

# PRINCIPLES OF ENTREPRENEURSHIP

## (Notes for CE & IT IV Year)

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### POE SYLLABUS

#### UNIT - I

Introduction to Entrepreneurship: Definition of Entrepreneur Entrepreneurial Traits. Entrepreneur vs Manager, creating and starting the venture: sources of new ideas, method of generating ideas, creative problem solving – writing business plan, evaluating business plans. Launching formalities.

#### UNIT - II

Financing and Managing the new ventures: sources of capital, record keeping, recruitment, motivating and leading teams, financial controls. Marketing and sales controls. E commerce and Entrepreneurship, internet advertising – new venture expansion strategies and issues.

#### UNIT - III

Industrial Financial Support: schemes and functions of directorate of industries, District industries centre (DICs) Industrial development corporation (IDC), State Financial corporation (SFCs), small scale industries development corporation (SSIDs) Khadi and village industries commission (KVIC) Technical Consultancy organisation (TCO), Small industries service institute (SISI), national small industries corporation (NSIC), small industries development bank of india (SIDBI).

#### UNIT - IV

Production and marketing management: Thrust areas of production management, selection of production techniques, plant utilisation and maintenance, designing the work place, inventory control, material handling and quality control. Marketing functions, market segmentation market research and channels of distribution, sales promotion and product pricing.

#### UNIT - V

Labour legislation, salient provision of health, safety, and welfare under Indian factories Act, Industrial dispute act, employees state insurance act, workmen's compensation act and payment of bonus act .

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### IMP QUESTIONS

Unit	Short Questions	Slide No	Long Questions	Slide No	Remark
I	1. Concept of entrepreneur 2. Define Entrepreneur 3. Concept of entrepreneurship 4. Define Entrepreneur 5. Features of entrepreneur 6. Types of Entrepreneurship 7. Innovative entrepreneur 8. Entrepreneur and Manager 9. Business plan 10.Intrapreneur	8 9 11 12 14 23 23 33 58 37	1. Concept and Definition of Entrepreneur. 2. Concept and Definition of Entrepreneurship. 3. Types of Entrepreneurship. 4. Types entrepreneurial traits. 5. Entrepreneur Vs Manager. 6. Stages in creating and starting of new venture. 7. Sources and Methods of generating New Ideas. 8. Contents of a business plan 9. Process of evaluating Business plan. 10.Launching of New Business.	8 11 23 26 33 39 45 60 67 71	Imp.
	1. What is Capital? 2. Record Keeping 3. Advantages of record keeping 4. Recruitment 5. Motivation 6. Financial controls 7. Objectives of financial control 8. Internal sources of recruitment 9. What is E-Commerce? 10.Benefits of internet advertising 11.Marketing control	80 88 92 96 107 117 119 101 138 147 127	1. What do you mean by "Capital"? Explain in detail different sources of Capital. 2. What is "Record Keeping"? Explain need and Importance of Recordkeeping. 3. Summarize a note on "Recruitment". 4. Review various methods applied in motivating and leading the teams in new ventures. 5. Types of financial controls used in business. 6. Various types in Marketing and Sales control. 7. Role of E-Commerce and internet advertising on business. 8. Strategies and issues in expansion of new venture.	83 87 96 107 124 128 142, 148 153	Imp.

