and look forward to making money later by selling their stake at far higher prices. They provide capital in exchange of acquiring a stake which can be of any proportion as per the deal struck with the entrepreneur. Since they fund the business at very early stage, the risk undertaken is high and thus the returns demanded are significant in terms of capital gains. There are

various types of angels who can be sector specific or location specific and can be approached by entrepreneurs depending upon their business model.

Crowd-funding

This is becoming an increasingly popular method of arranging funds under which the entrepreneur showcases his idea to a large community usually through the internet. There are various such platforms available online where the fund seeker can post details about the idea, its potential and the probable rewards for the investors. The visitors can then see the post, evaluate it and then contact the entrepreneur for financial investment. It is very important that the presentation of the idea should be crisp, clear and impactful in order to generate a favourable response from potential investors.

Venture Capitalists

After the seed funding stage is over the business has been successfully launched, it now requires large size investment to scale up the operations. It is at this stage that long term investors with sizeable funds are required by the entrepreneurs. Such investors are called Venture Capitalists. The angel investors normally sell their stakes to Venture Capitalists making huge capital gains in return. The Venture Capitalists have a long term commitment to the business and provide various series of funding so that the business can grow to its potential. The Venture Capital funds have a pool of funds from various investors which is then managed by professional experts who scan and analyze all investment proposals before making the final decision to obtain the stake in the new business.

Banks and NBFCs

All the public and private sector banks have various schemes to finance the micro and small enterprises (MSME) sector which provide funds at very reasonable cost. However, normally banks demand personal guarantees and collateral as security for the loans which is difficult for small scale entrepreneurs. To overcome this, the government has formed Credit Guarantee Trust for Micro and Small Enterprises [CGTMSE]. The member banks of this trust can provide credit facility up to Rs. 200 lacs without any collateral and third party guarantee. In case of default, the trust indemnifies the banks by paying a major part of default. Almost all the major banks are member institutions of the trust and hence the benefit can be availed by applicants at their neighborhood bank branches.

Winning Contests

These days various contests are organised by various platforms where entrepreneurs can participate with their business ideas. An esteemed jury judges the participants on the basis of the strength of the idea and the potential of its execution. Based upon their decision the winners are announced who then get funding of business idea as their

prize. Normally such competitions are well publicized in media and thus can bring visibility to the entrepreneur. However, the amount of funding might not be large enough at these platforms.

3.7 ENTREPRENEURIAL SUCCESS AND FAILURE

Being a successful entrepreneur means more than just starting a new business. This means the right attitude towards the trade and the determination, along with the barriers to be faced to achieve success. Failure is a positive experience which is considered by an entrepreneur as a challenge or opportunity for growth in the form of a prerequisite to success. It is viewed by them as a future value-adder, a profound teacher, a provider of new direction, an enhanced motivator and even as a path to achievement. Some of the reasons for their massive success of modern day entrepreneurs are:

a) They have an entrepreneurial charisma within themselves. Moreover, they are willing to submit to the change as per the requirement of the business.

b) They have leadership capabilities and are preoccupied with the aim of being successful in the long term.

c) They manage to put together a highly professional management team along with a comprehensive financial control system.

d) They have robust strategies which help them to lead towards the growth stages of the business.

These individuals consider fear of failure as part of the process which leads them to the goal of entrepreneurship. Failing is a tough lesson to research but important for majority of the marketers to be triumphant. Business letdown occurs when there is a rise in the cost or if the revenues have not been up to the expectations. It is seen that after a business failure, one ought to take a break before starting a new enterprise. Break usually enhances the emotional recovery which is mostly considered as a negative function of both emotional and financial loss. Hence it is critical to limit the financial losses in the beginning.

3.8 DECISIONS FOR ENTREPRENEURIAL PROCESS

Before beginning an enterprise, the entrepreneur needs to meticulously plan various aspects after identification of business opportunity. That includes accessing the viability (technical, operational, financial) of the project,

deciding place for production, offices etc, scale of the project, sources of finance, type and number of personnel required, launch of the project and marketing strategy to be adopted by the business.

Starting a business includes creating working solution of the business idea, designing an organisational structure, selection of a business model as well as undertaking a lot of legal compliances. Following key steps are required in this process:

Careful designing of Business Plan

Careful designing of business before launching is not restricted to getting ready with a business plan. The approach towards finalizing strategy can be of three types:

- Working in the concerned industry to gather a first-hand experience and insights about the market.
- Working with a mentor with great knowledge and relevant domain experience on partnership or consultancy basis.
- Ability to constantly evaluate the model and if possible change it at affordable cost.

Testing the Business plan

After compilation of the business plan, it is essential to test some of its components tentatively and then fine tuning it as per the response received during the test.

Knowing the Market

One of the most crucial aspects while starting a business is to understand the market structure and its participants. This can be done by questioning others, conducting analysis or gaining expertise by engaging with the most suppliers, distributors, competitors and customers.

Understanding the Customers

A great understanding of the customer profile, their spending patterns, liking or disliking, reaction towards competitive products should be studied very carefully. A vetting of the consumer perception should be done by way of sample tests among customers, rapid surveys etc. An accurate understanding of customers is critical to achieving marketing success for the company.

Establish money Resources

A new business can get capital support from either its owners or from outsiders in the form of equity or debt. Capital structure decisions are to be taken in a judicious manner. Early estimates should be conservative so that adverse financial results can be avoided. Cash flow statements are to be made sensibly keeping in mind accurate stages of expenses and revenues.

Choosing the proper organization structure

It is very important at the outset to decide upon the most suitable organisational structure for the business. This is crucial because the legal and tax implications on the business depend greatly upon the type of structure of the business. It also gains significance for future growth (like decisions on raising capital) and taking an exit from the business by selling or winding up.

3.9 ENTREPRENEURIAL ENVIRONMENT

Entrepreneurship is increasingly being recognized as one of the most important intervention for engaging increasing youth population across the globe. The government as well as the society is increasingly encouraging and welcoming the entrepreneurial spirit and welcoming and supporting people who take the plunge in converting their ideas into reality. Educational Institutions like colleges and universities are including entrepreneurship in their curriculum and inspiring students to take up the mantle of becoming entrepreneurs. The government, industry associations and other bodies are creating an environment to boost up the entrepreneurial mindset by providing platforms, schemes, incentives so that entrepreneurs are motivated to realize their dreams. Since it also leads to generation of employment, it is considered as an important social welfare intervention.

Startup India scheme launched by the government is based on an action plan aimed at promoting product/process innovation driven by technology and intellectual property. A startup under this scheme is an entity that is headquartered in India which was opened less than five years ago and has an annual turnover less than ₹25 crores and aims to develop and commercialize new products/services or significantly improve the existing products/services. The government has already launched a mobile app which will be the single window clearance platform under the scheme. The benefits under Startup India scheme include tax holidays, exemption from regulatory inspection, reduction in patent registration fee, self certification compliance and an easier 90 days exit window.

An entity can register itself through the Startup India portal and mobile app using a seamless process.

1. Log in to Startup India portal
2. Choose your legal entity
3. Input your incorporation/registration number
4. Input your incorporation/registration date
5. Input PAN number (optional)
6. Input your address with postal code & state
7. Input authorized representative details

8. Input director(s)/partner(s) details
9. Choose and upload supporting documents and self-certification
10. Incorporation/registration certificate of company/LLP/Partnership
11. Registration to avail tax and IPR
12. Certify the official notification terms and conditions

A micro finance scheme for small entrepreneurs has been launched by the Government under the name of MUDRA which offers three products:

1. Shishu – For entrepreneurs who are either in their primitive stage or require lesser funds in order to get their businesses started. Maximum fund allotted is Rs.50,000.
2. Kishor – For entrepreneurs who have already started their business and want additional funds. Funds sanctioned in the range of above Rs 50,000 and upto Rs 5 lakh.
3. Tarun – This plan will cover loans of above Rs 5 lakh and up to Rs 10 lakh

Under food processing it covers activities like agriculture food preservation, small service food stalls/canteen, cold chain storages and vehicles and making food items.

3.10 SOCIAL ENTREPRENEURSHIP

One of the most relevant modern approaches to create social interventions is to find solutions to social problems by way of entrepreneurship. Social Entrepreneurs are those who recognize a social problem and create a solution using entrepreneurial ideas. They create a concept which addresses a public problem and in turn makes money. Their intention is not to create commercial business giants but aim at providing sustainable and scalable solutions to some of the pressing problems faced by the society. The government also promotes such enterprises through various incentives. Poverty, Marginalization and environmental degradation are some of the issues that lie at the heart of social entrepreneurs. One example of social entrepreneurship is that of creating and marketing products made at prison mates. The need of social entrepreneurs arises because of the huge gaps that are not addressed by the commercial enterprises and the government. The social enterprises can be for-profit or not for profit but they are run with managerial proficiency and are self sustainable.

3.11 Check Your Progress- B

1. Entrepreneurship starts with _____

2. The document containing all technical and financial details about the proposed business is called _____
3. Entrepreneurs can initiate their business by using infrastructural and other facilities at an _____
4. MUDRA is a scheme for obtaining _____ for the entrepreneurs.
5. Individuals taking the risk of investing at idea development stage are called _____ investors.

3.12 CHALLENGES FOR ENTREPRENEURS

Venturing into entrepreneurship is not an easy road to travel. There are various challenges along the journey which are to be faced by the entrepreneur. Idea generation to building a business model is a passionate journey but when the execution stage starts, lot of issues are to be confronted by the promoters. Some of them are as under:

Raising Capital

One of the most critical challenges for the entrepreneur is to get the amount of capital at the desired cost. Since the entrepreneurs come up with innovative ideas which haven't been tested in the market, it is difficult for them to get capital from traditional sources of finance like the banks or other finance companies. The Angel Investors are also hard to please while it is difficult to reach out to incubators.

Hiring Talented Employees

The success of a business organization depends to a great extent on the capability and talent of its employees. New enterprises have difficulty in hiring bright candidates as it is difficult to pay high salaries as per market. Also individuals are not willing to risk their career prospects with new organisations with no track record or market reputation.It is also difficult to hire large number of employees and the entrepreneurs are always looking for people who can multitask.

Cultural Issues

Although times are fast changing but still young and talented individuals look towards being job seekers rather than job givers. Since the failure rate of new enterprises is quite high and culturally failure is frowned upon by the society. Families normally discourage individuals from taking risk and betting on innovative ideas as they feel that any failure would further limit opportunities in future.

Working with Limited Resources

The new enterprise has to work with limited financial and human resources as well as a strapped budget. This is a big challenge especially when the entrepreneur has to

compete with bigger established players. Marketing expenditure is limited and credit period allowed by suppliers in the market is not too favourable. At the same time receivable collection period is longer. All this makes management of cash flow extremely challenging.

Lack of Mentorship

A good business idea always requires mentorship from an experienced person who can give precious and timely advice during times of crisis. However there is no formal mentoring mechanism in place for startups and one has to rely on personal contacts or investors for guidance. There are many issues related to management which require expertise and a regular mentor can only handle them.

Business Environment and Policies

The various government regulations and policies also create challenges for managing business. Especially in a country like India which fares poorly in the 'Ease of doing business' index, there can be frustration when multiple compliances, lack of infrastructure, taxation policies etc can make life difficult for the entrepreneur.

Stress and Time Management

Launching a business enterprise by taking business and financial risk along with limited resources can bring lot of stress in an individual's life. This can also bring a lot of strain on time management as many things are to be accommodated within the limited time available. Meeting deadlines becomes difficult and make take a toll on physical health of the individual.

3.13 SUMMARY

To become an entrepreneur one should have the urge to become one. It takes a lot of risk and the success rate of new businesses especially the startups is very low. It requires innovation, risk bearing, efficient management, talented team, hard and smart work and a passion towards achieving the goal. An individual has to learn and sharpen his or her entrepreneurial skills in order to become successful. The importance of entrepreneurship and innovation also applies to the industry as it changes the way it produces products and services. Entrepreneurship can be viewed as recognizing change, pursuing opportunity, taking on risk and responsibility, continuous innovation, making better use of resources and new value addition that is important and helpful to customers and doing it all over again and again.

3.14 GLOSSARY

- ***Entrepreneur***: A person who sets up a business taking on financial risks in the hope of profit.
- ***Business Plan***: A written document describing how a business will achieve its goals.
- ***Business Incubator***: Place where new businesses are nurtured by providing infrastructure, mentorship, legal and other advice.
- ***Angel Investor***: Private Investors who invest in early stages of business to reap high capital gains later.
- ***Venture Capitalist***: Investors providing capital to businesses for expansion
- ***Startup***: A newly established business
- ***Social Entrepreneur***: Person establishing business to effect a social change or providing solution to a social problem

3.15 ANSWERS TO CHECK IN PROGRESS (B)

1. Generation of business idea
2. Business Plan
3. Incubator
4. Finance
5. Angel

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3.17 SUGGESTED READINGS

1. Entrepreneurship Development by B. S. Sabharwal
2. Skill Development and Entrepreneurship in India by Rameshwari Pandya
3. Entrepreneurship by Robert D Hisrich
4. Entrepreneurship Development by Dr. S L Gupta and Dr. Arun Mittal
5. Management and Entrepreneurship by N V R Naidu and T Krishna Rao
6. Entrepreneurship by David H Holt
7. Entrepreneurship Development by Sangeeta Sharma
8. Entrepreneurship Development and Small Business Enterprise by Poornima M Charantimath

3.18 TERMINAL QUESTIONS

1. List some of the traits required to become a successful entrepreneur.
2. What are the different steps in the process of Entrepreneurship?
3. Explain the sources of obtaining finance for a new enterprise.
4. What are the critical decisions while deciding upon the business model by an entrepreneur?
5. What are some of the challenges faced by entrepreneurs in raising the enterprise?

Block-II

Entrepreneurial Process

UNIT 4 CREATIVITY, IDEA GENERATION, SCREENING AND PROJECT IDENTIFICATION

4.1 Introduction

4.2 Objectives

4.3 Meaning of creativity

4.4 Factors affecting creativity

4.5 Creative process

4.6 Components of creativity

4.7 Idea generation

4.8 Project

4.9 Project Life Cycle Phases

4.10 Project Identification

4.11 Summary

4.12 Glossary

4.13 Answer to Check Your Progress

4.14 References

4.15 Suggested Readings

4.16 Terminal Questions

4.1 INTRODUCTION

This unit deals with concept of creativity and its role in idea generation and screening. Creativity is the central element of idea generation process. Creativity not only deals with the new ideas but also helps in determining the latest methods and ways to produce goods and services and manage the affairs the affairs of a new entity in the optimum manner. Idea generation and screening is a process comprising of various steps. Each step is to be undertaken cautiously. During this process technical, economical, ecological market issues.. etc are to be done meticulously.

4.2 OBJECTIVES

After reading this unit you will be able to:

-Understand the meaning of Creativity and its features

-Explain the process of creativity

- Understand and analyze the issues involved in project identification and screening

-The sources and methods of idea generation

4.3 MEANING OF CREATIVITY

Creativity is marked by an ability to create, bring into existence, to invent into a new form, to produce through imaginative skill, to make to bring something new. Creativity is not ability to create out of nothing (only God can do that), but the ability to generate new ideas by combining, changing, or reapplying existing ideas. Some creative ideas are brilliant and do wonders, while others are just simple, good and practical ideas that no one has thought of so far. Further everyone has substantial creative ability.

Creativity is also an attitude, the ability to accept change and newness, a willingness to play with ideas and possibilities, a flexibility of outlook, the habit of enjoying the good, while looking for ways to improve it. Creativity is also a process. Creative person work hard and continually to improve ideas and solutions, by making gradual alterations and refinements to their works. A product is creative when it is "novel" and "appropriate". Creativity requires passion and commitment.

Creativity is also viewed as a central element in problem solving and there are a number of ways in which creative thinking can facilitate decision making. In an investigation of artist versus market orientation, it has also been shown that creativity for creativity's own sake can result in profitable outcomes (Fillis 2006). Entrepreneurial creativity has been defined as the generation and implementation of novel, appropriate ideas to establish a new venture (Amabile 1997). Kao (1989) sees creativity as a competitive strength while Carson et al. (1995) view it as a key competency in small and medium sized enterprises and Bridge et al. (2003) view it as an entrepreneurial attribute.

4.4 FACTORS AFFECTING CREATIVITY

4.4.1 Social Factors

Creation of novel ideas often takes place in social and work contexts. Freedom (control over one's work), challenge, sufficient resources, organizational encouragement and recognition, and support from work group including trust and free communication among group members are factors that stimulate creativity. On the contrary factors that may impede creativity include organizational impediments including politics, harsh criticism of new ideas, an atmosphere of risk avoidance and extreme workload pressure.

4.4.2 Technological Factors

A variety of technologies have been developed to stimulate idea generation. There are many software program which facilitate idea generation Each program usually focuses upon supporting a specific technique. The programs assist in defining the problem prior to generating ideas and they may provide stimuli that enhance imagination. One of the main advantages of these programs is the speed at which one can produce ideas. Sometimes, the ideas generated can also be stored in an ideas bank and revisited at a later date. Ideafisher, Serious Creativity, indlink, Ideapro and Brainstormers are examples of available software programs

4.4.3 Features of creativity

Imagination- It is an imagination i.e. creative ability of mind.

Purposeful- It must be undertaken to achieve some objectives.

Original- It must be new or rare of its type.

Valuable- It has to have some value in relation to its purpose

4.5 CREATIVE PROCESS

Entrepreneurs need ideas to start a new venture. However brilliant ideas do no emerge instantly. They evolve through a creative process wherein ideas are germinated, matured and developed by the team of creative persons. The creative process involves six stages-

Stage 1- Task presentation - this stage deals with comprehensive understanding of the problems and getting motivated to achieve the specific result. It requires strong desire and curiosity in the person for the alternatives and the solution. This stages leads to the second stage.

Stage 2 - Preparation: It deals with conscious search for the solutions, seeking information about the problem. It is undertaken by using various subjective and objective approaches including openness to experience, analysis of how the task might be approached, tolerance of ambiguity, willingness to redefine concepts, divergent thought processes (explore many possibilities) and intuitive ability etc.

Stage 3 - Incubation: It is the stage of subconscious assimilation of information. It involves absorption of information, seeking ideas, possible answers and solutions. Human logic do not affect the solutions. Human fantasies are pressed and unusual knowledge and information that is difficult to assimilate rationally is used by sub conscious mind. This leads to fourth stage.

Stage 3- Idea Generation: Multiple ideas and solutions are generated at this stage. In this step ideas resurface as realistic creation. Various approaches to the problem are applied using individual's experiences, insight and fears. Ideas are recognized as being feasible. It gives a sense of realization. It is generally triggered by an opportune incidence.

Idea validation: Ideas generated in the previous stage needs to be verified as realistic and useful. Entrepreneur effort is required to translate the generated ideas into verified, realistic and useful application. It is the stage that refines knowledge into application. Each potential solution is tested against the problem

Stage 6 - Outcome Assessment- An assessment of the creative process can lead to either the achievement of the goal wherein a creative idea or solution to the problem is located or no progress in this direction is achieved. In both cases, creative process ends.

4.6 COMPONENTS OF CREATIVITY

Within every individual, creativity is a function of three components:

1. **Expertise:** Expertise encompasses everything that a person knows and can do in the broad domain of his or her work- knowledge and technical ability.

2. Creative thinking skills: Creative thinking refers to how you approach problems and solutions- the capacity to put existing ideas together in new combinations. The skill itself depends quite a bit on personality as well as on how a person thinks and works.

3. **Motivation**. Motivation is the drive and desire to do something, an inner passion and interest.

When people are intrinsically motivated, they engage in their work for the challenge and for enjoyment. According to Robert Gahim, creativity consists of anticipation and commitment. Anticipation involves having a vision of something that will become

important in the future before anybody else has it. Commitment is the belief that keeps one working to realize the vision despite doubt and discouragement.

4.7 IDEA GENERATION AND SCREENING

The business idea originates from an opportunity in the market. It originates from the needs and wants of the existing customers which entrepreneurs identify. They have to be very proactive, sensitive and quick to match the needs and wants of the consumers with their product or services. Thus entrepreneur must have a keen and open mind to look for opportunities and generate business ideas.

- Selecting a business idea
- The business idea should be feasible and viable from entrepreneurial and market perspective. There is a no objective assessment for testing a suitability of business idea. However there are certain guidelines to check the feasibility of an idea:
- Utilize entrepreneurial skill: It must enable entrepreneur to utilize his skills. This increases confidence of the entrepreneur.
- Use locally available raw materials: it is easy to procure and convert raw material available in local markets or nearby markets. It reduces the cost of products. Therefore it should enable the use of locally available raw materials.
- Help entrepreneurs make product that have a good potential over a period of time. The product should be such that it allows the entrepreneur to reap the advantages of low cost and optimum profit over a long period of time.
- Enable use of specific machines, technology and technical knowhow that is already available with the entrepreneur. It should support the idea of making new products from the existing resources , thus reduce capital investment of the entrepreneurs.

4.7.1 Sources of Idea Generation

- Existing customers and potential customers
- Trade shows and exhibitions
- Channels of distribution
- Government policies and regulations
- Research and development institutes
- Competitors
- Books , magazines and Journals

4.7.2 Methods of Idea generation

Delphi technique:

The Delphi Technique (DT) was introduced in the 1950s by the RAND Corporation. DT uses a survey of experts' opinion in which experts review one another's ideas. In this technique, a group of experts is first chosen to participate, and a small team is set up to prepare a set of questionnaires on the topic. This team then sends the questionnaires, together with some supporting information on the topic, to the experts (geographically dispersed groups), or gives the material to the experts during face-to-face meetings. Each member responds to the questionnaires anonymously. Later, the team collects the responses and statistically summarises them. The team prepares another set of questionnaires based on the experts' responses (or the same questionnaires that are used previously), and again distributes these questionnaires alongside the summarized data to experts. This process continues until the group reaches a consensus. DT emphasizes agreement (consensus) between experts. It has been found to be useful where statistical information is important such as forecasting.

Brainstorming:

One of the most popular free association techniques is brainstorming,. Brainstorming sessions can be conducted electronically, or verbally. Brainstorming was originally proposed by Alex Osborn (1957) as a means of generating as many ideas as possible from group work. He claimed that a group can generate twice as many ideas as individuals working alone, provided that the group follows a systematic approach and adopts four rules. Osborn's purpose in suggesting these rules was to overcome social and motivational difficulties that might inhibit the generation of ideas in groups.

The four rules are:

1. No criticism is allowed,

2. Freewheeling is welcome,

3. Quantity wanted,

4. Combination and improvement are sought.

Nominal group technique:

Nominal Group Technique (NGT) is a variation of the `brainstorming' process developed in late 1960s. NGT is a means of generating alternative solutions to problem in-group sessions (Aurum, 1997). NGT was originally developed for face-to-face group meetings. This technique has two parts: Idea Generation and discussion of ideas . In the meeting, group members sit around a table in such a way that all of them can see each other. A leader introduces the problem to the members. In the first part, each member writes their own ideas on a card or a pad. The members do not communicate with each other while writing their ideas. Later, each group member presents their idea (one idea at a time, in rotation). The leader writes the ideas on a board that can be seen easily by everybody. In the second part, the discussion starts and the leader asks members' comments, opinions on each idea. More ideas can be

added at this stage. When the commenting stage is finished, each group member writes their own favorite ideas on a card in ranking order.

Solo brainstorming:

This is an individual creativity technique, originally proposed by Aurum (1997). It is especially suited to environments where sentential analysis is appropriate, or information sources are document-based (e.g., reports, abstracts, testimonies, interview transcripts, web publications). It requires the individual to adhere to a formal protocol (procedure), where a series of documents are examined (reading stage), and then edited.

Mind mapping: This method starts with writing down a main idea in the centre of the page, and then working outward in all directions producing a growing and organized structure composed of key words and key images.

Check Your Progress A

Check Your Progress-A

Q1. What are the sources of idea generation?

Q2. Name the methods of Idea Generation?

Q3. MCQs

1. Components of creativity :
   (i) expertise,
   (ii) creative thinking skills
   (iii) Motivation
   (iv) All of above
2. Stage not involved in the creative process:
   (i) Task presentation
   (ii) Preparation
   (iii) Incubation

(iv) Delegation of authority

3. Methods of idea generation
   (i) Nominal group technique
   (ii) Brainstorming
   (iii) Delphi technique
   (iv) All of above
4. Brainstorming was originally proposed by
   (i) Aurum
   (ii) Henry fayol
   (iii) F.taylor
   (iv) None of the above

Q4. Fill in the Blanks with appropriate word or words.

(I) An individual creativity technique is Solo Brainstorming (SBS), originally proposed by ----------.

(II) ---------- was originally proposed by Alex Osborn (1957) as a means of generating as many ideas as possible from group work.

(III) ---------- was introduced in the 1950s by the RAND Corporation.

(IV) ---------- starts with writing down a main idea in the centre of the page, and then working outward in all directions producing a growing and organised structure composed of key words and key images.

4.8 PROJECT

The word "project" was first used in or around the sixteenth century and derived from the Latin word *projicere* i.e. to throw forward. The Latin root thus suggests movement, a certain relationship with space and time.

Project is an unique set of coordinated activities, with definite starting and finishing points, undertaken by an individual or team to meet specific objectives within stipulated time, cost and performance parameters.' Some definitions are –

Newman et al. defined a project and described its value as simply a cluster of activities that is relatively separate and clear-cut. Building a plant, designing a new package are examples.

It is "any undertaking that has definite, final objectives representing specified values to be used in the satisfaction of some need or desire. -**Ralph Currier Davis**

Projects exist in every type of human enterprise. They are unique, complex undertakings that create new products, facilities, services, and events. they bring about major organizational and other desired changes or recovery from natural or man-made

disasters. Projects have start and end points. They progress through a number of life cycle phases. Project is a temporary assignment used to accomplish a new activity that will meet the customers needs. Projects have a clear goal that needs to be accomplished .Sometimes the goal of the project is tangible (a new software application) and other times it is not (implementing a new employee process improvement technique). Projects are usually new in the sense that the organization has a specific need for something that is not yet present (the reason a project is conceived). Projects also need to meet customer needs.

Characteristics of Projects

A project can be defined by its characteristics which are as follows:

- It involves a single, definable purpose, product or result.
- It has defined constraints or targets in terms of cost, schedule (time), and performance requirements.
- It harnesses skills and talents from multiple professions and organizations.
- It often involves advance technology and rely on task interdependencies that may Introduce new and unique problems. Task and skill requirements vary from project to project
- It is unique. A project is generally a onetime activity which is never replicated exactly.
- It has an unfamiliar element. It may encompass new technology and therefore possess significant elements of uncertainty and risk. Failure of the project might jeopardize the organization to achieve its goals.
- It is a temporary activity. It is undertaken to accomplish a goal within a given period of time; once the goal is achieved, the project ceases to exist.
- It is part of the process involved in working to achieve a goal.
- Project passes through many distinct phases; as a result, tasks, people, organizational structure; and resources change as the project moves from one phase to the next.
- Project usually has clear start and finish points. In the case of the aircraft repair, there will be an inspection, an appraisal, a solution, implementation, finalization and testing.
- It is part of an interlinked process. It is rarely carried out in isolation. There is usually some interlinking between different projects that are being run by a particular organization.
- It is generally of secondary importance to the organization. There are exceptions such as pure research and development organizations and companies that are established purely to plan and execute a single project.
- It is complex - involve multidisciplinary teams and have well defined aims and objectives. In organizational terms it tends to be relatively complex as compared to the standard functional processes that operate within the organization.

Project success

Following are the guidelines that should be observed for a project success

• Clear and well-managed processes

• Clearly defined purpose and limits

• shared understanding of intended outcomes

• Realistic objectives

• Good management of risks and problems

• Thorough planning

• Timely decision-making supported by short, clear lines of reporting

• Strong leadership

• Commitment and support from senior management

• A trained and experienced project manager who is suited to the particular project

• A well trained and highly experienced project team

• Clearly defined jobs and responsibilities

• Good communications

• maintain a sense of ownership throughout the project, and ensure that the allocation of major resources is followed through (by senior manager responsible)

• set clear success criteria for its outcomes

• match scope of project to funding

• ensure budgets are adequate for the intended outcomes

• make an initial costing as part of the business case

• present a full business case before the project is started, to obtain a commitment to resources from stakeholders and senior management

• Construct business case to ensure that time is allowed to assess the costs and benefits of any proposed new system before the project gets underway

• define roles and responsibilities

• pay attention to 'people' issues, including the infrastructure of the project

• train staff fully and allow adequate time to learn new processes

• keep customers or end users of the system informed

• ensure good team working and adequate and appropriate staffing

• ensure good communications amongst and within different teams

• monitor the work of contractors effectively

• put adequate risk management and issue control procedures in place, with continuous risk analysis and discussion of issues from start to end of the project

• create climate in which issues can be easily and safely raised

• adhere to organization's procurement procedures

• have realistic contingency plans in case the project fails to deliver on time

• include in planning the basic tools that allow project staff to carry out their day-to-day work

• plan and monitor effectively, so that you realise when changes are required and re-planning is necessary.

• test new systems thoroughly.

4.9 PROJECT LIFE CYCLE PHASES

A project passes through the phases. Each phase of this needs managerial action. Following are the phases and the managerial action associated with it:

1. Conceptual Phase

Bases are established and the management approach is formulated in this phase. The decision that a project is needed is made. Goals are established, resources are estimated, and key personnel are appointed.

2. Planning Phase

In this phase, major program characteristics are validated and refined and program risks and costs are assessed, resolved, or minimized. The project organization is defined, targets are set, schedule of execution is drawn, tasks, and resources are defined and allocated and •project teams are built.

3. Execution Phase

This phase consist of full scale development phase and production phase, in full-scale development phase, design, fabrication and testing are completed. Costs are assessed to ensure that the program is ready for the production phase. In the production phase

the system is produced and delivered as an effective, economical, and supportable system. During this period, responsibility for program management is transferred.

4. Termination Phase

In this phase, the system is actually transferred to organization. Commitments are completed, personnel are rewarded, resources are released, and team members are reassigned.

Project classification

Project classification helps in identification expression and highlighting the essential features of project. There are different classification of projects. The following are some of the important

classification of projects.

(1) Quantifiable and Non-Quantifiable Projects

Quantifiable projects are those in which quantitative assessment of benefits can be made.. Projects concerned with industrial development, power generation, and mineral development are quantifiable projects Non-quantifiable projects are those where such assessment is not possible. Projects involving health, education and defense fall in the non – quantifiable projects.

(2) Sectoral Projects

Here the classification is based on various sectors like

- Agriculture and allied sector
- Irrigation and power sector
- Industry and mining sector
- Transport and communication sector
- Information technology sector
- Miscellaneous

This system of classification has been found useful in resource allocation at macro level.

(3) Techno-Economic Projects

This type of classification includes factors intensity-oriented classification, causation oriented classification as discussed below.

(a) Factor intensity-oriented classification: Based on this, projects can be classified as capital intensive and labor intensive. If large investment is made in plant or machinery the project will be termed as capital intensive. On the other hand project involving large number of human resources will be termed as "labor intensive".

(b) **Causation-oriented classification:** On the basis of causation, projects can be classified as demand based and raw material based projects. The availability of certain raw materials, skills or other inputs makes the project raw-material based and the project based existence of demand for certain goods or services make the project demand-based.

(c) **Magnitude-oriented classification:** This is based on the size of investment involved in the projects- large scale, medium-scale or small-scale projects.

The selection of a project consists of two main steps: Project identification and project selection.

4.10 PROJECT IDENTIFICATION

Project identification is the first step of a new venture. A right direction enables an entrepreneur to achieve his objective. Otherwise, he has to face a number of problems. It is therefore, very crucial to entrepreneurs to identify project. Project identification and Screening is concerned with collection, compilation and analysis of economic data for the eventual purpose of locating possible opportunities for investment.

STEP 1: SEARCH OF NEW IDEA / GENERATION OF IDEAS / SEARCH OF BUSINESS OPPORTUNITY:

The search for profitable and feasible project idea is the first step towards establishing a successful venture. Identification of such opportunities require imagination, sensitivity to environmental changes and realistic assessment of the firm. Entrepreneur can takes the help tools to generate new ideas like:

(i) SWOT Analysis: SWOT is an acronym for Strength, Weaknesses, Opportunities and Strength. On careful analyzing these factors new ideas can be used for :

- Productivity improvement
- Increase in capacity utilization
- Improvement in contribution margin
- Expansion into promising fields
- Cost Reduction

(ii) Brainstorming: It is one of the most well known for creative idea generation. It is an unstructured process for generating all possible ideas within a stipulated time frame through the spontaneous contributions of the participants. The participants can be the entrepreneur's family members, friends, business partners, hired experts etc.

(iii) Other constraints:

- Carefully analyze the performance of existing industries
- Examination of the inputs and outputs of different Industries
- Review of Imports and Exports
- Study of Plan Outlays and Government Guidelines pertaining to the project
- Study of the suggestions of Financial Institutions and Developmental Agencies
- Investigation of local Materials and Resources
- Analysis of economic and social trends
- Careful examination of internal factors, strengths and political support
- Availability of funding available
- Market experience and knowledge
- Strong leadership and motivated team
- Any foreign collaboration with respect to technology or funding

STEP 2: SELECTION OF BUSINESS OPPORTUNITY/ SHORT LISTING IDEAS /PRELIMINARY SCREENING:

The entrepreneur might have searched a number of business opportunities and there is a need to select the best one idea which can be selected to achieve the objective of entrepreneur. Some of the points are mentioned that may help the entrepreneur to select the best idea:

1. Compatibility with the promoter: The idea must be compatible with the interest, personality, and resources of the entrepreneur. According to Murphy, a real opportunity has three characteristics: i) It fits the personality of the entrepreneur (abilities, training etc) ii) It is accessible to him iii) It offers him the rapid growth and high returns.
2. Consistency with Governmental Priorities: the idea must be consistent with national goals and priorities? ii) it should not work contrary to governmental regulation iii) to ensure that foreign requirements of the project can be easily accommodated iv) easy procurement of licences from the government agencies .
3. Availability of Inputs: i) Are the capital requirements of the project within manageable limits? ii) whether the technical know-how required for the project can be obtained? iii) Are the raw materials required for the project available domestically at reasonable cost? iv) Is the power supply for the project reasonably obtainable from external sources?

4. Adequacy of the market i) Total present domestic market ii) Competitors and their market shares iii) Export market iv) Quality-price profile of the product vis-à-vis competitive product v) Sales and distribution system vi) Projected increase in consumption vii) Patent protection , are some of the issue which should be addressed.
5. Acceptability of Risk Level i) Vulnerability to business cycles ii) Technological Changes iii) Competition from substitutes iv) Competition from Imports v) Governmental control over price
6. Socio-Demographic Sector i) Population trends ii) Income distribution iii) Educational Framework iv) Attitudes toward consumption and investment

STEP: 3 ASSESSMENTS OF VIABILITY / PROJECT APPRAISAL / FEASIBILITY STUDY

During the process of project appraisal a feasibility study may be undertaken to establish the justification of the identified project in all of its dimensions, including its technical, economic and financial viability, environmental compliance and social acceptability; as well as its conformity with the national development objectives and priorities and the relevant policy, legal and regulatory framework. Feasibility study is to initially identify the following aspects:

i. Technical soundness of the project
ii. Administrative feasibility of the project
iii. The economic and financial viability of the project proposal
iv. Considerations of customs and traditions of project benefactors, issues of compatibility The results of a feasibility study influences decisions to commit or not commit scarce resources to a given project .

(I) MARKET ANALYSIS

Market analysis is concerned primarily with two questions: What would be the aggregate demand of the proposed product/service in the future? What would be the market share?

To answer the above questions, the market analyst requires a wide variety of information and appropriate forecasting methods. The kinds of information required are:

- Consumption trends in the past and the present consumption level
- Past and present supply position
- Production possibilities and constraints
- Imports and exports
- Structure of competition
- Cost structure
- Elasticity of demand
- Consumer behaviour, intentions, motivations, attitudes, preferences, and requirements
- Distribution channels and marketing policies in use

- Administrative, technical, and legal constraints

(II) TECHNICAL ANALYSIS

Analysis of the technical and engineering aspects of a project needs to be done on a continous basis when a project is formulated. The important questions raised in technical analysis need to be answered are:

- Whether the preliminary tests and studies have been done in a realistic manner?
- Whether the availability of raw materials, power, and other inputs needed during the project has been established?
- Whether the selected scale of operation is optimal?
- Whether the production process chosen is suitable?
- Whether the equipment and machines chosen are appropriate?
- Whether the auxiliary equipments and supplementary engineering works have been provided for?
- Whether provision have been made for the treatment of effluents?
- Whether the proposed layout of the site, buildings, and plant is approved?
- Whether work schedules have been realistically drawn up?
- Whether the technology proposed to be employed is appropriate from the social and ecological point of view?

(III) FINANCIAL ANALYSIS

The primary aim of financial analysis is to determine whether the project satisfies the investment criteria of generating acceptable level of profitability. The aspects which have to be addressed into while conducting financial analysis are:

- Investment outlay and cost of project
- Various sources of financing
- Total Cost of capital
- Anticipated profitability
- Break-even point
- Cash flows (inflows and outflows) of the project
- Projected financial position
- Level of risk at different phases of project

(IV) ECONOMIC ANALYSIS

Economic analysis is also known as social cost benefit analysis. It is concerned with judging a project from social point of view. The questions to be answered in social cost benefit analysis are related to

- The direct economic benefits and costs of the project in terms of efficiency and prices
- The impact of the project on the distribution of income in the society.
- The impact of the project on the level of savings and investment in the society.

- The contribution of the project towards the fulfillment of certain merit wants like self- sufficiency, employment, and social order

(V) ECOLOGICAL ANALYSIS

Ecological analysis should be done mainly for projects which have significant ecological implications like power plants and irrigation schemes and environment-polluting industries like drugs, chemicals, and leather processing. The main questions raised in ecological analysis are related to

- The likely damage caused by the project to the environment?
- The cost of restoration measures required to ensure that the damage to the environment is contained within acceptable limit

Check Your Progress-B

Q1. What are the issues to be discussed in technical analysis?

Q2. Explain economic issues involved of Project Identification?

4.11 SUMMARY

Creativity is marked by the ability to create, bring into existence, to invent into a new form, to produce through imaginative skill, to make to bring into existence something new. It is also an attitude, the ability to accept change and newness, a willingness to play with ideas and possibilities, a flexibility of outlook, the habit of enjoying the good, while looking for ways to improve it. Creativity is a process. Creative person works hard and continually to improve ideas and solutions, by making gradual alterations and refinements to their works. A product is creative when it is "novel" and "appropriate". Creativity requires passion and commitment. Creativity plays a vital role in Project identification. A right direction enables an entrepreneur to achieve new height. Otherwise, he has to undergo a number of hurdles in his way. It is therefore, very crucial to entrepreneurs to identify project. Project identification and Screening is concerned with collection, compilation and analysis of economic data for the eventual purpose of locating possible opportunities for investment.

4.12 GLOSSARY

- **Creativity:** Creativity is marked by AN ability to create, bring into existence, to invent into a new form, to produce through imaginative skill, to make something new.
- **SWOT Analysis:** SWOT is Strength, Weaknesses, Opportunities and Strength.
- **Brainstorming:** Brainstorming is a tool used by teams to bring out the ideas of each individual and present them in an orderly manner in the team.
- **Mind Mapping:** This method starts with writing down a main idea in the centre of the page, and then working outward in all directions producing a growing and organized structure composed of key words and key images.
- **Delphi technique:** The Delphi Technique (DT) was introduced in the 1950s by the RAND Corporation. DT uses a survey of experts' opinion in which experts review one another's ideas. In this technique, a group of experts is first chosen to participate, and a small team is set up to prepare a set of questionnaires on the topic.

4.13 ANSWER TO CHECK YOUR PROGRESS

Check Your Progress A

Ans 1. Sources of Idea Generation

- Existing customers and potential customers
- Trade shows and exhibitions
- Channels of distribution
- Government policies and regulations
- Research and development institutes
- Competitors
- Books , magazines and Journals

Ans 2. Methods of Idea Generation

- Brainstorming
- Mind mapping
- Delphi technique

- Solo brainstorming

Ans 3. – 1-iv, 2- iv, 3-iv, 4-iv

Ans 4. -1 .Alex Osborn

2. Brainstorming

3. Delphi Technique

4. Mind Mapping

Check Your progress B

Ans 1 TECHNICAL ANALYSIS

Analysis of the technical and engineering aspects of a project needs to be done on a continous basis when a project is formulated. The important issues raised in technical analysis are:

- Whether the preliminary tests and studies have been done in a realistic manner?
- Whether the availability of raw materials, power, and other inputs needed during the project has been established?
- Whether the selected scale of operation is optimal?
- Whether the production process chosen is suitable?
- Whether the equipment and machines chosen are appropriate?
- Whether the auxiliary equipments and supplementary engineering works have been provided for?
- Whether provision have been made for the treatment of effluents?
- Whether the proposed layout of the site, buildings, and plant is approved?
- Whether work schedules have been realistically drawn up?
- Whether the technology proposed to be employed is appropriate from the social and ecological point of view?

Ans 2 -ECONOMIC ANALYSIS

Economic analysis is also known as social cost benefit analysis. It is concerned with judging a project from social point of view. The questions to be answered in social cost benefit analysis are related to

- The direct economic benefits and costs of the project in terms of efficiency and prices .
- The impact of the project on the distribution of income in the society.
- The impact of the project on the level of savings and investment in the society.

- The contribution of the project towards the fulfillment of certain merit wants like self- sufficiency, employment, and social order

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4.15 SUGGESTED READING

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4.16 TERMINAL QUESTIONS

1. What do you mean by creativity? Discuss the various steps involved in creativity.
2. Write short notes on
   i. Nominal Group Technique
   ii. Sources of information
3. "Project Identification is very essential." Discuss.
4. What are various steps involved in project identification.
5. Discuss the various issues involved in feasibility study of project.

UNIT-5 SOCIAL DETERMINANTS OF ENTREPRENEURIAL GROWTH

5.1 Introduction

5.2 Objectives

5.3. Meaning of Entrepreneurial Growth

5.4 Determinants of Entrepreneurial Growth

5.5 Social Determinants of Entrepreneurial Growth

5.6 Case- Israel: The Country with Entrepreneurial Culture

5.7 Summary

5.8 Glossary

5.9 Answer to Check Your Progress

5.10 Reference/ Bibliography

5.11 Suggested Readings

5.12 Terminal Questions

5.1 INTRODUCTION

In the previous unit you learnt that how creativity helps in idea generation, screening and project identification. 'Entrepreneurship is the mindset and process to create and develop economic activity by blending risk-taking, creativity and/or innovation with sound management, within a new or an existing organisation.' Various authors from time to time had defined the entrepreneur and entrepreneurship with the interaction of various disciplines namely economics, management, organisation, sociology and philosophy. Social and cultural context of entrepreneurship development refers to the ideas, values, and social environment, which can stimulate or limit individual entrepreneurship. Culture imposes certain standards of behaviour, which are the values and opinions of the community manifestation. The role of beliefs, values, and attitudes in economic development was the subject of Max Weber theory, who described the influence of the Protestant religion on the development of capitalism.

In this unit, you will study about determinants of entrepreneurial growth with special focus on social determinants as discussed by various researchers in developed and developing nations and how they impact entrepreneurship in a particular region.

5.2 OBJECTIVES

After reading this unit you will be able to:

-Understand the meaning of Entrepreneurial Growth

-Explain the determinants of Entrepreneurial Growth.

- Understand and analyse Social Determinants of Entrepreneurial Growth.

-The impact of Social determinants in developing countries

5.3 MEANING OF ENTREPRENEURIAL GROWTH

It is proved by various theories that entrepreneurship is affected by the regional and cultural factors and people from certain communities enter the business world with required skills. Entrepreneurial growth requires emphasis on human resource development, their effective utilisation and motivation for entrepreneurial initiatives. The growth of entrepreneurship may be expressed in terms of employees, customers, liquidity, sales, profit, geographic locations, etc. It can be said that whichever parameter is being used for depicting entrepreneurial growth the idea is that the entrepreneur who understand the risk and knowingly takes them would grow in all circumstances. As discussed in a report on Entrepreneurship determinants: culture and capabilities published by European Union in 2012 the turnover rate of firms in a country's economy is the net result from adding both firm births and firm deaths – it may be an indicator of business dynamism and the report further said the general measures to establish entrepreneurial growth are as follows:

- Creation of more and better job
- Economic growth
- Poverty reduction

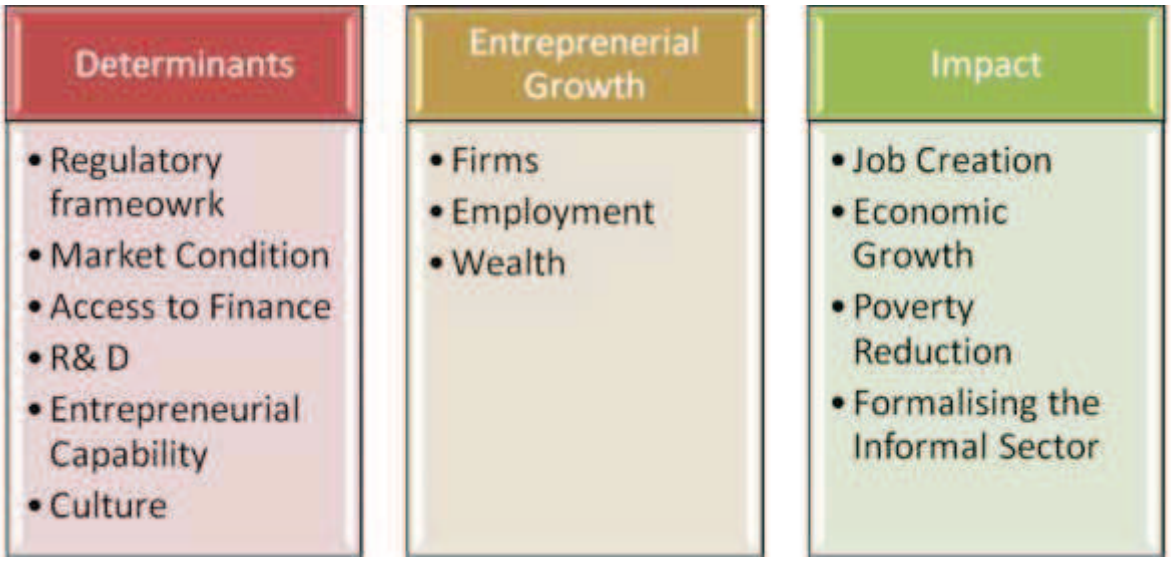
The higher the score on these parameters higher is the growth of entrepreneurship in a particular country. An entrepreneur identifies the gap between demand and supply and arranges all resources like man power, material and capital required to fill the gap. This entrepreneurial growth is affected by several factors which are primarily divided in economic and non economic determinants

5.4 DETERMINANTS OF ENTREPRENEURIAL GROWTH

The economic and non economic determinants are largely responsible for entrepreneurial growth in a country. They involve various aspects such as labour market regulations, technological advancements, innovation reflected in patents, ease of getting debt along with the personality traits of the entrepreneur. One way of looking at these determinants is to consider that a particular combination of resources, opportunities and skilled persons will increase the growth of entrepreneurship and entrepreneurs in a given regulatory framework and culture. As proved in the eclectic theory of entrepreneurship, the growth of entrepreneurship is the outcome of decisions dependent on both identified opportunities and personal traits. The individual who takes such decision makes a mental assessment of alternative types of employment such as self employment against wage employment according to his risk taking capability. In a given country which supports the systematic conditions such as macro economic conditions, regulatory framework, etc, it also affect the individual's decision and give pace to demand supply function of entrepreneurship.

The empirical evidence as suggested by researchers through their work shows that determinants are categorized as individual characteristics that make an individual more inclined to entrepreneurial activity; economic characteristics of the area where an individual lives that may affect the income from entrepreneurial activity and, consequently, the decision whether to become an entrepreneur; and cultural values of the community where an individual lives that may affect the utility (rather than the income) of the entrepreneurial activity, for instance, by influencing the prestige that is attributed to being an entrepreneur. Though there are many studies prescribing the determinants of entrepreneurial growth in a particular country but it has been observed that the research so far points out that the differences are more of about the meaning. It is said that entrepreneur and entrepreneurship are the result of chemistry of three factors namely, opportunities, skilled people and resources. These three factors are all affected by two important factors (themes): the surrounding regulatory framework and culture. The regulatory framework is defined very broadly by the literature and includes all taxes, regulations and other public rules and institutions affecting entrepreneurship. All indicators that measure taxes, regulations or other regulations that either increase or decrease the incentive to entrepreneurial activities are captured in this theme. The other part 'culture' affects all parts of the entrepreneurial model and is included as the final factor in the framework. Culture influences an entrepreneur's behaviour, attitudes, and overall effectiveness. Culture comprises each individual's assumptions, adaptations, perceptions and learning. Entrepreneurship is also affected by basic macroeconomic conditions. According to the report of European Union in Culture and entrepreneurial capabilities six themes (access to capital, access to R&D & technology, capabilities, market conditions, regulatory framework and culture) describe the determinants affecting entrepreneurial performance. The sum of all the discussion made above can be expressed in figure 5.4.1 showing determinants, Entrepreneurial Growth and its impact on the economy.

Figure 5.4.1: Impact of Determinants of Entrepreneurship on Entrepreneurial Growth



It is said that entrepreneurship is a mindset which is not dependent upon the existence of the an entrepreneur. In fact an entrepreneurial firm creates more entrepreneurs and provide them more opportunities. Opportunities are created by the market conditions in the country. These market conditions include public involvement in markets, competition in the markets, access to foreign markets, procurement regulation and so on.

Check Your Progress-A

Q1. State the meaning of entrepreneurial growth?

Q2. Explain the determinants of entrepreneurial growth?

Q3. MCQs

1. Entrepreneurial growth requires emphasis on :
   (i) human resource development,
   (ii) effective utilisation
   (iii) Motivation for entrepreneurial initiatives.
   (iv) All of above
2. Measures of entrepreneurial growth are:
   (i) Social mindset
   (ii) Economic growth
   (iii) Industrial output
   (iv) None of the above
3. Alternative type of employment are
   (i) Self employment
   (ii) Service
   (iii) Healthcare
   (iv) All of above
4. Entrepreneurs and entrepreneurship are created by
   (i) opportunities,
   (ii) skilled people
   (iii) resources
   (iv) all of above

Q4. Fill in the Blanks with appropriate word or words.

1. Market conditions include .....in markets, competition in the markets, access to foreign markets, ...and so on.

2. The .....theory of entrepreneurship says that the growth of entrepreneurship is the outcome of decisions dependent on both identified opportunities and personal traits.
3. The .....includes all taxes, regulations and other public rules and institutions affecting entrepreneurship.
4. Entrepreneurial growth requires emphasis on....., their effective utilisation and motivation for entrepreneurial initiatives.

5.5 SOCIAL DETERMINANTS OF ENTREPRENEURIAL GROWTH

Studies indicate that the determinants of entrepreneurship and/or their impact may differ in developed and developing countries. These studies have divided the determinants in three categories namely the institutional setting (macroeconomic stability, public policies and knowledge), Demand (industrial structure and income) and Supply factors (income and financing). Though in this unit our focus is on social determinants and what role they play in entrepreneurial growth, yet it is important to at least get familiar with each factor. It is well established so far that entrepreneurship is primarily an individual feature, as the outcome of knowledge, competence, skill, courage, ingenuity and activity, but social and cultural context can strengthen or weaken the entrepreneurial attitudes of individuals. Some of the researchers have explained that variations in the rate of entrepreneurship are explained not only in terms of characteristics of entrepreneurs, such as education, sector of employment, occupation, experience and income but also by the characteristics of the region in which they are brought up or worked before and where they started their enterprise. It is in this context that the social determinants gain more significance over others. There exists a large literature both in economics and management analyzing how different individual characteristics (such as initial wealth or risk aversion) and characteristics of the area where an individual lives (such as taxes) affect occupational choices. Some of the authors have proved with the help of empirical studies that tax structure plays an important role in creating conducive environment for entrepreneurial growth. If the marginal tax rate on capital income increases it makes the entrepreneur risk averse and if tax on income from other sources increases it would further help in increase of investment in the business firm. Therefore, as the common sense suggests us that taxes reduce entrepreneurial growth, is not true rather it catalyses the entrepreneurial activities. As pointed out by Djankov and Klapper in their respective research work that regulation related to starting a new business play a significant role in entrepreneurial growth. Some of the elements of start up cost which are discussed for explaining are regulations related to access to finance, protection of Intellectual Property Rights, Protection of Creditors rights and personal bankruptcy law. If these legal stipulations support an entrepreneur and the stakeholders, we could say that contrary to the popular belief the regulation would increase the growth of

entrepreneurship. Market conditions which are dependent on population size, density and employment growth are also important in entrepreneurship development. High unemployment has a positive relation with entrepreneurial growth as people are pushed to entrepreneurial activity due to low investment in infrastructure resulting into low or no jobs for the population. This is evident from the results published from time to time by Global Entrepreneurship Monitor (GEM) studies that Sub Saharan countries have high rate of entrepreneurial growth.

It is also established by some of the studies that social determinants affect the economic choices in all regions whether it is a developed country or a developing country. Social interaction affect the knowledge base of a community and individuals with business experience of that community pass on their wisdom to others and motivate them to take up entrepreneurship. It can be observed that entrepreneurship develops in certain regions due to this sort of interaction. These social interactions inculcate social norms which can affect economic phenomenon such as unemployment, attitude towards savings and growth. It is proved by Weber and McClelland that acceptance of society and its well established norms are decisive in grooming an entrepreneurial mind set. A person in a particular society searches for a job or gets involved in an economic activity not only because of the income it would generate but also the social acceptance it would bring to him. It is also note worthy that social norms such as fear of failure generally discourage people to innovate whereas the countries where failure is not frown upon innovation rate is quite high. Landier explained it with the help of example that the countries where failure is associated with bad luck are more entrepreneurial than the countries where failure is identified with incompetency. In the first category of countries people quickly wind up the failed business due to bad luck and start the new one. Similarly certain communities have more entrepreneurs as their characteristics make them more risk taker. In addition to these easy access to funds is also an important feature found in certain societies where it is a norm to support each other. The common finding is that individuals with relatives who are or were self-employed are more likely to become self-employed themselves. This correlation can be due to the fact that individuals share preferences for self-employment. It can be said that self employed family members transmit the skills and risk taking attitude to other family members. Guiso in his study showed that in countries where the population is more religious, there is a greater acceptance of capitalism and, as a consequence, a more favorable environment for entrepreneurial activity. It is also said that when these determinants are not favourable they become barriers for entrepreneurship in a society. A close study of more literature like these has helped us to identify some important social determinants of entrepreneurial growth which can be explained in detail in this segment and are summarised in figure 5.5.1:

5.5.1 Social Norms:

Social norms are the rules of behavior that are considered acceptable in a group or society. People who do not follow these norms may be shunned or suffer some kind of consequence. Norms change according to the environment or situation and may change or be modified over time. Social norms affect the way entrepreneurial activity is perceived in one's own reference group and have a direct impact of entrepreneurial growth. For instance, they may affect the status attributed to different occupations. In this respect, social norms can help explain the origin of non-financial benefits from entrepreneurial activity. Social scientists other than economists have long recognized that the prestige that different social norms attribute to occupations can affect occupational choice. It could be suggested that some of the observed differences in entrepreneurial activity in different societies and countries may be explained by social norms which make different professions desirable and well regarded in different communities.

5.5.2 Role Models:

A role model is a person looked to by others as an example to be imitated. Entrepreneurial Growth is observed to be increasing when they have role model in their community or peer group to follow. Social influence which shows the choice of few which has major impact on rest of the population is an effective tool for entrepreneurial growth. Today Vijay Shekhar Sharma founder of Paytm (2010), Sachin and Binny Bansal founders of flipkart (2007) are the role models of many when we talk about start up revolution in India. But the most important name who first made the world entrepreneurship famous in India is Sri N. R. Narayana Murthy who along with some of his friends started with Infosys in 1981. People like these fill the hope in every citizen's heart and show them the way that how things can be materialised with limited resources. A society which has developed social norms that are conducive to entrepreneurial growth provide information related to Role Models to its young generation through various via media such a internet, case studies, special programmes. An interaction with these people who have achieved great heights as an entrepreneur motivates and prepares the aspiring participant mentally and physically and prepare them to face the challenges and introduce them steps taken to improve their efforts.

5.5.3 Social Pressure:

Social pressure (or Peer pressure) is direct influence on people by peers, or an individual who gets encouraged to follow their peers by changing their attitudes, values, or behaviors to conform to those of the influencing group or individual. In some of the countries private accumulated wealth is taken as anti social behaviour and put a social pressure on individual not to pursue wealth creation with the development of an enterprise. It is also observed that in certain community people get involved in commercial activities but only on credit only to show their poor status where in reality that loan is secured on the basis of their savings with the same institutions. This is the case with most sub Saharan countries in Africa. India has diverse dimension to the

angle of social pressure, at some regions like Gujrat and Rajsthan it is positive pressure to take up entrepreneurship and in many regions people do not want their children to pursue the path of entrepreneurship. Generally the social pressure is felt with the inquisitive eyes or conversations which take place around such people. It is also observed that when you start a new business and you are from a non enterprising community, you face lot of hostility from your family members as they do not understand the pain you are taking but they expect that you must be making lot of money like *Ambanis* and Facebook. In such a situation a Peer Mentor guide you as an angel to handle the stress created out of this Social Pressure. Just as a personal trainer is important for maintaining a healthy lifestyle, a peer mentor can be the perfect complement to an entrepreneur for his growth. In nutshell we can say the social pressure is the determinant which may make you an entrepreneur or break you as an entrepreneur.

5.5.4 Respect and Status:

Some of the theorists like Hagen and McClelland explained the theories of Status withdrawal and Need Achievement which said that entrepreneurial growth is largely affected by social determinants such as need for respect and status. The important aspect which he emphasised that a person or a group identifies himself or herself with their social status and that social status largely comes from either family or from economic superiority. Sometimes due to war, migration, emergence of new faith or economic superiority of enemy community a person or the group may come across a situation where their social respect or status is withdrawn. The reaction in different manner may shape the personality of each one of them differently. Hagen postulated these reactions in four categories:

(a)*Retreatist*: Entrepreneur who continues to work in society but remains indifferent to his work or status.

(b)*Ritualist*: One who works as per the norms in the society but with no hope of improvement in the working conditions or his status.

(c)*Reformist:* One who is a rebellion and tries to bring in new ways of working and new society.

(d)*Innovator:* An entrepreneur who is creative and try to achieve his goals set by himself.

Hagen also quoted the example of Samurai community of Japan which enjoyed high status and later it was withdrawn and to regain their lost pride they became more active and strong and gave rise to many entrepreneurs.

5.5.5 Security

Security represents the state of being free from danger or threat or it is the state of feeling safe, stable, and free from fear or anxiety. The feeling of security is important

for all individuals to make economic efforts. In this context social security becomes all the more important as social security refers to protection provided by the society to its members against providential mishaps over which a person has no control. The underlying philosophy of social security is that the Community/State shall make itself responsible for ensuring a minimum standard of material welfare to all its citizens on a basis wide enough to cover all the main contingencies of life. In other sense, social security is primarily an instrument of social and economic justice. This feeling of security plays a pivotal role in development of entrepreneurship when moderated by personality traits. The society or country where social security is high and individuals have risk taking attitude, we find more innovative ideas being developed and tested commercially whereas the places where social security is low people are not able to materialise their ideas despite having innovative mind set. Though this issue is debatable as some of the researchers have found that there are certain countries where social security affects the entrepreneurial mind in negative direction that is, the individual do not want to take risk because his future is secured due to the policies of the government.

5.5.6 Caste Factor

Caste means any class or group of people who inherit exclusive privileges or are perceived as socially distinct. As is well known, the caste system was not only a scheme of social stratification, but also a division of labor. With each caste came a traditionally ascribed profession. It is also established that certain religion and castes have more entrepreneurial growth. As a social determinant of entrepreneurship caste system has an impact on occupational mobility. A general observation is that people from Parsi, Gujrati and Sindhi community are more enterprising and foster entrepreneurship. Dominance of certain ethnic groups is a common phenomenon all over the world. The protestant ethics in the West, family business concerns of France, the Samurai in Japan and trading classes in America are the examples in this regard. For people who have personality traits such as honesty, hard work, concern for quality and organising skill are more likely to be an entrepreneur and their growth may be accelerated if they are born in a certain caste.

5.5.7 Family Background:

It includes various dimensions associated with family such as size of family, type of family and economic status of the family. Those who belong to powerful families in terms of network or in terms of money, have a significant impact of family in their entrepreneurial development. It is observed that those who come from joint family have better understanding of diversity and market dynamics and are able to develop their businesses in much better way than others. These people get advantage of proper counselling when dealing with stress and have better access to financial resources due to family background. Another dimension which is important for an entrepreneur is urban background of family which exposes the individual to latest developments in the area of technology, marketing and access to finance. Though rural background is also

not a disadvantage but urban background certainly gives an edge to entrepreneurial growth.

5.5.8 Education:

Education is training of mind and entrepreneurship is all about developing right mindset. Education is one of the best methods to develop competencies of an individual and making him/her resourceful and motivating them in the direction of entrepreneurship. Some of the studies have found that most of the entrepreneurs in last two decades come from good education background. Warneryd in 1987 explained with a sample of Sweden that better educated individuals are more likely to be involved in entrepreneurial activity. On the contrary Johansson in the year 2000 studied a sample in Finland and proved that less educated individuals are more likely to become entrepreneurs. So it can be understood that relationship of education and entrepreneurship gives different results in the presence of other factors such as personality traits, family background, etc. Lazear finds that MBAs with a more diverse curriculum are more inclined to become entrepreneurs. The obvious implication is that a less specialist and more versatile education may help spur the level of entrepreneurial activity.

5.5.9 Attitude of Society:

The theories have proved time and again that societal attitudes towards entrepreneurs and entrepreneurship are important determinants for future entrepreneurial activity. This attitude is the result of interaction of personal traits and family background and entrepreneurship development in the region they belong to. It is observed that in India the processof starting own business is complicated to the extent that it demoralise them to go any further with their business idea. An understanding of societal attitudes would give insights for policy making and promotion of entrepreneurship. In case, there is a positive attitude towards entrepreneurs (and entrepreneurship) it would be easier for policy makers to encourage entrepreneurship. A change in attitude of society is observed by support and development of entrepreneurial talent by various institutions came in the form of setting up training institutions for entrepreneurs. Setting up of national institutions such as the Entrepreneurship Development Institute at Ahmedabad is indicative of such thinking at the government level in India and ever increasing enrolment in such programmes show that even the mindset of society is changing towards entrepreneurship Several institutions in the US, Singapore, the UK, and India set up special cells to support ‘technopreneurs’ and other innovators. These institutions provide basic management know how and understanding of how to start and run a business, and also incubate new businesses till they are able to sustain themselves.

5.5.10 Cultural Value:

The ideas, customs, and social behaviour of a particular people or society are referred as culture of that society. Culture affects mostly everything in entrepreneurial growth

and is included as the final determinant in the framework. Culture influences an entrepreneur's behaviour, attitudes, and overall effectiveness and, moreover, is often unnoticed by the entrepreneur. Certain policies which affect culture are namely risk attitude in society, desire for business ownership, entrepreneurial education. Some of the indicators of culture to grow entrepreneurship in the society are risk attitude and fear of failure, Perceptions about entrepreneurs and entrepreneurship, Attitudes towards starting a business and ambition

Figure 5.5.1 (Social Determinants of Entrepreneurial Growth)

5.6 CASE- ISRAEL: THE COUNRTY WITH ENTRERENEURIAL CULTURE

(Source: Various blogs and news items published in last two years about Israel)

For a country that is even smaller than the state of Kerala, Israel has enough chutzpah (Hebrew meaning: to dare) to run with the title of 'Startup Nation'. Out of a population of eight million, 40,000 people work in the high-tech industry and contribute to 15 percent of the total export GDP of the country. In 2015, Israeli startups made **$9.5 billion** in exits, and **150 Israeli companies** are listed in **NASDAQ** (third largest next to China and the US). The country has been focusing on creating a culture of innovation for a long time now, and has been successful in establishing a vibrant ecosystem for startups to thrive. And because the domestic market is very small for these startups, they think global from the word go. Thus, it is no surprise that Israel is third in the world for US-registered patents. **There are 300 R&D centers of innovative tech companies like HP, Microsoft, Google and Facebook present in Israel.** The key pillar of the Israeli startup ecosystem and its innovation is primarily its people and the necessity of self-reliance and innovation. The Government Innovation Policy (Israel Innovation Authority), its military forces (IDF), and its culture of diversity and collaboration all add to this ecosystem (Ecosystem involve Economic and Social Determinants of entrepreneurship). Israeli universities like Ben Gurion University, Tel-Avi University and Hebrew University, with their R&D hubs are great incubation centres to drive innovation. VCs, accelerators, incubators, and industry programmes like JVP, JVP Media Labs, Cyberspark, WeWork, SOSA and TAU, are all designed with the right focus to back valuable startups. According to Israeli officials, "There is an atmosphere of openness and collaboration. Entrepreneurs want to give back to the country and its ecosystem. They support budding entrepreneurs and the culture of innovation." Tel Aviv, Israel's capital city, ranks number five in the top 20 global startup ecosystems in the world. "If you've been to Israel you'll know this is how one does business there. We have to dare. I believe that people view us how we think of ourselves in our minds. If you think you are successful, people view you as successful. Imagine the limiting factors that entrepreneurs in Israel have to deal with. There is practically no domestic market and we have to think global from the beginning," said Elena Donets, CEO at StarTau, Tel Aviv University Entrepreneurship Center. Israel is an immigrant nation with a lot of diversity. "Because of the fact that people migrate to Israel from different regions they bring with them different ideas and are open to collaborating. A unique quality of an Israeli is not accepting anything at face value. They will always question why they should listen to anyone without a good reason," added Elena. She also highlights that It is mandatory for every Israeli to serve time in the Army. It is no wonder then that many innovative ideas are fed off of the Army. They take those technologies and then apply the knowledge to other civilian sectors. According to Elena, starting up is the

new religion of the world. “There are too many entrepreneurs in Israel, and too many ideas floating around. Everyone wants to enter this field not knowing entrepreneurship is not for all,” she said. At the same time, Elena added that she relies on the ABC ‘mantra’ for success in this field. “Do not be **A**fraid to start up. You should take risks and be crazy. **B**uild your network. It can comprise your friends, family, people who think like you, and mentors. Through mentors, you can get access to investors. You should always talk about your work. If people do not know what you are doing exactly they cannot make connections. And that should be the goal of all entrepreneurs – to make connections. Lastly, **C**elebrate failure," Elena added. Finally, a good ecosystem is all about people, and as Elena said, in Israel, as a rule, all senior entrepreneurs mentor new entrepreneurs. A little help goes a long way. *With such an interesting diversity of startups and a vibrant ecosystem, the title ‘Startup Nation’ seems apt for Israel.*

(Case Source: combination of stories published on yourstory.com written by Ezhilan Bhasker and Dipti Nair on 29th July and 9th February, 2016 available at https://yourstory.com/2016/07/israel-startup-ecosystem/

https://yourstory.com/2016/02/elena-donets-israel-startups/ and retrieved on April 5, 2017)

Check Your Progress- B

Q1. Explain social norms with suitable examples.

Q2. Write a short note on relationship of respect and status with entrepreneurship.

Q3. What India can learn from entrepreneurial culture of Israel?

Q4. Name the determinant:

a) It has an impact on occupational mobility.

b) Community/State shall make itself responsible for ensuring a minimum standard of material welfare to all its citizens on a basis wide enough to cover all the main contingencies of life.

c) It influences an entrepreneur's behaviour, attitudes, and overall effectiveness and, moreover, is often unnoticed by the entrepreneur.

d)) It is a direct influence on people by peers.

e) Sometimes due to war, migration, emergence of new faith a person or the group may come across a situation where their social respect or status is withdrawn.

Q5. Multiple Choice Questions-

1. Entrepreneurship is primarily an individual feature, as the outcome of
   (a) Knowledge and competence,
   (b) skill,
   (c) courage,
   (d) All of above
2. Some of the elements of start up cost are regulations related to
   (a) Access to finance,
   (b) protection of Intellectual Property Rights,
   (c) Protection of Creditors rights and personal bankruptcy law.
   (d) All of above
3. According to Global Entrepreneurship Monitor (GEM) studies .....countries have high rate of entrepreneurial growth.
   (a) European
   (b) Sub Saharan
   (c) South American
   (d) None of above
4. Entrepreneurial Growth is observed to be increasing when people have..... in their community to follow.
   (a) Role Models
   (b) Criminals
   (c) Managers
   (d) None of above

5.7 SUMMARY

Entrepreneurial growth requires emphasis on human resource development, their effective utilisation and motivation for entrepreneurial initiatives. The growth of entrepreneurship may be expressed in terms of employees, customers, liquidity, sales, profit, geographic locations, etc. It can be said that whichever parameter is being used for depicting entrepreneurial growth the idea is that the entrepreneur who understand the risk and knowingly takes them would grow in all circumstances. The economic and non economic determinants are largely responsible for entrepreneurial growth in a country. They involve various aspects such as labour market regulations, technological advancements, innovation reflected in patents, ease of getting debt along with the personality traits of the entrepreneur. One way of looking at these determinants is to consider that a particular combination of resources, opportunities and skilled persons will increase the growth of entrepreneurship and entrepreneurs in a given regulatory framework and culture. In a given country which supports the systematic conditions such as macro economic conditions, regulatory framework, etc, it also affect the individual's decision and give pace to demand supply function of entrepreneurship. The social determinants which affect entrepreneurial growth are social norms, social pressure, respect and status, role model, Security, Caste factor, family background, education, cultural value and Attitude of society. These factors when not favourable become the barrier for entrepreneurship.

5.8 GLOSSARY

- **Creativity:** the ability to develop new ideas and to discover new ways of looking at opportunities
- **Innovation:** The ability to apply creative solutions to appropriate situations
- **Determinant:** the factor that is necessary for success or to achieve the goal
- **Entrepreneurship:** the process of creating or seizing an opportunity and pursuing it
- **Self Employment:** Earning one's living directly from one's own profession or business rather than as an employee
- **Social Norms:** Social norms are the rules of behavior that are considered acceptable in a group or society. People who do not follow these norms may be shunned or suffer some kind of consequence.
- **Role Models:** A role model is a person looked to by others as an example to be imitated.

- **Social Pressure:** Social pressure (or Peer pressure) is direct influence on people by peers, or an individual who gets encouraged to follow their peers by changing their attitudes, values, or behaviors to conform to those of the influencing group or individual

- **Culture:** The ideas, customs, and social behaviour of a particular people or society are referred as culture of that society.

5.9 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

Ans 1. The entrepreneurial growth is the most important aspect of economic development. It may be expressed in terms of employees, customers, liquidity, sales, profit, geographic locations, etc. Entrepreneurial growth the idea is that the entrepreneur who understand the risk and knowingly takes it would grow in all circumstances under the regulatory and cultural factors.

Ans 2. The determinants of entrepreneurial growth are combination of three factors: opportunities, skilled people and resources. These three factors are all affected by two important factors (themes): the surrounding regulatory framework and culture. The regulatory framework includes all taxes, regulations and other public rules and institutions affecting entrepreneurship and the other factor culture influences an entrepreneur's behaviour, attitudes, and overall effectiveness.

Ans:MCQ- 1. (iv), 2. (ii), 3. (i), 4. (iv)

Ans- Fill in the Blanks with appropriate word or words.

1. Public involvement, procurement regulation
2. Eclectic
3. Regulatory framework
4. human resource development

Check Your Progress –B

Ans 1. : Social norms are the rules of behavior that are considered acceptable in a group or society. People who do not follow these norms may be shunned or suffer some kind of consequence. Social norms affect the way entrepreneurial activity is perceived in one's own reference group and have a direct impact of entrepreneurial growth. For instance, they may affect the status attributed to different occupations. For example in Israel innovation is the social norm.

Ans 2. Some of the theorists like Hagen and McClelland explained the theories of Status withdrawal and Need Achievement which said that entrepreneurial growth is largely affected by social determinants such as need for respect and status. Sometimes due to war, migration, emergence of new faith or economic superiority of enemy community a person or the group may come across a situation where their social respect or status is withdrawn. The reaction in different manner may shape the personality of each one of them differently. An entrepreneur gives the reaction of an innovator who is creative and tries to achieve his goals set by him.

Ans. 3. Israel represents a country which has all the determinants favourable for entrepreneurship or we can say it has entrepreneurial culture. Following can be learnt to make India entrepreneurially strong:

(i) Establishing a vibrant ecosystem for startups to thrive
(ii) Global thinking from the beginning
(iii) Innovation Policy supported by Government
(iv) Collaboration with diversity
(v) ABC Mantra- Do not be **A**fraid to start up, **B**uild your network, **C**elebrate failure

Answers: Name the determinant

a) Caste Factor
b) Security
c) Culture Values
d) Social Pressure
e) Respect and Status

Answers-MCQ:

1. (d), 2. (d), 3. (b), 4. (a)

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5.12 TERMINAL QUESTIONS

1. Discuss the reasons for some countries are succeeding in development of entrepreneurial climate and several others not doing so.

2. Explain in brief the factors that affect the growth of entrepreneurship.
3. Write Short Notes on following:
   (a) Barriers to entrepreneurship
   (b) Social Pressure and Entrepreneurship
   (c) Cultural factors affecting entrepreneurship
4. Explain the Socio-economic origin of entrepreneurs in India.
5. Describe the impact of determinants on the entrepreneurial growth.
6. Write an essay on the social determinants of entrepreneurial growth.
7. What is entrepreneurial culture and how does it support entrepreneurial growth?

UNIT 6 ISSUES IN NEW ENTERPRISE MANAGEMENT: LOCATION, ENVIRONMENTAL AND MANAGERIAL

6.1 Introduction

6.2 Objectives

6.3 Location

6.4 Environment

6.5 Managerial issues in new venture

6.6 Summary

6.7 Glossary

6.8 Answers to check your progress

6.9 References

6.10 Suggested Reading

6.11 Terminal Questions

6.1 INTRODUCTION

In the previous unit you learnt that entrepreneurial growth is also influenced by economic and non-economic factors. Social factors also influence its growth. The social determinants which affect entrepreneurial growth are social norms, social pressure, respect and status, role model, Security, Caste factor, family background, education, cultural value and Attitude of society. These factors when not favourable become the barrier for entrepreneurship.

In this unit, you will study about location, environmental and managerial issues of a new venture which determines the growth and survival of a new organization.

6.2 OBJECTIVES

After reading this unit you will be able to

- understand the factors for selecting the location
- understand the environment and its component
- explain the environmental force under which a new organization operates
- understand the managerial role, skill and qualities
- explain the various issues involved in the management of the resources

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6.3 LOCATION

Making location decisions for the production of products or services of a new venture is a key aspect of strategic and logistical decision making for manufacturing firms. The optimum locations may offer competitive advantage and may contribute to the success of an enterprise. It is a long term commitment of both monetary and human resources.

6.3.1 Factors for evaluating and selecting a location

There are several factors which shall be considered and evaluated for selection of a suitable location.

6.3.1.1 Transportation related factors

o Availability of airway facilities

o Availability of highway facilities

o Availability of railroad facilities

o Availability of trucking services

o Availability of water (port) transportation

o Availability of pipeline facilities

o Cost of raw material transportation

o Cost of finished goods transportation

o Availability of postal services

6.3.1.2 Labor related factors

o Availability of skilled labor

o Wage rates

o Availability of unskilled labor

o Existence (or non-existence) of labor unions

o Educational level of labor

o Dependability of labor

o Availability of male labor

o Availability of female labor

o Cost of living (housing)

o Worker stability

6.3.1.3 Raw materials related factors

o Availability of raw materials (or components)

o Closeness to materials and component

o Availability of storage facilities

o Location of suppliers

o Freight cost (of raw materials and components)

6.3.1.4 Market related factors

o Proximity to consumer's goods markets

o Proximity to producer's goods markets

o Anticipation of growth of markets

o Shipping costs to market areas

o Availability of marketing services

o Attainment of favorable competitive position

o Income trends Population trends

o Consumer characteristics

o Location of competitors

o Future expansion opportunities

o Size of market Industrial site

6.3.1.5 Industrial site related factors

o Cost of industrial land

o Cost of developed industrial park (or area)

o Acreage (or space) required

o Availability of space for future expansion

o Insurance rates (cost of insurance)

o Availability of lending institutions (such as banks)

o Closeness to other industries

6.3.1.6 Utilities related factors

o Adequacy of water supply

o Quality of water

o Cost of water

o Availability of disposable facilities of industrial waste

o Availability of fuels

o Cost of fuels

o Availability of electric power

o Cost of electric power

6.3.1.7 Government attitude related factors

o Zoning codes

o Compensation laws

o Insurance laws

o Safety inspection laws

o Nuisance and environment pollution laws

6.3.1.8 Tax structure related factors

o Tax assessment basis

o Industrial property tax rates

o State corporate tax rates

o Availability of tax free operations

o State sales tax

6.3.1.9 Climate related factors

o Living conditions

o Relative humidity

o Monthly average temperature

o Air pollution

6.3.1.10 Community related factors

o Availability of universities or colleges

o Availability of schools

o Availability of religious facilities

o Availability of library (information) facilities

o Availability of recreational facilities

o Attitude of community leaders towards business

o Availability of medical facilities

o Availability of malls (shopping centres)

o Availability of hotels (motels)

o Availability of banks and financial institutions

o Community position of future expansion

6.3.1.11 Political situation of foreign country related factors

o Stability of regime

o Protection of expropriation

o Type of treaties and pacts

o Type of military alliances (or with which countries)

o Attitude towards foreign capital

6.3.1.12 Global competition and survival related factors

o Availability of material

o Availability of labor

o Market opportunities

o Availability of foreign capital

o Proximity to other international markets

6.3.1.13 Government regulations related factors

o Clarity of corporate investment laws

o Regulations concerning joint ventures and mergers

o Regulations on transfer of earning out of country

o Taxation of foreign owned companies

o Foreign ownership laws

o Allowable percentage of employees who may be foreign

o Prevalence bureaucratic red tape

o Imposing price controls by government

o Requirements for setting local corporations

6.3.1.14 Economic related factors

o Standard of living

o Size of per capita income

o Strength of currency against US dollar

o Balance of payment status

o Availability and size of government aids

6.4 ENVIRONMENT

One of the factors that affects the direction in which the new venture initiation process begins is the environment in which the new venture will exist.

According to Allen (2003), the environment includes:

1. The industry in which a business operates;

2. The market the business serves;

3. The state of the national and international economy; and

4. The people and businesses with which the business will interact

It is important to understand the environment in which the new enterprise will operate as industry environment constantly change. Therefore, potential entrepreneurs will need to study the industry in order to develop a strategy. It has been suggested that Porter's "Five Forces" framework can be used to outline the process for exploring a new venture.

6.4.1 Five Areas for Competitive Environmental Analysis

This model lists five key areas that potential entrepreneurs should evaluate when analyzing the competitive environment. The five forces are

(1) Threat of entry into a market,

(2) The power of buyers,

(3) The power of suppliers or vendors,

(4) The threat of substitutes, and

(5) The rivalry amongst competitors

1. **Threat of entry.** Some barriers to entry may be so high that their presence will discourage entrepreneurs from attempting to enter. Some of these barriers include:

- **Economies of Scale.** A new venture usually cannot achieve the same economies of scale as established businesses in the industry. One option would be to form alliances with other small firms to share resources in order to compete.
- **Brand Loyalty.** New ventures may have to face customer loyalty to current products and services in the industry. As a result, entrepreneurs will need to spend a significant amount of money on marketing campaigns in order to get a foot in the door.
- **Capital Requirements.** Upfront costs can be staggering. Therefore, entrepreneurs may need to outsource some services in order to keep costs down.
- **Switching Costs for the Buyer.** New ventures will have to spend time and money convincing customers that the new product is worth switching to.
- **Access to Distribution Channels.** Entrepreneurs must convince distribution channels that their product or service is worth distributing.
- **Proprietary Factors.** New ventures may need patents in order to get started, and the holders of the patents may purposely withhold access in order to keep the new venture out of the market.
- **Government Regulations.** The government can impose licensing requirements, high taxes, and/or zoning restrictions on new ventures.

- **Industry Hostility.** Some industries have well-established firms that are hostile to new entrants.

2. **Power of Buyers.** If buyers have bargaining power, it may be difficult for a new venture to gain access and grow.

3. **Power of Suppliers.** Suppliers can raise prices or change the quality of a product that they supply in order to maintain control in the industry. Depending on the number of suppliers, it may not be advantageous for entrepreneurs to pursue certain ventures.

4. **Threat of Substitutes.** A new venture must be able to compete against products and services in its own industry as well as potential substitutes in other industries.

5. **Competitive Rivalry.** A highly competitive industry may reduce profits and the rate of return on investments. As a result, many organizations may resort to price wars and competitive advertising campaigns. Entrepreneurs will need to identify these potential rivalries in the proposed markets to determine the feasibility of entering the market.

Once a competitive analysis has been conducted and the position is still favorable, the entrepreneur can move to the next step in the process - developing and testing the business concept.

Check Your Progress-A

Q1. State the five forces of porter's model?

Q2. Explain the economical factors to be considered while choosing a location?

Q3. MCQs

1. Which is not the elements of environment according to Allen
   i. The industry in which a business operates;
   ii. The market the business serves;

iii. The state of the national and international economy; and
iv. The reward system of the organization

2. Which factor is not included in Market Related Factor with reference to location
   i. Proximity to consumer's goods markets
   ii. Proximity to producer's goods markets
   iii. Anticipation of growth of markets
   iv. Govt. policies for manufacturing

3. Which is related with raw material pertaining to location:
   i. Social mindset
   ii. Economic growth
   iii. Industrial output
   iv. None of the above
4. Economic Related factors are
   i. Standard of living
   ii. Size of per capita income
   iii. Strength of currency against US dollar
   iv. All the above
5. Community related factors pertaining to location
   i. Availability of universities or colleges
   ii. Availability of schools
   iii. Availability of religious facilities
   iv. Exim Policies

6.5 MANAGERIAL ISSUE IN A NEW VENTURE

Effective management is the key to the establishment and growth of the business. The key to successful management is to examine the marketplace environment and create employment and profit opportunities that provide the potential growth and financial viability of the business. Despite the importance of management, this area is often misunderstood and poorly implemented, primarily because people focus on the output rather than the process of management.

6.5.1 Managerial qualities needed for managing a new Business

•Creative – an ability to search and find new solutions of the problems

• Intuition – be able to anticipate future development from experience without analysis

• Goal-oriented – an ability to set realistic goals and respect the goal's priority

• Responsible – sense for accomplishing set goals and objectives

• Self-confidence – strong belief in own strength

• Initiativeness – an effort to look for new possibilities and solutions for reaching set goals

• Independence – the courage to make decision based on his own judgment

• Cautiousness – be able to make decision under stress and contingencies

• Scrupulosity - have a sense to support social values, norms and causes

• Discipline – self-control and regulation over own's behavior

• Persistence – patience needed to overcome barrier when achieving goals

• Optimism – orientation towards positive goals and strong faith in success

• Fantasy – creation of visions and imaginations for future

6.5.2 Managerial roles and Functions

Every individual has hidden potential. It is important how one can utilize this potential. Manager are required to influence the behavior of people or employees to use their potential to achieve the goals of the enterprise. To accomplish the desired result from the employees manager use the managerial functions

-Planning,

-Organizing,

-Leading

-Control

Along with the managerial functions, following roles are also to be displayed to achieve the optimum utilization of resources of the venture.