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### IMP QUESTIONS

Unit	Short Questions	Slide No	Long Questions	Slide No	Remark
III	1.Functions of DOI 2.District Industries Centre 3.Functions of SFC 4.Discuss Briefly about SSIDs 5.Objectives of KVIC 6.Technical Consultancy Organization 7.Small Industries Service Institute (SISI) 8.Role of NSIC promoting MSME	160 163 175 178 181 185 186 187	1. Objectives, role and functions of DOI. 2. About "District Industries Centre". 3. About the functions/role of " State Financial Corporations" in starting a new ventures. 4. About SSIDs. 5. About KVIC. 6. Role of TCO in Startups? 7. Discuss about SISI. 8. Functions/role of NSIC in promoting MSME. 9. Functions of SIDBI.	159 163 175 178 180 185 186 189 193	Imp. Imp.
	1. Production Management 2. Job production method 3. Plant maintenance 4. Work place design 5. Inventory Control 6. Techniques of Inventory control 7. Material handling 8. Quality Control 9. Market research 10.Market Segmentation 11.Sales promotion 12.Product prising	199 210 216 220 229 234 238 251 273 266 292 301	1. Thrust areas of Production Management. 2. About selections of Production techniques. 3. Plant utilization and Maintenance. 4. About designing the Workplace. 5. Objectives and benefits of Inventory Control. 6. Techniques used for Inventory control. 7. Material handling and Quality Control. 8. Functions of Marketing. 9. Market Segmentation and types/bases for Market Segmentation. 10.Channels of Distribution. 11.Techniques of sales promotion. 12.Methods of Product Pricing.	206 210 216 220 232 234 237, 250 259 266, 269 284 296 305	Imp. Imp. Imp. Imp. Imp. Imp. Imp. Imp. Imp.

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#### IMP QUESTIONS

Unit	Short Questions	Slide No	Long Questions	Slide No	Remark
V	1. Labour legislation	314	1. Salient provisions of health under Indian Factories Act.	324	Imp.
	2. Objectives of labour legislation	316	2. Salient provisions of safety under Indian Factories Act.	327	Imp.
	3. Define Factories Act	321	3. Salient provisions of welfare under Indian Factories Act.	330	Imp.
	4. Industrial Dispute	336	4. What is "Industrial Dispute"? Write about Industrial Dispute Act.	336	Imp.
	5. Objectives of Industrial Dispute Act	337	5. About Employees State Insurance Act.	348	
	6. Benefits of ESI Act	351	6. About Workmen Compensation Act.	355	
	7. Workmen Compensation Act	355	7. About Payment of Bonus Act.	361	
	8. Payment of Bonus Act	361			

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#### UNIT - I

**Introduction to Entrepreneurship:** Definition of Entrepreneur Entrepreneurial Traits. Entrepreneur vs Manager, creating and starting the venture: sources of new ideas, method of generating ideas, creative problem solving – writing business plan, evaluating business plans. Launching formalities.

# UNIT-I

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## ❖ Entrepreneur

1. Concept
2. Definitions

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#### Entrepreneur

##### CONCEPT

The word “entrepreneur” is derived from the French word “**entreprendre**” which means ‘to undertake’ This refers to those who “undertake” the risk of new enterprises An enterprise is created by an entrepreneur The process of creating a business is called “entrepreneurship” The entrepreneur undertakes:

- To generate new ideas
- To create a new business
- To bear risk (Foreseeable risk and Unforeseeable risk)
- To enjoy the rewards

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## Entrepreneur

### DEFINITIONS

**Richard Cantillon** defines “a person who buys factors of production at certain prices in order to combine them into a product with a view to sell them at uncertain prices”

**Ex:** A farmer pays definite price for seeds, fertilizers, pesticides, labour etc but not certain at which price he can sell his produce

**Kuratko & Hodgetts** defines “a person who is trying to organize, manage and take risks in business”

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## ❖ Entrepreneurship

1. Concept
2. Definitions

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## Entrepreneurship

### CONCEPT

Entrepreneurship is a process of actions of an entrepreneur who is a person always in search of something new and exploits such ideas into gainful opportunities by accepting the risk and uncertainty with the enterprise



The person/actor

The process/act

The outcome

Subject

Verb

Object

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## Entrepreneurship

### DEFINITIONS

**Hisrich and Peters** define “a process of creating something new and assuming the risks and rewards”

**Oxford Dictionary** defines “the activity of making money by starting or running businesses, especially when this involves taking financial risks”

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## ❖ Characteristics of Entrepreneur

### Characteristics of entrepreneur

**1) Ambition:** A good entrepreneur is driven to make something of himself He knows what he wants, and he sets a course to get it His motivation to achieve something can sometimes be overwhelming, and the urge to establish himself can be quite consuming An entrepreneur's ambition is often the key ingredient that gets him off of his chair and puts him into action, turning his daydreams into reality