• Interpersonal roles : Figurehead, Leader, Liaison

• Information roles : Monitor, Disseminator, Spokesperson

• Decision making role : Entrepreneur, Disturbance handler, Resource Allocator, Negotiator

6.5.3 Managerial Skills

There are four basic managerial skills, which are needed for an effective managerial work and in achieving the objectives of an organization. The skills are briefly discussed below:

- **Technical Skill** – It is an ability of manager to use specific methods and techniques in doing various task . These technical skills are not only related to technology but also related with the use of econometric tools and techniques. The technical skills for managers represent the usage of methods like break even analysis in planning or ability to prepare for and conduct a structured interview.
- **Interpersonal Skill** – People are most valuable asset of any enterprise. Manager needs to know how to lead people. Abilities include motivation of workers, solving work conflicts, communication and working with people. Therefore interpersonal skills are essential on every level of management.
- **Conceptual** – These skills are must for middle or top manager. This is an ability to "grasp the whole picture "i.e viewing the organization as one whole intertwined with the surrounding environment with the relevant priorities and important issues.
- **Communication Skill** – Manager needs information for decision making. Ability to disseminate and receive information is very important tools for manager. He should not only well versed oral and written communication but he should be able to distinguish non verbal signals, mood and feelings to filter the right information from the available data. He should have this skill to manage the human resource as well

6.5.4 Managing issues in the new venture

6.5.4.1 Human Resource Issues

Ensures Open Communications

Effective communications play an important role in managing and operating any successful business. Open communication implies that all the employees from top to bottom are encouraged to share their ideas with in the organization. Due to this, changes and their effects on the organization are quickly shared. Organizations then have the time and skills needed to respond to changes and take advantage of upcoming opportunities.

Balancing job Stress and Personnel

Without organization and good management, the compressed time schedules associated with modern business causee stress and make extra demands on employees. An effective management structure can minimise stress and channelise the productive capacity of employees into business growth and profits.

Setting Duties Tasks and Responsibilities

An organization is characterized by the organization structure where duties and responsibilities associated with every job is specified. The core of any organization is its people and their functions. Duties and responsibilities are being in an ad hoc

manner. A firm generally starts with few people, with often one or two persons performing most duties. As the firm grows, more people are hired to fill specific roles often on a functional basis. As business develops an human accounting system should also be developed in an organization.. The following employee information should be available and checked for accuracy at least once each year.

- Name
- Address
- Marital status and dependents
- Date of joining
- Company job history
- Salary graph
- Education including degrees
- Professional licenses or certificates
- Professional publication and speaking engagements
- Leadership evidence
- Career goals

Review personnel files periodically to ensure that the information is correct and updated. Implement a system that will make updating human resource files a fairly simple routine.

Business Team

The success of an effective organization lies in developing the team. Team involves delegating authority and increasing productivity. Evaluate the effectiveness of the business team(s) with the following checklist:

- Whether team is respected by the members?
- Whether the abilities of all team members are respected?
- Whether team spirit is evident through activities?
- Whether mistakes result in corrective action not retribution?
- Whether each member understands the importance of his or her contribution?
- Whether the team can explore new areas of activity?

- Whether security of employment is evident?

Controlling Conflict

Another key to successful management lies in controlling conflict. Conflict cannot be eliminated from the business and from the interpersonal activities of the enterprise but can be minimised. It needs to be channelized in a positive manner to develop an organization. Policies and procedures are laid to ensure smooth functioning of an organization.

6.5.4.2 Structural Issues

Organization

The effectiveness of a particular organizational depends on a variety of internal and external environment for example:

Competitors (number or activity)

Technology (internal or external)

Regulatory environment (government policies , laws etc)

Customer characteristics

Supplier characteristics

Economic environment

Employees of the organization

Growth

Strategy (including new products and markets)

6.5.4.3 Policy and Procedural Issues

Authority

The central element of organizational management is authority. Authority is the exercise of control within the organization. A thorough system of controls ensures the firm's operation and provides a mechanism for imposing authority.

Delegation is a key to the effective exercise of authority in business. By delegating limited authority to complete specific tasks, the talents of employees in the organization can be used to upgrade the skills and experience of the manager.

To effectively delegate responsibility and authority in an organization following points should be observed

- Accept the power of delegation.

- Know the potential of subordinates.
- Ensure that specific training is provided.
- Choose specific responsibilities to be delegated.
- Provide regular monitoring and interest.
- Discuss results and provide appropriate feedback.
- Praise and criticize in a positive manner

The skills and abilities of each level of authority can be increased by effectively delegating authority throughout any organization.

Management by Objectives

Many firms have used management by objectives (MBO). It is a technique of management where subordinates and their seniors set the goals of the subordinates. It involves the participation of employees in their target and goal achievement. This system provides a structure to ensure coordination of the organization and to effectively delegate authority and responsibilities. Establishing an MBO system is a continuing process and includes the following steps:

1. Subordinates submit proposals for objectives and means of measuring progress.

2. A supervisor assesses proposed objectives in light of evolving business needs his or her personal perspective and the ability of the company to ensure rewards for attaining goals.

3 Supervisor and subordinate discuss the objectives and the standards of measurement with appropriate timetables and potential corrective actions.

4 Supervisor and subordinate appraise results.

5 Supervisor and subordinate negotiate results , establish rewards and begin the cycle again.

Operating Reports

Operating reports form the performance card of any business. Such reports reflects the tits and bits of the organization, its structure and function in written manner. They can either minimize or increase organizational stress. Reporting must be kept on a regular basis to allow for timely identification and correction of problems before serious damage to the organization occurs. They not only provide essential data that enable management to accomplish its objectives, but they also focus staff's attention on the organization's goals.

6.5.4.4 Other Issues

Risk Management

Every organization is susceptible to low probability events that could have a potentially disastrous effect. A small or new business is no exception. Identifying and quickly dealing with such unlikely events is primarily the responsibility of management. Only management has the ability to assess the full potential impact of these events on the overall organization. Some of the disastrous events that may affect business are mentioned below.

. Theft of property

. Breach of Laws

. Information technology crimes

. Fraudulent practices

. Weather related damage such flood, draught *etc*

Determine how vulnerable business is to these and other such risks by assessing their probability and impact. Consider actions that can be taken to lower the probability of their occurring, i.e. ways to control your risk. Review the checklist each year to ensure the future of firm is not imperiled through neglect.

Consultants

Consultants provide a valuable perspective in developing an organization. Many instances trigger need for a consultancy such as - need for funding; development of a business plan (strategy); operational shortfalls; loss of market share; and, a lack of direction . However consultants cannot solve problems but aid in solving the problem. Actual solutions must come from within organization and must be implemented daily.

Government and institutional policies

This is another aspect which need to be managed .To identify the impact of government agencies on business and the steps that can be taken to challenge their impact, consider the following

- The agencies which influence the conduct of business
- the key contacts in each agency
- The regulations currently affecting the business
- Knowledge of policies to challenge agency findings
- Willingness to work with the agency over the long-term.

Check Your Progress-A

Q1. State the types of Managerial Skills?

Q2. Explain the process of MBO?

Q3. MCQs

1 Which factor is related with risk Management
   i. Computer crime
   ii. Theft of the property
   iii. Breach of laws
   iv. All the above
2 A manager good in exchange of information is said to have
   i. Interpersonal skill
   ii. Communication skill
   iii. Technical skill
   iv. None of the above
3 Interpersonal roles are not related with
   i. Figurehead
   ii. Leader
   iii. Liaison
   iv. Disseminator
4 Which is not a managerial Function
   i. Planning
   ii. Organizing
   iii. Leading
   iv. None of the above

Q 4. Fill In the Blanks

I. ---------- mirror the organization, its structure and function.
II. Many firms have embraced ----------as a way to effectively integrate people into the organization.
III. ----------can provide a valuable perspective in developing an organization.

IV. The central element of organizational management is ----------.

V. The success of an effective organization lies in developing the ----------

6.6 SUMMARY

To start a new venture it is necessary to take utmost care while making a decision. There are many decisions which have long term impact and require heavy investment. Selection of a location is a strategic decision which requires huge capital. Nearness to raw material, transportation factors, Economical factor, and markets related factors, community factors *etc* are to evaluated minutely to avoid any obstacle in the growth of the organization. Besides it is essential to study the market forces existing in the environment of the organizations. They should be favorable and ensure smooth running of an organization. Further effective management is the key to success of any organization. Managing all the factors of production in an optimum manner would definitely make the firm immense progress over a period of time.

6.7 Glossary

- ***Skill :*** It is the application of Knowledge
- ***Technical skill***: It is related with the technical know-how of the production of good and services.
- ***Communication skill:*** skill related with the effective exchange of information amongst the employees of the organization.
- ***Interpersonal skills:*** Ability to motivate workers, solving work conflicts, communicate and working with people
- ***MBO:*** It is a process in which employer and employee jointly identify the objectives of the employee to be achieved in a specified period of time.
- ***Environment:*** It is the sum total of all the factors which influences the environment.

6.8 ANSWERS TO CHECK YOUR PROGRESS

Check progress A

Ans 1. Porter's "Five Forces" framework can be used to outline the process for exploring a new venture. This model lists five key areas that potential entrepreneurs should evaluate when analyzing the competitive environment. The five forces are

(1) Threat of entry,

(2) The power of buyers,

(3) The power of suppliers,

(4) The threat of substitutes, and

(5) Competitive rivalry.

Ans 2 Economic related factors for selecting land are

- Standard of living
- Size of per capita income
- Strength of currency against US dollar
- Balance of payment status
- Availability and size of government aids

Ans 3. 1- iv , 2- iv, 3 – iv, 4- iv, 5-iv

Check Your Progress B

Ans 1.There are basic managerial skills, which are needed for an effective managerial work and in achieving the objectives of an organization. The skills are briefly discussed below:

- **Technical Skill** – It is an ability of manager to use specific methods and techniques in doing various task . These technical skills are not only related to technology but also related with the use of econometric tools and techniques. The technical skills for managers represent the usage of methods like break even analysis in planning or ability to prepare for and conduct a structured interview.
- **Interpersonal Skill** – People are most valuable asset of any enterprise. Manager needs to know how to lead people. Abilities include motivation of workers, solving work conflicts, communication and working with people. Therefore interpersonal skills are essential on every level of management.
- **Conceptual** – These skills are must for middle or top manager. This is an ability to "grasp the whole picture "i.e viewing the organization as one whole intertwined with the surrounding environment with the relevant priorities and important issues.
- **Communication Skill** – Manager needs information for decision making. Ability to disseminate and receive information is very important tools for manager. He should not only well versed oral and written communication but

he should be able to distinguish non verbal signals, mood and feelings to filter the right information from the available data. He should have this skill to manage the human resource as well

Ans 2. MBO system is a continuous process and includes the following steps:

1 Subordinates submit their proposals for objectives and means of measuring progress.

2 A supervisor evaluate proposed objectives in light of evolving business needs

3 Supervisor and subordinate discuss the objectives and the standards of measurement

with appropriate timetables and potential corrective actions.

4.Supervisor and subordinate appraise results.

Ans 3.- 1-iv, 2-ii, 3-iv, 4-iv

Ans 4- 1.Ans 4. 1. Operating Reports, 2 – Management By Objectives, 3 – Consultants, 4 – Authority, 5- Business team

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TERMINAL QUESTIONS

1. Discuss the various factors that should be considered for selecting a location of a new venture.
2. How Porter's "Five Forces" framework can be used to outline the process for exploring a new venture.
3. Write short notes on
   - Managerial Functions and roles
   - Managerial skills and qualities
4. Transportation factors for selecting location for a new venture.

5. Discuss the issues involved in managing human resource of an organization
6. What are the structural issues to be managed in an organization
7. “Economic and labour factors plays a vital role in selecting a location for a new venture”. Discuss

BLOCK III

Theories and Legal Issues

UNIT 7 THEORIES OF ENTREPRENEURSHIP

7.1 Introduction

7.2 Objectives

7.3. Meaning of Entrepreneurship Theories: Historical Background

7.4 Various schools of Thoughts on Entrepreneurship

7.5 Theories of Entrepreneurship

7.6 Entrepreneurship Trend in Other countries

7.7 Summary

7.8 Glossary

7.9 Answer to Check Your Progress

7.10 Reference/ Bibliography

7.11 Suggested Readings

7.12 Terminal Questions

7.1 INTRODUCTION

In the previous units you learnt various aspects of entrepreneurship and new venture creation and must have understood that entrepreneurship plays an important role in the development of the country. Entrepreneurship focus on synchronizing resources in such a way that the growth of the business is accelerated and Economic Development is achieved. The resources may be readily available or may be latent but the spirit of entrepreneurship drive the entrepreneur to innovate, execute ideas and products out of his knowledge, skill and competencies and use the resources to achieve their goals. Besides individual entrepreneur, the main beneficiaries of entrepreneurial pursuits are the society at large - be it economy, quality of life, comforts or ease at removing the hurdles in the path of prosperity. The whole effort, starting with sensing opportunity, resourcing innovation and realizing "pay off" through enterprise, represents the 'process of entrepreneurship.

In this unit, you will study about the evolution of entrepreneurship thoughts from and how that thought has transformed into various theories of entrepreneurship which help us to understand the dynamics of various ideas in the given scenario.

7.2 OBJECTIVES

After reading this unit you will be able to:

- Learn the historical background of Entrepreneurship
- Understand various perspectives like economic, sociological and psychological with reference to entrepreneurship
- Learn various theories of Entrepreneurship as propounded by various thinkers
- Understand various factors which affect entrepreneurship
- Analyse the development of entrepreneurship in other countries
- Able to relate the idea of entrepreneurship to day to day functioning

7.3 MEANING OF ENTREPRENEURSHIP THEORIES: HISTORICAL BACKGROUND

Entrepreneur is an innovator, wealth and job creator, change agent, problem solver, pace setter and excellence seeker, and above all adds value to local resources. Entrepreneur is a combination of all these but definitely not only 'any one' of these. We can find several instances in history which highlight that a society has higher entrepreneurship and more prosperity when people with such traits are more in numbers. Entrepreneurship definition talks about value creation with various resources such as capital, technology, skill and risk taking and give importance to inclusion of multiple attributes. It can be observed that entrepreneurship has a major impact on economic development of a country and it is also reflected in the opinion of various thinkers from time to time and some of the common features of entrepreneurship as sorted out of these views are as follows:

- Out of Box Thinking or Innovation
- Need for High Achievement
- Identifying the opportunity
- Leadership
- Team building

- Building Organisation Systematically
- Value Creation for Society

The above mentioned features represent the views of multiple thinkers expressed over the centuries by propounding their own theories. A theory is a set of principle on which the practice of an activity is based. Sometimes a theory is an idea used to account for a situation or justify a course of action or it analyses the set of facts in relation to one another. Here in entrepreneurship all these definitions apply to the views of experts given in the form of a theory. The whole work in this field over the period primarily classifies entrepreneurship in three categories namely Economist point of view, Sociologist point of view and Psychologist point of view

Though we may find entrepreneur or Start Up a fancy word today but it has its roots deep inside the history where the idea evolved with the evolving economies. The first recorded significant contribution towards entrepreneurial thought is as old as of Eighteenth century (1755) when the French term "*entreprendre*" was first introduced by the economist Richard Cantillion which meant "An Undertaker." The idea was to describe the entrepreneur as the risk taker who pursues opportunities for economic well being. By the end of eighteenth century the idea of entrepreneurship started gaining more acceptances as it was not confined to risk taking and owning factors of production only but also emphasised other elements of governance such as planning, organising, and supervising. The ground was consolidated due to several innovations in nineteenth century owing to industrial revolution with technological advances. The end of nineteenth century saw a major shift made by J.B.Say as proposed in the concept when the contribution of skills of entrepreneurs in profit making was given more importance then the interest earned for providing capital for the enterprise.

The progressive thought process which was initiated towards the end of nineteenth century was further extended in the twentieth century and expanded with the development of management thought. By this time management was an established field of study and was observing expressions from thinkers from different parts of Europe. The concept of 'creative destruction' was introduced by Joseph Schumpeter which reflected more emphasis on innovation and exploring untested areas for replacement of new and progressive technology. This destruction was taken in a positive note as it destruction of old was helping in creating new processes. Schumpeter has stamped Innovation as the major characteristic of entrepreneurship which is accepted by one and all even today.

The development of management as discipline as the twentieth century progressed given space to management thinkers like Peter F. Drucker to express their views on relation of management with entrepreneurship. He suggested that entrepreneurship is all about exploring untapped opportunities and is a gradual process which requires all essential elements of management. All the above mentioned names and views are just a small part of the vast history of entrepreneurship. The most important development

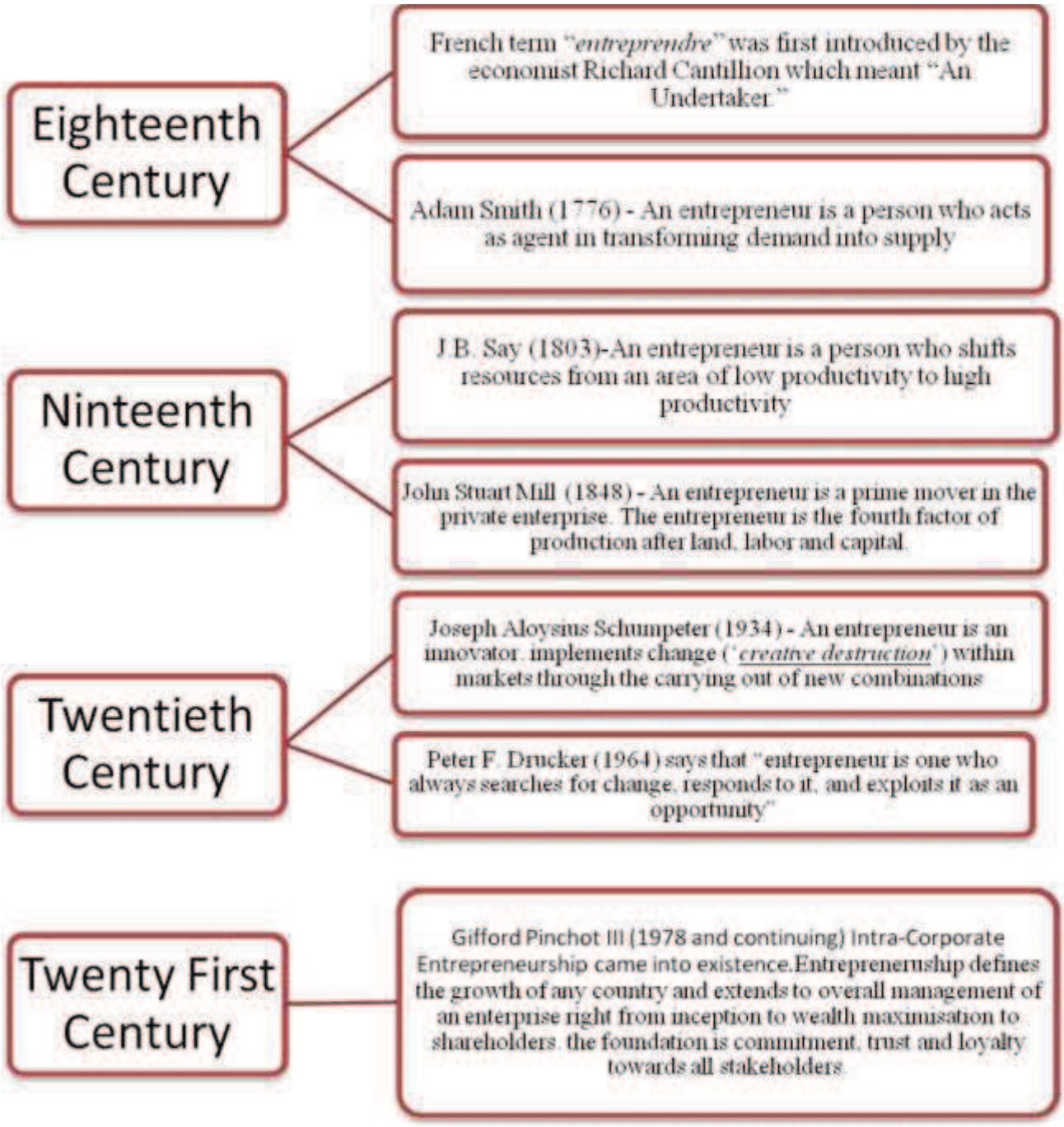
towards the end of twentieth century took place with the acceptance of the concept of "Intra Corporate Entrepreneurship" or Intrapreneurship as proposed by Gifford Pinchot III. This concept highlights that entrepreneurial competencies are required and can be developed even in an organisational setting. The twenty first century has observed further progression of this idea and the interest of various research bodies and government has made the idea popular throughout the world. Today the growth index of any country is reflected by the number of patent filed and number of start-ups registered in that country in a particular year. We may not have a standard theory to accept universally for entrepreneurship but we have compilation of different viewpoints which are seen today as theories.

7.4 VARIOUS SCHOOL OF THOUGHTS ON ENTREPRENERUSHIP

We can easily observe in the figure 7.4.1 that entrepreneurship has evolved with the evolution of human beings and the ideas which were never entertained under conventional thinking started gaining ground as the time changed from early eighteenth century to twenty first century. This evolution saw some transitions with every new school of thought which were grouped together for the purpose of understanding. A careful analysis helps us to comment that evolution of entrepreneurship thought progressed in four systematic steps which are shown in figure 7.4.2.

The development of entrepreneurship idea clearly shows that it has transitioned from being an adventurous activity to speculative activity. Next step was developing as coordination activity to creative and ultimately to development of Intra corporate entrepreneurship. The variety of thoughts on entrepreneurship has created a complex dynamics to understand the real meaning of entrepreneurship.

Figure: 7.4.1 Time line of Development of Entrepreneurship



It can be noted that somewhere these all thoughts are backed by some standard discipline and when analysed further they were grouped accordingly. To maintain the essence of entrepreneurship and to make it understandable to all it is divided into three categories representing sum of all five steps of development of entrepreneurship thoughts which are as follows:

1. Economist's Thought
2. Sociologist's Thought
3. Psychologist's Thought

7.4.1. Economist's thought:

The known history of mankind tells us that all activities today are the result of Economics and Politics. Both these factors emanate from each other and give dominance to the ruling party or group. Economics primarily is the result of scarcity of resources in a particular society. The art of choice making and decision taking under the scarcity in such a way that they are in dominant position and because of which they rule a particular group is the soul of economics. For a long time we were not familiar with anything other than economics and therefore it ruled even in defining entrepreneurship too. It can be noted that Richard Cantillon had defined "An entrepreneur is a person who undertakes to do a job" whereas Adam Smith (1776) said that "An entrepreneur is a person who acts as agent in transforming demand into supply." But the acceptance of the term entrepreneurship came when Jean Babtiste Say (1803) said that "An entrepreneur is a person who shifts resources from an area of low productivity to high productivity." It resonated with the economic environment of that era and entrepreneurship was identified as a separate area of study by economists. John Stuart Mill (1848) defined an entrepreneur as a prime mover in the private enterprise. He even went on to say that the entrepreneur is the fourth factor of production after land, labor and capital. Another thinker Carl Menger (1871) said "The entrepreneur acts as an economic agent who transforms resources into products and services. The entrepreneur transforms and gives added value." In nutshell it can be said that the favourable conditions of that time which focused more on harnessing physical resources for the wealth of the nations and earning profit or interest on the investment of capital gave more weightage to entrepreneurship. It must also be noted that entrepreneur was also treated like a physical resource and his competencies or personality traits were not discussed here. As a result the failure of any enterprise was attributed to market imperfections and faulty trade policies.

7.4.2. Sociologist's thought:

The importance given to physical resources justified the focus on profit but when that profit was not in line with the expectation the blame to external imperfections could not be justified every time therefore attention to those thinkers was also given who were talking about the function of entrepreneurship in a social system. The economist

view talked about the synchronisation of capital, technology and human resource and made it work like any stream of science. But it was weak or immature form of science as in order to build it as a body of knowledge that understands and practice the art of entrepreneurship academic models were required which could be used by the industry. The development of these models comes from the specific culture as the industrial development of Europe is different from industrial development of any other part of the world. The social scientists said that social norms, cultural values and expectations from a particular role are the major factors contributing for entrepreneurship. The changes or progress in a society channelizes the energy of its habitant towards entrepreneurial activities. According to Weber the spirit of capitalism can be generated only when mental attitude in the society is favourable to capitalism. According to John H. Kunkel and Hoselitz those who are marginalised culturally have a tendency to promote entrepreneurship for economic development. This is also reflected in several instances in history and above all in India the partition in 1947 led to maximum entrepreneurship development amongst the refugees, who are now the big business houses of India. This discussion justifies that why with same resources some of the enterprises are successful and why some could not sustain the growth and development. It was further noted that the success of an enterprise still varies when physical resources at disposal and social environment is same. The cause of such variation was attributed to psychological differences and more importance to individual than industry in entrepreneurship.

7.4.3. Psychological thought:

Joseph Aloysius Schumpeter in 1934 defined an entrepreneur as an innovator. The economy moves through leaps and bounds and the prime mover is the entrepreneur through the process of creative destruction, a term coined by him to describe the importance of innovation. The psychologist's thought process gave more importance to traits of an individual for success of an enterprise. Some major highlights of this view are innovation and creativity with a vision and leadership. According to A.H Cole, "entrepreneurship is the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or aggrandize profit by production or distribution of economic goods and services." In the words of Jaffrey A. Timmons who has defined entrepreneurship as the ability to create and build something from practically nothing. In the definition given by William Diamond entrepreneurship involves innovation along with risk bearing capability. McClelland identified two main characteristics of entrepreneurship namely doing things in a new and better way and decision making under uncertainty. Need for achievement is the driving force for certain economic behavior. The achievement motive is developed through upbringing of their children with a focus on excellence standards, material warmth and training for self- reliance. Those who have high achievement motive take up challenges and accept responsibilities and perform a task to the highest level of standards. According to B.F Hoselitz managerial skills and leadership are the most important facets of entrepreneurship whereas E.E Hagen defines an entrepreneur as a

creative problem solver who gets pleasure when facing problem and tolerates disorder without discomfort. Innovation requires creativity and such creative individuals cause economic growth. According to Psychologists, entrepreneurship is most likely to emerge when a society has sufficient supply of individuals possessing particular psychological characteristics. Some of the important characteristics which are important according to this thought are: Vision, Problem Solving attitude, need for achievement, tolerance to face problems or opposition.

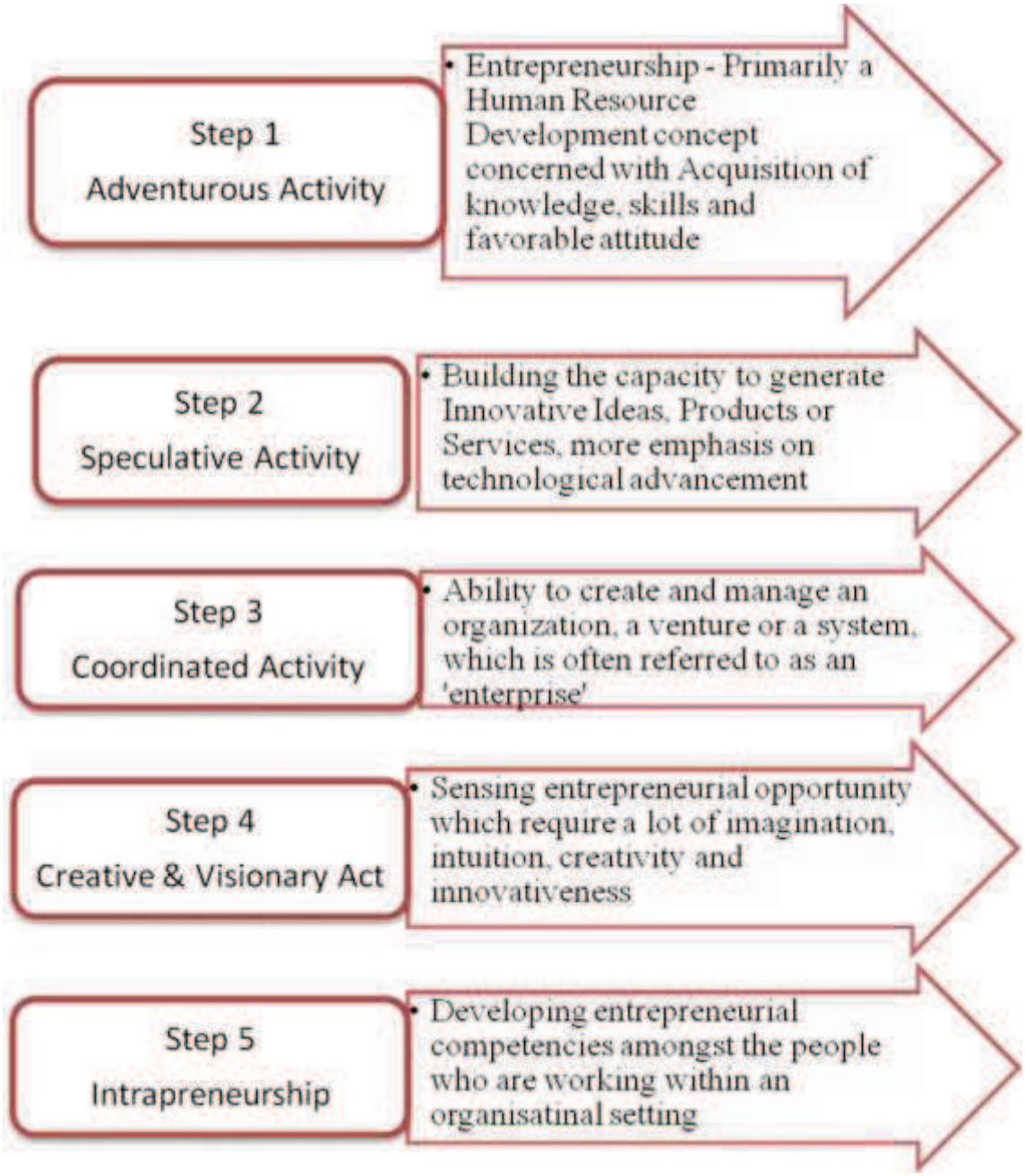


Figure 7.4.2 Stepwise Development of Entrepreneurship Thought

Check Your Progress-A

Q1. Discuss the origin of entrepreneurship theories?

Q2. Explain the Sociologist's thought of Entrepreneurship?

Q3. MCQs

(i) Features of Entrepreneurship are
   A. Out of Box Thinking or Innovation
   B. Need for High Achievement
   C. Identifying the opportunity
   D. All of above

(ii) French term "*entreprendre* means
   A. Innovator
   B. Creative
   C. Risk taker
   D. Manager

(iii)Gifford Pinchot III defined the term
   A. *Entreprendre*
   B. Intra Corporate Entrepreneurship
   C. Creative Destruction
   D. None of above

Q4. Fill in the Blanks with appropriate word or words.

a) Peter F. Drucker suggested that entrepreneurship is all about exploring …….and is a gradual process which requires all essential elements of……...
b) John Stuart Mill said that the entrepreneur is the …….after land, labor and capital
c) According to Weber the spirit of capitalism can be generated only when ……is favourable to capitalism.

d) E.E Hagen defines an entrepreneur as a ……who gets pleasure when facing problem

7.5 THEORIES OF ENTREPRENEURSHIP

The discussion in the previous section leads us to several theories which are given by various thinkers. Though each theory had its own thought process but none of them can be named the ideal or standardized theory.

7.5.1. Economic Theory of Entrepreneurship:

This theory advocates that entrepreneurship and economic growth goes hand in hand till the time economic conditions are favourable. Though the concept of economic theory was shady in the beginning but in the long run and constant evolution it had become a fully clear concept. In the words of Gustav .F Papanek and J.R. Harris the inner motivation of a person contributes maximum to the economic development. They focused on industrial entrepreneurship which helps in achieving economic gains. It is argued by some of the thinkers that growth of entrepreneurship is also dependent on growth of regional economic factors such as industrial policy of a particular state. But overall it can be said that entrepreneurship accelerated the pace of economic development and that dependent on technological advancement and availability of labour and capital in a particular region. Several economic factors as proposed by this theory are there which affect the motivation of a person to take up entrepreneurial activity and some of them are easy access to institutional finance, rich capital market with minimum hurdles, lower interest rate for money borrowed, high rate of demand and supply, availability of raw material and other resources, good governance in the form of economic policies, and sound and efficient infrastructure to support communication and transportation.

7.5.2. Innovation Theory:

This theory is known with the name of Joseph Schumpeter who introduced the word innovation to the world of entrepreneurship. According to him entrepreneurship is essentially a creative activity which means introduction of new to replace old idea to work more efficiently. Innovation in this theory as conceptualised by Schumpeter has several forms like introduction of a new product, new method of production, opening of a new market or exploring a new source of supply of raw material or creating a new position in the market. In other words we may say that innovation can come from anyone and can be implemented in any field of the enterprise and not necessarily require huge investment. It must be paid attention that the twentieth century when this theory was propounded that was the time industrial revolution was at its peak as after the world war II the world seemed to recover as quickly as possible with the damage committed by the war for so many ears. In this theory Schumpeter differentiated innovator and inventor by mentioning that an inventor discovers new methods and

new materials whereas innovator is the one who applies inventions in his business model to bring more satisfaction and profit to the enterprise. This concept was a breakthrough as described years later that this theory is both wide and narrow as it includes entrepreneur and directors and managers in the businesses that innovate and exclude those who only run business without any innovation. Paul Wilken in 1979 substantiated that innovation is always in the form of some change which may be classified in Productivity of factors of production such as finance, labour, material, Innovation in production such as, technology, process changes and increase in human resource productivity, Innovation in marketing area such as the composition of the market, size of the market and new markets.

7.5.3. Need for Achievement Theory

McClelland had given two major parameters of entrepreneurship which talked about doing things in a new and better way ad decision making under uncertainty. His theory focused on need for achievement and orientation of a person towards achievement which explain their economic behavior. The theory says that people having high need for achievement are more likely to succeed as entrepreneur. Since profit is a measure of success, it gives more sense of achievement to such people but the money amount is insignificant for them. The theory further explains that people with low achievement need are more influenced with monetary rewards. The need for achievement is an individual trait which does not change in behavior but its level can be moderated with the help of proper training and effort. This theory suggests that to develop entrepreneurial mind set parents need to set standards for their children very high. These children are more likely to chose path of entrepreneurship and believe that they can control their own life and high tolerance for ambiguity. The society at large and congenial environment plays their own vital role and justifies that how some of the countries or places are able to nurture more entrepreneurial mindset.

7.5.4. Entrepreneurial Growth Theory:

Max Weber (1864-1920) experimented with religion and its probable impact on entrepreneurial culture with reference to different countries. He took special interest in ‘Protestant work ethics’ and ‘Hindu’ beliefs. His theory is known as sociological theory which says that social culture is primarily responsible for development of entrepreneurship. According to him the entrepreneur is a role performer as expected by the society and such roles are largely influenced by the customs, taboos and religious beliefs. His theory attributed religion as major factor responsible for entrepreneurship as the spirit of capitalism and adventurism are largely influenced by religious practices. For example, Islam prohibits certain types of businesses and interest on capital similarly in Hinduism unethical business practices or crossing the sea was prohibited. This all had put restriction on the economic freedom and private enterprise. According to him colonial rule was most suited for entrepreneurship

development where combination of discipline and free spirited adventure made an entrepreneur successful.

7.5.5. Entrepreneurial Change Agent Theory:

Peter F. Drucker defines an entrepreneur as a change agent who brings change in the existing arrangement of resources in such a way that the result brings favourable change in the economic development of the country. Drucker finds that resources, innovation and suitable entrepreneurial competencies are the key to entrepreneurship. He emphasised that entrepreneurship involves the satisfaction should be enhanced by value creation and new values must be created by combining the resources in different combinations. According to Drucker an "entrepreneur is one who always searches for change, responds to it and exploits it as an opportunity." Entrepreneur innovates and innovation is a specific instrument of entrepreneurship. It creates resources because there is no such thing as a 'resource' until man finds a use for something and endows it with economic value. According to him entrepreneurship is not confined to big business and economic institutions but this theory give boost to the emergence of small and micro level enterprises which are thriving as statrt ups in all parts of the country.

7.5.6. Entrepreneurship Theory of Organisation/Coordination:

Francis A. Walker gave his view on entrepreneurship by defining entrepreneur as an organiser and coordinator for various factors of production. According to him the resources which can be put to some use are available for all the members of the society. But there are only few who are able to put them together and get some economic activity be executed out of those resources. The ability of a person to synchronise and orchestrate the usage of resources at disposal is entrepreneurship and the society where harmony and organising skills are groomed that society observes more entrepreneurial activities taking place where as the societies where the freedom to us the resources is not given the confidence of the citizen could not be built up to take up the challenge of experimenting with the resources to get some economic advantage. The entrepreneurs who are competent in organising and coordination skill get more rewarded as some degree of these skills is present in everybody.

7.5.7. Entrepreneurship Theory of Conscious Knowledge for Gain:

This theory was given by Israel Kirtzner in 1960 which says that spontaneous learning and alertness are the two important features of entrepreneurship. Entrepreneurship is the conversion of learning made with conscious knowledge to get motivated with the hope of profit in future. Kirzner said that it is important that we recognise opportunity at the right time with our skills and acquired knowledge and that may give more profit than innovation, and that actually is entrepreneurship. His model highlighted some of the major elements like the entrepreneur is constantly exploring the opportunities unintentionally to earn profit, he may raise funds for the opportunity by borrowing it

from a capitalist, and pay him back in the form of interest or dividend and retain his true profit. For example a news report published on the internet suggested that the prices of used books are lower at the end of the term compared to the beginning of the term. An entrepreneur would find it an opportunity to purchase at the end of the year and sell in the beginning of the year and make a handsome profit. That bit of insight and alertness is classic Kirznerian entrepreneurship in action; it was rewarded by a profit, but the activity was equilibrating, not disruptive, reducing the spread between prices for the same, or very similar, commodities paid by buyers or received by sellers at different times of the year.

7.5.8.Theory of Gap Fillers:

Harvey Leibenstein in 1969 put forth his idea of entrepreneurship in two categories namely, Routine Entrepreneurship and New Entrepreneurship. He said that both are important and it is primarily the role of an entrepreneur to be the 'gap filler.' According to him the factors of production are common for all enterprises and may give same result to all industrial units but actually the result is different in each case as the entrepreneur provides the much needed motivation to get the desired results. Motivation and Leadership are the two major ingredients of any production process which cannot be marked but are important for completing the production process. According to Leibenstein the supply of entrepreneurship is governed by inputs completing capacity and inadequate motivational state.

7.5.9.Theory of Status Withdrawal:

E.E. Hagen in the year 1962 added a new dimension to theories of entrepreneurship by conceptualising that entrepreneurship is the function of personality development which may largely be attributed to child rearing practices in a particular community or country. The important aspect which he emphasised that a person or a group identifies himself or herself with their social status and that social status largely comes from either family or from economic superiority. Sometimes due to war, migration, emergence of new faith or economic superiority of enemy community a person or the group may come across a situation where their social respect or status is withdrawn. The reaction in different manner may shape the personality of each one of them differently. Hagen postulated these reactions in four categories:

(a)*Retreatist*: Entrepreneur who continues to work in society but remains indifferent to his work or status.

(b)*Ritualist*: One who works as per the norms in the society hut with no hope of improvement in the working conditions or his status.

(c)*Reformist:* One who is a rebellion and tries to bring in new ways of working and new society.

(d)*Innovator:* An entrepreneur who is creative and try to achieve his goals set by himself.

Hagen also quoted the example of Samurai community of Japan which enjoyed high status and later it was withdrawn and to regain their lost pride they became more active and strong and gave rise to many entrepreneurs. This theory was supported by McClelland theory of Need Achievement and Schumpeter s theory of innovation.

7.5.10.Theory of Change in Group Level Patterns:

F.W Young provided a micro sociological interpretation of entrepreneurship in the year 1971 when he suggested that 'transformation codes' are developed by solidarity groups to improve their symbolic position in the larger structure and become entrepreneur. He classified entrepreneurship as a group activity. According to him entrepreneurship is the activity which is more prominent in clusters or we may say that people who have same background show same entrepreneurial traits which later prove beneficial for economic well being. Young conducted a Thematic Appreciation Test (TAT) on a group of entrepreneurs and the results suggested that they all had common traits which are part of their entrepreneurial behaviour such as problem solving, awareness of effort required, confidence in their own, etc.

7.5.11.Theory of Intrapreneurship:

In 1985, Pinchot introduced the term 'Intrapreneurship', which is derived from ***intra***-corporate entre***preneurship***, which describes the practice of entrepreneurship within organizations. He said that sowing the seeds of entrepreneurship in your organization to pursue opportunities, innovate and to begin new ventures should be encouraged and promoted through the culture of the organisation. Intra Corporate Entrepreneurship refers to the activities that enhance company's ability to innovate, take risk and seize market opportunities. 'Intrapreneurship' can be defined as the process in which: "innovative products or processes are developed by creating an entrepreneurial culture within an already existing organization" Inculcating an Intrapreneurial philosophy in organizations results in several advantages, including the development in the size and / or diversity of the product and service range, and helping the organization to expand and grow. It also assists in the creation of a workforce that can help maintain its competitiveness and promote a climate conducive to high achievement. Ultimately Intrapreneurship helps an organisation to develop entrepreneurial mind set amongst its employees which first help the company and later these employees may be instrumental in setting their own organisation. Google Earth and Post It by 3M are also the result of Intrapreneurial culture of these organisations.

7.6 ENTREPRENEURSHIP TREND IN OTHER COUNTRIES

It is observed that in previous two decades entrepreneurship has gained lot of momentum across the globe and today various indexes and reports are being published

to highlight the superiority of some countries in terms of entrepreneurship. It will not be wrong to say that today level of entrepreneurship is one of the criteria to rank them in terms of economic development. Global Entrepreneurship Monitor (GEM) publishes its report every year for every stakeholder to know the level of entrepreneurship in participating countries. GEM 2014-15 data shows that 65 countries participated and the results show that Uganda is the country with maximum entrepreneurship. It is surprising and difficult to understand but if we go through the methodology of study we will find that countries which are low income economies lack human capital and infrastructure needed to create high quality jobs. As a result people are engaged in petty self employment activities but only few are innovative or high growth start ups. Another international study which is conducted every year known as Global Entrepreneurship Index (GEI) which ranks countries on the basis of fourteen pillars of entrepreneurship ecosystem. The parameters for ranking are termed fourteen pillars and are divided into three categories:

7.6.1.Entrepreneurial Attitudes Pillars (5): Opportunity Perception, Start Up Skills, Risk Acceptance, Networking, Cultural Support,

7.6.2.Entrepreneurial Abilities Pillars (4): Opportunity Start Up, Technology Absorption, Human Capital, Competition

7.6.3.Entrepreneurial Aspirations Pillars (5): Product Innovation, Process Innovation, High Growth, Internationalization, Risk Capital

Entrepreneurial attitudes are societies' attitudes toward entrepreneurship, which we define as a population's general feelings about recognizing opportunities, knowing entrepreneurs personally, endowing entrepreneurs with high status, accepting the risks associated with business startups, and having the skills to launch a business successfully.

Entrepreneurial abilities refer to the entrepreneurs' characteristics and those of their businesses. We define entrepreneurial abilities as starts up in the medium- or high-technology sectors that are initiated by educated entrepreneurs, and launched because of someone being motivated by an opportunity in an environment that is not overly competitive.

Entrepreneurial aspiration reflects the quality aspects of startups and new businesses. Entrepreneurial aspiration is defined as the early-stage entrepreneur's effort to introduce new products and/or services, develop new production processes, penetrate foreign markets, substantially increase their company's staff, and finance their business with formal and/or informal venture capital. Product and process innovation, internationalization, and high growth are considered the key characteristics of entrepreneurship.

The previous section of this unit has explained you with the help of various theories that entrepreneurship is developed as a result of interaction of several factors which

were broadly classified into economic, Sociological and Psychological. Today GEI also identifies that quality is more important than quantity when it comes to entrepreneurship and this quality comes from entrepreneurial ecosystem. Entrepreneurial ecosystems support innovative, productive, and rapidly growing entrepreneurial ventures. They consist of multiple interactive elements (14 pillars as discussed), all of which need to be in sync in order for innovative and high-growth firms to prosper. The countries which are significant according to Global Entrepreneurship Monitor 2016 are as follows:

Table 7.6.1: List of Countries according to Global Entrepreneurship Index 2016

Name of country	Rank
United States of America	1
Canada	2
Australia	3
Denmark	4
Sweden	5
Taiwan	6
Iceland	7
Switzerland	8
United Kingdom	9
France	10
Chile	16
UAE	19
South Africa	52
China	60
India	98

Source: Global Entrepreneurship Network, The Global Entrepreneurship and Development Institute, Washington, D.C., USA

This index covered fifty two percent of entrepreneurial capacity of the world which mean there is further scope of improvement in the years to come. The important part is that in Europe Denmark is the country with highest level of entrepreneurship whereas in Asia and Middle East United Arab Emirates is providing helpful ecosystem. India is far behind many countries in the list of 132 countries evaluated. It stands at 98th rank which is a matter of concern for all policy makers. To bring India to a better level as compared to other countries a lot needs to be done by all stakeholders of the ecosystem only then successful development of entrepreneurship would be possible.

Check Your Progress- B

Q1. Explain Innovation theory of Schumpeter.

Q2. Write a short note on Development of Entrepreneurship in other countries.

Q3. What is the similarity between Hagen's Theory and Need Achievement Theory.

Q4. Identify the theory:

(a)Entrepreneurship has several forms like introduction of a new product, new method of production, opening of a new market or exploring a new source of supply of raw material or creating a new position in the market.

(b) Entrepreneur is the one who always searches for change, responds to it and exploits it as an opportunity.

(c) The ability of a person to synchronise and orchestrate the usage of resources at disposal is entrepreneurship.

(d) His theory attributed religion as major factor responsible for entrepreneurship as the spirit of capitalism and adventurism are largely influenced by religious practices.

Q5. Multiple Choice Questions-

K.1. Characteristic which is important according to Psychological thought is:

(i) Vision,
(ii) Problem Solving attitude,
(iii) Tolerance to face problems or opposition.
(iv) All of above

K.2. Theory of Conscious Knowledge for Gain was given by

i. Peter F. Drucker
ii. Hagen
iii. Israel Kirtzner
iv. F.W Young

K.3. Entrepreneurial aspiration reflects

i. quality aspects of startups and new businesses
ii. individual's career goal
iii. country's infrastructure
iv. none of above

K.4. Which country is top ranked in Europe according to Global Entrepreneurship Index 2016?

i. Sweden
ii. United Kingdom
iii. France
iv. Denmark

7.7 SUMMARY

This unit explored various theories of entrepreneurship in detail and covered literature spread over more than two centuries. The theories involved economic, sociological and psychological thought which are at the root of development of entrepreneurship idea. Schumpeter's theory of innovation emphasised on innovation for developing enterprises. McClelland linked entrepreneurship with the need for achievement to things in better way and making critical decisions. The emphasis was on individual traits in both theories. Weber highlighted religious orientation as the base for entrepreneurship whereas Hegan emphasised on withdrawal of social status a main

factor motivating individuals towards entrepreneurship. It can be summed up that every theorist has looked at the entrepreneur and entrepreneurship on the basis of his perception, and therefore, can, at best, provide only a limited view of entrepreneurial phenomenon. Each of the entrepreneurship theories discussed are inter-disciplinary and are influenced by a multitude of factors. It is the integration of external environment, dream, ambition, passion, achievement, motivation, commitment, integrity, honesty, sincerity, ability and hard work which largely determine whether an individual become an entrepreneur or not.

7.8 GLOSSARY

- **Capital:** Financial capital is a term that can refer to the money exchanged between entrepreneurs and investors during a business deal.
- **Capitalism:** an economic and political system in which a country's trade and industry are controlled by private owners for profit, rather than by the state.
- **Change Agent:** A change agent is a person from inside or outside the organization who helps an organization transform itself by focusing on such matters as organizational effectiveness, improvement, and development.
- **Creative Destruction:** It refers to the incessant product and process innovation mechanism by which new production units replace outdated ones. It was coined by Joseph Schumpeter (1942), who considered it 'the essential fact about capitalism'
- **Factors of Production:** Factors of production is an economic term that describes the inputs that are used in the production of goods or services in order to make an economic profit. The factors of production include land, labour, capital and entrepreneurship.
- **Interest:** money paid regularly at a particular rate for the use of money lent, or for delaying the repayment of a debt.
- **Networking:** Developing business contacts to form business relationships, increase your knowledge, expand your business base, or serve the community.
- **Out of Box Thinking:** It is a metaphor that means to think differently, unconventionally, or from a new perspective. This phrase often refers to novel or creative thinking.
- **Pay off:** A final outcome or result.
- **Skill:** The ability to do something well; expertise.

- **Start Up:** A Start Up is defined as a new business that has yet to achieve a sustainable positive cash flow or has been in operation for a limited period of time.

- **Value Creation:** Value creation is the primary aim of any business entity. Creating value for customers helps sell products and services, while creating value for shareholders, in the form of increases in stock price, insures the future availability of investment capital to fund operations

7.9 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

Ans. 1. A theory is a set of principle on which the practice of an activity is based. Sometimes a theory is an idea used to account for a situation or justify a course of action or it analyses the set of facts in relation to one another. Here in entrepreneurship all these definitions apply to the views of experts given in the form of a theory. The whole work in this field over the period primarily classifies entrepreneurship in three categories namely Economist point of view, Sociologist point of view and Psychologist point of view.

Ans 2. The social scientists said that social norms, cultural values and expectations from a particular role are the major factors contributing for entrepreneurship. The changes or progress in a society channelizes the energy of its habitant towards entrepreneurial activities.

Multiple Choice Questions

(i) D, (ii) C, (iii) B

Fill in the Blanks

(a)untapped opportunities, management (b) fourth factor of production (c) mental attitude in the society (d) creative problem solver

Check Your Progress –B

Ans.1. According to him entrepreneurship is essentially a creative activity which means introduction of new to replace old idea to work more efficiently. Innovation in this theory as conceptualised by Schumpeter has several forms like introduction of a new product, new method of production, opening of a new market or exploring a new source of supply of raw material or creating a new position in the market. In other words we may say that innovation can come from anyone and can be implemented in any field of the enterprise and not necessarily require huge investment.

Ans 2. Globally it is found that entrepreneurship plays an important role in a country's economic growth. The future of entrepreneurship is bright in developing countries. "We are living in an age of entrepreneurial development. The entrepreneurship is

endorsed and encouraged by educational institutions, governments, society / and other corporate bodies in India and other developing countries. Today entrepreneurship is measured by several international bodies like GEM and GEI and efforts are being made to uplift the countries with poor entrepreneurship index with supportive policies and grants across the world.

Ans 3. According to McClelland the need for achievement is an individual trait which does not change in behavior but its level can be moderated with the help of proper training and effort. This theory suggests that to develop entrepreneurial mind set parents need to set standards for their children very high. These children are more likely to chose path of entrepreneurship and believe that they can control their own life and high tolerance for ambiguity. Similarly E.E. Hagen conceptualised that entrepreneurship is the function of personality development which may largely be attributed to child rearing practices in a particular community or country. Therefore it can be said that both theories explained entrepreneurship from the perspective of achievement (McClelland) or status (Hagen) which can be developed by family right from their childhood.

Identify the Theory:

(a) Innovation Theory
(b) Change Agent Theory
(c) Theory of Coordination
(d) Entrepreneurial Growth Theory

MCQ:

K.1 (iv)

K.2 (iii)

K.3. (i)

K.4. (iv)

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7.12 TERMINAL QUESTIONS

1. Define Entrepreneurship and explain its main characteristics.
2. "Innovation and entrepreneurship goes hand in hand." Discuss critically.
3. What do you understand by "Intrapreneurship"? How does it differ from Entrepreneurship?
4. What is the contribution of Henery Liebenstein's formulation regarding entrepreneurship?
5. Discuss the step by step evolution of entrepreneurship theories.
6. Write an essay on global trends in entrepreneurship.
7. Describe in detail the economist's, sociologist's and psychologist's view in detail about the emergence of entrepreneurship
8. Discuss theories of entrepreneurship and prove that "entrepreneurship is multi-dimensional concept."

UNIT-8 LEGAL ISSUES FOR THE ENTREPRENEUR

8.1 Introduction

8.2 Objectives

8.3. Meaning of Legal Issues for the Entrepreneur

8.4 Objectives of Knowing Various Legal Issues

8.5 Registration of the Business by the Entrepreneur

8.6 Other Legal Compliances in India for Entrepreneurs

8.7 Legal Clearances required for setting up an Industrial Unit

8.8 Summary

8.9 Glossary

8.10 Answer to Check Your Progress

8.11 Reference/ Bibliography

8.12 Suggested Readings

8.13 Terminal Questions

8.1 INTRODUCTION

In the previous unit you learnt about the theories of Entrepreneurship which highlight various dimensions of entrepreneurs. It is important to understand that one may have an innovative idea for business but the social and legal implications are to be taken care of by the successful entrepreneurs. Entrepreneurs always face uncertainty as explained in various theories and the degree of uncertainty increases when it comes to a developing country like India. In the world economic scenario India is currently a very progressive economy which is encouraging investment in all sectors but we also need to admit that encouragement to domestic entrepreneurs is not matching the pace at which it is required. Though several government policies are introduced from time to time to boost the entrepreneurial climate of the country but lack of awareness to the

masses of these policies and bureaucracy becomes the biggest hurdle in not achieving the target. The legal procedures and rules which are framed to catalyse the setting up of new enterprises or Start Up becomes an issue for the entrepreneur.

In this unit, you will study about various legal issues faced by an entrepreneur right from the conception of the idea to the final implementation of the same. The way to tackle these legal issues is the knowledge of various acts and regulations which generally affect business in all sectors. The unit will discuss most of the regulations in brief to give you the fair idea on how to deal with the situation when come across a legal bottleneck.

8.2 OBJECTIVES

After reading this unit you will be able to:

-Understand the meaning of Legal Issues for an Entrepreneur

-Explain the objectives of knowing various legal issues

- Know the procedure to register the Business in India

-Learn the Legal Compliances in India for Entrepreneurs

-Learn the Clearances required for setting up an Industrial Unit

8.3 MEANING OF LEGAL ISSUES FOR THE ENTREPRENEUR

In Civil Society regulations are the ground for perennial growth and they become the governing factors to ensure that everything happens according to the plan and policy approved and principles for future actions are established. The idea is to highlight any non-conformity and make modifications there and then to avoid any reoccurrence of the same. These regulations control three important factors and work on them- people, objectives and actions. Therefore it is ensured by these regulations that whether any progress is made towards achieving a particular objective with announcement of a policy or not, whether environment is protected from pollution after rapid growth of industries, whether the interest of the weakest or poorest of the society is protected, whether welfare of the workers in a business is taken care of or not and the small entrepreneurs are not bullied or are affected by restrictive trade practices or not. These matters affect every business in some way or the other. These regulations set up by government to protect various stakeholders become legal issues if not managed properly by the entrepreneur. If managed correctly, these can be advantages; otherwise these can lead to serious problems for the enterprise and may even result in closure of the business unit.

8.4 OBJECTIVES OF KNOWING VARIOUS LEGAL ISSUES

Economic Development of any country is accelerated by fostering entrepreneurship in all parts of country with a major thrust on Tier II and Tier III cities where it would empower the youth with several opportunities to showcase their innovative ideas. However those entrepreneurs whether young or not having in-depth knowledge of their domain but may not be familiar with the legal regulations which govern their business or enterprise. Start Up or new enterprises are important segments of an economy in the current business environment which have adhere to the rules and regulations of the country in which they operate.

These regulations are broadly classified in two categories namely *Protective and Promotional*. The Protective measures are those which safeguard the interest of an entrepreneur and Promotional measures are those which help in growth of the business of an entrepreneur. Since independence the government has made constant efforts to promote industrial development with a special focus on Micro, Small and Medium Enterprises (formerly known as Small Scale and Cottage Industry) by forming several Constitutional Acts which serve both as protective and promotional role. These Acts/regulations /rules are passed by various authorities at Central/State/ Local level which address various legal issues for an entrepreneur. The classification of these legal regulations is as follows:

- Registration related issues
- Labour related issues
- Tax related issues
- Location related issues
- Product related issues
- Environmental issues, and
- Safety, Security, hygiene, health and welfare related issues, etc.

Some of these regulations and issues related to them would be discussed in the next segment of this unit.

Check Your Progress-A

Q1. State the meaning Legal Issues for Entrepreneurs?

Q2. Explain the purpose of knowing various legal issues?

Q3. MCQs

i. To inculcate entrepreneurship amongst youth

(a) All of them must be well educated

(b) They must understand the rules and regulations affecting entrepreneurship

(c) They must live in Tier II and Tier III cities

ii. Protective measures are those which

(a) safeguard the interest of an entrepreneur

(b) which protect them from law

(c) which help in economic development of the country

iii. The regulations serve the important purpose of

(a) highlighting any non conformity and make modifications

(b) putting entrepreneur behind bars

(c) to accelerate economic development

Q4. Fill in the Blanks with appropriate word or words.

(i) Promotional measures are those which help in …….. of an entrepreneur.

(ii) Legal issues If not managed correctly can lead ..... for the enterprise and may even result in ..... of the business unit.

(iii) …….are important segments of an economy in the current business environment

(iv) Economic Development of any country is accelerated by ……. in all parts of country with a major thrust on Tier II and Tier III cities.

8.5 REGISTRATION OF THE BUSINESS BY ENTREPRENEUR

For every entrepreneur who plans to start his own enterprise the first and most important legal issue is non awareness of the registration process and of various options available for setting up an enterprise and various funding options available. As you can understand that to start any business the first step is to get it recognized by the eco system surrounding it. This recognition of the business comes from the Registration of the Business. Therefore it is important for every entrepreneur to understand the legal regulations related to registration of business and in how many forms it is possible in India.

8.5.1 Various forms of organization which can be registered in India as per various Acts of the government:

8.5.1.1 Sole Proprietorship (Shops & Establishment Act, 1988): It is the most convenient and simple way to start the business. This form of business involves just one person, the one who conceives the idea and starts with the business activities. The entrepreneur can easily employ people, acquire assets, registering intellectual property or opening a bank account. It require very little documentation and legal compliance but the problem with this form is that it is a one man show and is considered a risky prepositions from creditor's point of view of the business.

8.5.1.2 Partnership Firm (Indian Partnership Act, 1932): The limitation of the Sole Proprietorship can be removed with adoption of Partnership form of the business. In this form two or more persons come together to form the partnership which is governed by a partnership deed prepared as per the Indian Partnership Act 1932. The biggest advantage of partnership is that with simple regulatory framework more talent and capital can be deployed in the business whereas the disadvantage is that even in case of partnership the partners have unlimited liabilities.

8.5.1.3 Limited Liability Partnership (LLP) (LLP Act, 2008): The drawback of partnership of unlimited liability was overcome by Limited Liability Partnership introduced in India in the year 2008. This form of business has all the advantages of Partnership and Company form of business and are highly recommended for a Start Up.

8.5.1.4 Limited Liability Company: (Companies Act, 2013): The most common form to scale up any business is limited liability company form of business which require incorporation under Companies Act 2013 which is an improvement over Companies Act 1956 either as a Private Company or Public Limited Company or as One Person Company (OPC). The advantage of this form is that maximum availability of resources in financial and physical terms and the disadvantage is that it needs strict compliance with legal requirements failing which the business may suffer even the closure of the business.

The first legal issue which is faced by all entrepreneurs is of selection of type of ownership and getting it registered according to the law off the land. The next stage is to know all other legal compliances which an entrepreneur has to take care of before starting his own enterprise. Our next segment in this unit will discuss these other compliances which are generally required in all types of businesses.

8.5.2 Starting business in India – New simple step-by-step legal process

Business registration is an important compliance which makes the process of starting the business complicated for an aspiring entrepreneur especially in India. The Ease of doing business index ranks India at 130th place is a clear indicator that still we need to get away from complications of registering a business entity. Ministry of Corporate Affairs (MCA) introduced in the year 2015 a new form for registration of business INC-29 which is an effort to simplify the process of DIN allotment, PAN & TAN, ESIC registration and other incorporation processes. The standard steps followed for INC-29 registration process are as follows:

8.5.2.1Procedure 1: The procedure suggests expected costs and tentative time to complete the process which is as follows:

- Obtain Digital Signature Certificate from MCA-authorised agency
- Time to Complete: 2 to 5 days
- Cost to Complete: INR 1,500

The guidelines also suggest that a Class II Digital Signature Certificate (DSC) is to be obtained by one of the directors to use the electronic filing system of MCA 21. This service costs between Rs 400-Rs2650 and provided by e-Mudhra, TCS and n-Code. The general time taken for completion of this process varies from 2 to 5 days depending upon the efficiency of despatch services. The documents required for completion of this procedure are PAN card, Passport in case of foreign national and self-attested copy of Voter ID/Ration Card/Driver's License/Latest Utilities Bill/AADHAR Card.

8.5.2.2 Procedure 2: The step two specifies the process of preparing the INC and the expected cost and tentative time to complete the process which is as follows:

- Preparing INC-29
- Time to Complete: 1 to 3 days
- Cost to Complete: Company secretary fees

The next step after acquiring Digital Signature Certificate is to fill the required information in INC-29 to be supported by the signature of a Company Secretary along with several pieces of information. In case of error resubmission is allowed only once.

For Director Information Number Application: The guidelines prescribed by Ministry of Corporate Affairs highlights that maximum three directors can apply for the Director Information Number (DIN) through INC-29; the rest, if any, may do so separately. The DIN is the number through which the MCA identifies directors of companies. Obtaining a DIN involves the submission of the following documents:

- Scanned copy of Passport-sized photograph
- Scanned copy of PAN card (passport if foreign national) and Driver's License/Voter ID/Latest Utilities Bill. Both should be self-attested, but foreign nationals would need them notarised by the Indian embassy, too (if they belong to countries not in the commonwealth, they would also need to be apostilled).

For Name Approval: The new form INC-29 asks for submission of only one name for the company whereas the old form allowed six possible options for that. It becomes all the more important for an entrepreneur to understand the guidelines of MCA for selection of appropriate name to get it approved without much complication in first attempt. The rules as suggested by various online advisory portals (see reference section) are as follows:

1. Ensure that your company's proposed name has not already been taken on mca.gov.in.
2. Ensure that there is no registered trademark in the same name by checking at ipindia.nic.com. If there is one, you can get NoC from the trademark owner authorising you to use it.
3. Ensure that the first half of the name is unique. Avoid geographical references, adjectives, abbreviations and generic terms. Also, the words bank, exchange and stock exchange require approval from RBI and SEBI.
4. Ensure that the second half describes the sector you're in.

Once the name is decided, also describe the significance of the name in one or two sentences. It would need to be entered into the form.

For Memorandum and Articles of Association: The Memorandum of Association (MoA) and Articles of Association (AoA) need to be attached to the INC-29. These may or may not be drafted by a Company Secretary, but should contain the signature of one. The MoA will also contain the main objects of your business (keep in mind that the Registrar tends to disapprove of businesses that are in unrelated sectors). You would also need to attach an affidavit from all subscribers through Form INC-9 (available on mca.gov.in). The cost of these documents would vary depending on the Company Secretary you choose.

For Registered Office Verification: The Registered office address provided by the company directors acts as the address proof for the company. It may be a commercial or residential space with the proper details of rental agreement along with NoC of the owner. In case of own property the sale deed is to be annexed.

For Appointment Letters and Declarations: The declarations of appointment of directors, CEO and managers are to be submitted with application. The authenticity and verification of these documents require a separate declaration by Company Secretary with the following attachments:

1. Letters of appointment of directors, CEO, managers
2. Declaration by first director in INC-9
3. Declaration by appointee director and managing director in Form DIR-2.

8.5.2.3 Procedure 3 The next step for registration is filing of INC-29 and the expected cost and tentative time to complete is as follows:

- Filing INC-29
- Time to Complete: 1 day
- Cost to Complete: Rs. 2000 + authorised capital fee + stamp duty

The completed set of all papers with INC-29 is submitted with the Registrar and in case of any error the resubmission is allowed only once. If the error continues the form will be rejected completely. The entrepreneur has to pay the fees and stamp duty according to the guidelines prescribed according to authorised capital for a company.

Authorised capital fees are as follows:

a. INR 100,000: INR 5,000;
b. For every INR 100,000 of authorised capital up to INR 500,000, INR 4,000;

c. For every INR 100,000 of authorised capital up to INR 50,00,000, INR 3,000;
d**.** For every INR 100,000 of authorised capital up to INR 100,00,000, INR 1,000;
e. For every INR 100,000 of authorised capital over INR 100,00,000, INR 750.

Let's take an example. For a company with a registered office in Mumbai and authorised capital of Rs. 300,000, the fees would be as follows:

1. **Memorandum of Association**: Rs. 2000
2. **Articles of Association:** Rs. 300
3. **Stamp Duty:** Rs. 1300
4. **Authorised Capital Fee:** Rs. 13,000
5. **INC-**29: 2000

8.5.2.4 Procedure 4: The last step for registration of a company includes the issue of incorporation certificate and tentative time required which are as follows:

- Issue of Incorporation Certificate
- Time to Complete: 2 days onwards
- Cost to Complete: Does not apply

When the certificate is received the other steps are same as used to be followed in the old process of registration.

8.6 OTHER LEGAL COMPLIANCE IN INDIA FOR ENTREPRENEURS

The entrepreneur whether at small or at medium level has to operate in certain business environment which affects their business from the very beginning and from time to time they have to modify their operations and practices to make the business compliant with the legal framework. Some of the regulations like State Industries Act, Factories Act 1948, Payment of Wages Act 1936, Minimum Wages Act 1948, Workmen's Compensation Act 1923, Employee Provident Fund Act 1952, Employee State Insurance Act 1948, Copyright Act 1957, Income Tax 1961, Central Sales Tax Act and State Sales Tax Act (soon to be replaced by GST in the year 2017), Drug Control Act, The payment of Bonus Act 1978, Industrial Disputes Act 1947, Consumer Protection Act 1986 are applicable to most of the enterprises. Out of these some of the legal stipulations of important Acts which every entrepreneur must know before starting his or her own venture at present and ignorance of these may result in series of hurdles for the entrepreneur are discussed below -

8.6.1 Labour Law: Every enterprise is a unit where one or more persons are working together to achieve the common objective which may be profit of service of the society. In all these cases the social interaction of people associated may result into conflicts pertaining to money or working conditions. To resolve all these issues from the very beginning an entrepreneur must have fair knowledge of prevent labour laws of the country. At present the most important labour laws in India are the Industrial Disputes Act, 1947, Trade Unions Act, 1926, Factories Act, 1948, Workmen Compensation Act,1923 (Amended in 1984, 2000) and The Contract Labour (Regulation & Abolition) Act, 1970, Minimum Wages Act,1948. An entrepreneur who understands these legislations would definitely follow the practices which keep the workforce happy and a happy workforce helps in achieving the desired results, productivity and profits for the enterprise.

8.6.2 Taxation Law: Every entrepreneur whether earning profit or not has to understand basic tax structure of the country to operate legally and peacefully. Any business once registered under any form of ownership has to file tax returns every year to justify their operations to the government and contribution in National Development. The tax structure in India is broadly divided in two categories, namely Direct Taxes and Indirect Taxes. Direct Taxes like Income Tax and Wealth tax affect any entrepreneur with respect to their earnings and personal possessions whereas the Indirect Taxes like Service Tax, Central Sales Tax, Customs and Excise Duties which would soon be replaced by unified Goods and Service Tax (GST) in near future affect the cost of any goods and service and ultimately its price. Therefore it is imperative for every entrepreneur to understand the important aspects of Income Tax Act 1961, Direct tax Code 2013 (DTC), Finance Act 1994, Wealth Tax Act etc and run their business smoothly.

8.6.3 Product Liability and Safety Law: An entrepreneur realizes his dreams or idea by materializing it in the form of a product or service to the society but while doing so he/she has to keep in mind the laws related to the safety of it ultimate consumers. In India the product safety laws are very stringent and over a period of time the government has added several new regulations which ensure overall protection of the citizen of India from any malpractices used by manufacturers. Some of the regulations which cover civil product liability are Sales of Goods Act 1939, Consumer Protection Act 1986, Competition Act 2000, Law of Torts etc. In some of the cases the criminal liability is also imposed if any irregularity is found from the side of the entrepreneur under The Drug & Cosmetics Act 1940, The Food Safety and Standards Act 2006, The Bureau of Indian Standards Act 1986 etc. Therefore it is important that the entrepreneur plan his business idea keeping in mind the legal regulations of these acts to avoid any problems later.

8.6.4 Intellectual Property Law: The dreams or ideas of an entrepreneur are the creation of his mind and are transformed into reality by the efforts of his team.

It must be noted that those who become the part of this team may not choose to remain with the organization for life or may discuss these innovative ideas with others. In these circumstances it is important to protect the originality of the idea. In case of designers, programmers, artists or researchers where the final product or service is the hard work of a team or an entrepreneur it is referred as intellectual property. Copyrights, Trademarks, Patents, Trade Secrets, Plant Varieties, etc are various types of Intellectual Properties in today's world. It is important for every entrepreneur to understand that his business must not violate any Intellectual Property Law nor any one exploits his/her Intellectual Property for undue advantage without his/her permission. Copyright Act 1957, Patent Act 1970, Trademarks Act 1999, etc are the acts which guard every entrepreneur from such situation.

8.6.5 Corporate and Contract Law: Every Entrepreneur operates in a business environment which follows some standard practices governed by Contract Law. The transactions whether monetary or non monetary which we observe in our daily life are also governed by Indian Contract Act 1872. According to this Act "every agreement which is enforceable by law is a contract." This forms the back bone of every business and becomes the guiding force for the entrepreneur to move ahead in his or her business. The Contract Act initially had Sale of Goods Act, Partnership Act etc but later all of these were severed and constituted as separate acts to make them more understandable by all. Today the contracts related to purchase and sale of goods are covered by Sale of Goods Act 1930, and the contracts related to partnership for starting of business are covered under Partnership Act 1932. The contract of Agency, Bailment and Contract of Indemnity and Guarantee are also part of contract act and they influence most of the operations of business for an entrepreneur.

The management of any business by an entrepreneur may also be affected by Corporate Laws and most important among those is Companies Act 2000 which has replaced Companies Act 1956 if the enterprise is registered in the company form of the business. The Company form of business gives the entrepreneur the advantage of separate entity, separate property, common seal and wider access to capital. Some of the key features added in the new Companies Act 2013 are One Person Company (OPC), introduction of Dormant Company, Mandatory inclusion of Corporate Social Responsibility for all companies, and Rotation of Auditors, etc.

8.6.6 Pollution Control Law: Rapid industrialization has become the cause of concern for the environment and the government in every country is forming legislations to protect the environment. These regulations aim to create liabilities for the entrepreneur which are related to containing the pollution level within the range, precautions to be taken while handling hazardous material and providing due information about any kind of accidents. It is to be noted by all entrepreneurs that large industries have take approval from Pollution Control Boards (PCBs) before starting their activities but in case of

Small Scale Unit consent is required only in few cases. SSIs generally get an acknowledgement that serves the purpose of consent. State pollution control boards issue a No Objection Certificates for Air and Water pollution along with Site clearances whereas some of the areas may be prohibited for starting up any kind of business activities.

Check Your Progress- B

Q1. Explain various legal issues for starting a business with suitable examples.

Q2. Write a short note on the Registration of an enterprise.

Q3. Explain the relationship between labour law and entrepreneurship.

Q4. How does Taxation affect an entrepreneur?

Q5. Multiple Choice Questions-

(i) The most convenient and simple way to start the business is
   (a) Proprietorship
   (b) LLP
   (c) Company
   (d) None of the above

(ii) The latest form INC-29 is introduced by:
   (a) Companies Act
   (b) Pollution Control Board
   (c) Ministry of Corporate Affairs
   (d) Foreign Ministry

(iii) The tax structure in India is broadly divided in two categories, namely
   (a) Service Tax and Excise
   (b) Goods & Service Tax
   (c) Direct & Indirect Tax
   (d) Income Tax & Wealth Tax

(iv) In case of Product Liability and Safety Law criminal liability is imposed in case of irregularity under
   (a) Consumer Protection act
   (b) Sale of Goods Act
   (c) The Drug & Cosmetics Act 1940
   (d) All of the above

8.7 LEGAL CLEARNACES REQUIRED BEFORE STARTING AN ENTERPRISE

The various legal issues discussed in the previous sections highlight the importance of knowing various acts to be able to start a particular business and reap its benefits. However it is also important to have a look over various clearances required as pointed out by various agencies and government machinery from time to time as per the norms. It should be noted by the reader that these clearances may change anytime as per the government notification made for the benefit of the society at large. Some of the legal clearances as specified by Department of Industrial Policy and Promotion (DIPP), Government of India are discussed below:

Category of Clearance	**Sanctioning Authority**
Incorporation of Company	Registrar of Companies
Registration/IEM/Industrial license	District Industry Center for Small Scale Industries(SSI) /Secretariat of Industrial Assistance (SIA) for large and medium industries

Allotment of land	State DI/State Industrial Development Corporation(SIDC)/Infrastructure Corporation/Small Scale Industrial Development Corporation(SSIDC)
Permission for land use (in case industry is located outside an industrial area)	a. State DI b. Department of Town and Country Planning c. Local authority/District Collector
NOC and consent under Water and Air Pollution Control Acts	State Pollution Control Board
Approval of construction activity and building plan	a. Town and country planning b. Municipal and local authorities c. Chief Inspector of Factories d. Pollution Control Board e. Electricity Board
Sanction of Power	State Electricity Board
Use and storage of explosives	Chief Controller of Explosives
Boiler Inspection Certificate	Chief Inspector of Boilers
Finance	i. State Financial Corporation /SIDC for term loans ii. For loans higher than Rs. 15 Million, all India financial institutions like Industrial Development Bank of India(IDBI), Industrial Credit and Investment Corporation of India(ICICI), Industrial Finance Corporation of India(IFCI) etc.
Registration under States Sales Tax Act, and Central and State Excise Act	i. Sales Tax Department ii. Central and State Excise Depts.
Extraction of Minerals	State Director of Mines and Geology
ISI Certificate	Regional Office of the Bureau of Indian Standards (BIS)

Quality Marking Certificate	Quality Marking Center of the State Government
Weights and Measures	Inspector of Weights and Measures
Code Number for Export and Import	Regional Office of Director General of Foreign Trade

8.8 SUMMARY

India as a country faces more legal challenges in the world compared to its counterparts when it comes to entrepreneurship due its delayed adoption of progressive regulatory framework. Though the liberalization of the market has presented new set of opportunities to entrepreneurs in all market segments but the pace of development still need more thrust. The legal rules and regulations ensure the growth of the enterprise and growth of the environment. These regulations also make sure that the standards of operations for all stakeholders are being followed. The current forms of business ownership which an entrepreneur generally takes up are proprietorship, partnership and a company. The innovations such as limited liability partnership and one Person Company have also induced many to take up the plunge into entrepreneurship due to fewer formalities. It is also to be seen that an entrepreneur has to comply with several laws such as Contract Act, Labour Laws, Product Safety, Intellectual Property etc. Direct and Indirect taxes and various types of duties imposed by the government are the legal issues dealt by every entrepreneur at different stages of the business. Industrial Acts, Value Added Tax, Income Tax, Service Tax, Excise and Professional Tax. Moreover various types of clearances are required to be taken by the entrepreneur before starting a new unit as notified by the government from time to time. The Legal compliances are the direction for excellence, growth and development with a mechanism for monitoring of any deviations. An enterprise is associated with land, environment, people and consumers, therefore regulations are formed to protect the interest of all these stakeholders. Greater the awareness of these regulations, greater is the chance of the success of the enterprise. A strong understanding of the legal issues to the entrepreneur ensures rapid and smooth growth of the enterprise.

8.9 GLOSSARY

- **Start Up-** A *startup* (*startup* or *start-up*) is an entrepreneurial venture which is typically a newly emerged, fast-growing business that aims to meet a marketplace need by developing or offering an innovative product, process or service.
- **Bureaucracy**- A system of government in which most of the important decisions are taken by state officials rather than by elected representatives.

- **Civil Society-** Society considered as a community of citizens linked by common interests and collective activity.
- **Tier II cities-** These are the next level down from Tier I, and are basically smaller cities, statistically 1 million in population and are usually regional hubs such as state capitals or industrialized centres. Some examples include Pune, Cochin, Mangalore, and Dehra Dun.
- **Tier III cities**- Tier III consist of cities with a population of less than a million. In simpler terms, these comprise cities that are just beginning to wake up and take form on their own.
- **MSME-** The MSMED Act, 2006 defines the Micro, Small and Medium Enterprises based (i) on the investment in plant and machinery for those engaged in manufacturing or production, processing or preservation of goods and (ii) on the investment in equipment for enterprises engaged in providing or rendering of Services.
- **Proprietorship-** A business that legally has no separate existence from its owner. Income and losses are taxed on the individual's personal income tax return.
- **Partnership-** A type of business organization in which two or more person pool money, skills, and other resources, and share profit and loss in accordance with terms of the *partnership* agreement.
- **LLP-** A limited liability partnership (LLP) is a partnership in which some or all partners (depending on the jurisdiction) have limited liabilities. It therefore exhibits elements of partnerships and corporations. In an LLP, one partner is not responsible or liable for another partner's misconduct or negligence.
- **Company-** A *company* can be defined as an "artificial person", invisible, intangible, created by or under law, with a discrete legal personality, perpetual succession, and a common seal.
- **Capital-** Capital refers to financial assets or the financial value of assets, such as cash and funds held in deposit accounts, as well as the tangible machinery and production equipment used in environments such as factories and other manufacturing facilities.
- **Memorandum of Association**- A Memorandum of Association (MOA) is a legal document prepared in the formation and registration process of a limited liability company to define its relationship with shareholders.
- **Articles of Association**- Articles of Association is a document that contains the purpose of the company as well as the duties and responsibilities of its members defined and recorded clearly. It is an important document which needs to be filed with the Registrar of Companies.
- **Stamp Duty-** A stamp duty is the tax placed on legal documents usually in the transfer of assets or property.
- **DIPP**- Department of Industrial Policy and Promotion under Ministry of Commerce and Industry, India
- **ISI-** ISI mark is a certification mark for industrial products in India. The mark certifies that a product conforms to the Indian Standard, mentioned as IS:xxxx on

top of the mark, developed by the Bureau of Indian Standards (BIS), the national standards body of India.

8.10 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

Ans1. The legal procedures and rules which are framed to accelerate the setting up of new enterprises or Start Up sometimes becomes an issue for the entrepreneur. The way to tackle these legal issues is the knowledge of various acts and regulations which generally affect all types of the business and they become legal issues if not managed properly by the entrepreneur.

Ans 2: The purpose of knowing various legal issues are as follows:

- To understand business environment
- To know *Protective and Promotional regulations*
- To safeguard interest of Entrepreneurs
- To promote the growth of entrepreneurs
- To provide timely solution of the operational difficulties

Q3. MCQs

(i) b, (ii) a, (iii) a

Q4. Fill in the Blanks with appropriate words

(i) growth of the business
(ii) serious problems, closure
(iii) Start Up or new enterprises
(iv) fostering entrepreneurship

Check Your Progress –B

Ans 1. Following are the legal issues for starting a business:

- Registration related issues
- Labour related issues
- Tax related issues
- Location related issues
- Product related issues
- Environment related issues, and

- Safety, Security, hygiene, health and welfare related issues, etc.

Ans 2: For every entrepreneur who plans to start his own enterprise the first and most important legal issue is non awareness of the registration process and of various options available for setting up an enterprise and various funding options available. It is important for every entrepreneur to understand the legal regulations related to registration of business and in how many forms it is possible in India. Following are the various forms of organization which can be registered in India as per various Acts of the government:

- Proprietorship
- Partnership
- Limited Liability Partnership
- Limited Liability Company

Ans 3: Every enterprise is a unit where one or more persons are working together to achieve the common objective which may be profit of service of the society. In all these cases the social interaction of people associated may result into conflicts pertaining to money or working conditions. To resolve all these issues from the very beginning an entrepreneur must have fair knowledge of prevent labour laws of the country. At present the most important labour laws in India are the Industrial Disputes Act, 1947, Trade Unions Act, 1926, Factories Act, 1948, Workmen Compensation Act,1923 (Amended in 1984, 2000) and The Contract Labour (Regulation & Abolition) Act, 1970, Minimum Wages Act,1948. An entrepreneur who understands these legislations would definitely follow the practices which keep the workforce happy and a happy workforce helps in achieving the desired results, productivity and profits for the enterprise.

Ans 4: Every entrepreneur whether earning profit or not has to understand basic tax structure of the country to operate legally and peacefully. Any business once registered under any form of ownership has to file tax returns every year to justify their operations to the government and contribution in National Development. The tax structure in India is broadly divided in two categories, namely Direct Taxes and Indirect Taxes. Direct Taxes like Income Tax and Wealth tax affect any entrepreneur with respect to their earnings and personal possessions whereas the Indirect Taxes like Service Tax, Central Sales Tax, Customs and Excise Duties which would soon be replaced by unified Goods and Service Tax (GST) in near future affect the cost of any goods and service and ultimately its price. Therefore it is imperative for every entrepreneur to understand the important aspects of Income Tax Act 1961, Direct tax Code 2013 (DTC), Finance Act 1994, Wealth Tax Act etc and run their business smoothly.

Ans: Multiple Choice Questions-

(v) A, (ii) C, (iii) C, (IV) d

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8.13 TERMINAL QUESTIONS

1. Describe various legal issues associated with starting of a new venture?
2. Discuss the procedure of registration of an enterprise.
3. Write a brief note on “Pollution Control Clearance”
4. What is the difference between LLP and Company?
5. Why tax evasion is a bad idea for entrepreneurs?
6. What are the various legal clearances required before starting an enterprise?
7. What legal factors contribute towards the growth of entrepreneurship in India?

UNIT 9 SMALL AND MEDIUM ENTERPRISES

9.1 Introduction

9.2 Objectives

9.3. Definition of Small and Medium Enterprises

9.4 Role and Contribution of Small and Medium Enterprises in India

9.5 Challenges for MSME

9.6 Measures Taken For MSME Growth

9.7 Resent Policy Frameworks

9.8 Future Steps for SME Development

9.9 Indian MSMEs: Areas of Cooperation

9.10 Summary

9.11 Glossary

9.12 Answer to Check Your Progress

9.13 References / Web Sources

9.14 Suggested Readings

9.15 Terminal & Model Questions

9.1 INTRODUCTION

In this unit, you will study about small and medium enterprises and legal issues pertaining to such organizations.

In the last five decades small and medium enterprises have emerged as one of the most important sector of Indian economy. SMEs play an important role in providing employment to a larger public in a large economy like India at a relatively lower cost of capital then the large organizations. They also mobilize factors of productions which is the need of this growing economy. Therefore understanding small and medium enterprises is of vital importance for any manager.

In this unit we will learn about the current state of small and medium enterprises in India and will explore various crucial issues such as challenges faced by SMEs, government support available and other crucial managerial issues that small and medium enterprises need to face in today's environment.

9.2 OBJECTIVES

After reading this unit you will be able to:

- Understand the meaning and nature of Small and Medium Enterprises (SMEs)
- Understand various advantages and disadvantages of SMEs
- Understand various legal issues related to SMEs, which might of vital importance while selecting this form of organization.
- Lean about various strategic challenges and opportunities pertaining to SMEs.

9.3 DEFINITION OF SMALL AND MEDIUM ENTERPRISES

Micro, Small and Medium Enterprises Development (MSMED) Act was passed in the parliament by Government of India on 16th June 2006. It was notified on 2nd October 2006 to the public of India. This act was a unique at because service sector which is the one of the largest growing sector, was formally included as a part of SME definition. This was an important move because India's GDP is going to be dominated by service sector in next few decades. Therefore, extending the scope of the act for services sector was an appropriate move.

The Act also enabled the development of SMEs and also focused on enhancing their competitiveness. It provided the legal definition for recognizing of the concept of "enterprise" which includes both manufacturing and service enterprises.

This was the first time when an act defined all three levels of the enterprises that is- micro small and medium enterprises. In a way it is a statutory mechanism which is primarily consultative in nature at the national level. The act has a proper representation of various stakeholders associated with all three levels of the enterprises. The act has included a range of advisory functions which are very important for the development of MSM sector.

The MSMD Act 2006 has defined micro small and medium enterprises on the basis of two important factors that is-

1) The investment in plant and machinery for those enterprises which are involved in manufacturing, production, processing or reservation of goods.

2) On the basis of investment in equipment for the enterprises that are engaged in providing services to the customers.