**2) Enthusiasm:** Often coming hand-in-hand with ambition, enthusiasm plays a great role in the entrepreneur's motivation While ambition may be the key to the entrepreneur's ignition, enthusiasm is the gas Every successful entrepreneur has a positive outlook giving him the energy to pursue his endeavors Without enthusiasm, an entrepreneurial project will slowly wither into inactivity and failure

**3) Creativity:** When problems do arise, you can count on creativity to bail you out Creativity is probably what led you to envision your company in the first place, and it'll be creativity that will help you realize the possible solutions to any hitches that might come your way Successful entrepreneurs find inspiration throughout the entire process, and often discover ways to turn roadblocks into opportunities

### Characteristics of entrepreneur

**4) Decision-making:** Entrepreneurs call all the necessary shots While their creativity makes them men of ideas, it's their ability to make decisions that will make them men of action The decisions that entrepreneurs make will determine the fate of the company, and it's only through decision making that things will actually happen An entrepreneur with poor decision-making skills will have his company caught in a state of inactivity and degradation; good decision-making skills, on the other hand, will ensure that the best possible measures in putting up the business will be enforced

**5) Perseverance:** Perhaps the most important of all the characteristics of entrepreneurs is the ability to withstand the troubles that come with starting a business Beginning a new enterprise is an immensely difficult task, and as an entrepreneur, you'll have to stick through the storms and stress if you want your venture to be a success It sometimes takes years for a good idea to start making you money, but when it does, you'll be glad you stood strong in the face of adversity

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## ❖ Functions of entrepreneur

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### Functions of entrepreneur

- 1. Risk measurement and risk taking:** risk taking and risk measurement is the primary function of entrepreneur. Risk are not only related to success or failure of business but also involve personal and professional career forgone for the sake of opportunity
- 2. Innovate/ create/discover:** entrepreneurship is innovativeness of individual and does not involve ownership. Principal function of the entrepreneur is to carry out new combinations of means of production
- 3. Analyze opportunities:** entrepreneur has to have opportunity seeking style where he has to evaluate credibility of various alternatives and choose suitable alternative which will prove to be profitable in future
- 4. Strategies for venture:** entrepreneur has to strategize long term plan for starting venture. He has to analyze the market and devise effective strategies to face present and future competition
- 5. Develop business plan:** business plan is written document containing details about every aspect of proposed business venture. It provides roadmap to employees working in company to attain objectives and is capable of convincing potential customers they are shareholders and investors of company

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### Functions of entrepreneur

- 6. Acquire resources:** entrepreneur has to acquire various types of resources such as men, money, material, machinery to start venture. Entrepreneur has to have suitable skills to line up required resources for the company
- 7. Organize and start venture:** entrepreneur should be a good organizer, he should deploy suitable resources at right place in right time required to for the company to ensure effective working of organization
- 8. Develop and grow venture:** it is not only important to start a venture but also company should be able to respond to changes happening in the business market which is crucial factor deciding existence of company
- 9. Delegate, direct and lead the plan:** during the growth stage of the company entrepreneur should provide required resources for the company and during later stage entrepreneur should come up with effective strategies to face competition and guide employees in company performing role of leader
- 10. Supervise and control:** for success of business it is important to have suitable mechanism in place so that entrepreneur can track overall success of the company

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## ❖ Role of entrepreneur in economic development

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### Role of entrepreneur in economic development

- 1. Contribution to GNP and per capita income:** Entrepreneurship contributes to economic stability by introducing new products and services in the market and encouraging effective resource mobilization. This helps in increasing the gross national product as well as per capita income of the people in the country. Economic stability leads to increased institutional investment for productive activities and is a sign of economic growth
- 2. Employment generation:** The government is limited in its ability to create employment opportunities for the country's population. Entrepreneurs play an effective role in reducing the problems of unemployment in the country. Entrepreneurs are not only self-employed but also provide employment to others
- 3. Balanced regional development:** The development of enterprises in less-developed regions promotes balanced regional development in the country. In addition, entrepreneurship stimulates the distribution of wealth and income to more and more individuals (such as stakeholders) and geographical areas, thus benefiting larger sections of society