As per the act, "The investment in plant and machinery is the original cost excluding land and building and other items specified by the Ministry of Small Scale Industries vide its notification no. S.O. 1722 (E) dated 05.10.2006. The guidelines with regard to investment in plant and machinery or equipment as defined in the MSMED Act, 2006 are:"

Manufacturing Enterprises - Investment in Plant & Machinery		
Description	**INR**	**USD ($)**
Micro Enterprises	Upto Rs. 25 Lakh	Upto $ 62,500
Small Enterprises	Above Rs. 25 Lakh & Upto Rs. 5 Crore	Above $ 62,500 & Upto $ 1.25 million
Medium Enterprises	Above Rs. 5 Crore & Upto Rs. 10 Crore	Above $ 1.25 million & Upto $ 2.5 million

Service Enterprises – Investment in Equipment		
Description	**INR**	**USD ($)**
Micro Enterprises	Upto Rs. 10 Lakh	Upto $ 25,000
Small Enterprises	Above Rs. 10 Lakh & Upto Rs. 2 Crore	Above $ 25,000 & Upto $ 0.5 million
Medium Enterprises	Above Rs. 2 Crore & Upto Rs. 5 Crore	Above $ 0.5 million & Upto $ 1.5 million

Source: MSMD Act 2006.

"As per the act, the illustrative list of enterprises that are engaged in providing or rendering services may include:

- Small road and water transport operators (original investment in vehicles upto Rs. 200.00 lacs under Priority sector)
- Retail trade (with credit limits not exceeding Rs. 20.00 lakhs)
- Small business (whose original cost price of the equipment used for the purpose of business does not exceed Rs. 20.00 lakhs
- Professional and self-employed persons (whose borrowing limits do not exceed Rs.10.00 lakhs of which not more than Rs.2.00 lakhs should be for working capital requirements except in case of professionally qualified medical practitioners setting up of practice in semi-urban and rural areas."

Source: MSMD Act 2006.

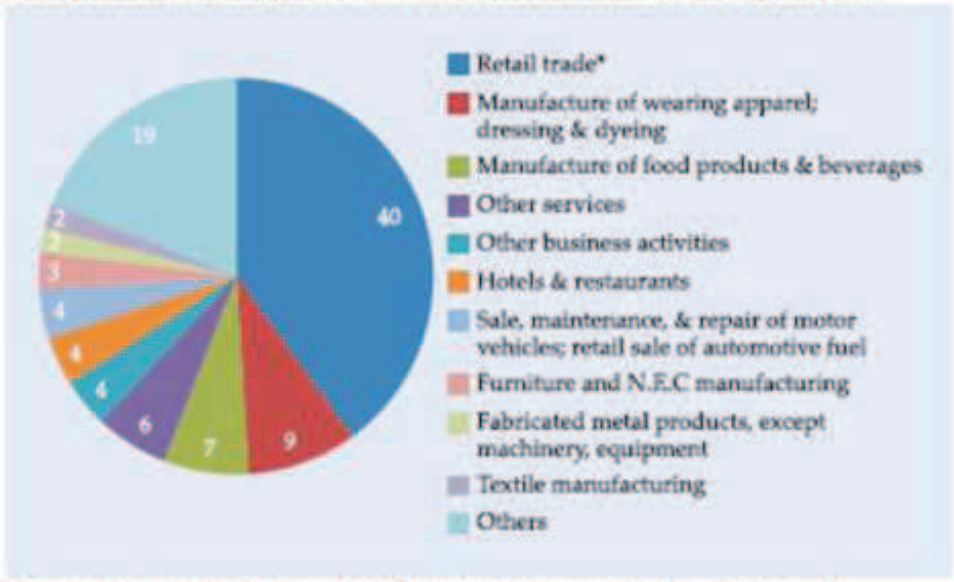
9.4 ROLES AND CONTRIBUTION OF SMALL AND MEDIUM ENTERPRISES IN INDIA

For a country like India Small and Medium Enterprises have always been important, today they can be seen as an important pillar of the economy. As a developing country which requires a reasonably large amount of capital for the purpose of development; Micro, Small and Medium enterprises have become an important part as they are very effective in providing superior return on capital employed as compared to large enterprises. Thus to deal with the problems such as poverty, unemployment, Income Inequalities, micro, small and medium enterprises have proved to be a good vehicle to propel Indian economy towards growth with effective utilization of capital resources.

Today MSME play a significant role in the economy. The following figures confirm this fact that MSME are backbone of Indian economy.

- MSME accounts for more than 45% to manufacturing output
- They also contribute about 40% to exports
- Provide employment to 40% of work force that is nearly 110 million people.

Composition of major sectors in which Indian SMEs Operate (%)



** Except of motor vehicles & motorcycles; repair of personal & household goods*
Source: Ministry of Micro, Small, and Medium Enterprises

As of today, micro small and medium enterprises in India surely ensured the achievement of socialistic goals set by government of India. As a large democracy, India needed a support from entrepreneurs with a wider range of employment opportunities so that the larger proportion of the population can be engaged in production of goods and services. So far small and medium enterprises have met the expectations and ensured high returns on government investments in this sector.

Today the employment density of small and medium enterprises is approximately 4 times greater than the large companies. Currently around 36 million small and medium enterprises generate employment opportunities for approximately 80 million people in India. This accounts for nearly 8% of GDP and 45% of total manufacturing output. A total of 40% of exports from India are also contributed by MSMEs.

As a large developing economy, India needs to counter several problems such as poverty, lower level of standard of living (specially in rural villages) and income disequilibrium. Small and medium enterprises sufficiently done this job of improving income levels in rural part of the country providing employment opportunities to the rural masses. This is one of the biggest contribution of small scale enterprises towards fulfilling the socialistic goals of Government of India

Urban cities accounts for 857,000 enterprises which is approximately 54.77% of the total enterprises registered in India under MSME category whereas the rest of the MSMEs that is 707,000 are located in the rural parts of the country.

9.5 CHALLENGES FOR MSME

Although MSME sector has contributed significantly towards the development of the country but like any other country Indian MSME sector faces various challenges that are of crucial nature. One of the biggest challenges today is the competition from international enterprises. Due to their origin they possess different competencies that pose severe challenges to Indian small and medium enterprises. As a result of International treaties and trade agreements, Indian government cannot keep the doors closed to reduce competition. Therefore, only indirect actions through favorable norms for Indian enterprises are safeguarding MSME from severe competitive conditions.

As the technology advancements these days play a vital role in the product development, in improving processes and also in aligning organizations to their market needs. Indian MSMEs lack in technology advancements as compared to their larger counterparts as they lack direct support from various stakeholders in this regard.

In addition to technology issues, Indian MSMEs lack the availability of skilled labor as they are situated mostly in rural and semi-urban areas of the country. This slows down the overall growth rate of the MSME sector in today's environment due to unskilled labor. With lowering productivity and lesser abilities to compete in high technological environment, it makes it difficult for MSMEs to survive without direct support from government and other stakeholders.

Another problem with MSMEs is the inadequate and untimely availability of credit. Currently in India, the cost of credit is comparatively higher and there is also a requirement of collateral. This leads to limited access to capital by small and medium enterprises. As Government of India traditionally has kept MSMEs out of institutional credit system, this further increased the intensity of the problem of credit availability to MSMEs.

Other challenges faced by the MSMEs include high cost of materials, lower access to global markets, lack of infrastructural facilities, limited access to modern technology, lack of limited manpower, stringent labour laws and unavailability of business friendly environment.

9.6 MEASURES TAKEN FOR MSME GROWTH

Some of the measures taken by government of India to improve the performance of MSMEs are as under –

- Government of India has set up an 'India Opportunities Venture Fund' with SIDBI worth Rs. 50 Billion to provide equity to the MSME sector.
- Under the Public Procurement Policy for Micro and Small Enterprises (MSEs), government organizations and Central Public Sector Enterprises (CPSEs) are required to make a minimum of 20% of their annual purchase from MSMEs. Of

this purchase, 4% to be earmarked for procurement from MSEs owned by SC/ST entrepreneurs.
- The Government of India has adopted a cluster based approach to improve the productivity, competitiveness and capacity building of MSMEs,
- Credit provided to micro and small enterprises is considered part of priority sector lending by banks.
- Around 20 items have been reserved for exclusive manufacturing by MSMEs.
- Central government has introduced National Manufacturing Competitiveness Programme (NMCP) for building capacity of MSMEs.

Other than the aforesaid measures, the most important precondition for the unbridled growth of SMEs is guaranteeing the availability of empowering environment and necessary infrastructure. If government can guarantee the double digit growth for the SMEs, it would certainly help in achieving the long term goals of equality of income and promoting the growth in rural areas of the country.

9.7 RESENT POLICY FRAMEWORKS

MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

The MSMED Act, 2006 provides encouragement for the development of small enterprises by focusing largely on promoting competitive abilities. It provides a legal framework which recognizes the concept of enterprise from manufacturing as well as service organizations. It helps in defining all three segments namely- micro, small and medium enterprises the act is primarily consultative in nature with a wide variety of advisory functions.

Under this act the Government of India has made a provision to maintain the funds for the purpose of promotion, development and enhancing competitive abilities among small and medium enterprises. With this objective the government keeps on notifying various schemes and programs time to time. The act also provides a framework for progressive credit policies and practices which provide credit on preferential basis to small enterprises in both manufacturing as well as in service sector.

On the other hand the ministry of micro small and medium enterprises continuously screen the policy framework for the purpose of promoting small and medium enterprises so as to provide various incentives relevant to the sector.

In the recent time the ministry of small and medium enterprises has identified various areas of improvement such as Finance, Technology, Quality Control, Certification, Export Marketing etc. On the other hand state governments co-ordinate with the MSME ministry so that the policies made by the Ministry can be implemented in their respective states and benefits can be passed-on to the needy organisations.

Thus, it can be concluded that the MSMED Act 2006 has contributed to the development of small and medium enterprises by establishing clear definitions of different levels of organisations and also by providing a Framework for developing policies that aim at taking appropriate measures which are needed at current point in time.

THE INSOLVENCY AND BANKRUPTCY REGIME

The Other area of improvement at the current time is the insolvency and bankruptcy regime as the rate of insolvency is higher among small and medium enterprises and similar start-up organisations there is a need of a regime which takes care of insolvency and bankruptcy situations. So far India does not have a comprehensive policy or a law on bankruptcy. This means that the individuals are declared insolvent when they are not able to pay they are liabilities in case of failure of their businesses or during closing their businesses.

As the majority of businesses in India are either proprietorship or partnerships formats. Insolvency becomes a major problem for all those who suffer loss in business. As per 3rd census of Small Scale Industries (Ministry of Micro Small and Medium Enterprises), 97.3% of all small units were formed as proprietorships or partnerships. Thus, hardly 2% of small units were incorporated as Companies.

Though the need for bankruptcy laws is increasingly being felt in the country, as is evident from several important committees** and groups set up by the Reserve Bank of India and the Government during the last decade, the discussion has been limited to 'corporates' and excluded 'firms' and individuals. Another expert committee, the J.J. Irani Committee, set up to suggest amendments in the Companies Act also overlooks the personal liability aspect of directors of small companies.

The discussions in India so far have been unduly influenced by the need for restructuring or liquidation from the standpoint of financial institutions only. Not much attention has been paid to liabilities arising out of statutory dues and the rehabilitation of the debtor. The major pieces of legislation born during the period, substantiate this claim: The Recovery of Debts due to Banks and Financial Institutions Act, 1993 (DRT Act) and The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act), which enshrine the contractual right of the secured creditor to take possession of securities in the event of default and sell them for realization of the loan.

CURRENT LEGAL FRAMEWORK FOR INSOLVENCY OF SMES

Currently insolvency framework in India is primarily divided into two parts- 1) personal and 2) corporate insolvency laws. Personal insolvency framework deals with individuals, proprietors, and partners and managed by two important acts namely-

Provincial Insolvency Act 1920 and Presidency Towns Insolvency Act 1909. On the other hand corporate insolvency act deals with companies which are governed by The Companies Act 1956 and Limited Liability Act, 2009. Above-mentioned acts include a wide range of provisions which provide rehabilitative and distributive objectives in insolvency conditions.

IMPORTANT DEVELOPMENTS IN 2015-2016

During 2015-16, to boost the economic growth in the country through small scale industries, the Government of India has proposed various reforms for small and medium enterprises and startup organisations. These measures include Re-implementation of public procurement policy, Make in India, Startup India and Skill India programs which aim at the growth rate of 12 to 14% for manufacturing sector and has an objective to increase the share of manufacturing to 25% by the year 2025. The government has also made several plans for the purpose of providing support in the area of finance and Technology. Recently GST bill is also proposed to be implemented in 2017 which is a part of major reforms made by government of India. This will change the scenario of indirect taxes by bringing in transparency in indirect taxation process.

SME TRENDS IN 2017

During 2017 we have seen several trends among small and medium enterprises. Most of the startups in this segments are primarily focusing on E-Commerce segment specially in business to business segment. India has witnessed a sharp rise in the number of startups in 2017 majority of these startups focus on technology as a medium of providing products and services. E-Commerce segment itself has seen many small players beginning their businesses. The use of Technology has provided a Win-Win situation for all stakeholders involved in these small scale Enterprises. SMEs in India is expected to touch the mark of $25.8 billion under emerging technologies segment by 2020. The growth of B2B e-commerce is expected to gain further momentum in 2017 onwards.

With the merger of e-commerce and m-commerce segments in India, the digital or online marketing of goods and services is no longer a fancy term. With the aggressive growth of SMEs in this segment has pushed the growth of Internet penetration in India.

With the increasing use of smartphones, tablets and computers, the market of e-commerce is increasing by leaps and bounds in India. People are adopting online transactions in various segments of e-commerce such as consumer and business goods and other various types of services.

Although financial and Technology firms are fairly doing well in India but majority of them are struggling due to non availability of easy finance. All small and medium enterprises need to approach commercial banks for the purpose of finance but due to lack of prior experience and available collaterals a majority of them are not able to raise sufficient funds for their survival and success. Therefore, in addition to domestic sources of finance, we have witnessed that some of the small companies which are now have become large companies, opted for international investors raise sufficient funds rather approaching domestic investors and commercial banks.

In the area of finance we cannot ignore NBFCs which are the major sources of credit for small industries in addition to traditional banking institutions in the recent time. NBFCs also provided a significant portion of their funds to small industries and startups. As far as the policies are concerned, NBFCs have always been more favourable for small industries as compared to traditional banks. Therefore, small industries gained a significant portion of the funds from NBFCs. The other advantage with NBFCs is the quick disbursement of funds which has led more small enterprises to opt for NBFCs over traditional banks.

Check Your Progress-A

Q1. What do you mean by small and medium enterprises?

Q2. What are the various characteristics of small and medium enterprises?

Q3. What are the key features of Micro, Small and Medium Enterprises Development Act, 2006?

Q4. Fill in the blanks.

a) Micro, Small and Medium Enterprises Development (MSMED) Act was passed in the parliament by Government of India on _____
b) MSME play a _____ in the economy.
c) The use of Technology has provided a _____- for all stakeholders involved in these small scale Enterprises.
d) _____ are the major sources of credit for small industries in addition to traditional banking institutions.

9.8 FUTURE STEPS FOR SME DEVELOPMENT

Keeping in mind the recent trends and developments, there is no doubt that small enterprises have bright future in India. As recently Government of India has started focusing on their growth and development, it is evident that this sector will grow significantly in the next few decades. But for a consistent growth in future various stakeholders including government has to ensure it's continuous support to the sector. There can be several areas where this support is needed, some of them can be as follows:

1. Building competitiveness

Building competitiveness among small Enterprises is an essential area where stakeholders including government has to focus. The government needs to take those steps which enhances competitive strengths of small enterprises rather than just provide some protective mechanism which may lead to certain weaknesses among small enterprises in long run.

Some of the primary areas of this competitiveness building exercises maybe- reducing cost of production, improving quality of products and services, and improving effectiveness of product marketing by small enterprises. The need of the day is to find out various clusters in India by the government so that better infrastructure facilities and Technology up-gradation services can be provided to such organisations so that their core competitiveness can be enhanced in order to make them efficient and effective against their international counterparts.

2. Promoting innovativeness and awareness about quality

The Other area of focus should be promoting innovation and quality. Indian small and medium enterprises do focus on quality and innovation but these aspects are majorly driven by customer demands, either ensured by rules and regulations or are focused due to competition. So far Indian Enterprises have not seen innovation and quality improvements as the continuous process for the success of the organisations. Therefore, there is a need of a shift in the mindset which can only be possible by external agencies such as government ministries by creating awareness among small

enterprises indicating benefits of adopting innovation and quality as the primary objective of the enterprise.

3. Enabling SMEs to participate in global markets

Government of India should also promote Indian small Enterprises to participate in global markets Such Enterprises may Start with exports to other countries and later on may also think about establishing International value chain. This will be an important step towards globalization of Indian enterprises. Although at current small enterprises lack basic competitiveness against their International counterparts. But some of the small enterprises which deal in handcrafted products or those products which require unique skills have greater chances of being successful in international markets. In addition to bringing foreign exchange, these enterprises will also bring knowledge to the country in terms of international practices, technical know-how and other important learning that can be beneficial for the whole sector.

9.9 INDIAN MSMEs: AREAS OF COOPERATION

India benefited immensely from experience of several countries, especially in the field of technology. However, the rich Indian experience gained in the last sixty years in the MSME sector could also be of equal use for both developing as well as developed countries. Some of the areas that offer ample opportunities for cooperation in the MS ME sector are:

- Fee-based consultancy services and training in the following areas:
    - Capacity Building of Entrepreneurs and Technical Manpower of SMEs;
    - Policy & Institutional Framework for SME Promotion, Development and Enhancing Competitiveness;
    - Entrepreneurship Development; and Business Development Services.
    - Establishment of Turnkey Projects for setting up manufacturing MSMEs on commercial terms.
- Skill up gradation programmes in selected areas such as CNC Machining, Sheet-Metal Technologies, CAD, CAM Designing, Wool Processing & Weaving, Leather Technology, Plastic Technology, Wood Working, etc.
- Conducting surveys and studies to identify the tooling and related skill requirements in specific areas or regions like hilly/ backward/ indigenous.
- Providing turnkey assistance to set up Tool Rooms & Training Centers.
- Providing consultancy to existing manufacturing SME in upgrading their production facilities, selection of machine tools, design consultancy for tools, moulds, dies, jigs & fixtures, etc.
- Providing specialized/tailor-made training courses for specific target groups.
- Providing consultancy to existing training institutes in course design and curriculum development including trainers training programmes.
- Assistance in product design, tool design and manufacturing of intricate

tooling.

- High precision tools, moulds, dies, jigs & fixtures etc. as per design/specifications of local industry.
- Product development & rapid prototyping services.

9.10 SUMMARY

In this unit you learnt the definition of micro, small-scale and medium enterprises. You came to know that Micro, Small and Medium enterprises are very effective in providing superior return on capital employed as compared to large enterprises. You also learnt that Indian MSME sector faces various challenges that are of crucial nature. One of the biggest challenges today is the competition from international enterprises. Due to their origin they possess different competencies that pose severe challenges to Indian small and medium enterprises. Further, Micro, small and medium enterprises have proved to be a good vehicle to propel Indian economy towards growth with effective utilization of capital resources. Thus, these enterprises provide array of opportunities for you to assume entrepreneurial career .

9.11 GLOSSARY

Micro Enterprise: It is the one in which investment in plant and machinery does not exceed twenty five lakhs in manufacturing sector and ten lakhs in equipments in case of services sector.

Small Enterprise: It is the one in which investment in plant and machinery is more than twenty five lakhs but does not exceed 5 crore in manufacturing sector and more than ten lakhs but does not exceed two crore in equipments in case of services sector.

9.12 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

a) 16th June 2006.
b) significant role
c) Win-Win situation
d) NBFCs

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9.15 TERMINAL QUESTIONS

1. Define Micro, Small and Medium Enterprises.
2. What roles MSME play in the development of a country like India. Comment.
3. What challenges MSME face particularly in Indian economy. Discuss.
4. What measure Government of India has taken for promoting MSME. Explain in detail.
5. Discuss silent feature of Micro, Small and Medium Enterprises Development Act, 2006.

BLOCK IV

Entrepreneurship Planning

UNIT-10 ENTERPRISE PLANNING PROCESS

10.1 Introduction

10.2 Objectives

10.3 Enterprise Planning Process

10.4 PESTLE Analysis

10.5 Planning and Budgeting

10.6 Planning Programming

10.7 Enterprise Data Planning

10.8 Enterprise Resource Planning

10.9 Summary

10.10 Glossary

10.11 Answer to Check Your Progress

10.12 Reference/ Bibliography

10.13 Suggested Readings

10.14 Terminal Questions

10.1 INTRODUCTION

In the previous unit you learnt about small and medium enterprises and legal issues pertaining to such organizations. In this unit you will learn about the process of enterprise planning and its various facets. Enterprise planning is very important and useful for undertaking successful venture. Through this, you will provide direction and focus to your entrepreneurial venture. It is a road map through which you come to know where you stand, where you want to go and how you can get there. It addresses the assets that are accessible or not accessible to a venture and its capacity to deliver products or services.

10.2 OBJECTIVES

After going through the unit you will be able to:

-learn the planning process for enterprise development.

-assess the need for Enterprise Planning.

-identify the internal and external factors that affect an enterprise.

-list the issues that are required for enterprise data planning and enterprise resource planning.

10.3 ENTERPRISE PLANNING PROCESS

An Enterprise Planning Process covers the strategies for getting ready for the inside and outside elements that influence a venture.

These variables for the most part fall under PESTLE. PESTLE alludes to political, economic, social, technological, legal and environmental elements. Consistently tending to PESTLE variables falls under operations administration. In the interim, tending to any occasion, testing any one or many components will need project management skills.

Enterprise Planning Process has a wider scope. Enterprise Planning Process addresses the assets that are accessible or not accessible to a venture and its capacity to deliver products or services. It additionally considers those components that will emphatically or contrarily influence the association's capacity to run these activities.

Enterprise Planning Process will have a tendency to fluctuate and are adaptable. These are expected to the intermittent and versatile for the formulation of strategy. These will likewise have strategic viewpoints. Regularly, Enterprise Planning Process is a piece of an association's learning base or corporate structure whether it formally distinguished and organized or basically executed these when the need showed up.

Purposes

An Enterprise Planning Process will address no less than three fundamental purposes to help the organisation:

- survive
- contend
- flourish

Survival

An undertaking will get ready for strategic moves for fast response to the PESTLE dangers that influence its survival. For example, directly after Japan's Fukushima atomic power plant has encountered blasts because of the tremor and the wave that took after, a few undertakings (inside and outside Japan) have openly declared their course of activities to address the crisis.

Contend

In the interim, an undertaking will get ready for longer term key activities to address its opposition or enhance its intensity. For example, ventures will anticipate, set spending plans, actualize and utilize key data frameworks as "data frameworks or data innovation speculations can be a wellspring of upper hand".

Flourish

Most fundamentally, a venture will get ready for utilizing the PESTLE opportunities that are accessible to it. The benefit and advantage thought processes legitimize most venture arranging frameworks.

Vulnerabilities

A fourth critical reason for big business arranging frameworks is readiness against psychological militant assaults. As noted in the US Presidential Directive for Critical framework security, fear based oppressor bunches are probably going to assault business foundation for financial harm. Organisations that are giving items or administrations that are basic to the financial arrangement of a country are potential focuses of radicals.

Strategic Planning

Two noteworthy qualities of Enterprise Planning Process are (1) assortment and (2) adaptability. For example, mechanical dangers proliferate as even undertaking programming are inclined to out of date quality and troublesome developments. Innovation is not dormant. Therefore, assortment and adaptability work to the upside of a deliberately versatile or lithe venture as PESTLE conditions change.

To represent this some more, ERP programming recommends procedures to understand its guaranteed benefits. Be that as it may, consistence to these unbending, recommended forms is frequently accepted as opposed to genuine. By and large, the ERP programming is acknowledged however the practices inside the venture reflect irregularities with the endorsed procedures of the product. One might say, assortment and adaptability in a standard ERP usage will at present show from numerous points of view.

With changing genuine conditions, no less than three segments can structure enterprise technique. These are:

- systematic structures for the assessment of PESTLE information at a given time
- geographic scope of operations to oversee chances or amplify profits by macroeconomic strengths or government controls
- ventures reconciliation to productively bolster undertaking operations

Strategy though Analysis

Structures of investigation typically drive an association's system. These empower the firm to adapt to the activities of its rivals, requests of its shoppers or customers, nature of its working surroundings, impacts of government controls in the spots where it works together, or openings that are accessible among different elements. Here, group arranging is significant. One gathering will regularly have practical experience in one viewpoint like operations or government controls. Dealing with the interrelation of PESTLE components requires collaboration in the undertaking arranging process.

A specimen system for general investigation is the SWOT analysis. Another is the Balanced Scorecard for the analysis of performance measurement.

Strategy through Geography

Organisations strategy can likewise allude to the blend of organized activities that address the political, monetary, social, innovative, legitimate and ecological components that influence a business or firm. These organized activities can be nearby, transnational, worldwide or mix of neighborhood, transnational or worldwide. Subsequently, undertakings can have any of the accompanying geographic procedures in their arrangements:

- Local strategy
- Provincial strategy (Europe, North America, Asia-Pacific, and so on.)
- Universal strategy
- Global strategy
- Glocal strategy

Strategy through integration of projects

In addition, since administration activities happen at the same time in a venture, key organizers can consider operations or Venture Portfolio Administration (VPM) as critical components in an undertaking's key arranging guide.

For example, the need key needs crosswise over many activities in organizations with numerous item improvement ventures have made officials acquire standards from speculation portfolio administration to better deal with the appropriation of assets contrasted and the evaluated dangers for each venture.

Therefore, PESTLE variables prompt system arrangement that will empower the undertaking to adjust to evolving conditions. In the interim, the systems that have been shaped from the logical structure procedures of assessing an undertaking's condition will prompt nitty gritty arrangements which could be a piece of a company's manual of

operations or activities portfolio pushes for subsidizing and execution over the units or geographic scope of the venture.

10.4 PESTLE ANALYSIS

PESTLE evaluation (political, economic, social, technological, legal and environmental) depicts a structure of full scale natural variables utilized as a part of the natural checking segment of key administration. It is a piece of an outer investigation when directing a key examination or doing statistical surveying, and gives a diagram of the diverse large scale natural elements to be thought about. It is a key device for understanding business sector development or decay, business position, potential and course for operations.

The fundamental PEST investigation incorporates four elements:

Political elements are fundamentally how the administration intercedes in the economy. In particular, political components has regions including charge approach, work law, natural law, exchange confinements, duties, and political strength. Political components may likewise incorporate merchandise and ventures which the administration expects to give or be given (justify products) and those that the legislature does not have any desire to be given (bad mark products or legitimacy bads). Besides, governments highly affect the wellbeing, instruction, and framework of a country.

Economic variables incorporate monetary development, loan costs, trade rates, the swelling rate. These variables enormously influence how organizations work and decide. For instance, loan fees influence an association's cost of capital and accordingly to what degree a business develops and grows. Trade rates can influence the expenses of sending out merchandise and the supply and cost of imported products in an economy.

Social components incorporate the social perspectives and wellbeing awareness, populace development rate, age dispersion, profession states of mind and accentuation on security. High patterns in social components influence the interest for an organization's items and how that organization works. For instance, the maturing populace may infer a littler and less-willing workforce (in this way expanding the cost of work). Moreover, organizations may change different administration techniques to adjust to social patterns caused from this, (for example, enrolling more seasoned specialists).

Technological variables incorporate mechanical perspectives like R&D action, computerization, innovation motivators and the rate of mechanical change. These can decide hindrances to section, least effective creation level and impact the outsourcing

choices. Besides, mechanical movements would influence costs, quality, and prompt advancement.

Legal variables incorporate segregation law, customer law, antitrust law, work law, and wellbeing and security law. These components can influence how an organization works, its expenses, and the interest for its items.

Environmental components incorporate biological and ecological viewpoints, for example, climate, atmosphere, and environmental change, which may particularly influence enterprises, for example, tourism, cultivating, and protection. Besides, developing consciousness of the potential effects of environmental change is influencing how organizations work and the items they offer, both making new markets and reducing or wrecking existing ones.

Statistic factors incorporate age, ethnicity, information of dialects, handicaps, versatility, home proprietorship, business status, religious conviction or practice, culture and convention, expectations for everyday comforts and wage level.

Administrative variables incorporate demonstrations of parliament and related directions, universal and national gauges, neighbourhood government by-laws, and systems to screen and guarantee consistence with these.

The model's variables will change in significance to a given organization in light of its industry and the merchandise it produces. For instance, buyer and B2B organizations have a tendency to be more influenced by the social components, while a worldwide protection contractual worker would have a tendency to be more influenced by political elements. Also, factors that will probably change later on or more pertinent to a given organization will convey more prominent significance. For instance, an organization which has obtained intensely should concentrate more on the monetary elements (particularly loan costs).

Moreover, combination organizations who create an extensive variety of items, (for example, Sony, Disney, or BP) may think that its more helpful to investigate one branch of its organization at once with the PESTLE show, in this manner concentrating on the particular elements applicable to that one office. An organization may likewise wish to partition factors into geological pertinence, for example, neighbourhood, national, and worldwide.

10.5 PLANNING AND BUDGETING

Planning is the way toward contemplating and sorting out the exercises required to accomplish a coveted objective. It includes the creation and support of an arrangement, for example, mental angles that require reasonable aptitudes. There are even two or three tests to quantify somebody's capacity of planning great. Accordingly, planning is a central property of intelligent conduct.

Additionally, planning has a particular procedure and is vital for numerous occupations (especially in fields, for example, administration, business, and so forth.). In each field there are diverse sorts of plans that assists organizations in accomplishing productivity and adequacy. An essential, yet regularly disregarded some portion of arranging, is the relationship it holds to suspecting or anticipating. Expecting can be portrayed as anticipating what the future will take after, however arranging predicts what the future should look like for changed circumstances. Arranging merges gaging with arranging of circumstances and how to react to them. Arranging is a standout amongst the most critical venture administration and time administration systems. Planning is setting up a grouping of activity ventures to accomplish some particular objective. If a man does planning successfully, they can decrease much the vital time and exertion of accomplishing the objective. A good design is more similar to a guide. When following an arrangement, a man can see the sum they have progressed towards their wander target and how far they are from their goal.

The different perspectives of planning are as follows:

Psychological perspectives

Planning is one of the official elements of the cerebrum, incorporating the neurological procedures required in the plan, assessment and determination of a succession of contemplations and activities to accomplish a coveted objective. Different investigations using a blend of neuropsychological, neuropharmacological and useful neuroimaging approaches have proposed there is a positive association between ruined arranging limit and damage to the frontal fold.

A specific region inside the mid-dorsolateral frontal cortex arranged in the frontal fold has been embroiled as assuming an inherent part in both psychological arranging and related official characteristics, for example, working memory.

Interruption of the neural pathways, through different instruments, for example, horrendous mind damage, or the impacts of neurodegenerative ailments between this area of the frontal cortex and the basal ganglia especially the striatum (cortico-striatal pathway), may disturb the methods required for common arranging limit. Individuals who were imagined Very Low Birth Weight (1500 grams) and Extremely Low BirthWeight (ELBW) are at more serious hazard for different intellectual shortages including planning capacity.

Neuropsychological tests

There are an assortment of collection of neuropsychological tests which can be used to evaluate contrast of orchestrating limit between the subject and controls.

- Tower of Hanoi (TOH-R), envisioned in 1883 by the French mathematician Édouard Lucas. The great form comprises of three poles and typically seven to nine circles of along these lines littler size. Arranging is a key segment of the

critical thinking aptitudes important to accomplish the objective, which is to move the entire stack to another post, following the going with standards:

- Only a solitary plate may be moved without a moment's delay.
- Each move involves taking the upper plate from one of the bars and sliding it onto another bar, over alternate circles that may as of now be available on that pole.
- Tower of London (TOL) test conducted in 1992 (Shallice 1992) particularly to identify deficiencies in arranging as may happen with harm to the frontal projection. Test members with harm to one side foremost frontal flap showed arranging deficiencies.

The outcomes ensnaring the left foremost frontal projections association in unraveling the TOL were bolstered in corresponding neuroimaging thinks about which likewise demonstrated a lessening in territorial cerebral blood stream to one side pre-frontal fold. For the amount of moves, an immense negative association was looked for the left prefrontal range: i.e. subjects that took extra time masterminding their moves exhibited more conspicuous incitation in the left prefrontal territory.

Public Policy and Planning

Open approach arranging incorporates ecological, arrive utilize, provincial, urban and spatial arranging. In numerous nations, the operation of a town and nation arranging framework is regularly alluded to as "arranging" and the experts which work the framework are known as "organizers".

It is a cognizant and additionally sub-cognizant movement. It is "an expectant basic leadership prepare" that aides in adapting to complexities. It is choosing future game-plan from among choices. It is a procedure that includes making and assessing each arrangement of interrelated choices. It is choice of missions, goals and "interpretation of learning enthusiastically." An arranged execution conveys better outcomes contrasted with a spontaneous one. An administrator's employment is arranging, checking and controlling. Arranging and objective setting are imperative characteristics of an association. It is done at all levels of the association. Arranging incorporates the arrangement, the point of view, activity, and usage. Arranging gives more control over what's to come.

Arranging is choosing ahead of time what to do, how to do it, when to do it, and who should do it. This beats any issues from where the affiliation is to where it needs to be. The arranging capacity includes setting up objectives and organizing them in coherent request. An all around arranged association accomplish quicker objectives than the ones that don't design before execution.

Planning Process in Management

1. Perceiving Need for Action:

The initial phase in planning process is the attention to business opportunity and the requirement for making a move. Present and future open doors must be discovered with the goal that arranging might be embraced for them. The pattern of financial circumstance ought to likewise be pictured. For instance, if thinking about the legislature is to create country ranges as modern focuses, a farsighted agent will consider setting up units reasonable to that condition and will profit the offices offered for this reason. Before wandering into new regions the upsides and downsides of such tasks ought to be assessed. A start ought to be made simply in the wake of experiencing a point by point investigation of the new open door.

2. Social affair Necessary Information:

Before genuine planning is started applicable statistical data points are gathered. All data identifying with operations of the business ought to be gathered in detail. The sort of clients to be managed, the conditions under which merchandise are to be given, estimation of items to the clients, and so forth ought to be contemplated in detail. The statistical data points gathered will help in confining practical plans.

3. Setting Down Objectives:

Destinations are the objectives which the administration tries to accomplish. The destinations are the final results and all energies are redirected to accomplish these objectives. Objectives are a string which tie the entire organization. Planning begins with the assurance of destinations. The tie amongst arranging and destinations encourages workers to comprehend their obligations. Destinations are the aides of workers. It is basic that targets ought to be appropriately planned and conveyed to all individuals from the association.

4. Deciding Planning Premises:

Planning is dependably for indeterminate future. In spite of the fact that nothing might be sure in the coming time frame yet at the same time certain presumptions should be made for detailing arrangements. Estimates are fundamental for arranging regardless of the possibility that all may not demonstrate remedy. A gauge implies the supposition of future occasions. The conduct of specific factors is estimated for constituting arranging premises.

5. Analyzing Alternative Course of Action:

The subsequent stage in planning will be picking the best strategy. There are various methods for doing a thing. The organizer should think about every one of the choices and afterward a last choice ought to be made. Best outcomes will be accomplished just when most ideal method for doing a work is chosen. As indicated by Koontz and

O'Donnell, "There is from time to time an arrangement made for which sensible options don't exist." All the benefits and costs of techniques ought to be weighed before a last determination.

6. Assessment of Action Patterns:

In the wake of picking a game-plan, the following stage will be to make an assessment of those courses of activities. Assessment will include the investigation of execution of different activities. Different components will be weighed against each other. A game-plan might be reasonable yet it might include tremendous ventures and the other may include less sum yet it may not be exceptionally beneficial. The assessment of different activity designs is fundamental for appropriate arranging.

7. Deciding Secondary Plans:

Once a principle design is figured then various steady designs are required. Indeed auxiliary designs are implied for the usage of primary arrangement. For instance, once creation design is chosen then various plans for obtainment of crude materials, buy of plant and gear, enlistment of work force will be required. Every single auxiliary arrangement will be a bit of the primary arrangement.

8. Execution of Plans:

The last stride in planning process is the execution part. The arranging ought to be put energetically with the goal that business destinations might be accomplished. The execution will require foundation of approaches, methodology, gauges and spending plans. These devices will empower a superior usage of plans.

In affiliations, arranging is an organization method, stressed over portraying goals for association's future bearing and choosing the missions and resources for finish those destinations. To meet the destinations, executives may make designs, for instance, a procedure for progress or an advancing arrangement. Organizing constantly has a reason. The reason might be accomplishment of specific objectives or targets.

Planning builds the productivity of an association. It diminishes the dangers required in present day business exercises. It uses with greatest effectiveness the accessible time and assets. Planning is to recognize what the affiliation needs to do by using the four request which are "the place would we say we are today with respect to our business or philosophy orchestrating? Where are we going? Where might we want to go? How are we going to arrive?"

Many individuals consider budgeting when they're short on money. Students may like to budget plan to make sense of how to manage with their high costs and constrained earnings and limit the amount they have to acquire. People who are supporting themselves strangely make spending arrangements to guarantee they're properly appropriating their first pay checks among crisis reserve funds, retirement investment

funds, understudy advance reimbursements, lease and utilities, and prizes for their diligent work.

Spending designs are ordinarily associated with people of all ages who are barely prepared to bring home the bacon, however truth be told arranging isn't just for times when your money is tight or your life is encountering a vital move. Planning is for everyone, rich and poor, youthful and old. Indeed, budgeting will be considerably less demanding in the midst of progress or money related anxiety on the off chance that you do it continually. Where do you think a Fortune 500 association like Amazon would be today without suitable planning and budgeting? Shouldn't something be said about rich individuals like Warren Buffett? It is extremely improbable that he or his holding association, Berkshire Hathaway, could have gained such ground without concentrating on their month to month, quarterly and yearly cash inflow and surge. Planning won't just get you out of a trench – it can likewise enable you to get rich.

Organisational planning and budgeting go as an inseparable unit as the fortitude to execute arrangements will decide the achievement or disappointment of an undertaking methodology. In another light, growing or restricting the financial plan for a specific operations part of the venture or a progressing venture for another will flag changes to organisational strategy. Thus, arranging and planning are essential parts of any enterprise system arranging frameworks as these effect the vital bearings of the undertaking.

For example, enterprise projects have a tendency to be commonly needy with different tasks to use a company's building, monetary and innovation assets. A statistical surveying task will trigger an examination, improvement and designing (RD&E) extend for another item. Thus, this RD&E venture could trigger a generation technique venture to make the new item and no more proficient areas to convey it nearer to its objective shoppers. Consequently, slicing the RD&E extend spending plan down the middle or expanding it twice will have significant impacts in the long haul course of a venture as this will influence alternate units of the firm undertaking ventures that are connected to the RD&E extend.

Orders

Undertaking arranging and planning can be for the most part grouped into:

- unified or centralised
- degenerated or devolved
- mixture or hybrid

Unified: Base camp or official administration coordinates all arranging and spending plans from the top then downwards in the association chain of importance. It will nearly take after Frederick Winslow Taylor's Principles of Scientific Management.

Lapsed: Center supervisors set arranges adequately guiding the undertaking's key bearing. Official administration considers that the venture has information specialists that are specialists in their separate fields. The Management Board favors the proposed key heading under certain monetary limitations, for example, expected rates of profitability or value.

Mixture: Official administration decides and sets the key heading of the endeavor in light of the contributions of center administrators and the general population. In this set up, arrangements and spending plans are arranged. Basically, budgets and plans of an enterprise can be point by point in a top-down approach, summed up in a base up approach, or consolidated in a top-down and base up approach.

Group Planning

Group planning of the organisation will ordinarily allude to the contribution of the significant units of an undertaking, for example, the fund, promoting, creation or innovation divisions. It can likewise allude to the inclusion of the geographic units of a transnational or worldwide firm. A few ventures additionally include outer gatherings in their gathering arranging where contributions from the urgent parts of the store network, participation and coordinated effort, or pariahs looking-in are a piece of the association's system. Group planning of the organisation will generally show in normal top managerial staff or administration panel' gatherings with fluctuating frequencies, for example, month to month, quarterly or yearly. Customary gatherings have required the physical habitations of agents from the different specialty units of the undertaking. With enhancements in media communications, venture gather arranging can be directed through video conferencing where members might be scattered geologically. Be that as it may, video conferencing still has all the earmarks of being a deficient substitute when warm, relational relations are a piece of the company's way of life.

However for quick paced occasions like cataclysmic events or an emergency of the budgetary markets that require prompt activity from the enterprise, video conferencing may be the main choice. Investigating that requires the significant assets of the enterprise will likewise involve undertaking bunch arranging. Here, big business arranging frameworks take a strategic shape as opposed to a vital concentration to protect the solidness or guarantee the survival of the undertaking.

10.6 PLANNING PROGRAMMING

Endeavour arranging programming will have shifted or profundity of scope however won't basically allude to big business asset arranging programming. This will incorporate arranging driven programming and the apparatuses to help key and strategic getting ready for and over the venture, for example,

- procedure development and situation arranging programming (for instance, supporting Sales and operations arranging process)
- execution estimation and assessment programming
- extend administration programming
- information distribution center or business insight programming
- venture advancement programming

10.7 ENTERPRISE DATA PLANNING

Enterprise Data Planning is the beginning stage for big business wide change. It expresses the goal and depicts how you will arrive. It characterizes advantages, expenses and potential dangers. It gives measures to be utilized en route to judge advance and modify the adventure as indicated by evolving conditions.

Information is major to speculation endeavours. Viable, financial administration of information supports operations and empowers changes expected to fulfill client requests, rivalry and control. Information warehouse(s) and different parts of the general information engineering are basic to the undertaking.

EDM works has made a vital information arranging approach for the Investment Sector. It comprises of an arranging procedure, arranging intranets, formats and preparing materials. EDM works arranging process depends on the conviction that broad area learning essentially abbreviates arranging emphasises and empowers continuously higher quality intends to be delivered and actualized. This approach drives the advancement of a powerful and financial Enterprise Data Architecture. Enterprise Data Planning depends on demonstrated business disciplines. Key compositional layers for information and applications are then included request to give a venture wide comprehension of the utilizations and interdependencies of information.

This empowers the meaning of the center parts of the EDM design:

- Industry structure and business targets
- Evaluation of frameworks and administrations
- Target design for applications, information and foundation
- Target association structures
- Frameworks, database, foundation and hierarchical plans
- Business case, costs, advantages, results and dangers.

EDM works utilizes a few segments from the Open Systems Group TOGAF endeavour frameworks arranging process. TOGAF goes about as an augmentation to great business arranging strategies to give a structure to the advancement of the frameworks and information compositional segments.

James Martin was one of the pathfinders in data masterminding methods. He was one of the first to distinguish information similar to an undertaking wide resource that required administration. He built up a progression of devices and strategies to help that procedure.

The majority of the expensive counselling firms built up their own techniques to address a similar fundamental issue. Much of the time, their methodologies were joined into their own marked framework improvement procedures that enveloped the entire frameworks advancement life-cycle.

Others, for example, Ed Tozer, grew more engaged offerings that managed the complexities of separating key business needs from senior administration and after that characterizing important compositional dreams for the particular enterprise.

From these diverse sources, the thoughts of Business, Data, Applications and Technology Architectures developed.

The Open Group Architectural Framework (TOGAF) has taken this work forward and has set up a sound technique in TOGAF. EDM works approach is to receive these arranging and engineering rehearses as a premise and afterward add two extra measurements to the arranging and execution center:

- Space information of the Investments part. Speculations is a complex worldwide industry with a typical arrangement of attributes about customers, data sellers, rivalry and direction. Space learning altogether enhances the nature of the arranging and execution forms
- Advancement of individuals and groups. Change is a noteworthy element of in any Enterprise Data Management program and individuals and groups both need improvement keeping in mind the end goal to make EDM viable all through an association.

Check Your Progress-A

1. **Define Planning programming with the help of an example.**

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2. **Define Budgeting. Discuss the characteristic features of Budgeting.**

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3. **Define Planning. Discuss the characteristic features of Planning.**

Choose the correct answer option

(i) **Which of the following statement best describes the Strategic fit?**

a) crafting strategies based on opportunities and threats so explored.
b) predicting opportunities and threats present in the external environment.
c) reacting to opportunities and threats present in the external environment.
d) mapping the resources and activities of a firm to the external environment.

(ii) **Which of the following is NOT an example of a political risk?**

a) Government regulations
b) Change in technology
c) War
d) Civil unrest

Fill in the blanks

(iii)_____ depicts a structure of full scale natural variables utilized as a part of the natural checking segment of key administration.

(iv)_____depends on demonstrated business disciplines.

10.8 ENTERPRISE RESOURCE PLANNING

Enterprise Resource Planning (ERP) is the coordinated administration of center business forms, frequently progressively and interceded by programming and innovation. These business exercises can include:

- item arranging, buy
- generation arranging
- assembling or administration conveyance
- advertising and deals
- materials administration
- stock administration
- transportation and installment

ERP is generally alluded to as classification of business-administration programming—commonly a suite of coordinated applications—that an association can use to gather, store, oversee and translate information from these numerous business exercises.

ERP gives an incorporated and ceaselessly refreshed perspective of center business forms utilizing basic databases kept up by a database administration framework. ERP frameworks track business assets—money, crude materials, generation limit—and the status of business responsibilities: orders, buy requests, and finance. The applications that make up the framework share information crosswise over different divisions (fabricating, obtaining, deals, bookkeeping, and so forth.) that give the information. ERP encourages data stream between all business capacities and oversees associations with outside partners.

Enterprise Resource framework programming is a multibillion-dollar industry that produces parts supporting an assortment of business capacities. IT speculations have turned into the biggest classification of capital consumption in United States-based organizations over the previous decade. Despite the fact that early ERP frameworks concentrated on extensive undertakings, littler endeavors progressively utilize ERP frameworks.

The ERP framework incorporates fluctuated authoritative frameworks and encourages blunder free exchanges and generation, subsequently improving the association's effectiveness. Be that as it may, building up an ERP framework varies from conventional framework improvement. ERP frameworks keep running on an assortment of PC equipment and system setups, normally utilizing a database as a data archive.

ERP frameworks normally incorporate the accompanying attributes:

- An incorporated framework
- Works in (or close) ongoing
- A typical database that backings every one of the applications
- A reliable look and feel crosswise over modules
- Establishment of the framework with expound application/information mix by the Information Technology (IT) division, gave the usage is not done in little strides

Best practices

Most ERP frameworks consolidate best practices. This implies the product mirrors the seller's elucidation of the best approach to play out every business procedure. Frameworks shift in how advantageously the client can change these practices. Organizations that actualized industry best practices lessened time–consuming venture assignments, for example, setup, documentation, testing, and preparing. Also, best practices diminished hazard by 71% contrasted with other programming executions.

Utilization of best practices facilitates consistence with necessities, for example, IFRS, Sarbanes-Oxley, or Basel II. They can likewise assist conform to true industry models, for example, electronic assets exchange. This is on the grounds that the strategy can be promptly classified inside the ERP programming, and repeated with certainty over various organizations who share that business necessity.

Connectivity to plant floor data

ERP frameworks interface with real–time information and exchange information in an assortment of ways. These frameworks are regularly arranged by frameworks integrators, who bring remarkable information on process, gear, and merchant arrangements. Direct Integration—ERP frameworks have availability (correspondences to plant floor hardware) as a feature of their item advertising. This requires the sellers offer particular help for the plant floor hardware their clients work. ERP sellers must be specialists in their own particular items and availability to other merchant items, including those of their rivals.

Database integration—ERP frameworks interface with plant floor information sources through organizing tables in a database. Plant floor frameworks store the vital data into the database. The ERP framework peruses the data in the table. The advantage of organizing is that ERP merchants don't have to ace the complexities of gear reconciliation. Availability turns into the obligation of the frameworks integrator.

Enterprise Machine Exchange Modules (EATM)— These gadgets discuss straightforwardly with plant floor hardware and with the ERP framework through strategies upheld by the ERP framework. EATM can utilize an organizing table, web administrations, or system–specific program interfaces (APIs). An EATM offers the advantage of being an off–the–shelf arrangement.

Custom–integration arrangements—Many framework integrators offer custom arrangements. These frameworks have a tendency to have the most elevated amount of starting incorporation cost, and can have a higher long haul upkeep and unwavering quality expenses. Long haul expenses can be limited through cautious framework testing and exhaustive documentation. Custom–integrated arrangements normally keep running on workstation or server-class PCs.

Execution

ERP's extension ordinarily suggests noteworthy changes to staff work procedures and practices. For the most part, three sorts of administrations are accessible to help actualize such changes—counselling, customization, and support. Execution time relies upon business estimate, number of modules, customization, the extent of process changes, and the status of the client to take proprietorship for the venture. Measured ERP frameworks can be actualized in stages. The run of the mill extend for a huge venture takes around 14 months and requires around 150 advisors. Little activities can require months; multinational and other extensive usage can take years. Customization can significantly expand execution times. Other than that, data preparing impacts different business capacities e.g. some expansive enterprises like Wal-Mart utilize an in the nick of time stock framework. This diminishes stock stockpiling and builds conveyance productivity, and requires breakthrough information.

Advantages

- ERP can enhance quality and productivity of the business. ERP can prompt better yields that may profit the organization, for example, in client administration and assembling.
- ERP underpins upper level administration by giving data to basic leadership.
- ERP makes a more light-footed organization that adjusts better to change. It likewise makes an organization more adaptable and less inflexibly organized so association segments work all the more solidly, upgrading the business—inside and externally.
- ERP can enhance information security. A typical control framework, for example, the kind offered by ERP frameworks, enables associations the capacity to all the more effortlessly guarantee key organization information is not traded off.
- ERP gives expanded chances to cooperation. Information takes many structures in the cutting edge undertaking. Reports, records, structures, sound and video, messages. Regularly, every information medium has its own particular instrument for permitting coordinated effort. ERP gives a cooperative stage that gives workers a chance to invest more energy teaming up on content as opposed to acing the expectation to learn and adapt of conveying in different configurations crosswise over dispersed frameworks.

Weaknesses

- Customization can be hazardous. Contrasted with the best-of-breed approach, ERP can be viewed as meeting an association's most reduced shared element needs, driving the association to discover workarounds to meet one of a kind requests.
- Re-designing business procedures to fit the ERP framework may harm intensity or occupy center from other basic exercises.
- ERP can cost more than less incorporated or less far reaching arrangements.
- High ERP exchanging expenses can expand the ERP merchant's arranging power, which can build support, upkeep, and redesign costs.
- Conquering imperviousness to sharing touchy data between divisions can redirect administration consideration.
- Combination of really free organizations can make pointless conditions.
- Broad preparing prerequisites take assets from day by day operations.
- Harmonization of ERP frameworks can be a mammoth errand (particularly for enormous organizations) and requires a great deal of time, arranging, and cash.

Postmodern ERP

The expression "postmodern ERP" was authored by Gartner in 2013, when it initially showed up in the paper arrangement "Predicts 2014". As indicated by Gartner's meaning of the postmodern ERP procedure, inheritance, solid and profoundly modified ERP suites, in which all parts are intensely dependent on each other, should at some point or another be supplanted by a blend of both cloud-construct and in light of premises applications, which are all the more approximately coupled and can be effortlessly traded if necessary.

The fundamental thought is that there should in any case be a center ERP arrangement that would cover most vital business capacities, while different capacities will be secured by master programming arrangements that just expand the center ERP. This idea is like the purported best-of-breed way to deal with programming usage, yet it shouldn't be mistaken for it. While in the two cases, applications that make up the entire are generally approximately associated and effectively exchangeable, on account of the last there is no ERP arrangement at all. Rather, every business work is secured by a different programming arrangement.

There is, in any case, no brilliant govern with reference to what business capacities ought to be a bit of the center ERP, and what ought to be secured by supplementary arrangements. As per Gartner, each organization must characterize their own postmodern ERP procedure, in view of organization's inward and outer needs, operations and procedures. For instance, an organization may characterize that the

center ERP arrangement should cover those business forms that must remain behind the firewall, and along these lines, leave their center ERP on-premises.

10.9 SUMMARY

In this unit you learned that Enterprise Planning Process has a wider scope. Enterprise Planning Process addresses the assets that are accessible or not accessible to a venture and its capacity to deliver products or services. It additionally considers those components that will emphatically or contrarily influence the association's capacity to run these activities. You also came to know that Enterprise Resource Planning (ERP) is the coordinated administration of center business forms, frequently progressively and interceded by programming and innovation. Thus, Enterprise Planning provides focus and direction to your business, enhances its competiveness and helps you to achieve success in the ventures you undertake.

10.10 GLOSSARY

- Enterprise Resource Planning (ERP) – It is the coordinated administration of center business forms, frequently progressively and interceded by programming and innovation.

- Enterprise Machine Exchange Modules (EATM)— These gadgets discuss straightforwardly with plant floor hardware and with the ERP framework through strategies upheld by the ERP framework.

10.11 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

Ans-i Ans-d

Ans-ii Ans-b

Ans-iii PESTLE evaluation (political, economic, social, technological, legal and environmental)

Ans-iv Enterprise Data Planning

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10.14 TERMINAL QUESTIONS

1. Discuss the different advantages of Enterprise Resource Planning.
2. Discuss the different elements of PESTLE analysis.
3. Discuss the different components of Planning.
4. Discuss Enterprise Data Planning with the help of an example.
5. Critically analyse the Enterprise Resource Planning in today's context.

UNIT- 11

FAMILY AND NON-FAMILY ENTREPRENEUR: PROFESSIONALISM V/S FAMILY ENTREPRENEURS

11.1 Introduction

11.2 History and Origin of Family Business in India

11.3 Impact of Family Businesses on the Economy

11.4 Family Business and its Characteristics

11.5 Succession Planning

11.6 Strategic Planning in Family Businesses

11.7 Family Businesses in India

11.8 The Digital Imperative of Family Business

11.9 Challenges and Factors Affecting Family Run Businesses

11.10 Advantages and Disadvantages Of Family Run Businesses

11.11 Entrepreneurship and Family

11.12 Summary

11.13 Glossary

11.14 Answer to Check Your Progress

11.15 Reference/ Bibliography

11.16 Suggested Readings

11.17 Terminal Questions

11.1 INTRODUCTION

From your neighbouring kirana store to the city jewels shop to the illustrious industrial houses, it is difficult to be indifferent towards the presence and domination of business families in the Indian marketplace.

Most of the big corporate business houses like The Tatas, Ambanis , Birlas , Godrej, Wadias , Munjals , Mahindras ,Thapars , Mittals ,Shaparji Pallonji ,Jindals, Adanis and even a media house like TIMES Of India are all controlled by families. The family patriarch and the family is a critical factor in understanding the business scenario in India.

11.2 HISTORY AND ORIGIN OF FAMILY BUSINESS IN INDIA

Family businesses have inscribed their presence since long, but have gone through some formidable and indispensable changes owing to the dynamics of society, economy, and family itself.

Family businesses in India can be traced back to the bazaar system of moneylending which was monopolized notably by the Jains and Marwaris of the northern India. The industrial version of family business is relatively new, dating back to the British Rule and the First World War.

A conspicuous and legendary example of this is, Jamshetji Tata and the Tata family. From Jamshetji Tata to Ratan Tata, the illustrious family has not only given India, a multinational, multi-specialty brand house, employment to lakhs of skilled and unskilled youth, but has been a stalwart in Industrial development.

11.3 IMPACT OF FAMILY BUSINESSES ON THE ECONOMY

Family businesses form a backbone of the Indian economy with gross output equaling about 60% of GDP or about 90% of India's industrial output. To showcase the magnitude of this number, consider the following:

- Gross output of top-50 Public Sector Units is around a third of Family Business output
- Gross revenues of ET-500 businesses is roughly equal to the Family Business output

11.4 FAMILY BUSINESS AND ITS CHARACTERISTICS

DEFINING FAMILY BUSINESSES

A commercial organization in which the primary stakeholders of decision making are multiple generations of a family- related by blood or marriage. It is one of the oldest forms of economic organization. It is often seen that the noteworthiness of this staggering element of economy is often underestimated. The unavoidability of comprehending the nuances of family business and its management can be gauged from the fact that 44% of the Forbes 400 member fortunes were derived by being a member of or in association with a family business.

KEY CONCEPTS

Technically, a firm is said to be family-owned if a person is the controlling shareholder; that is, a person (rather than a state, corporation, management trust, or mutual fund) can garner enough shares to assure at least 20% of the voting rights and the highest percentage of voting rights in comparison to other shareholders.

THE THREE CIRCLES MODEL

It is a model used to show the three facets of a family owned organization:- Family, ownership and management. This helps us to understand how these three models overlap.

Family circle:- It includes everyone belonging to the family. These are those people who are considered with the social capital of the family.

Ownership circle:- Family members, investors, employee owners concerned with the financial capital of the company (business performance and dividends).

Management circle:- Non family members who are basically employees who are employed by the owners, fall into this category.

GENOGRAM

A genogram is an organization chart for the family. It is an enhanced family tree that shows not only family events like births and deaths, but also indicates the relationships (close, conflicted, cut-off, etc.) among individuals in the family. It is a useful tool for spotting relationship patterns across generations, and decrypting seemingly irrational behavior.

FAMILY MYTHS

Sets of beliefs that are shared by the family members by which they tend to defend themselves from the outer tribulations.

FAIRNESS

Fairness is a fundamental issue in family business decision-making. Solutions that are perceived as fair by the family and business stakeholders are more likely to be accepted and supported.

EMOTIONAL DIMENSIONS OF FAMILIES

Families have complex and dynamic emotional bonds and disputes. It is impossible to create set rules that govern their behavior because of the inability to comprehend them in a proper way. This is a major governing factor when it comes to family business.

11.5 SUCCESSION PLANNING

One of the most important things to understand in the working of family businesses is succession. Basically it is determining who will take over leadership and/or ownership of the company when the current generation retires or dies. Formulating and executing a well defined succession plan can save the organization from many conflicts thus preventing any inhibition to the business and failing to do so can actually question the whole organizational structure. Having a clear statement of goals, an organized plan to accomplish the goals, a defined hierarchy for decision-making, an established plan for succession, and strong lines of communication will help to prevent many possible problems from arising.

Intrusion of emotional and personal relationships should be made minimal. Only the success of the organization should be kept in the forefront.

11.6 STRATEGIC PLANNING IN FAMILY BUSINESSES

Strategic planning—centering around both business and family goals—is vital to successful family businesses. In fact, planning may be more crucial to family businesses than to other types of business entities, because in many cases families have a majority of their assets tied up in the business.

It has 4 components to it:-

1) Family planning:- In family planning, all stake holding members of the family ,together, develop a mission statement that describes the reason of their commitment to the business. In allowing family members to share their goals, needs, priorities, strengths, weaknesses, and ability to contribute, family planning helps to define a vision of the company that will guide future dealings.
2) Business planning:- Business planning begins with the long-term goals and objectives the family holds for themselves and for the business. The business leaders then integrate these goals into the business strategy.
3) Succession planning:- It is a meticulous process consisting of various phases.

4) Estate planning:- Estate planning involves the financial and tax aspects of transferring ownership of the family business to the next generation. Families must plan to minimize their tax burden at the time of the owner's death so that the resources can stay within the company and the family.

11.7 FAMILY BUSINESSES IN INDIA

Indian family businesses houses are more diversified as compared to their global counterparts. They are ambitious and completely acknowledge the need to professionalize functions and operations and splash in non family members to run the business. Also certain legal regulatory changes are making the change inevitable.

The optimistic plans of growth and strategic proliferation of family business into new products, markets, mergers and acquisitions makes the formation of effective boards, having people with right expertise and requirement.

FINANCING OF FAMILY BUSINESS IN INDIA

India firms tend to use external sources of finance like banks, equity financing, debt financing more as compared to their global counterparts. But the dependence on one's own capital always takes an edge. The above sources are commonly used alternatives when the latter is not adequate.

Also, another important characteristic is that family business firms no longer view technology as an area of concern, rather it is viewed as an opportunity to reshape the future.

INDIAN FAMILY BUSINESSES GOING GLOBAL

Geopolitical challenges, Brexit, the US elections, conflict dominated states—despite all these issues—Indian companies continue to look favourably at expanding their global footprint, though there has been a slight dip in the number of companies exporting overseas.

The economic and political stability of the country is of paramount importance in deciding to explore new markets, both for Indian businesses as well as global family businesses. This is followed by size and growth potential. Proximity to India and language barriers are apparently not too much of a concern for Indian family businesses as they look at new markets.

11.8 THE DIGITAL IMPERATIVE OF FAMILY BUSINESS

The importance of digital cannot be over-emphasized in India. Challenges such as lack of a clear digital operations vision from the leadership, lack of skills in data analytics, absence of a strong digital culture and training, and unclear economic benefits of

digital investment often plague these organizations. Operational disruption on account of a cyber security breach is another area of concern. Revenues from digitising products and service portfolios will increase, as will improvement in efficiencies and costs thus paving way for a more profitable business.

BUSINESS FAMILY	NAME OF ESTATE
Walton family	Wal-Mart
Porsche family	Volkswagen
Ambani family	Reliance industries
Son family	Softbank
Knight family	Nike
Lee family	Samsung
Sandoz family	Novartis

11.9 CHALLENGES AND FACTORS AFFECTING FAMILY RUN BUSINESSES

1) Need to continually innovate:- The issue of innovation in family business is necessary as well as debatable. It is seen that innovation is the cornerstone parameter in the growth of a business.
2) Keeping pace with the digital and new technology:- Technological developments have been increasing at an alarming pace. Keeping pace with it, when the foundation of the business is on conservation is difficult
3) Ability to attract and retain the right talent:- It is important to realize that meticulous corporate governance measures and a professionalized work system be developed to attract the best talent pool available which would take the business to greater heights.
4) Competition- With entrepreneurship in the air and innovation at its core, market trends have shown unpredictable changes. Robust measures need to be taken to survive.
5) Need to professionalize business :-Organizations need to be run systematically and in a professional manner if it needs to garner profits in an explicable manner.
6) Complying with regulations:- Strict regulatory measures are being introduced to control the family run business making it difficult to run on informal

grounds.

7) General economic situation:- The general economic paradigm of the country is a deciding factor in any business. The dynamics of economic forces affect the leaders and decision makers in a veritable manner.

OTHER FACTORS AFFECTING FAMILY BUSINESSES

1) Market instability in the countries
2) Succession planning within the country
3) Corruption in operating countries
4) Political environment in the country
5) Increasing outreach due to social media
6) Cyber security threats
7) Supplier and supply chain issues
8) Internal conflict within the family
9) Influence and history of family

Check Your Progress-A

Q1. Explain salient characteristics of Family Business.

Q2. What are the challenges and factors affecting family run businesses ?

Q3. Give suggestions to make family business more effective in India.

Q4. State whether each of the following statements is True or False.

a) Family businesses in India can be traced back to the bazaar system of money lending.

b) Family business does not have risk of ownership.

c) Formulating and executing a well defined succession plan can save the organization from many conflicts.

d) Non family members who are basically employees who are employed by the owners, fall into ownership circle.

11.10 ADVANTAGES AND DISADVANTAGES OF FAMILY RUN BUSINESSES

ADVANTAGES

Stability- Certainty in leadership results in longevity, which consequently gives an overall stability to the organization.

Commitment- When the legacy of the families are at stake, it creates a deep sense of commitment which is impracticable when it comes to non family firms. This leads to a better deliverance of responsibilities. Commitment to family is imbibed in every individual which gets reflected in the coarse of their work.

Flexibility- Family members juggle through various roles and responsibilities to ensure the success of the company. There is no hard and fast rule to work assignment.

Long term outlook- Families carry legacies, legacies that never die. They want to create an eternal presence due to which they think of years and decades ahead. This creates a bend towards good strategy and careful decision making.

Decreased cost- A feeling of belongingness creates a willingness to contribute their own finances to ensure smooth functioning. During challenging times this proves to be a boon to the organization. This tendency to tighten one's belt for the business to survive is a benefit truly looked upon.

DISADVANTAGES

Lack of interest- Sometimes, when the successive members do not consider the business lucrative and exhibit a lack of interest, it results in a stale and malfunctioning organization with apathetic and unengaged employees.

Family conflict- Family is a complex bond of relationships and its dynamics are highly unpredictable. In such situations conflicts are bound to arise. Deep seated, long lasting bitter quarrels can affect every single person within the firm and can draw divisive lines. This hampers the family businesses in a disastrous manner. One such example can be the infamous dispute between the sons of Reliance India founder Dirubhai Ambani, Anil and Mukesh Dirubhai Ambani. These battles create a lot of tribulation in the marketplace as well as the whole structure of the business family.

Unstructured governance:- Issues such as internal hierarchies and rules can be of considerable importance due to the level of inherent trust at family firms. Lack of a very formal layout of organizational detail can be gravely detrimental to family businesses.

Nepotism:- Nepotism is that devil, which has plagued every industry across the world. People who lack the skills, education or experience are given jobs by virtue of their belonging to a family. This creates a sheer incompetence at higher levels and degrades the organization in a versatile manner.

Succession Planning:- Lack of sound succession planning, because of the inability of the leader to accept the fact that he needs to step down or because the family thinks that there is too much trust and succession planning is futile. A succession plan is instrumental in running of family business.

Pressure of success:- Family businesses create undue pressure on the new generations. These business owners many also feel torn between adopting new, more popular methods of doing things and holding tradition.

11.11 ENTREPRENEURSHIP AND FAMILY

BUSINESS

When the company is founded, the owner plays the entrepreneurial role in the organization. They identify a good business opportunity, develop a sound plan brimming with innovation and start a venture.

The later generation of the family, who takeover are expected to look after and nurture the founder's creation and not change it or rather be entrepreneurs themselves.

But innovation and entrepreneurship is the heart of any business. It is often cited that 20-25% of businesses survive in the first generation, only 9-10% survive the second generation and it stoops to a staggering 3-4% in the third generation. The most significant reason for this is the lack of entrepreneurial motivation in the subsequent generations.

Entrepreneurship, in today's realm, is mandatory for survival itself. One such way where business families make sure that entrepreneurship pumps the growth of the organization is by recruiting managers inside the business who play the parts of an entrepreneur, can identify opportunities and escalate the growth and provide a competitive edge.

It may seem that entrepreneurship, will burn down the legacy of the family and the leaders can become disillusioned and stick to conservative and old methodologies of production and selling but in the era of rapid technological and social change, it is not wise to cling to current or older lines of businesses. Innovation in product as well as the method of selling is the need of the hour.

A very important dimension of entrepreneurship is that, you must be able to identify growth opportunities in and out of the core industry and pursue them in an experimental and cost effective ways.

Diversification is at the helm of affairs when it comes to entrepreneurship. Meticulous investments which drive potential profit ventures is important for the proliferation of the family business.

11.12 SUMMARY

Family businesses are evolving and experiencing a demeanor shift in their structure. It is important to understand that such businesses contribute to major chunk of the economy and form one of the most complex structures in the business management. Careful strategizing is required in matters concerning innovation, entrepreneurship, survival and succession. Some of these family owned businesses hold an innate potential to transform into a multinational empire.

Today, Indian family businesses are very optimistic about their future, which is clearly demonstrated by the heightened entrepreneurial activity being witnessed in the country. It surely displays a significantly an ignition of innovative minds and a courage to venture into the unexplored arenas of the business world.

11.13 GLOSSARY

- ***Family Business:*** A commercial organization in which the primary stakeholders of decision making are multiple generations of a family-related by blood or marriage. It is one of the oldest forms of economic organization.
- ***Succession Planning:*** Basically it is determining who will take over leadership and/or ownership of the company when the current generation retires or dies.

11.14 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress –A

a) True

b) False

c) True

d) False

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11.17 TERMINAL QUESTIONS

1. Define Family business. How this format of business is different from traditional form of professional businesses.
2. Discuss the impact of Family Businesses on the economy like India.

3. What facets of family business are described by the Three Circles Model? Discuss in details.
4. What do you understand by succession? Why does a family business need succession planning?
5. How strategic planning take place in family businesses. Discuss all major components of a strategic plan generally adopted by family businesses.
6. Write a detailed note on history of Family Businesses.
7. What factors primarily affect family businesses? Discuss in details with the challenges faced by them in today's business environment.
8. Discuss various advantages and disadvantages of selecting the family business format by an entrepreneur.
9. Write a note of current state and crucial issues related to family businesses in India.
10. Discuss the role of entrepreneurship and innovation in today's family businesses.

UNIT-12 WOMEN ENTREPRENEURS: CHALLENGES AND ACHIEVEMENTS

12.1 Introduction

12.2 Objectives

12.3 Definition of women entrepreneur

12.4 Factors for the growth of women entrepreneur

12.5 Problems faced by Indian Women Entrepreneur

12.6 Steps taken by the Indian government

12.7 Suggestions to overcome challenges

12.8 Some cases of successful business entrepreneurs

12.9 Summary

12.10 Glossary

12.11 Answers to check your progress

12.12 References

12.13 Suggested Readings

12.14 Terminal Questions

12.1 INTRODUCTION

Women entrepreneurs contribute to the Indian economy in a significant manner. There are huge number of micro, small, and medium enterprises with full or partial female ownership. All together, these women-owned enterprises contribute 3.09 percent of industrial output and employ approximately 8 - 8.5 million people. Approximately, 78 percent of women enterprises belong to the services sector. Women entrepreneurship is largely concentrated towards smaller sized firms, as most of the women-owned businesses are micro-enterprises. Despite of their contribution in the growth of economy there are many issues which need to be addressed effectively to smoothens the growth of women entrepreneurs. The issues need to be addressed are related to

finances, access to the labour market, legal issues related to the industrial relations, access over economic resources, the challenges pertaining to their male counterparts, entrepreneurial opportunities and others. However, it has been realized that women entrepreneurs are still untapped source of economic growth - who create new employment opportunities and avenues for women's economic independence.

12.2 OBJECTIVES

After reading this unit you will be able to:

-Understand the meaning of women Entrepreneurs

-Explain the factors for the growth of women entrepreneurs

- Understand challenges faced by the women entrepreneurs

-The initiative of government and other financial institution in promoting women entrepreneur

12.3 DEFINITION OF WOMEN ENTREPRENEUR

Women entrepreneurs is defined as a "Woman or a group of women who initiate, organize and run a business enterprise". Government of India has defined women entrepreneurs based on women participation in equity and employment of a business enterprise. Accordingly, a woman run an enterprise is defined as "an enterprise owned and controlled by a women having a minimum financial interest of 51% of the capital and giving at least 51%of the employment generated in the enterprise to women".

"A woman entrepreneur can be defined as a confident, innovative and creative woman capable of achieving self economic independence individually or in collaboration, generates employment opportunities for others through initiating, establishing and running the enterprise by keeping pace with her personal, family and social life." _ Kamal Singh

12.4 FACTORS INFLUENCING WOMEN ENTREPRENEURSHIP

1 PUSH FACTORS

These factors are elements of necessity such as low family income, dissatisfied salary packages, difficulty in looking for a job and a requirement for a flexible work

schedule because of family responsibilities. These factors may have more importance for women .

2 PULL FACTORS

The factors which promotes entrepreneurial drive such as related to independence, self -fulfillment, and desire for wealth, power and social status, co-operation and support of family members and a strong network of contacts are called pull factors. The most important factor is self achievement expressed in terms of challenge which helps women to start, run their own business and turn it into a profitable venture.

When a strong need for achievement could not be fulfilled through a salaried position or when there was a desire to transform a perceived opportunity into a marketable idea, then these factors work for a person to start their own venture.

12.5 PROBLEMS FACED BY INDIAN WOMEN ENTREPRENEURS

1. Family ties

Women in India are emotionally attached to their families, friends and relatives. besides they have to take care the domestic work, look after the children and other members of the family. They have to meet the social obligations. In such situations, it becomes difficult to concentrate and run the enterprise successfully.

2 Excessive male domination

Even though our constitution emphasize on equality between sexes, male chauvinism is still persist. Women are not treated equal to men. Their entry to business requires the approval of the head of the family. Entrepreneurship has traditionally been seen as a male domain. All these issues hinders the growth of women entrepreneurs.

3 Lack of formal education:

Large percentage of women in India are lagging behind in the field of education. Most of the women are illiterate. Those who are said to be “educated” are provided either less or inadequate education than their male counterpart due to early marriage, brother’s higher education and poverty. Due to lack of formal education, women entrepreneurs remain ignorant about the development of new technology, new methods of production, marketing and other governmental support which would encourage them to flourish.

4 Social and cultural barriers:

The traditions and customs prevailing in Indian society towards women sometimes obstacle their growth and prosperity. Castes and religions dominate which hinders women entrepreneurs. In rural areas, they face more social and cultural barriers. They are always under estimated and seen with suspicion.

5 Shortage of raw materials:

Scarcity of raw materials, unavailability of proper and sufficient raw material pose difficulties to the enterprises run by women entrepreneurs. Women entrepreneurs face a tough task in getting the required raw material and other necessary inputs for the enterprises at low prices. Further they are not taken seriously by the vendors.

6 Problem of finance:

Women entrepreneurs' faces lot of problems in raising and meeting the financial resources need of the venture. Banks creditors and financial institutes are not very willing to provide financial assistance to women borrowers on the ground of their less credit worthiness and more chances of business failure. Apart from this, they also face financial deficit due to blockage of funds in raw materials, work in –progress, finished goods and non-receipt of payment from customers in time.

7 Tough competitions:

Usually women entrepreneurs employ poor technology in the production of goods. In a market where there is a cut throat competition, they have to fight hard to survive in the market against the organised sector and their male counterpart who have rich experience and capacity to adopt advanced technology in managing enterprises

8 High cost of production:

Several factors including obsolescence due to non-adoption or slow adoption to changing technology, high cost of finance and inefficient management contribute to the high cost of production which in turn results in slow progress of women entrepreneurs. Women entrepreneur

9 Low risk - bearing capacity:

Since decades women in India were under male domination they are by nature weak, shy and mild. They cannot bear the amount risk which is essential for running an enterprise. Lack of education, training and financial support to them also reduce their ability to bear the risk involved in an enterprises.

10 Limited mobility:

Women mobility in India is highly limited due to social and cultural factors and inability to drive vehicles. They have to depend on others for completion of their important task. The delay in the work in one way or another increases the cost of goods.

11 Lack of entrepreneurial aptitude:

Lack of entrepreneurial aptitude is a matter of concern for women entrepreneurs. They have limited entrepreneurial nature. Even after attending various training programmes on entrepreneurship women entrepreneurs fail to overcome the risks and problems that may crop up in an organizational working.

12 Limited managerial ability:

Over a period of time managing a business has become difficult for a layman. It has to be performed by efficient and trained managers. Most of the women entrepreneurs are not very efficient in managerial functions like planning, organizing, controlling, coordinating, staffing, directing, motivating etc. of an enterprise. Therefore, less and limited managerial ability of women has become a problem for them to run the enterprise successfully.

13 Legal formalities:

Fulfilling the legal formalities for running an enterprise becomes a very challenging task on the part of a women entrepreneur because of the prevalence of corruption in government offices. Procedural delays for various licenses, electricity, water and shed allotments – all hampers the growth of the enterprise. In such situations women entrepreneurs find it hard to concentrate on the smooth working of the enterprise.

14 Exploitation by middle men and agencies:

To manage a business enterprises efficiently it has become a practice to outsource some of the services and work to the third party. The tasks like marketing, distribution and money collection, have to be outsource to middlemen and other agencies. Middle men and agencies exploit them. They add their own profit margin which result in less sales and lesser profit.

15 Lack of self confidence:

There are number of problems associated with the women including social, cultural and commercial in running an enterprise successfully. As a result they loose their confidence and find hard to strike a balance between managing a family and managing an enterprise. Sometimes she has to sacrifice her entrepreneurial urge in order to strike a balance between the two.

12.6 STEPS TAKEN BY THE INDIAN GOVERNMENT

The growth and development of women entrepreneurs need to be increased because entrepreneurial level development is not possible without the participation of women. Therefore, a healthy environment is needed to be developed to enable women to

participate actively in the entrepreneurial activities. There is a need of Government, non -Government, promotional and regulatory agencies to come forward and support the promotion of the women entrepreneur in India. The Government of India has already formulated various training and development cum employment generations programs for the women to start their ventures. These programmes are as follows:

Steps taken in Seventh Five Year Plan:

A special chapter on the "Integration of women in development" was introduced by Government in seventh five year plan with following suggestions

A) Specific target group: It was suggested to treat women as a specific target groups in all major development programs of the country.

B) Arranging training facilities: It was also suggested to devise and diversify vocational training facilities for women to suit the changing needs and skills.

C) Development of new equipments: Efforts should be made to increase women entrepreneurs efficiency and productivity through appropriate technologies, equipments and practices.

D) Marketing assistance: It was suggested to provide and extend the required assistance for marketing the products produced by women entrepreneurs.

E) Decision- Making process: Involvement of women in decision-making process should be encouraged.

Steps taken by Government during Eight Five- Year Plan:

The Government of India developed special programs to increases employment and income - generating activities for women in rural areas. The following plans are lunched during the Eight -Five Year Plan:

A) Prime Minister Rojgar Yojana and EDPs were introduced to develop entrepreneurial qualities among rural women.

B) "Women in agriculture" scheme was introduced to train women farmers having small and marginal holdings in agriculture and allied activities.

C) To generate more employment opportunities for women KVIC took special measures in remote areas.

D) Women cooperatives schemes were formed to help women in agro based industries like dairy farming, poultry, animal husbandry, horticulture etc. with full financial support from the Government.

E) Several other schemes like integrated Rural Development Programs (IRDP), Training of Rural youth for Self employment (TRYSEM) etc. were started to alleviated poverty. 30 -40% reservation is provided to women under these schemes.

3 Steps taken by Government during Ninth Five Year Plan:

Economic development and growth is not achieved fully without the development of women entrepreneurs. The Government of India has introduced the following schemes for promoting women entrepreneurship because the future of small scale industries depends upon the women- entrepreneurs:

Swarna Jayanti Gram Swarozgar Yojana and Swaran Jayanti Sekhari Rozgar Yojana were introduced by government to provide reservations for women and encouraging them to start their ventures.

New schemes named **Women Development Corporations** were introduced by government to help women entrepreneurs in arranging credit and marketing facilities.

State Industrial and Development Bank of India (SIDBI) has introduced following schemes to assist the women entrepreneurs. These schemes are:

(i) Mahila Udyam Nidhi

(ii)Micro Cordite Scheme for Women

(iii)Mahila Vikas Nidhi

(iv)Women Entrepreneurial Development Programmes

(v) Marketing Development Fund for Women

Consortium of Women entrepreneurs of India

It provides a platform to assist the women entrepreneurs to develop new, creative and innovative techniques of production, finance and marketing. There are different bodies such as NGOs, voluntary organizations, Self - help groups, institutions and individual enterprises from rural and urban areas which collectively help the women entrepreneurs in their activities.

Training programmes:

The following training schemes especially for the self employment of women are introduced by government:

(i) Support for Training and Employment Programme of Women (STEP).

(ii) Development of Women and Children in Rural Areas (DWCRA).

(iii) Small Industry Service Institutes (SISIs)

(iv) State Financial Corporations

(v) National Small Industries Corporations

(vi) District Industrial Centres (DICs)

Mahila Vikas Nidhi:

SIDBI has developed this fund for the entrepreneurial development of women especially in rural areas. Under Mahila Vikas Nidhi SIDBI grants loan to women are given to start their venture in the field like spinning, weaving, knitting, embroidery products, block printing, handlooms handicrafts, bamboo products etc.

Rashtriya Mahila Kosh:

In 1993, Rashtriya Mahila Kosh was set up to grant micro credit to poor women at reasonable rates of interest with very low transaction costs and simple procedures.

Stand up India Scheme

The "Stand up India Scheme" is being launched now to promote entrepreneurship among Scheduled Caste/Schedule Tribe and Women for loans in the range of Rs. 10 Lakhs to Rs. 100 Lakhs. The Scheme is expected to benefit large number of such entrepreneurs, as it is intended to facilitate at least two such projects per bank branch (Scheduled Commercial Bank) on an average one for each category of entrepreneur. The broad features of the scheme are as under:-

I. Composite loan between Rs. 10 lakh and upto Rs.100 lakh, inclusive of working capital component for setting up any new enterprise.
II. Debit Card (RuPay) for withdrawal of working capital.
III. Credit history of borrower to be developed.
IV. Refinance window through Small Industries Development Bank of India (SIDBI) with an initial amount of Rs.10,000 crore.
V. Creation of a corpus of Rs. 5,000 crore for credit guarantee through NCGTC.
VI. Handholding support for borrowers with comprehensive support for pre loan training needs, facilitating loan, factoring, marketing etc.
VII. Web Portal for online registration and support services.

Check Your Progress- A

Q1. Explain stand Up India Scheme.

Q2. What are the factors that have influenced the growth of Women entrepreneur?

Q3. What are the steps taken by the government in the Seventh Five Year plan for the growth of women entrepreneurs?

Q 4 Write full form of the following acronyms

(i) STEP Support for Training and Employment Programme of Women (STEP).

(ii) DWCRA Development of Women and Children in Rural Areas (DWCRA).

(iii) SISIsSmall Industry Service Institutes (SISIs)

(vi) DICs District Industrial Centres (DICs)

12.7 SUGGESTIONS TO OVERCOME CHALLENGES

In India, the potential for women's entrepreneurship is immense and women's increased participation in economic activities has gained a national priority. However, women entrepreneurs are still not yet widely supported and accepted. The efforts to develop women need to be substantiated and strengthened. To lead women towards entrepreneurship by creating an enabling environment, a series of recommendations are mentioned below under the following heads

a) Role of Government

b) Role of Business Development Service (BDS) Providers

c) Role of Supporting Organizations

d) Access to Finance

e) Access to Market

f) Access to Infrastructure and social service

g) Access to Technology

h) Other measures to create enabling environment

Role of Government:

Overall Policy Direction

Policies for women's entrepreneurship should follow a comprehensive approach rather than be piecemeal. They should encourage subsector clusters by providing infrastructure facilities and services, such as training and banking to MSMEs. The Government needs to ensure the availability of credit for fixed assets and working capital, focusing on timeliness and adequacy in a gender-sensitive manner. Policies to facilitate income tax rebates and tax reliefs to women entrepreneurs can be introduced. Income tax rates should be reduced for women.

Evaluation and Up Gradation of Policies

There is a need to periodically evaluate the impact of MSME-related policies on the success of women-owned businesses and the extent to which such businesses take advantage of these policies. Good practices should be disseminated and shared broadly. Women entrepreneurs should extensively make use of the various schemes provided by the Government. Suggestions should be given to the national mission for entrepreneurship to ensure it is gender-sensitive.

Provision of amenities: It is desirable to establish amenities for women entrepreneurs in industrial areas, such facilities should be characterized by easy mobility and proximity to residential areas with regular bus service, child-care facilities, etc.

Assistance and awareness creation

Central and State governments should assist women entrepreneurs to participate in international, national and local trade fairs, exhibitions and conferences. Such activities should be organized regularly. Incentives to women for entry in MSME sector as entrepreneurs should be offered.

Attempts by various NGO's and GO's to spread information about policies, plans and strategies on the development of women in the field of industry, trade and commerce are playing a crucial role and should be supported.

Procedural simplification

The procedures and formalities should be simplified for registration of business, financial and legal assistance, subsidies, concessions, relief etc, from various government and non governmental departments.

Role of the state governments

State governments should ensure the adequate availability of trained workers; upgrade the skills of those already in the MSME sector, and upgrade products and processes, in line with changing demand patterns, so that women entrepreneurs can keep abreast of world standards of quality and productivity. Transfer of technology from the research institutes to the entrepreneurs should be ensured. Commercializing local innovation would be more appropriate for women entrepreneurs. State government should create "one-stop shops" for Government services/schemes/ programs for women entrepreneurs.

Role of BDS Providers

Women in business should be offered soft loans and subsidies. Financial institutions should give more working capital assistance to women-headed organizations. BDS Providers should come up with the provision of micro credit system for women-led enterprises at the local level.

All-India forums for women entrepreneurs should be established to discuss the issues and, grievances, women face in their businesses. Such forums should enact in giving suitable decisions in favour of women entrepreneurs and take a strong stand against any policy or measure that obstruct women's economic empowerment and women's entrepreneurship.

Awareness for women business development at all levels i.e., at government, BDS support and at

entrepreneurial level, is lacking. Efforts are to be made to supplement existing network to improve access of women and to reduce barriers to their entry into business.

Role of Supporting Organizations

There is an urge for greater transparency and renewed efforts to increase the awareness of existing regulations, and support mechanisms. Amongst women in business or enterprising women. Among other means, this could be achieved by publishing various women MSMEs laws and rules in local languages and by allowing the sale of such booklets and related applications. Periodic open forums of various regulatory departments such as excise, license, registrar, industrial schemes, tax departments, and directorate of industries should be widely disseminated among women entrepreneurs to create conducive environment.