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## Role of entrepreneur in economic development

4. **Promotion of export and trade:** Entrepreneurship promotes the country's export trade and earns foreign exchange When required, this earning can help combat the country's import dues requirements International trade brings economic strength and techno-economic reliance
5. **Improvement in the standard of living:** Entrepreneurs bring a wide variety of products and services into the market This increases competition in the market and makes it possible for people to avail of a better quality of products and services at lower and more competitive prices, resulting in an improvement of the country's overall standard of living
6. **Increased innovation:** With the liberalization of the Indian economy, the increased competition in the domestic and international market has encouraged entrepreneurs to be more creative
7. **Overall development of the economy:** Entrepreneurs create new technologies, products, processes, and services that become the next wave of new industries, and these in turn drive the economy Entrepreneurs are change agents in society They create wealth and value, and generate employment in society This naturally leads to social and economic growth

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## ❖ Types of entrepreneur

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### Types of entrepreneur

**1 Innovative entrepreneurs:** These entrepreneurs have the ability to think newer, better and more economical ideas of business organisation and management They are the business leaders and contributors to the economic development of a country

Inventions like the introduction of a small car 'Nano' by Ratan Tata, organised retailing by Kishore Biyani, making mobile phones available to the common man by Anil Ambani are the works of innovative entrepreneurs

**2 Imitating entrepreneurs:** These entrepreneurs are people who follow the path shown by innovative entrepreneurs They imitate innovative entrepreneurs because the environment in which they operate is such that it does not permit them to have creative and innovative ideas on their own

Such entrepreneurs are found in countries and situations marked with weak industrial and institutional base which creates difficulties in initiating innovative ideas

In our country also, a large number of such entrepreneurs are found in every field of business activity and they fulfill their need for achievement by imitating the ideas introduced by innovative entrepreneurs

Development of small shopping complexes is the work of imitating entrepreneurs All the small car manufacturers now are the imitating entrepreneurs

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### Types of entrepreneur

**3 Fabian entrepreneurs:** The dictionary meaning of the term 'fabian' is 'a person seeking victory by delay rather than by a decisive battle' Fabian entrepreneurs are those individuals who do not show initiative in visualising and implementing new ideas and innovations wait for some development which would motivate them to initiate unless there is an imminent threat to their very existence

**4 Drone entrepreneurs:** The dictionary meaning of the term 'drone' is 'a person who lives on the labor of others' Drone entrepreneurs are those individuals who are satisfied with the existing mode and speed of business activity and show no inclination in gaining market leadership In other words, drone entrepreneurs are die-hard conservatives and even ready to suffer the loss of business

**5 Social Entrepreneur:** Social entrepreneurs drive social innovation and transformation in various fields including education, health, human rights, workers' rights, environment and enterprise development

They undertake poverty alleviation objectives with the zeal of an entrepreneur, business practices and dare to overcome traditional practices and to innovate Dr Mohammed Yunus of Bangladesh who started Gramin Bank is a case of social entrepreneur

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# ❖ Entrepreneurial Traits

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## Entrepreneurial traits

However, there is no existence of the so-called "Ideal entrepreneurial personality" for becoming an entrepreneur who touches the height of great success You ought to be excitement seeking, affable as well as an analytical thinker and also, taciturn Some of the experts in the industry that have an opinion about the traits that some new entrepreneur must possess that we are going to share Let us take a look to the various traits of an Entrepreneur

### 1 Passion:

Every entrepreneur must have this characteristic and needless to say, define the reason behind this trait Such people get success because they love what they do They give all their additional hours into the business to succeed and achieve the targets with its growth as well as development It is a pleasing thing to look over the outcome produced due to their labor which goes out of the box to accomplish the desired targets

### 2 Strong Ethics at Work:

An entrepreneur is a person who does not have any time to leave and enter the office but they must strong work ethics A prosper entrepreneur goes beyond the working hours and leaves after their employees to give a new shape to their business

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## Entrepreneurial traits

With an intention in mind to maintain a balance between the expectations and the outcomes, they can even be working on the holidays and work for us If such people are not present at their workplace, still their mind is revolving around their work and they are always thriving some strategies for business on the top of their head

### 3 Strong People Skills:

A person who wants success in business must have excellent communication skills to sell their products as well as services and have the ability to encourage their employees The majority of the entrepreneurs who are good at motivating their workforce can maximize their business in no time Apart from this, these entrepreneurs are very effective to instruct others and let them follow their path of success to grab the targets

### 4 Determination:

Success is not always the final result of the efforts you have made but failure is also not fatal as the determination matters a lot The defeats in the success avenue never impacted highly any entrepreneur as it is the way to success Failure is like a twist in the success story of an entrepreneur and the making efforts to achieve the goals happen just because of determination

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## Entrepreneurial traits

They are trying again and again till the time they get what they want Further, such people are not hooked-up to believe the fact that something is not possible or cannot be acquired

### 5 Creativity:

One of the highlighted realms of creativity is to figure out the cordial relationship between the two exactly opposite or unrelated situations and events An entrepreneur comes up with an inventive solution that is a mixture of other things during such situations To exemplify, such people usually re-purpose some of the products in such a way that they win the hearts of their potential buyers in an innovative manner

### 6 Competitiveness:

Business is nothing without competition and every entrepreneur wants to perform better as compared to their rivalries With the cut-throat competition, an entrepreneur has willing to do the job in a particular manner and also stay ahead of the curve They run their business with a motive to be a winner of the sport and win the business sphere by creating something struggling to beat others

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## Entrepreneurial traits

### 7 Self-Starter:

The majority of the entrepreneurs know the fact that if something big and creative needs to be done, then they can only do the task by own They set the parameters and make sure that they follow the path in a perfect manner They never wait for someone to permit them and always take the lead

### 8 Open-Minded:

Every entrepreneur who understands all the events and situations of the business and takes them as a business opportunity is the successful one They also cultivate new ideas to take the business to new heights of achievement and build up people skills, efficiency as well as workflows Such people have the capabilities to look at all the things that happen around them and drive their focus towards the targeted goals of the business

### 9 Confidence:

There is no question in the mind of an entrepreneur related to doubts in their business strategies and also how worthy the success is They have enough confidence that their business ideas are worthy along with the in-depth knowledge that they possess The ins and outs of business assist them to make their firm a big hit And they keep this confidence in all the business operations when they do the business

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## Entrepreneurial traits

### 10 Disciplined:

The main focus of successful entrepreneurs is to make their business work well and to minimize the obstacles that come in the way of goals accomplished They equip with the overarching strategies as well as ideas that will be helpful to reach the goal and also, provide a proper outline of the plan to achieve the targeted objectives of the firm Furthermore, the entrepreneurs get success at a fast pace as they always keep an eye over the new steps every day with the sole goal to accomplish

### 11 Vision:

An entrepreneur must have the ability to articulate their business goals as well as fluctuation in the market and know what will be their business in the coming future They ought to identify and analyse what, when, where and why related to their business

### 12 Tenacity:

They are not the one that gives up on their business as the time is not always in your favor If the business is going low, then they should develop and strategize something new to improve the position of their business An entrepreneur should accept the rejection and have guts to learn from their mistakes

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## Entrepreneurial traits

### 13 Hard-Working:

Being an employee is not a harder thing as compared to that of an entrepreneur To get the desired success, an entrepreneur must put all their best efforts as well as time whatever is required even if they earn low and zero bucks A successful entrepreneur should know the risk attached to the business and how to overcome the same

### 14 Flexibility:

The time comes when things do not go as well as expected So, flexibility is required here as an entrepreneur has willing to adapt and make changes as they move forward

Moreover, they can take some valuable bits of advice from others and also try their best to open new opportunities and approaches

### 15 Money Manager

A successful entrepreneur must know how to manage their funds and should be prudent with money They always make investments in lucrative deals and keep a track record of all investments Cash flow needs to be managed, no matter how much you have invested

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## ❖ Entrepreneur Vs Manager

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## Entrepreneur Vs Manager

The main difference between Entrepreneur and Manager is their role in the organization. An entrepreneur is the owner of the company whereas a Manager is the employee of the company. Entrepreneur is a risk taker, they take financial risk for their enterprise. The entrepreneur has a vision and focuses on achievements and profit.