Training institutions should look ahead and provide training for their staff, update their curriculums, and facilities in line with the times and to better meet pressing and evolving demands.

Subsector-specific support should be created at district level for women entrepreneurs. Such mechanism should be autonomous and work independently of the government, with focused strategy of intervention, after identifying the key constraints for a specific subsector.

It is suggested that NABARD and SIDBI take the initiative to draw the attention of the operating managements of the banks to create a potentially growing and profitable business segment. To overcome the technical deficiency at the branch level, the lead bank office in the district should establish a women cell to provide specialized assistance to all the branches.

Access to Finance

Banks and financial institutions offer excellent financial schemes for women entrepreneurs but there is a lack of wider awareness among women about such schemes. A re-evaluation of the way women business clients are treated might alleviate many gender -related problems experienced by women.

There is a dire need to have large number of awareness workshops/camps in different centres to introduce financial schemes available to women and to formulate a strategy to avoid discrimination, especially in small centres.

Banks should have collateral-free lending, set quotas to women entrepreneurs for lending, as well as guarantee scheme for zero-collateral lending. Safe lending should be replaced by priority lending for women. Consortia (group) lending for women should be made available.

Banks should keep regular monitoring of women entrepreneurs' loans and helping women entrepreneurs to develop project. Banks having considerable lending to women should be offered incentives.

Every girl should have a bank account; it should be made mandatory because it will make them eligible for bank loans in the future. Women business loans should have lower interest rates. International capital should be made available, and regulations need to be simplified.

Access to Market

Special efforts are needed to facilitate unmediated access for women to invest in human capital, to the factors of production, to productive assets and productive markets.

Marketing assistance should be designed by promoting linkages between women enterprises of various sizes, by way of legitimate subcontracting and where appropriate franchising or other forms of inter-firm cooperation. Women enterprises for export marketing should be encouraged through coordinated efforts, assisting in quality standards, and by providing information of foreign markets as well as by assisting them in overseas representation Quota in government purchase with minimum percentage and margins in auctions .

Access to Infrastructure and social service

Development of infrastructure must be accompanied by policies that encourage women to engage in income-generating activities, including education, training and extra benefits such as child care facilities. Government should keep some priorities for women entrepreneurs for allocation of industrial plots, sheds and basic infrastructure/amenities. Investments in infrastructure networks and education for women should be encouraged. Waiver on stamp duty and registration charges for Women to create their properties should be offered. Infrastructure advantages to women entrepreneurs should be promoted by both public and private sector in form of "special zones". It would reduce their burden of developing the infrastructure.

Access to Technology

The establishment of technology centres to provide help to women entrepreneurs is really needed. Universities and technical colleges should be given a greater role in the development and dissemination of technologies to promote women enterprises. To upgrade technologies in the women entrepreneurship development, credit should be made available on a preferential basis to women business units that want to modernize. The need exists for the adaptation of technology by the women enterprises .

Other measures to foster an enabling environment for women entrepreneurs:

Removing socio cultural barriers

There is a need to change in attitude in the society pertaining to the role of women in society. However societal changes do not occur overnight; it is a gradual and slow process. But without this change the above-proposed subsidies, credit allocation, and other measures aimed towards women entrepreneurship may not bring significant change.

Initiation into professional work: Usually families provide financial and emotional support to sons for setting up a business or profession. But women should also be encouraged that their skills and knowledge, if utilized could provide them with profitable occupation.

Self-recognition: Women should recognize their own needs and give their needs an expression. They must be motivated to be actively involved in entrepreneurial activities.

Encouragement and motivation: Role models to encourage women to take up entrepreneurship should be created and social media/ media should project working women in a more positive way, showcasing such role models.

Training needs requirement

The study provides a clear picture of the types of difficulties women entrepreneurs face at the conception, inception and operation stages of enterprise building. These difficulties could be solved if a package of need-based training covering product selection, market and investment information, training in management and behavioural skills and competencies could be developed and offered. Women intending to start business should be encouraged to participate in business-training courses. The professional education and training should start from school level. Women must be educated and trained to acquire the skills and knowledge in all the functional areas of business management. Vocational training should be provided by Government and private institutions, specifically for women, as an option to college education, especially in non-traditional areas. Vocational training for women needs to be associated with complementary programmes combining it with management and entrepreneurial training, which could further stimulate women's interests in creating enterprises. - An awareness programme should be conducted on a mass scale among women about the various areas to conduct business. Skill development should be done in women's polytechnics and industrial training institutes. Skills can be put to work in training-cum-production workshops. Women entrepreneurship should be promoted through education by introducing Entrepreneurship as a subject after 8th grade.

Role of NGOs

Attempts by various NGOs to spread information about policies, plans, and strategies on the development of women in the field of industry, trade and commerce need to be supported and sustained. NGOs should participate actively in women entrepreneurship development programmes.

Role of FLO (FICCI Ladies Organization)

FLO can work in conjunction with the Government and other agencies to

- Establish a National Women Entrepreneurship Fund

- Operate women entrepreneur guidance and training cells across its many chapters

- Undertake gender-sensitization training for various agencies.

It needs to be stated that women in India represent about 49 per cent of the country's total human resources. Unless women contribute more economically, the country cannot progress. Their participation and contribution to the overall development of the country should be facilitated.

12.8 SOME CASES OF SUCCESSFUL BUSINESS ENTREPRENEURS

1. Dr. Kiran Mazumdar-Shaw, Chairman & Managing Director of Biocon Ltd., who became India's richest woman in 2004, was educated at the Bishop Cotton Girls School and Mount Carmel College in Bangalore. She founded Biocon India with a capital of Rs.10,000 in her garage in 1978 – the initial operation was to extract an enzyme from papaya.

2. Ekta Kapoor, creative head of Balaji Telefilms, is the daughter of Jeetendra and sister of Tushar Kapoor. She has been synonymous with the series of soap operas on Indian TV.After her most famous venture *'Kyunki Saas Bhi Kabhi Bahu Thi'* which was aired in 2000 on Star plus. Ekta outshines Indian Television. At the 6th Indian Telly Awards 2006, she bagged the Hall Of Fame award for her contributions in Indian Cinema.

3. Neelam Dhawan, Managing Director, Microsoft India, leads Microsoft India. She is a graduate from St. Stephens College in 1980. She passed out from Delhis Faculty Of Management studies in 1982. After that she was keen on joining FMCG majors like Hindustan Lever and Asian Paints. However both the companies rejected Dhawan, as they did not wish to appoint women for marketing and sales.

4. Naina Lal Kidwai, - She was the first Indian woman to graduate from Harvard Business School. According to the Economic times, she is the first woman to head the operations of a foreign bank in India (HSBC). Fortune magazine listed Kidwai among the world top 50 Corporate Women from 2000 to 2003.

5. Indu Jain was the Chairman of the Times Group-one of the most powerful and largest Media house of India . Indu Jain is known by many different identities - spiritualist, humanist, entrepreneur, and educationalist but most prominently she played the role of the Chairman of Times Group. Indu Jain is the perfect picture of the successful Indian Woman entrepreneur.

6. Priya Paul, - she has a bachelor's degree in Economics from Wellesley College, USA. She has joined family business, and is currently the Chairperson of Park Hotels.

7. Simone Tata, She has been instrumental in overhauling a subsidary of Tata Oil Mills into the largest cosmetic brand in India – LAKME.. She became a part of Lakme during 1961 and has been responsible for turning the company into one of the

biggest brands of fashion in India. She is the Chairperson of Trent Limited, a subsidary of Tata Group.

8. Mallika Srinivasan, currently the Director of TAFE- Tractors and Farm Equipment, India , was honored with the title of Businesswoman of the Year during 2006 by the Economic Times..

9. Preetha Reddy- She is a Managing Director of Apollo Hospitals, Chennai, one of the largest healthcare conglomerates of India,. She is one of the top most business woman of India in the segment of Health Care Industry.

10. Shahnaz Hussain Current position: CEO, Shahnaz Herbals Inc, Shahnaz Hussain is the biggest name in herbal cosmetics industry in India. She has introduced a number of trend setting herbal products. Currently, the Shahnaz Husain Group has over 400 franchise clinics across the world covering over 138 countries. Her pioneering work got recognition from Govt of India when she was conferred with prestigious Padma Shri award in 2006.

11. Vaidya Manohar Chhabria Chairman of Jumbo Group. The wife of a late Manohar Rajaram Chhabria is now leading Jumbo Group, a Dubai based Dollar 1.5 billion business conglomerate. She was ranked 38th most powerful women by the Fortune Magazine in 2003.

12. Lalita Gupte & Kalpane Morparia Joint Managing Directors of ICICI Bank, have made immense contribution to the banking sector in India.

Women like these are an inspiration for all other women who strive to achieve great heights in their lives. Taking them as our role models each one of us can be there where they are right now. All we need have is faith in ourselves, confidence and above all a fixed aim that we need work towards.

12.8.1 Characteristics of successful women entrepreneurs

1) Positive attitude: A positive attitude is one of the most important factor in turning the ideas into practical programs and finally putting them into action. With a positive attitude, the ground for innovations and solution will be provided and would lead to the flow of energies. Entrepreneurship is a difficult task, and if negative attitudes dominate the mind, the endeavors will come to an end at the instance of facing the first hurdle.

2) Overcoming the obstacles: The women entrepreneurs should turn the threats into opportunities for the organization. They must learn a lesson from every problem that crops up. Gradually, they will realize that the problems are not as big as they have projected.

3) High self-confidence: Being self-confident and powerful mean creative and moving on the right path. When the individual has a positive image of herself, responsible and

accountable, she has a stronger sense of entrepreneurship. Employees and vendors will cooperate her in a more confident manner.

4) The sense of being helpful to others: Studies show that women have a higher capability to become influential on others by being helpful to them. confidence to make a positive change in the lives of others is one of the most important characteristics of the entrepreneur women, and it is counted as an important factor in their economic growth. Researchers have shown that among different motives such as a high income, the demonstration of capabilities, making use of university degrees, etc. the sense of being helpful to others and making a positive change in the lives of others are the most important motive for the women entrepreneurs.

5) Honesty: To be successful there is no need to step on others in order to reach high. Fraudulent practices and unhealthy competitiveness is more common in men rather than women. This factor infuses the sense of trust on women entrepreneurs. Everyone likes to work with trustful and honest people.

6) Balancing between life and work: the women who can balance life and work tend to be more successful. A balanced life helps the mind for creative ideas. Some of the Statistics show that the women entrepreneur who have family responsibilities are more successful.

7) Goal-directedness: The goals are the dreams that are supplemented by clear practical programming. The goals are to be written down clearly and precisely and should be achievable. . The researches show that the women who have clear and detailed roadmap tend to be more successful. This applies for both the woman and man entrepreneurs; however, because the women have family responsibilities, having roadmaps help them to make a good balance between life and work.

8) Precision: The detection of vacuums in the market to be filled with entrepreneurship is a strategic task in every business. The identification of the unfulfilled needs is the key to successful production. The women, due to their watchfulness and high precision, are more capable than men in recognizing those needs.

9) Training: Generally Women entrepreneurs transfer their working knowledge to their successors, and develops a culture of transferring of the experiences from one person to another through training pragrammes and regular orientations. This characteristic also leads to their ability to take advantage of the experience of others, as well.

10) Long-term vision: Cautiousness and anticipation are among the special characteristics of the woman entrepreneurs. Because of the long-term vision of the women in facing the problems their resistance against failure is higher in them. Cautiousness and anticipation do not root out the obstacles but minimizes them.

Although throughout the world the number of woman entrepreneurs is lower than the men's, but all things being equal their success rate is higher.

Check Your Progress- B

Q1. List some qualities of successful women entrepreneurs.

Q2. Discuss the role of FLO?

Q3. MCQs

1. Chairman and managing Director of Biocon Ltd.
   i. Dr. Kiran Mazoomdar Shaw
   ii. Ekta kapoor
   iii. Hema malini
   iv. None of the above

2 "Kyunki Saas bhi kabhi Bahu Thi" was directed by

   i. Karina kapoor
   ii. Ekta kapoor
   iii. Indra Noori
   iv. None of the above

3 First Indian Women Graduated from Harvard Business School

   i. Malika Srinivasan
   ii. Simone Tata
   iii. Preetha Reddy
   iv. Naina Lal Kidwai

4. Chairperson of Park Hotels

   i. Indu Jain

ii. Priya Paul
iii. Simone Tata
iv. Ranjana Kumar

12.9 SUMMARY

Women entrepreneurship is both about women's position in the society and about the role of entrepreneurship in the same society. Women entrepreneurs face many obstacles, specifically in marketing their product (including family responsibilities), that have to be overcome in order to give them access to the same opportunities as men. Women have the basic indigenous knowledge, skill, potential and resources to establish and manage enterprise. Now, the need is for knowledge regarding accessibility to loans, various funding agencies, procedures regarding certification, awareness on government welfare programmes, motivation, technical skill and support from family government and other organization. Moreover, formation and strengthening of women entrepreneur's network must be encouraged. The banking institutions must offer formalized credit facilities, and this sector must be included in the registered sector category by the government to promote entrepreneurship among rural women. This support will help the women to strengthen their family bonds through financing their businesses, and thus help in the economic growth of the country. Thus, it can be asserted that women entrepreneurs can perform better, both in urban and rural areas, given that the government provides them assistance periodically.

12.10 GLOSSARY

- **BDS** Business Development Service
- **CGTSI** Credit Guarantee Fund Trust for Small Industries
- **DFIs** Development Financial Institute
- **EDP** Entrepreneurship Development Program
- **FIs** Financial Institutions
- **GDP** Gross Domestic Product
- **GOWE** Growth Oriented Women Entrepreneurs
- **MFIs** Microfinance Institutions
- **MFW** Marketing Fund for Women
- **MSMED** Micro, Small And Medium Enterprise Development
- **MSMEs** Micro, Small, And Medium Enterprises
- **NABARD** National Bank for Agriculture and Rural Develop
- **NGO** Non-Governmental Organisation

- **RBI** Reserve Bank of India
- **SHG** Self-Help Group
- **SIDBI** Small Industries Development Bank of India
- **SME** Small And Medium Enterprises
- **SSE** Small-Scale Enterprises
- **SSI** Small-Scale Industries
- **TREAD** Trade-Related Entrepreneurship Assistance And Development

12.11 ANSWERS TO CHECK YOUR PROGRESS

Check your progress A

Ans 1. **Stand up India Scheme**

The "Stand up India Scheme" is being launched now to promote entrepreneurship among Scheduled Caste/Schedule Tribe and Women for loans in the range of Rs. 10 Lakhs to Rs. 100 Lakhs. The Scheme is expected to benefit large number of such entrepreneurs, as it is intended to facilitate at least two such projects per bank branch (Scheduled Commercial Bank) on an average one for each category of entrepreneur. The broad features of the scheme are as under:-
I. Composite loan between Rs. 10 lakh and upto Rs.100 lakh, inclusive of working capital component for setting up any new enterprise.
II. Debit Card (RuPay) for drawal of working capital.
III. Credit history of borrower to be developed.
IV. Refinance window through Small Industries Development Bank of India (SIDBI) with an initial amount of Rs.10,000 crore.
V. Creation of a corpus of Rs. 5,000 crore for credit guarantee through NCGTC.
VI. Handholding support for borrowers with comprehensive support for pre loan training needs, facilitating loan, factoring, marketing etc.
VII. Web Portal for online registration and support services.

Ans 2 .**1 PUSH FACTORS**

Push factors are elements of necessity such as insufficient family income, dissatisfaction with salaries job, difficulty in finding work and a need for flexible work schedule because of family responsibilities. These factors may have more importance for women than for men.

2 PULL FACTORS

Factors that work as entrepreneurial drive factors relate to independence, self - fulfillment, entrepreneurial drive and desire for wealth, power and social status, co-operation and support of family members and a strong network of contacts. The most

prominent factor is self achievement expressed in terms of challenge which helps women to start, run their own business and turn it into a profitable venture. When a strong need for achievement could not be fulfilled through a salaried position or when there was a desire to transform a perceived opportunity into a marketable idea, then these factors work for a person to start their own venture.

Ans 3 In the seventh five year plan A special chapter on the "Integration of women in development" was introduced by Government with following suggestion:

A) Specific target group: It was suggested to treat women as a specific target groups in all major development programs of the country.

B) Arranging training facilities: It is also suggested in the chapter to devise and diversify vocational training facilities for women to suit their changing needs and skills.

C) Developing new equipments: Efforts should be made to increase their efficiency and productivity through appropriate technologies, equipments and practices.

D) Marketing assistance: It was suggested to provide the required assistance for marketing the products produced by women entrepreneurs.

E) Decision- Making process: It was also suggested to involve the women in decision-making process.

Ans 4.

(i) Support for Training and Employment Programme of Women (STEP).

(ii) Development of Women and Children in Rural Areas (DWCRA).

(iii) Small Industry Service Institutes (SISIs)

(vi) District Industrial Centres (DICs)

Check your progress B

Ans 1.Charachterstics of successful women entrepreneurs

1) Positive attitude

2) Overcoming the obstacles

3) High self-confidence

4) The sense of being helpful to others

5) Honesty

6) Balancing between life and work

7) Goal-directed

10) Long-term vision

Ans 2. Role of FLO (FICCI Ladies Organization)

FLO can work in conjunction with the Government and other agencies to

- Establish a National Women Entrepreneurship Fund

- Operate women entrepreneur guidance and training cells across its many chapters

- Undertake gender-sensitization training for various agencies.

Ans 3 1- I, 2- iii, 3- iv, 4-ii

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12.14 Terminal Questions

1. Discuss the challenges faced by women Entrepreneurs.
2. What are the various schemes undertaken by SIDBI and SBI for promoting the growth of women Entrepreneur
3. Suggest some ways to overcome challenges faced byss women entrepreneurs.
4. Write Short Notes on
   i. Women entrepreneurs
   ii. Factors influencing the growth of women entrepreneurs
5. Mention the profile of at least five successful women entrepreneurs.

BLOCK V

Entrepreneurship Development in India

UNIT-13 ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES

13.1 Introduction
13.2 Objectives
13.3 Sustainable Entrepreneurship Development
13.4 Need and Importance of EDP
13.5 Objectives of EDP
13.6 Stages of EDP
13.7 Components of EDP
13.8 Institutions Involved In Promoting EDP
13.9 Challenges in Running EDP
13.10 Measuring Performance of EDP
13.11 Summary
13.12 Glossary
13.13 Answers to Check Your Progress
13.14 References
13.15 Suggested Readings
13.16 Terminal Questions

13.1 INTRODUCTION

EDP (Entrepreneurship Development Program) can be explained as a programme which is formulated to generate entrepreneurial skills among individuals. In other words, it means creating a program aimed towards nurturing and developing the entrepreneurial abilities in humans which are needed to establish and successfully run an enterprise. Thus, this concept of entrepreneurship development programme is aimed at furnishing a person with some required abilities and knowledge which is required for starting and functioning of the enterprise

Entrepreneurship development (ED) refers to the process of sharpening the entrepreneurial skills, capabilities and filling the knowledge gaps through specially

designed training programs for individuals as well as development of Institutions. It mainly aims to enrich and qualify the base of the entrepreneurs which further leads to economic development and employment generation. Entrepreneurship development concentrates on the individuals who are willing to expand or start a new business. It focuses on potential of growth and innovation in any given sector especially in the Micro, small and medium enterprises (MSME) segment.

Entrepreneurship is mainly built up to tackle the problem of unemployment in the country as well as to enhance the competition and potential of growth in businesses. Many initiatives are taken by the governments to develop and boost up the idea of entrepreneurship in the minds of people. By giving some aids and assistance to improve the capabilities and skills of the existing and potential entrepreneurs, it is expected that they would succeed in running successful enterprises.

Entrepreneurial Development Programme refers to an intervention aimed at boosting the motive for entrepreneurship in an individual and upgrading his skill sets and abilities for running a business enterprise in the most efficient manner. Hence EDP can be termed as a motivation builder for an individual by way of creating a positive influence in his resolve to start an enterprise. This is done by way of providing relevant inputs and skill development by experts. There are many types of programs which are conducted to suit the particular needs of the potential or existing entrepreneurs like making Business Plan, idea generation and vetting, making financial reports, fulfilling legal requirements on tax, environment and other areas etc. All these can be organised separately or under one comprehensive program and are hence part of EDP. As business environment and technology keeps changing, it is essential to organise such programs for capacity building of small entrepreneurs.

A well designed EDP should include:

1. Sharpening of entrepreneurial skills, traits, behaviour and capabilities.

2. Mentorship on industrial opportunities, rewards, incentives, rules and regulations.

3. Development of managerial, operational and functional capabilities.

13.2 OBJECTIVES

After reading this unit you will be able to:

-Understand the concept of Entrepreneurship Development Program (EDP)

-Explain the objectives of organising EDP.

- Understand the components of an EDP

- Know about some of the Institutions engaged in conducting EDP.

- Understand about the challenges of organising an EDP.

13.3 SUSTAINABLE ENTREPRENEURSHIP DEVELOPMENT

Entrepreneurship development is about assisting the individuals who want to establish and grow their businesses which can provide great value addition. For this we first need to identify the different growth sectors or demographical areas which may have potential of success. Once that has been done, we need to set some criteria for selection of beneficiaries who can reap these opportunities and become entrepreneurs. Entrepreneurship development programme requires an organized structure which attempt to choose these focused groups that may have some key prerequisite knowledge for success. Beneficiaries might be individuals or groups. Entrepreneurship development programme must support and aid the entrepreneur to recognize opportunities and formulate unique business plans, based on the investigation of the conditions and their own intellectual skills. These programmes may also help the entrepreneurs to expand or diversify their existing businesses based upon their prerequisite knowledge of the product and capabilities in the particular sector without disturbing the local market. Hence, the EDPs normally aim at:

- ✓ Creating Entrepreneurship Awareness
- ✓ Development of the competencies (skills, capabilities, experiences and behaviour) which are most important to identify the market opportunities and proper organization of resources to meet them.
- ✓ Improvement of business performances for growth and defending competition in particular industry.

13.4 NEED AND IMPORTANCE OF EDP

EDP is an organized program that inspires prospective entrepreneurs towards their goals. It is used as a motivational tool to encourage and assist individuals thinking of

starting an enterprise. It provides them the patience and direction to deal with any type of situation that might arise during the course of managing or launch of a business. EDPs help to improve productivity and investment that may directly lead to improvement in economic development which in turn directly leads to positive impact on the economy. Thus, the main reason behind establishment of these programs is:

- To help potential entrepreneurs realise their dream
- To increase employment which in turn helps in economic development
- To expand micro and small scale industries
- To help in industrialization and economic growth

EDPs can lead to sustainable economical development in many ways:

- **Creation of employment opportunities**: Generation of employment opportunities is one of the most important aims of any economic development plan. Since EDPs help in promoting entrepreneurship, it helps create sustainable employment avenues for promoters as job seekers can be converted into job givers. With the spread of entrepreneurship, new areas of business can emerge as well and larger geographies can be covered. This leads to increase in employment opportunities in a large manner. Thus not only does the entrepreneur creates a space for him to lead an independent and passionate life but also creates job opportunities for a vast majority.
- **Helps in achieving balanced regional development**: EDPs can help in achieving balanced regional development as promotion of micro and small enterprises leads to a balanced and widely inclusive economic growth rather as compared to differentiated growth caused by heavy industries. Micro and small units can be established in backward and subserviced areas with minimal resources. Given the right stimulus, people will be willing to start businesses with support from the government. EDPs can foster this by enabling local people gain capabilities to start an enterprise. Once few individuals start their enterprises successfully, it can prompt others to follow suit and hence a catalytic effect can be seen. This may lead to a homogeneous spread of industry in all areas thereby eliminating regional disparities.
- **Utilisation of local resources**: In the absence of local units, most of the times the local resources, be it material or human, remain untapped or are provided

to outer locations at a cost. If local residents take the mantle of entrepreneurship, then these resources can be well utilised with a cost advantage to the business. For this the EDPs can help people in identifying the best utilisation of resources by guiding them through training, workshops, mentorship and other interventions. This will in turn help in sustainable progress of the area as a whole and with the passage of time, newer capabilities can bring diversification to existing activities.

- **Increase in per Capita Income:** Entrepreneurs are always engaged in finding value addition opportunities. They tend to take up every opportunity that comes their way and in doing so also align with many people through partnerships or strategic alliances. This results in increased production capacity and hence more opportunities for employment and asset generation. This increases overall economic activity and hence results in increased per capita income. EDPs can be major contributors in this as they can help entrepreneurs to execute their ideas into viable businesses.
- **Improvement in the standard of living**: EDPs can play a crucial role in educating and sensitising entrepreneurs to produce goods and services in the most cost effective manner as well as improve the value proposition for the customer. Better products at affordable prices can help raise standard of living of consumers. This however requires optimum use of available resources, constant upgradation of technology, quality assurance and extended outreach. EDPs can provide the entrepreneurs latest knowledge about technological innovations and also give them hands on training to experience the benefits of using these innovations for improving their offerings. This ultimately leads to better living standards for the people serviced by the entrepreneur.
- **Economic Independence:** Entrepreneurs constantly try to improve current offerings and introduce new products and services. Many times they try to introduce affordable substitutes of expensive imported products in the country. This in turn helps the country save on foreign exchange. At the same time they also try to expand the footprint of their business by exporting their products across the world earning much needed foreign exchange in return. Producers in a country like India they have a definite cost advantage over their western counterparts. This results in economic independence of the country. EDPs can

help businessmen in improving their export potential through knowledge on international business.

- **Reducing social tension**: EDPs provide people with proper guidance, education and training to open their own enterprises and apply their skills and talent in the right direction which can reduce social tensions arising out of frustration due to lack of economic opportunities.
- **Formation of capital:** Most of the entrepreneurs during initial stage or during expansion need capital which can be sourced from formal and informal sources of credit or investment from the public, private and Institutions. This results in fruitful utilisation of savings as it results in further formation of capital which is vital for any prospering economy. EDPs can hence be the route to enhance capital formation in the country.

- **Increased Overall Development:** Setting up of an enterprise always leads to a multiplier effect which boosts overall development. Investment leads to employment which creates demand due to higher income and thereby leading to establishment of more units in diverse sectors. This creates overall development as investments are further made in public and private sector to boost industries. Also, the success of one enterprise becomes an inspiration for others to replicate resulting in boost in entrepreneurial spirits of the society.

Check Your Progress-A

Q1. State the concept of Entrepreneurship Development Program?

Q2. Explain the purpose of organising an EDP?

Q3. In what ways do you think can an EDP help an entrepreneur?

13.5 OBJECTIVES OF ENTREPRENEURSHIP DEVELOPMENT PROGRAM

Each EDP has a designed objective around which it is structured to fulfill the needs of the participants. However, the major objectives of Entrepreneurship development programs can be summarized as under:

1. **To find out the potential entrepreneurs**

   One of the basic objectives of carrying out entrepreneurship development programme is identification of individuals or groups among large population who have the potential to start their own businesses. Thus, various methods like surveying, interviews, and questionnaires are used to study the individuals .Specific characteristics are focused to find out the potential entrepreneurs and they are guided accordingly during EDPs.

2. **To develop necessary skills among identified entrepreneurs**

   The basic step after identifying the potential entrepreneurs is to develop skills among them which will help them in their respective businesses. Such skills may include basic skills like communication skills, business environment information, marketing and production, legal and financial matters, making project reports etc. All of these need to be integrated into the program as per the needs of the participants.

3. **To build up the entrepreneurial spirit**

   One of the most crucial thing for developing entrepreneurs and their businesses is spirit of entrepreneurship. Such spirit drives them throughout business for making the business grow and successful. Hence, EDP mainly focuses on developing entrepreneurial spirit.

4. **To develop risk taking and decision making abilities among entrepreneurs**

   The entrepreneurs are those who take risk and grab the opportunities before others and by such decision making abilities, create chances for their growth and development. Thus EDPs also focus on developing risk taking abilities among identified potential entrepreneurs.

5. **To develop industrially backward regions**

   EDP is also aimed to develop the regions which are backward in the area of industrial development. Thus by creating business units which are set up by potential entrepreneurs EDP help to develop the region with creation of goods and services. It also creates large amount of employment resulting in overall development.

6. **To make potential entrepreneurs able enough to select the right investment option**

   Many people willing to do business are confused over their options or different choices when they wish to enter the business. Many of them possess capital and spirit for business but due to lack of clear information they can't choose the best option for investment into business. Thus EDPs help and guide potential entrepreneurs to select projects which can provide optimum returns.

7. **To build up skills for running business unit efficiently**

   There are certain skills needed to run the business in order to have growth and development of the business .These specific skills and necessary knowledge is provided to entrepreneurs so that they can run their business unit successfully and can gain good returns on investment.

8. **To increase overall employment**

   As the business unit set up by potential entrepreneurs create jobs and employment. Thus entrepreneurship development programmes mainly emphasizes on creating business units and subsequent employment generation.

9. **To develop entrepreneurial discipline among people**

   EDP also aims to develop entrepreneurial discipline among people such that it will help them to cope with challenges faced during business deals.

10. **To train entrepreneurs about laws and regulations**

Without proper knowledge of laws and acts related to industry, it can create legal problems for entrepreneurs. Thus to avoid any such possibility, one of the important objective of an EDP is to equip the potential entrepreneurs with thorough knowledge of laws and regulations.

13.6 STAGES OF EDP

The EDP starts with selection of a potential area from existing government policy guidelines/socio-economic reports post which techno-economic survey and feasibility study is done. It then is followed by identification of potential and existing entrepreneurs interested in starting new business/expansion/diversification. The next step is Training of beneficiaries and leads to follow up and consultancy services.

There are three broad phases of an Entrepreneurship Development Program namely:

- ***Pre –Training phase***
- ***Training phase***
- ***Follow up phase***

Pre-Training Phase

This is the initial phase and it includes the activities and preparations carried out to launch the training program. This involves identifying and selecting potential entrepreneurs and providing necessary guidance and motivation to them. The selection can be done based upon demographics and socio cultural data (age, education, work exp, financial resources, type of business etc), motivation factors (pull factors, source of encouragement, credibility, endurance, concreteness of plans), psychological test results (traits like risk taking, need for achievement). Thus it consists of the following activities-

- Selecting entrepreneurs for training program through a selection committee
- Arranging infrastructure for the program
- Arranging resource person/faculty for the program
- Necessary steps for program inauguration
- Publicity and campaigning about the program

Training Phase

The main objective behind this training program is to develop skill and motivation among the potential entrepreneurs. During the training program both theoretical and technical knowledge is given to the participants. The resource person must ensure that the trainees are benefitted by the program and have developed better entrepreneur skills. The business inputs can be given by professionals, industry executives, consultants and so on. Industrial visits can be arranged so that the trainees will have a good knowledge about the operating conditions. During the training phase the following will be ensured-

- Increasing the motivation level of entrepreneurs
- Behavioral pattern must be in a goal oriented manner
- Making the entrepreneurs more optimistic
- Improving the guts to take more risk
- Developing more self confidence
- Developing more sense of responsibility
- Develop strong sense of perseverance and commitment

After the end of this phase the participant should be willing to adopt entrepreneurship as the best possible career option and be positively oriented towards venturing into a new activity. This resolve should come out of the confidence gained through knowledge and experience gained during the EDP.

Follow up phase

This is the post training phase and deals with review and evaluation of the programme conducted. All the training modules should be analysed and their impact on participants should be gauged. The outcome of the program is compared with the planned outcome and deviation if any has to be carefully recorded. This can be done by obtaining feedback, monitoring of participant activity and taking opinion from experts. It involves review of all the three stages of Pre-program, actual conduction of program and post training.

13.7 COMPONENTS OF EDP

- **Introducing Entrepreneurship to Participants:** At the outset, the participants are introduced to the world of entrepreneurship, what it means and how it can change the life of an individual and the society. They are also briefed about state of the economy, the present opportunities and the areas where the business prospects are promising. They are also told about the government or institutional support related to entrepreneurship.

- **Motivation Achievement Reinforcement:** The participants are to be motivated through various inspiring anecdotes and logical reasoning so that they are willing to take their first step confidently. As entrepreneurship entails risk taking, it is extremely important to instil among the potential candidates a positive outlook about the decision to be taken by them. Since addressing behavioural and psychological issues is a critical component of any entrepreneurship development program, experts in such fields are hired for the purpose.

- **Institutional and Market Linkage**: One of the most crucial assistance required by the budding entrepreneurs is support related to marketing and distribution linkage as well as information and support from public and financial Institutions. They have to be informed about various platforms available for assistance including government offices, development agencies, banks and financial institutions on one hand and suppliers of raw materials, equipments and distribution on the other. These agencies can be associated with proposed EDPs by way of sponsorship so that the participants can interact with them during the course of the program and clear their doubts.

- **Industry Visit and Market Immersion**: It is very important to expose participants with the real life industry work environment so a day or two may be devoted for a tour of plant locations of small businesses. A first hand witness of the proceedings gives the trainees a good idea about how the system and procedures in running a business as well as interaction with existing

successful entrepreneurs. Also, they should be asked to conduct market surveys on product or service of their choice. They should be instructed about methods of conducting scientific surveys as well as assist them in compilation of data and its interpretation. This should help them in a better understanding of the market requirements and how best they can serve those.

- **Managerial Inputs:** As majority of the participants lack formal management education background, it is important to impart some basic managerial skills in specialized functional areas like marketing, finance, distribution, personnel management etc. This can be done by way of including simple case studies, real life examples and role-plays during the course of the EDP.

- **Feasibility Studies and Project Reports**: A large amount of the EDP is to be devoted on making detailed project reports containing technical and financial aspects of the business proposal. The participants should be actively involved in this process as this will give them a deep insight into the scale and scope of their proposed business activity. Subject specialists should be called upon for this exercise. Feasibility study should be well explained to the trainees so that they can assess the risk and return aspect of their investment. This is the outcome of any extensive EDP where the participant can come up with a good understanding of all the aspects of the business enterprise he wants to venture into

13.8 INSTITUTIONS INVOLVED IN PROMOTING EDP

Different central and state level agencies, institutes or organisations at state and central level supporting the entrepreneurs for development of entrepreneurship. Entrepreneurs are playing major or potential role in order to enhance economic growth of particular nation.

Government of India is giving technical, financial and other mutually beneficial things to the potential/new and to existing entrepreneurs in order to overall economic development of the country.

The various agencies like NIESBUD, EDII, TCO as well as KVIC, SIDBI etc are engaged in identifying, developing, promoting and economically supporting the entrepreneurs.

NIESBUD (National Institute for Entrepreneurship and Small Business Development):

This institute is located in Noida of Uttar Pradesh. It is a premier organisation under the administrative control of Ministry of skill development and entrepreneurship, Government of India. It is entrusted with the task of coordinating the activities of different agencies engaged in the task of entrepreneurship development. NIESBUD organises different entrepreneurial development programmes in various fields. The main goal of NIESBUD is to identify, promote and creation of new entrepreneurs and provision of financial support and development of existence entrepreneurs.

EDII (Entrepreneurship Development Institute of India)

This institute is located in Ahmedabad, Gujarat and is a state level institute. It is a pioneer in entrepreneurship development and is engaged in creation and motivation of entrepreneurs in different fields. It also runs various academic courses along with research programs related to Entrepreneurship.

Check Your Progress-B

1. EDP stands for _____
2. The three broad phases of an Entrepreneurship Development Program are _____
3. EDP can help a prospective entrepreneur in drafting _____
4. The national level government Institute for conducting EDPs across the country is _____

13.9 CHALLENGES IN RUNNING EDP

In EDPs, the major problem is of implementation rather than the strategy. Some of the challenges limiting EDP success are as under:

No Policy at the National Level

There is no standardised policy framework for conducting EDPs at national level. This leads to gaps in planning as well as implementation of the programs.

Problems at the Pre Training Phase

Not much due diligence is done in the pre training phase due to which the entire process suffers from serious gaps leading to failure of EDP in meeting objectives.

Mode of Selection and Over Estimation of Trainees

The selection of participants for an EDP has to be done very carefully. Very often than not, this is not done properly and capabilities and intentions of individuals are overestimated due to which the entire exercise becomes futile.

Duration of EDPs

The duration of EDP has to be in sync with the requirements of the participants as well as the nature of input. Less than required duration can leave participants confused and wanting for more while excessively long duration can wane off their interest.

Non Availability of Infrastructural Facilities

Getting suitable infrastructure like proper classroom, audio-visual facilities, furniture, practical training space etc is a challenge especially in semi-urban and rural locations. In the absence of this, the resource persons cannot deliver to the best of their capabilities.

Improper Methodology

Many times the EDP organisers employ the same kind of standardised methodology for all kinds of participants which is not useful as delivery has to be customised as per needs of the target group.

Non Availability of Competent Faculty

Scarcity of competent faculty for covering specialised functional areas is a big challenge in organising EDPs at far off locations.

Poor Response of Financial Institutions

It is important to garner support from financial institutions for creating linkage between them and aspiring entrepreneurs. However, many times they do not show enthusiasm due to which the goal is not achieved.

13.10 MEASURING PERFORMANCE OF EDP

The effectiveness of EDPs can be assessed by some of the below mentioned measurable parameters:

1. How active have the participants been during the program?
2. How many new business units have been set up?
3. How much new investment has been made post program in a community/location?
4. How much financial investment has come through?
5. How many new jobs have been created?
6. How many new people have been locally employed?
7. What is the increase in profitability of participant's business?
8. What is the increase in turnover?
9. Is there any marked improvement in the quality of the existing product/service
10. Has the loan recovery improved in the lending institutions?

13.11 SUMMARY

Entrepreneurship development programs are an important component of the overall strategy of fostering entrepreneurial activity in any society. They act as catalyst in fuelling aspirations of potential entrepreneurs as well as inspire people with lack of knowledge and direction to streamline their innovative ideas and urge to start a new business. The EDPs are organised to provide the participants with information, skill development, managerial acumen, financial guidance and motivation to start and successfully run a business enterprise. Various Government institutions and agencies along with private sector organisations organise such EDPs on a regular basis. There are various challenges in successful conduct of these programs but sustained improvements in content, delivery and organisation can lead to meaningful impact in promotion of entrepreneurship in the society.

13.12 GLOSSARY

- ***MSME***: Refers to the segment of Micro, Small and Medium Industries
- ***EDP***: Entrepreneurship Development Program. It is a training, skill development and awareness program for existing or would be entrepreneurs.
- ***Feasibility Study***: A study conducted to find out whether the proposed project is fruitful or not
- ***Project Report***: A document containing technical and financial details of the proposed project and which is submitted to banks/financial institutions or other agencies
- ***Potential Entrepreneurs***: Individuals/group of people who wish to undertake a new business activity.

13.13 ANSWERS TO CHECK YOUR PROGRESS

1. Entrepreneurship Development Program
2. Pre –Training phase, Training phase and Follow up phase
3. Detailed Project Reports
4. NIESBUD

13.14 REFERENCES

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13.16 TERMINAL QUESTIONS

1. What role can Entrepreneurship Development Programs play in promoting entrepreneurship?
2. List out the components of an EDP along with example of any sector.
3. Discuss the various phases of an EDP in detail.
4. What are the challenges in successful conduct of an EDP?
5. What in your opinion can be done to strengthen EDPs for rural areas in India?

UNIT-14: ROLE OF VARIOUS INSTITUTIONS IN DEVELOPING ENTREPRENEURSHIP IN INDIA

14.1 Introduction

14.2 Objectives

14.3 Need of Institutional Assistance

14.4 Ministry of Skill Development and Entrepreneurship

14.5 NEISBUD

14.6 Indian Institute of Entrepreneurship

14.7 State Industrial Development Corporation

14.8 SIDBI (Small Industries Development Bank of India)

14.9 Technical Consultancy Organisation

14.10 Indian Investment Centre

14.11 District Industries Centre

14.12 Entrepreneurship Development Institute (EDI)

14.13 Small Scale Industries Board (SSIB)

14.14 Khadi and Village Industries Commission (KVIC)

14.15 Micro, Small and Medium Industries Development Organisation (MSME-DO)

14.16 National Small Industries Commission (NSIC)

14.17 Small Industries Service Institution (SISI)

14.18 National Bank for Agriculture and Rural Development (NABARD)

14.19 Commercial Banks

14.20 Incubators at Educational Institutions

14.21 Summary

14.22 Glossary

14.23 Answer to Check Your Progress

14.24 Reference/ Bibliography

14.25 Suggested Readings

14.26 Terminal & Model Questions

14.1 INTRODUCTION

India being one of the most populous countries in the world presently also has a significantly young (between the age of 18 and 35) population for which creating jobs is a key challenge for any government. Even after attaining requisite qualification, the youth has to deal with the problem of unemployment. As per the findings from the

National Sample Survey Office in 2013, only 25% of the Young with a qualification of diploma or above are employed. India is now the fastest growing economy and to benefit from this there has to be growth in employment opportunities. Promotion and development of entrepreneurship is considered a major intervention from the government to tackle this issue.

It is in this endeavour that the Govt has established some Institutions which can aid and foster the development of entrepreneurship. These Institutions carried out a variety of roles like skill development among youth, promoting business ventures by way of launching new schemes which provide support in the form of interest incentives and subsidies, credit to ventures which are newly established as well as conducting various research studies and surveys to help potential entrepreneurs in launching and carrying out business activities successfully.

Some of the important Institutions aiding entrepreneurship are introduced further in this unit.

14.2 OBJECTIVES

After reading this unit you will be able to:

-Understand the scope and nature of Institutional assistance for entrepreneurs

- Get a glimpse of the various Institutions working for providing assistance to entrepreneurs.

- Know about government's role in promoting entrepreneurship in the country.

14.3 NEED OF INSTITUTIONAL ASSISTANCE

Most of the entrepreneurs in the micro and small enterprises sector are small scale investors with limited means. They have scarce capital as well as technical resources. They also find it risky to go invest heavily and are unable to spend much on training as well as knowledge resources. In such a scenario, the government helps these potential and established entrepreneurs to get access to capital at reasonable cost, market and other information, training programmes as well as various incentives to start an enterprise. Various Institutions have been established to achieve this purpose.