### Entrepreneur:

Very basically speaking, an entrepreneur is a one-man show that runs entrepreneurship. However, such a person usually has some unique attributes that allow him to be successful in his endeavors. He is essentially an initiator and a leader. He brings business ideas to fruition thus starting off his venture. A successful entrepreneur is usually a responsible person. He is accountable for the success or the failure of his venture, and he takes this responsibility very seriously. And since he is the only person in-charge, he is automatically the leader. In fact, leadership qualities are one of the main aspects of an entrepreneur.

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## Entrepreneur Vs Manager

### Manager:

A manager, on the other hand, is not an owner of an enterprise. Instead, he is the one that is responsible for the management and administration of a group of people or a department of the organization. His day to day job is to manage his employees and ensure the organization runs smoothly.

A manager must possess some of the same qualities as an entrepreneur, like leadership, accountability, decisiveness etc. He must also be a good manager of people. So qualities such as warmth and empathy are also very important in a manager.

Now that we have a brief idea about their qualities and roles, let us take a look at the difference between them.

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## Entrepreneur Vs Manager

Basis for comparison	Entrepreneur	Manager
Meaning	Entrepreneur refers to a person who creates an enterprise, by taking financial risk in order to get profit.	Manager is an individual who takes the responsibility of controlling and administering the organization.
Focus	Business start-up	Ongoing operations
Primary motivation	Achievement	Power
Approach to task	Informal	Formal
Status	Owner	Employee
Reward	Profit	Salary
Decision making	Intuitive	Calculative
Driving force	Creativity and Innovation	Preserving status quo
Risk orientation	Risk taker	Risk averse

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## ❖ Entrepreneur Vs Intrapreneur

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## Entrepreneur Vs Intrapreneur

<b>Meaning</b>	Entrepreneur refers to a person who set up his own business with a new idea or concept	Intrapreneur refers to an employee of the organization who is in charge of undertaking innovations in product, service, process etc
<b>Approach</b>	Intuitive	Restorative
<b>Resources</b>	Uses own resources	Use resources provided by the company
<b>Capital</b>	Raised by him	Financed by the company
<b>Enterprise</b>	Newly established	An existing one
<b>Dependency</b>	Independent	Dependent
<b>Risk</b>	Borne by the entrepreneur himself	Taken by the company
<b>Works for</b>	Creating a leading position in the market	Changing and renewing the existing organizational system and culture

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## ❖ Creating and starting a new venture

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### Creating and starting a new venture

An enterprise also means an undertaking, a business firm or venture. Here is a step by-step approach for starting a new venture. These can be divided into three stages

- I Pre-launch Stage
- II Launch Stage
- III Post launch Stage

#### **I Pre-launch Stage**

The following steps are involved in a Pre-launch stage in starting of a new venture

- 1) Identify, Analyze and Decide on the business idea
- 2) Analysis of strengths, weaknesses, opportunities and threats
- 3) Analyze competition and select the positioning strategy
- 4) Estimate and forecast the market size, growth and marketing feasibility which involves measurement of demand — supply gap
- 5) Whether to be an ancillary unit
- 6) Understand the technology, process and selection of the idea

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### Creating and starting a new venture

- 7) Decide on the size of the enterprise in terms of production capacity, employees
- 8) Decide on the location of the venture
- 9) Identify the incentives given by the Government to promote the small and medium industries
- 10) Understand the relevant laws which are applicable for the business
- 11) Analyse the business idea as opportunity in terms of Profit, costs, expenditure, income, sales, market share
- 12) Estimation of manpower requirements

Pre-Launch Stage of a new venture involves collection of information through primary and secondary sources of data. It is a critical stage. The skills that are required are entrepreneurial skills of business opportunity identification and analytical skills.