14.4 MINISTRY OF SKILL DEVELOPMENT AND ENTREPRENEURSHIP

This is the apex level government body responsible for undertaking interventions for promoting entrepreneurship as well as helping entrepreneurs in their capacity building and creating an entrepreneur friendly business environment in the country. The various prominent Institutions working under the aegis of this Ministry include the Directorate General of Training (DGT), National Skill Development Agency (NSDA), National Skill Development Corporation (NSDC), Indian Institute of Entrepreneurship (IIE), National Institute for Entrepreneurship and Small Business Development (NIESBUD), Sector Skill Councils (SSC). The Ministry also rolled out the National Skill Development Mission in 2015 which has the seven overall objectives of Institutional Training, Infrastructure, Convergence, Trainers, Overseas Employment, Sustainable Livelihoods and Leveraging Public Infrastructure.

14.5 NEISBUD

There are many agencies and institution participating in entrepreneurial development programs across India. To coordinate and manage their activities, their activities, the National Institute for Entrepreneurship and Small Business Development (NIESBUD) was established by the Ministry of small scale industries in 1983. It is a leading organization which works under Ministry of Skill Development and Entrepreneurship. It aims at promoting and supporting the cause of small businesses by way of multiple interventions like providing training, education and consultancy services to the required entities/sectors.

It has been certified as an ISO 9000:2008 in March 2014. It facilitates activities like Training of Trainers (TOT), Management Development Programs and Cluster Interventions. This institute organizes entrepreneurship development programs, prepares manuals, produces educational videos, promotes potential entrepreneurs and its training activities facilitates stimulating, supporting, and sustaining entrepreneurship all over the world.

As per data given by NIESBUD, it has given training to more than three lakh aspirants (till March 2016) through 36,877 training programs. These programs also include international participants from more than 30 countries throughout the world.

Major Activities of NIESBUD

1. Support for Entrepreneurship Development Programs.
2. Giving training to trainers / Promoters.
3. Focusing on issues and problems related to small businesses.
4. Creating and capacity building of Institutes for Entrepreneurship Development Programs.
5. Develop the National/International forum for the exchange of ideas and experiences.
6. Development of entrepreneurial culture.
7. Facilitates Services to affiliate members.
8. Promoter of entrepreneurship and small businesses.

Objectives:

1. To develop standard materials and procedures for undertaking selection, training, handholding support for existing and would-be entrepreneurs.
2. To serve as a National institute speeding up the Entrepreneurship development process having an impact on the society.
3. To support the organizations conducting training and other entrepreneurship development activities.
4. To compile and provide entrepreneurship related resource material to entrepreneurs and entrepreneurship trainers through continuous research.
5. To constantly update entrepreneurs, consultants and trainers through well designed training programs.
6. To provide consultancy for promoting entrepreneurship and small business development.
7. To compile and share experiences related to developments in entrepreneurship at national and international level.
8. To provide platforms at domestic and international level for exchange of information and ideas for formulating government policies related to entrepreneurship.

14.6 INDIAN INSTITUTE OF ENTREPRENEURSHIP-IIE

The IIE came into existence in 1993 in Guwahati, Assam through an initiative by the Ministry of Micro and Small Enterprises which is now functions as an autonomous Institute under the newly formed Ministry of Entrepreneurship. It is focused on

development of entrepreneurship by providing training, research, and consultancy services to the MSME sector. Its various objectives and functions are outlined as under:

1. Designing and conducting training programmes for entrepreneurship development
2. Undertaking research in various areas of entrepreneurship.
3. Designing various strategies and pedagogy for beneficiaries depending upon their demographics and geographical locations.
4. Identification of training needs of human resources engaged in promotion and development of entrepreneurship in public and private sector and offering them programs as per their needs.
5. Providing information and input for formulation of policy on self employment and documentation of the same.
6. Promoting greater use of Information Technology.
7. Bringing out publications related to entrepreneurship development and other industry matters.
8. Providing a platform for interaction between various government agencies and prospective entrepreneurs by organising conferences, workshops and seminars.
9. Providing required consultancy to existing and potential entrepreneurs.
10. Coordinating and collaborating with other Institutions towards research, training and outreach in areas related to entrepreneurship.

14.7 STATE INDUSTRIAL DEVELOPMENT CORPORATION

They are at the fore front of the industrialization at the state level. They act as catalysts for development of industries in state. They cater both to small units as well as the industry at large by providing all kinds of infrastructural facilities (including land and water supply) and development. In addition to this they also organise various promotional exercises as well as provide credit facilities to business units.

Some examples of SIDCOs are:

Kerela Small Industries Development Corporation Limited

Small Industries Development Corporation of Jammu and Kashmir

Tamil Nadu Small Industries Development Corporation Limited (TANSIDCO)

Their key objectives include developing industrial areas, ensure market facilities and establishing new development centres.

14.8 SIDBI (SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA)

SIDBI came into existence as an independent entity and created by an Act of Parliament in 1990. It is one of the prominent Institutions for promoting micro and small enterprises as well as providing credit to them under specially tailored schemes. It also helps in the functioning of the other institutes which are engaged in the similar activities. It has helped to make the best use of the existing network of institutes serving the small sector. It has also collaborated with various international and national development organizations for helping and serving the small scale sector.

SIDBI has its head office at Lucknow and has 5 regional offices, 73 branches throughout the country. It serves the small scale sector providing its assistance through various institutions such as commercial banks. The Bank has also provided indirect assistance like refinancing and bills rediscounting through 888 primary lending institutions which includes banks and SFC. Support and development services focuses upon the enterprise promotion and focus upon the rural industrialization, technology upgradation, information dissemination, environment management and human resource development of small scale industry sector. SIDBI has been named as one of the top development banks by various international publications.

Various programs like mahila vikas nidhi, micro credit schemes, rural industries programs and also entrepreneur development programes are conducted by the bank. It has two funds- one for development and the other for development assistance. National equity fund and farmed funds are now handled by SIDBI. The financial assistance is provided through commercial banks, cooperative banks, RRB, SFC, NSIC, SIDC and SSIDC. It also helps National Small Industrial Corporation (NSIC) providing financial support for hire-purchase, leasing and marketing support to industrial units in the small sector. There are a total of 869 institutions that are eligible for assistance from SIDBI.

The key functions of SIDBI are as follows:

- Providing refinance on credit facilities given by banks or other institutions(SFC/SIDC)
- Seed capital to the entrepreneurs through equity type assistance under national equity funds.
- Resource support to NSIC and other institutions concerned with small industries also share capital &resource support to small industries.
- Discounting and rediscounting of bills arising out of selling of machinery or equipment by manufacturing in small scale sectors on deferred credit
- Rediscounting of short term bills out of sales of products of small scale sector. There are various schemes which have been initiated by SIDBI for the upliftment of the MSME sector.

SIDBI provides direct, indirect and micro finance facilities as under:.

- **Direct Finance**: Providing Term Loan facility, Cash Credit limits for working capital, Debtor or Receivables Finance, Forex loans, Schemes for energy conservation, equity participation etc.
- **Indirect Finance**: Providing refinance on credit facilities provided by the primary lenders like Banks (public and private), State financial Institutions etc which have branches spread all across the country.
- **Micro Finance**: Small finance i.e. credit to small entrepreneurs and businessmen for establish their business.

Associates of SIDBI:

1. Credit Guarantee Fund Trust For Micro And Small Enterprises (CGTMSE)

It was set up by SIDBI in the year 2000 in collaboration with Government of India. It guarantees SME loans given by member lending institutions.

2. SME Rating Agency Of India Ltd (SMERA)

SIDBI and other leading banks came up with SMERA in September 2005 .They provide reliable, transparent and comprehensive ratings and risk profiling.

3. Indian SME Asset Reconstruction Company Ltd (ISARC)

This is India's first MSME which is focused on asset Reconstruction Company. It has been set up for the resolution of non-performing assets (NPA) which will help in the easier flow of credit from the banks to the MSME.

4. Indian SME Technology Services Ltd (ISTSL)

It was set up in November 2005 to provide a platform for the MSME's to get opportunities at the international level for getting new technologies.

5. Delhi Financial Corporation (DFC)

DFC was set up under the state financial corporation act, 1951. It aims at providing easy and customised finance to MSE sector thereby promoting entrepreneurship.

14.9 TECHNICAL CONSULTANCY ORGANISATION

Technical Consultancy Organizations are made to provide consultancy services in technical areas for various industry projects. They have been formed by various financial institutions in joint collaboration with banks and state level financial institutions. So far, we have 18 state level TCOs across India.

Functions:

- Establishing and developing industry clusters
- Carrying out various surveys and feasibility studies
- Planning and designing infrastructure facilities
- Research on management aspects, energy and environmental issues
- NPA reduction and recovery in various financial Institutions.
- Organising various vocational training programmes.
- Preparing detailed project reports for industry
- Planning and organising various Entrepreneurship Development Programs
- Conducting market research for various products and services
- Assistance in Merchant banking
- Providing guidance and consultancy for export houses

14.10 INDIAN INVESTMENT CENTRE

The IIC is the destination for providing all information related to the investment and industrial policy and procedure, promotion and assistance, incentives as introduced by the Government from time to time. The information is provided to all the prospective investors without any cost. It also has its branch offices in various cities like Abu Dhabi, Singapore, London, New York, Frankfort and Tokyo with the head quarter being located at New Delhi.

Functions:

- To provide a single window facility to all foreign investment proposals in India for potential businesses and helping them in easy processing of their project applications.
- To communicate all relevant information, policies and promotions, incentives etc to the Non- resident Indian community for investment in the country.
- To provide all require statistical data and research inputs to the NRI community for making up their investment decision.
- To assist the NRIs in getting requisite business approvals from the various Government departments.
- To help Indian nationals interested in establishing businesses abroad through joint ventures.
- To help create and flourish the small scale sector in India.
- To become a platform where ideas, policies, issues related to entrepreneurship can be discussed and exchanged.
- To create an infrastructure enabling training to existing and potential entrepreneurs from various corners of the country.

14.11 DISTRICT INDUSTRIES CENTRE (DIC)

The District Industries Centre was established in May 1978 with the purpose to promote small scale and cottage industries beyond big cities & state capitals to the district headquarters. DIC started with the aim of developing tiny, cottage, small industries in the country.

The DIC Programme was launched on 1st May, 1978 for providing an administrative framework at the district level which will look at the problem of the industrialisation in the district. Till then, the entrepreneurs had to run to other many agencies and had to approach number of authorities for this purpose. Under the aegis of District

Industries Centre, the entrepreneurs can get all the assistances and facilities at the sub-district and district level.

Role of the District Industries Centres (DICs)-

The main functions of the District Industries Centre are as under:

- To assure raw material requirements of various units, their prices and sources, to arrange huge buying of raw materials and their distribution to the entrepreneurs.
- To organise capacity building programs for small entrepreneurs and liaison for the same with other Institutions.
- To undertake research and development in selected product lines and quality control methods.
- To liaison with lead banks and other financial institutions, to elicit applications, monitor flow of industrial credit in the districts and also to the entrepreneurs.
- To organize marketing outlets, deal with procurement agencies of government, transmit market intelligence to the entrepreneurs, conduct market development programmes, arrange market surveys, etc.
- To provide all support and services needed by small entrepreneurs that include identification of a suitable scheme, preparation of feasibility report, machinery and equipment arrangements, supply of raw materials, loan facilities and provide assistance in marketing and forward linkage.

The Small Industries Development Organisation or SIDO came into existence in 1954 with an aim to foster the growth of SME sector in India and is presently functioning under Development Commissioner for SMEs under the Central Government. It has now been replaced by MSME-DO or Micro, Small and Medium Enterprises Development Organisation.

14.12 ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (EDI)

EDI was established in 1983 as an apex entrepreneurship promoting Institute in the country. It was promoted by IFCI, IDBI, ICICI and SBI along with support from the Govt. of Gujarat and is situated in Ahmedabad. Padma Shri awardee Dr. V G Patel

was the founder Director of this not-for-profit Institution. Its mission is to become a catalyst in generating entrepreneurship development and to facilitate the aspiring entrepreneurs with training, research, education. Also transition of the existing SME s into growth oriented enterprises.

EDI philosophy is build around the believe that entrepreneurship is a crucial tool that will facilitate the growth of society by providing progressive young entrepreneurs who will generate innovations and ideas which will lead to the optimum usage of resources.EDI provides several programmes under strategically planned centers to sensitize environment, strengthen institutional linkage and networking, generate awareness and also impart training in specialized fields such as:

- Entrepreneurship Education & Research
- Micro Enterprises, Micro Finance and Sustainable Livelihood
- SMEs & Business Development Services
- Social Entrepreneurship & Corporate Social Responsibility
- Cluster Competitiveness, Growth & Technology
- Women Entrepreneurship & Gender Studies

EDI has set up 12 state level entrepreneurship development institutes and centers which include:

- Entrepreneurship education and research
- Micro enterprises ,micro finance and sustainable livelihood
- SME's and business development services
- Centre for cluster competiveness, growth and technology
- Social, entrepreneurship and corporate social responsibility
- Women entrepreneurship and gender studies

The sharing of resources have led EDI earn support from UNIDO, ILO, European Union, World Bank, Commonwealth Secretariat etc. EDI has been selected for HRD Research and Training by The Economic and Social Commission for Asia and the Pacific (ESCAP) network of centres of excellence. The Ministry Of External Affairs Of India has assigned the Institute to set up entrepreneurship development centres in Myanmar, Vietnam, Laos and Cambodia Apart from that, the institute is also working on creating

entrepreneurship development centers in Kazhakistan and Uzbekistan. The Institute offers two Post Graduate diplomas, namely in Development Studies and Business Entrepreneurship.

Check Your Progress-A

Q1. What is the role of Institutions in developing entrepreneurship in India?

Q2. Briefly explain the role of NIESBUD?

Q3. What is the significance of DICs in assisting entrepreneurs in the country?

14.13 SMALL SCALE INDUSTRIES BOARD (SSIB)

It is the top level advisory board constituted by the Government of India to seek advisory support on all crucial issues related to micro and small enterprises in India. It was first created in 1954 and is reconstituted every two years.

Functions-

- They decide upon policies and programs for SSEs
- Credit facilities, Taxations, and Modernization of Enterprise under the small scale is hold by this SSEs
- They help in development of enterprises in backward and needy regions, such as north-east and rural areas.
- Ancillary Growth and quality Improvement, and marketing assistance for MSMEs

14.14 KHADI AND VILLAGE INDUSTRIES COMMISSION (KVIC)

KVIC is a legal body emerging out of an Act of Parliament of India in 1957 and has been in service of expanding small business units across the country.

Objectives of KVIC

- Development of rural and khadi enterprises
- Improving living standard of people in village and helping them in eliminating various social as well as poverty related problems.
- Helping rural community to become self reliant by way of creating opportunities in business.
- Creating or providing an opportunity for rural population to undertake various productive and creative activities.
- It normally engages in its activity of promoting, assisting and organising programs and schemes for expansion of khadi and village industries in collaboration with other government agencies dealing with rural development.

Function of KVIC

- Training of individuals is planned and organized so that they get employment in khadi and village industries.
- Building up of reserves of raw materials and supplying them to individuals engaged in khadi and village industries.
- They encourage and assist rural population in creation of common service facilities for the processing of raw materials or semi finished goods.
- Assisting in production as well as marketing of khadi and other rural produce.
- Stimulating research and development in the area of technology used by rural industries.
- Promoting Cooperative Organisations for artisans involved in khadi and village industries.
- Issues quality confirmation and other certificates to units meeting the specified criteria to enable the goods to be recognised for quality by the market.
- Making quality standards for khadi and village industries and encouraging them to fulfil these standards.

14.15 MICRO, SMALL AND MEDIUM INDUSTRIES DEVELOPMENT ORGANISATION (MSME-DO)

Earlier known as the SIDO, the MSME-DO or the Micro, Small and Medium Enterprises Development Organisation has been established as an apex body to provide consulting services to the Ministry of Micro, Small and Medium Enterprises by way of a four dimensional function of formulation, coordination, implementation and monitoring of all the programs, policies and interventions to be undertaken for the development of the MSME sector. It has a vast network comprising of thirty MSME Development Institutes, twenty eight branch offices, four testing centres and many other autonomous Institutes. It is also known as the MSME Development Commissioner's Office. Its activities range from preparing various project reports on technical and managerial aspects as well as conducting audits on energy and pollution. It provides assistance and support in the key areas of infrastructure, technology and funding. The key role of MSME-DO can be summarised as under:

- Advising the government on issues related to development of the SME sector in India.
- Provide managerial and technical consultancy services for the SME sector.
- Organising training and development programs for people engaged in SME sector.
- Compilation of economic information and analysis.
- Maintaining liaison with various government ministries at centre and state level, Institutions and development agencies concerned with the growth of SME sector.

14.16 NATIONAL SMALL INDUSTRIES COMMISSION (NSIC)

The NSIC was established in 1955 and is another national Institution engaged in promotion and development of SME sector in the country and has also been awarded ISO 9001 certification. NSIC works from over 120 offices and assists small enterprises with a set of specially tailored schemes. Apart from this, NSIC provides various technical support services to SSEs through its technical service and extension centres.

Its objectives and functions are summed up as under:

- It promotes technological up gradation and modernization, and quality consciousness.
- Strengthening linkage between large and medium enterprises
- Increasing export products from SSEs
- Consultation of deployment of new technologies
- Assistance in testing facilities for various materials at accredited labs.
- Aids in Product Designing through CAD.
- It provides solutions on environmental and energy issues.
- Designs and Conducts various training programs for stakeholders.
- Assistance on international trade to prospective customers
- Contributes in designing policy framework for small businesses.
- Undertakes various interventions for entrepreneurship development.

14.17 SMALL INDUSTRIES SERVICE INSTITUTION (SISI)

In order to assist small potential investors across all states, the Government has established Small Industries Service Institutes (SISI) in each state. They work under the office of Development Commissioner, Ministry of Micro, Small and Medium Enterprises. There are 28 such Institutions along with many other branches set up at the state capitals and other major venues. They undertake various technical, managerial and other administrative issues related to entrepreneurship.

Functions of SISI

1. To provide all possible assistance related to investment in fixed assets, adopting technical standards, improving performance etc to all existing as well as potential investors.
2. To conduct all training programs related to entrepreneurship development across the country.
3. To provide expert consultancy to Central and State governments on devising policies related to small scale industry sector.
4. To provide assistance in testing facilities for products as well as raw materials in case of new and small business units.

5. To conduct and disseminate information related to market research for products and services.
6. To recommend small businesses for credit sanctions to financial institutions.
7. To scrutinize and select small business suppliers for Government purchase programs.
8. To undertake various technical feasibility, financial viability and economic analysis.
9. To promote and assist in development of ancillary industries.
10. To create interactive platforms through seminars, workshops and meetings for entrepreneurs and development agencies.

The SISIs are specially engaged in organising various Entrepreneurship Development programs related to environmental issues, quality control, innovation and technology penetration, management skill development etc. These programs are aimed at unemployed youth so that they can look at alternate options of livelihood. Lectures and discussion forums are organised to sensitise participants on issues related to financial management, various schemes launched by banks as well as state and central government, product quality and testing, packaging and promotion, distribution channel, establishing market linkages and exposure to global exports. Various entrepreneurs as well as domain experts participate as resource persons in such programs which help prospective entrepreneurs in fine tuning their project reports and realize their dream of setting up their own enterprise.

14.18 NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD)

NABARD is one of the biggest financial institutions dedicated towards agriculture and rural development in India. It was established in 1982 and started with an initial capital of Rs.100 crores and as of financial year ending 2016, it had gone up to Rs.5,000 crores. The two shareholders in NABARD are the Govt of India with 99.60% shares while the Reserve Bank of India has 0.40% holding. (Source: Nabard Official website)

NABARD discharges its duty by undertaking the following roles:

1. It is the apex financial institution for providing assistance to organisations engaged in providing credit for various rural development projects.
2. It takes interventions related to improving credit delivery, capacity building of credit personnel, dealing with various credit institutions etc.
3. It acts as a coordinator between various agencies involved in rural development works and maintains liaison with them. It also participates in policy making on various aspects of rural and agriculture development.
4. It acts as a refinancing organisation to various lenders engaged in financing for rural development.
5. It is involved in continuous monitoring and assessment of all the projects refinanced to member institutions.
6. It also organises various training and development programmes for Institutions and staff involved in rural development interventions.

14.19 COMMERCIAL BANKS

Almost all the banks have their own MSME products along with lending in government aided schemes for fuelling growth in MSME sector. Refinance schemes like MUDRA (launched recently by the Govt of India) are also implemented through these banks in the public and private sector. They provide the first point of contact to any budding entrepreneur looking for debt capital at affordable rates. Since most of the cash strapped individuals with entrepreneurial mindset face difficulty in obtaining bank credit due to lack of collateral security and providing third party guarantee, the banks provide MSME credit under the CGTMSE (Credit Guarantee Trust for Micro and small enterprises) coverage. This collateral and third party guarantee free credit facility is provided upto an amount of Rs.200 lakhs by Banks which are eligible institutions under CGTMSE. Also, commercial banks provide loans under very economical rates to entrepreneurs as such lending is classified under priority sector lending which is mandated by RBI to be up to 40% of total lending. This way Banks are one of the most fundamental pillars of institutional support to entrepreneurship.

14.20 INCUBATORS AT EDUCATIONAL INSTITUTIONS

Various professional educational Institutions have included Entrepreneurship as a key element of their courses. Various student E-cells are formed where students organize events like workshops, investor-student entrepreneur interactive sessions, idea generation contests etc. to promote the idea of entrepreneurship among students. Going a step further various institutions, prominent among them being Indian Institutes of Technology (IITs) and Indian Institutes of Management (IIMs) have now established Incubators inside their campuses. An incubator is a facility where budding entrepreneurs have access to office infrastructure, mentoring support, trial production, legal and financial expertise at one place. Since they have limited capital resources initially to avail these facilties incubators can provide them such handholding support in return for a fee or share in equity. IIM Ahmedabad started its Centre for Innovation, Incubation and Entrepreneurship (CIIE) in 2001 and is today a leading educational institution incubator. With support from faculty, industry and students IIM Bangalore, IIM Kolkata and IIM Lucknow have also started their incubators.

Check Your Progress-B

1. The organisation providing refinance for rural development projects is _____
2. EDI is situated at _____
3. Collateral free loans up to Rs.200 lakhs for SME are guaranteed to banks by _____
4. NIESBUD stands for _____
5. Indian Institute of Entrepreneurship is located at _____
6. CGTMSE was setup by _____
7. Information and Assistance on doing business in India is provided to NRIs by _____

8. Entrepreneurship assistance and promotion at district level is done by

_____

14.21 SUMMARY

Entrepreneurship has been considered as one of the most effective intervention to create employment opportunities and all round growth in the economy. Also, the MSME sector is the largest employment generating industry segment for the country. In light of the above, the Government has established various Institutions that aid in promotion and assistance of entrepreneurship development. Some of these important institutions are NEISBUD, Indian Institute of Entrepreneurship, State Industrial Development Corporation, SIDBI (Small Industries Development Bank of India), Technical Consultancy Organisation, Indian Investment Centre, Small Industries Development Organisation, Entrepreneurship Development Institute (EDI), Small Scale Industries Board (SSIB), Khadi and Village Industries Commission (KVIC), Micro, Small and Medium Industries Development Organisation (MSME-DO), National Small Industries Commission (NSIC), Small Industries Service Institution (SISI), National Bank for Agriculture and Rural Development (NABARD), Commercial Banks, Incubators at Educational Institutions. They are engaged in designing policy for industrial units, launching schemes for setting up small business units, organising Entrepreneurship Development Programs and undertaking various studies and research projects to contribute towards industrial growth by fuelling entrepreneurship among the aspiring citizens.

14.22 GLOSSARY

- ***Entrepreneurship***: Taking up a new business usually with an innovative idea
- ***NIESBUD***: National Institute for Entrepreneurship and Small Business Development
- ***EDP***: Entrepreneurship Development Program
- ***SIDBI***: Small Industries Development Bank of India
- ***KVIC***: Khadi and Village Industries Commission
- ***DIC***: District Industries Commission
- ***CGTMSE***: Credit Guarantee Fund Trust For Micro and Small Enterprises

14.23 ANSWER TO CHECK YOUR PROGRESS-B

1. **NABARD**
2. **Ahmedabad**
3. **CGTMSE**
4. **National Institute for Entrepreneurship and Small Business Development**
5. **Guwahati**
6. **SIDBI**
7. **Indian Investment Centre**
8. **District Industry Centre**

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6. Entrepreneurship by David H Holt
7. Entrepreneurship Development by Sangeeta Sharma
8. Entrepreneurship Development and Small Business Enterprise by Poornima M Charantimath

14.26 TERMINAL & MODEL QUESTIONS

1. What is the role of Institutions in developing entrepreneurship in the country?
2. List out the role of NEISBUD and EDI in training on entrepreneurship related issues.
3. How does NABARD help in promoting rural entrepreneurship in India?
4. Explain the significance of SIDBI in promotion of small industries in India.
5. How are professional educational Institutions helping entrepreneurs?

UNIT-15 GROWTH AND TRANSITION THROUGH ENTREPRENEURSHIP

15.1 Introduction
15.2 Objectives
15.3 Significance of Entrepreneurship in India
15.4 Economic Growth by Entrepreneurship
15.5 Initiatives for Entrepreneurship Growth in India
15.6 Entrepreneurship and Economic Development
15.7 Role of Entrepreneurs in Transition
15.8 Summary
15.9 Glossary
15.10 Answer to Check Your Progress
15.11 Reference/ Bibliography
15.12 Suggested Readings
15.13 Terminal & Model Questions

15.1 INTRODUCTION

We are living in a dynamic world where technological advancements or disruptions are leading our lives. This very nature of the business environment brings with it challenges and opportunities for those who believe they can provide solutions to various problems or better ways of doing things. These people are called entrepreneurs and are important for the growth of any society. The governments as well as public and private organizations believe in the idea or importance of Entrepreneurship. According to the Schumpeterian view, the entrepreneurial process constitutes one of the key factors in the economic development of a country/region. Entrepreneurship matters because it is, above all, a human characteristic (Bessant and Tidd, 2011). Various big companies today are the result of an entrepreneurial idea executed by one or group of individuals. Their vision and passion led to establishment of large enterprises which have immensely contributed to the society at large. It is in this context that entrepreneurial spirit and intention is welcomed in each economy. The

aim of this unit is to highlight the role and importance of entrepreneurship in shaping the economic growth of a developing country like India and how it can help in balancing growth in rural, semi-urban, backward and urban areas.

15.2 OBJECTIVES

After reading this unit you will be able to:

-Understand the role of entrepreneurship in economic growth of a country

-Explain the various stages in the life of an enterprise.

- Get information about the government interventions to boost entrepreneurship in the country.

15.3 SIGNIFICANCE OF ENTREPRENEURSHIP IN INDIA

Entrepreneurship especially in micro and small sector is considered as a crucial tool for fuelling economic growth in a country because it leads to a more acceptable and sustainable way to ensure economic development. Jobs are created leading to creation of wealth which further helps in investment in new units and sectors. Although the benefits of entrepreneurship are quite evident, it is difficult to find a proven mechanism by which it can be promoted. An all round cohesive approach is usually sought under which the government tries to create infrastructure, facilitate processes, ease flow of credit, organise awareness programs and launch various incentives for people who are willing to set up an enterprise.

According to the NASSCOM Ecosystem Startup Report 2015, India is now the third leading startup originator in the world, with $5 billion worth investment in 2015 and three to four startups emerging every day. The report suggests that the number of active investors in the startup ecosystem in India grew from 220 in 2014 to 490 in 2015, a more than two-fold increase in just one year. Development like such will certainly create many job opportunities and also at the same time catching eyes of the foreign investor as a suitable place to invest on which all together helps in to develop economy of the nation and its foreign exchange.

India's economy has been quite dependent on MSME as they contribute in huge employment generation and at the same time gives the opportunity to less skilled workers to go for entrepreneurship. MSMEs have resulted in industrialization at far off and remote corners as various incentives are provided to establish industries in these areas. This has helped in ensuring more equitable distribution of national resources and wealth as well as controlled migration. As per the Government (Ministry of MSME) estimates this sector contributes only 8 percent to the GDP but has a share of 45 percent in manufacturing output and a significant 40 percent share in India's exports. It is the highest employment provider after agriculture.

15.4 ECONOMIC GROWTH BY ENTREPRENEURSHIP

An entrepreneur is considered as a catalyst in the economic growth as his decisions sparks a whole set of activities in the economic cycle. Entrepreneurs are always prepared to look for new ideas and put them into practical implementation cultivating economic prosperity of the country. Government of India heavily promotes entrepreneurship because it contributes extensively to the socio-economic development of India. MSMEs consist of over 36 million units as of today. They provide employment to over 80 million people. The role of an entrepreneur is not only limited to industrial development but this community triggers the overall development of a society. The significant roles played by an entrepreneur in the development of an economy are as follows:

- **Entrepreneur aid capital inception**

  Entrepreneurs while venturing into a new enterprise use their own money as well as public money to set up the business. This way they provide a platform for investment to the savings generated by individuals. The return on this investment creates wealth for the entrepreneur as well as the investors which can propel further growth in the economy. Hence the entrepreneur can be called as capital initiator.

- **Devise employment opportunities**

  Unemployment is one of the most serious problems which need to be addressed in any economy. Entrepreneurs by virtue of their businesses create jobs for others and hence bring prosperity to society at large. And with the passage of time more employment opportunities get created due to business

expansion and extension. Hence entrepreneurs contribute a lot in the creation of job opportunities which cannot be done alone by the government or large scale industries.

- **Aid balanced regional development**

  In order to reap the benefits of incentives provided by the government as well as to keep the initial cost lower, the entrepreneurs prefer to invest in locations which are derived of industrial development. This also has an impact on development of other infrastructure like schools, hospitals, roads etc. So, the areas or regions which are backward in nature embark upon their path towards progress.

- **Reduces centralization of economic power**

  Big industries although provide large scale employment and development of a region but it also creates wealth and economic power for a handful of individuals which may lead to monopoly and skewed society. Hence it is very important that small entrepreneurs also participate in wealth creation and ownership so that there is even distribution of economic strength.

- **Wealth creation and distribution**

  Entrepreneurial ventures create more opportunities and hence generate more wealth which improves the economy and galvanize equitable distribution of wealth. Generally, in an economy wealth flows in a circular manner from household to firm and vice versa. So, entrepreneurs also help in equitable distribution of wealth.

- **Strengthen gross domestic product and per capita income**

  Entrepreneurs always look for something new and try to think beyond the box. They are drawn by their passion and they try to implement their pool of thoughts into arena of action. In this process, they explore & exploit different possibilities, bring about desirable changes in terms of technology and procedures which improves quality and quantity of different products. By doing so, they help in maximization of wealth and increase in per capita income.

- **Refinement in the living standard**

  Economic growth always leads to elimination of poverty and rise in living standards of people. This is due to the employment generation and

improvement in quality of life by way of innovation in the products or services being currently offered. There is always competition and urge among the entrepreneurs to provide additional value to their offerings at the best price possible which ultimately benefits the customer.

- **Promotes export trade**

  As entrepreneurs are involved in producing goods and services, they help in promoting nation's export and hence bringing the foreign exchange. They also produce the goods which can be a substitute for the imported goods. Thus, by doing this they capitalize not only the local market but also the global market too.

- **Makes country Self – Sufficient**

  While doing trade with different parties in different parts of the world they come up with some unique ideas to manufacture native substitutes for the goods which are to be imported from other parts of the world which minimizes the reliability on foreign nations.

- **Instigate backward and forward linkages**

  Entrepreneurs are agents of change and they like to maximize the profit by innovation. They bring in about the desired technological changes which help them to effectively and efficiently achieve their goal. During this process they work towards creating backward and forward linkages thereby creating further new enterprises.

- **Accelerates overall progress**

  Entrepreneurs contributes to the overall progress of an economy, they are the stimulant of change which results in better market condition and healthy competition which ultimately results in the better goods and services. They are innovative in nature and inspire millions of people. Entrepreneurs like Larry Page, Bill Gates and Steve Jobs have made some revolutionary changes in the world. With the advent of globalization, liberalization and privatization the world is now a global village. Any change incorporated by the entrepreneurs brings about socio-economic change which facilitates overall development of the country.

Check Your Progress-A

Q1. What do you think are the factors driving entrepreneurship in the country?

Q2. Explain how entrepreneurs bring social change in the country?

Q3. In what ways are MSMEs critical to the Indian economy?

15.5 INITIATIVES FOR ENTREPRENEURSHIP GROWTH

The Indian economy is at present the fastest growing economy in the world. There have been various initiatives taken by the Government of India over past few decades since the liberalization era began in 1991 to promote entrepreneurship in the country. This includes steps like abolishing licensing system, reducing bureaucratic hurdles, increasing transparency in decision making, minimizing regulations and launching various entrepreneurship promoting schemes. The Indian MSME (Micro, Small and Medium Enterprises) sector has the caliber to increase the national economic growth. However, to function at its true potential, and to avail all national and international opportunities, the sector still needs to be perform to its full potential. Some of the challenges and the bottlenecks which resist this growth include lack of skilled manpower, slow technology upgradation, sticking to old tradition methods, poor marketing strategy, difficulty in funding, regulatory policy implementation, lacking in R&D etc.

The government has taken some measures and started initiatives to overcome primary challenges like regulatory hurdles, provide financing, branding & promotions, packaging, transportation and skilling manpower. Some of them are as under:

The MSME Act

The government changed the definition of MSMEs to streamline development for all types of enterprises by approving the amendment of the MSME Act, 2006, with the introduction of the Micro, Small and Medium Enterprises Development (Amendment) Bill 2015. Some of the important provisions of the bill include:

- Enhancement in existing limit for investment in plant and machinery assets through a change in price index and cost of inputs so that they compete with the global value chains.
- Inclusion of all tiny or micro enterprises in rural and semi-urban areas other than small enterprises for inclusive growth.
- Central government to revise existing capital limit for investment in the venture through notification according to given inflation and market condition.

Loans and Finance for Technical Up-gradation

Loans and funds are raised through banks which are akey hurdle in the path of the MSMEs for financing their upgradation and expansion activities. The government has created funding reservoir for this purpose and budgetary allocation has been done for the purpose. The Government has also initiated a scheme for technological upgradation through launching Credit Linked Capital Subsidy Scheme (CLCSS) which aims to provide upfront capital subsidies to MSMEs for upgradation of their plant and machinery. MUDRA (Micro Units Development and Refinance Agency) Bank, a refinance and regulating institution has been created for easy access to funding by MSME sector.

Integrated cluster development programs

This has been done to address issues related to skills, capital, technology, quality and training. Under this scheme, the government will help in funding the cost of projects involved in diagnostic study, soft and hard interventions as well improvement in infrastructure. The scale of help would depend upon the area demographics, work undertaken etc. The clustering of units also helps to provide a platform for banks and credit agencies to provide efficient services, reduce cost and facilitate access to next level development process.

Providing Marketing Assistance

- For building networking and contacts for recognition and building brand value as NSIC helps in promoting.
- The government has made it mandatory for government organisations to procure minimum 20% of products and services from MSMEs.
- Relaxation in taxation and turnover.

Exit of Sick and Loss Making Units

The insolvency and bankruptcy bill 2015 ("IBB") also passed for the faster exit for sick MSMEs within the period of 90 days.

Startup India

Startup means an entity, incorporated or registered in India:

- Not prior to five years,
- With annual turnover not exceeding INR 25 crore in any preceding financial year, and
- Working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.

Such entities after registration would get various benefits like tax holidays, easy compliances, self certifications, no government inspections, reduction in patent fees, easy liquidation of business etc.

The above initiatives will further encourage entrepreneurship development and accelerate growth across all economic sectors. These steps when combined with the enormous MSME pool are likely to boost the economy in a significant manner.

15.6 ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT

Corporations enhance economic growth of a country by investing in new plants which provides a lot of job opportunities. Researchers find that earlier economic development gave attention to large corporations only thereby avoiding the innovations that come from small businesses. However, it has now been realized that Entrepreneurship plays a very important role in the larger economy. The economic development of a nation depends on successful entrepreneurship shared with the strength of established corporations. As measured by GDP per capita, the benefits of

this mechanism vary with the national income. Self-employment provides job opportunities and extension of markets at low levels of national income. If GDP per capita income increases, the collaboration of new technologies permits large established firms to assure the increasing demand of growing markets and role in the economy.

The following three components are essential towards creating a successful entrepreneurial environment for its wider impact on the economy:

1. There should be even distribution of economic wealth between the private and public sector
2. The industrialization activity should be spread across all demographics namely rural, semi-urban and urban centres.
3. To spread knowledge and information and impart skills related to entrepreneurship to people of all strata [Malenbaum 1962].

15.7 ROLE OF ENTREPRENEURSHIP IN TRANSITION

The entrepreneur's journey has to follow various stages of the business which can also be termed as its life cycle. These can normally be classified into four stages- Startup, Expansion, Consolidation, Revival / Decline. The movement from one stage to another requires different vision, strategy and decision making on part of the entrepreneur. The challenges do not cease to exist as the competition and scale of business becomes bigger. The various stages of transition and the entrepreneurial decision making under these stages are described as under:

Startup Stage

This is the launch stage of the business and has the following characteristics:

a) Product or Service is newly launched and the revenue generation is too slow. The costs far outweigh the revenues.
b) The sales are not stabilized and are uneven. The distribution network is newly established and logistics throw up challenges. There can be confusion in each component and many times the market may not behave as per the expectations of the entrepreneur.

c) Lot of modification may be required in product, distribution system, marketing strategy etc as per the feedback received.
d) Also at this stage the finances are limited and the investors (if any) offer little support for contingency requirements.

The entrepreneur has to keep his calm, depend upon mentorship support and do not take any rash decisions. This is the stage where majority of the startups fail as either some of their pre launch premises do not match up with the reality or the customer feedback is not in line with expectations.

Expansion Stage

After the business has passed the launch test, the model can be assumed to have gained market acceptance. This can be interpreted as success for the entrepreneur and now he has to embark upon the expansion stage. This stage again has lot of challenges and each step has to be carefully taken. The following happen at this stage:

a) Expansion in capacity in order to serve larger customer base leading to high capital expenditure.
b) Entering into previously unexplored markets by entering into new agreements for sales and distribution.
c) Development of multiple products or new variants of the product through continuous innovation and customer feedback with a careful eye on the competition.
d) Expansion in human resources and increased levels of management and reporting.
e) Decentralization and departmentalization for better management and control of activities
f) Increased Investment and expansion of ownership through sources like venture capital, public issues etc

This stage of transition is critical as one wrong or unproductive move might lead to a case of lost opportunity. The entrepreneur also losses ownership proportion and more professionals join the organisation. This requires the firm to be managed in an efficient and prudent manner.

Consolidation Stage

In any industry there comes a stage where there are many players in the field and the margins begin to shrink. At this stage the business faces a stage called Consolidation when small players merge with the bigger ones. This stage has the following features:

a) Businesses have low margins and dismal growth rates due to which small businesses no longer find it viable to remain in the business.
b) Weaker companies fail and smaller ones are eyed for merger or acquisitions by larger companies.
c) Capital Investments are greatly reduced as attractive expansion options cease to exist.
d) Loss making or less profitable products are withdrawn from the market.
e) Operations are trimmed back or staff is reduced. Authority gets shifted to lower level staff.

The entrepreneur has to take a decisive call at this stage to either let his business get taken over by bigger established players or look for increasing scale by taking smaller players in its fold. It is also a stage where surplus earned from the business over the years could be invested into fruitful opportunities elsewhere.

Revival/Decline Stage

Since the business before this stage arrives at a stage of stagnation, it is important to rekindle growth by some smart strategy failing which the decline is inevitable. The key characteristics of this stage are as under:

a) Rethink about the current business model and developing a strategy for rekindling growth of the business.
b) Sale of non-core businesses and introduction of new product lines is a very popular choice for the enterprise.
c) Restructuring of organisation on the basis of revamped product portfolio, geographical and customer segmentation.
d) Hiring newer talents and looking at acquiring promising small scale enterprises which are looking at established players for their expansion needs.
e) When all the revival strategies fail to work it is prudent to wind up the business rather than taking any liability that would be hard to pay back.

Many years of experience in running the business helps the entrepreneur at this stage to work towards a turnaround strategy.

Check Your Progress- B

1. Entrepreneurs help in capital formation by _____
2. Expansion of entrepreneurship leads to _____ of economic power.
3. The MSME act has been modified in _____
4. The government has made it mandatory for government organisations to procure minimum _____of products and services from MSMEs
5. The stage post expansion in an industry is termed as _____ stage.

15.8 SUMMARY

Entrepreneurship has been identified as one of the key interventions for aiding economic growth in the country. It is essential for capital growth, employment creation, innovation in product or service quality and overall economic prosperity of the society. The government has undertaken various steps to help and encourage entrepreneurs. The journey of an entrepreneur is usually in four stages namely launch, expansion, consolidation and revival/decline each of which offers unique challenges.

15.9 GLOSSARY

- ***Economic Growth***: Increase in the value of goods and services produced over a period of time
- ***Investment***: Act of putting money into an asset in expectation of return
- ***Technical upgradation***: Replacing existing technology with advanced and new technology
- ***Infrastructure***: Basic physical and organizational facility needed for operation of enterprise or society
- ***Turnover***: Total Value of Sales for a given period of time
- ***Transition***: Movement from one stage to another

- ***Merger***: Refers to two businesses becoming one
- ***Acquisition***: Refers to one business acquiring another
- ***Margin***: Normally referred to as profit per unit of sales

15.10 ANSWERS TO CHECK YOUR PROGRESS-B

1. Channelizing public savings into investment which provides returns
2. Decentralisation
3. 2015
4. 20%
5. Consolidation stage

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15.12 SUGGESTED READINGS

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2. Skill Development and Entrepreneurship in India by Rameshwari Pandya
3. Entrepreneurship by Robert D Hisrich
4. Entrepreneurship Development by Dr. S L Gupta and Dr. Arun Mittal
5. Management and Entrepreneurship by N V R Naidu and T Krishna Rao
6. Entrepreneurship by David H Holt
7. Entrepreneurship Development by Sangeeta Sharma
8. Entrepreneurship Development and Small Business Enterprise by Poornima M Charantimath

15.13 TERMINAL QUESTIONS

1. How is entrepreneurship crucial to the growth objectives of an economy?
2. Briefly point out the benefits of entrepreneurial activity in a society.
3. What are the challenges for an entrepreneur during the expansion stage of the enterprise?
4. State some of the initiatives undertaken by the Government to foster the growth of entrepreneurship in the country.

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