The functional areas of marketing and finance dominate this stage. Forecasting skills are also required in this stage.

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## Creating and starting a new venture

### II Launch Stage

- 1) Selection of the Name of the enterprise
- 2) Hiring or construction of building
- 3) Deciding on the ownership pattern — sole proprietor, partnership, private or public limited company and limited liability partnership
- 4) Registration of the firm If it is a partnership firm, then agreements has to be signed The registration processes of SMEs have been streamlined Now provisional registration certificate can be obtained online with District Industries Centre
- 5) Preparation of business plan and project report
- 6) Deciding on the product mix and markets to serve
- 7) Application for loan to banks If private or public, issue of shares
- 8) Raising of finance
- 9) Ordering and installation of machinery
- 10) Recruitment of people
- 11) Deciding on the channel of distribution

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## Creating and starting a new venture

- 12) Sources of raw materials to be finalized and purchases made
- 13) Production started
- 14) Products to be made available in the market

In Launch stage of a new venture, operational actions and decisions are taken It requires managerial skills of coordination with the various agencies Project management skills are required There is lead time from planning to implementation stage Close monitoring has to be made to see that the launch is as per the plan Delay will increase the cost and have impact on the finances of the firm

### III Post Launch Stage

- 1) Teething problems to be solved
- 2) Systems to be developed in all the areas of management
- 3) Feedback on the product
- 4) Changes if needed to be introduced
- 5) Expansion decisions

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## Creating and starting a new venture

After launch of the business, the gestation period varies from one to three years The provisional certificate is valid for a year After commencement of business, permanent certificate is to be obtained from District Industries Centre An entrepreneur has to plan and prepare for this critical period The profits will start flowing once the business settles down All the businesses may not succeed, so mental preparation for failure and exit route should also be a part of the business plan

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## ❖ Sources of new ideas

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## Sources of new idea

The entrepreneurial idea is a feasible, financially sound, technically possible, and socially acceptable idea of a project or product that may have utility to prospective customers

It comes from an established mechanism to generate many ideas so that at least one idea has the potential for a business opportunity. It requires a series of steps to finalize it into a profitable business

This is the first step in idea generation and evaluation

### 1 Customers

Prospective customers know best what they want and the habits/tastes that will be popular shortly. New product or service ideas may come from customers' reactions to the present product and the expected product idea. Contacts with prospective consumers can also reveal the features that should be built into a product or service.

The attention to the customers can take the form of informally monitoring potential ideas and needs or formally arranging surveys among prospective customers. Care needs to be taken to ensure that the idea or need represents a large enough market to support a new venture

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## Sources of new idea

### 2 Existing organization

Competing products and services of existing organizations and evaluation thereof is a successful source of new ideas. Frequently, this analysis uncovers ways to improve on these offerings, resulting in a new product that has more market appeal. The analysis of profitability and break-even level of various industries or organizations indicate promising investment opportunities which are profitable and relatively risk-free. An examination of the capacity utilization of various industries provides information about the potential for further investment.

### 3 Distribution channels

Members of the distribution channels; intermediaries, transient customer preference, and possible expectations may be a good business idea.

Not only do channel members frequently have suggestions for completely new products, but they can also help in marketing the entrepreneur's newly developed products.

### 4 Government

The government can be a source of new product ideas in many ways. First, the files of the Patent Office contain numerous new product possibilities. They can

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## Sources of new idea

suggest other more marketable new product ideas. Secondly, new product ideas can respond to government regulations, industrial policy, investment guidelines, annual plan, Five-year plan, etc. Thirdly, several government agencies nowadays assist entrepreneurs in discovering evaluating business

ideas. Fourthly, government publications on trade and industry can also help set new venture ideas.

### 5 Research and Development

The entrepreneur's own "research and development" is the largest source of new ideas. It may be a more formal endeavour connected with one's current employment or an informal laboratory in the private premises. Formal institutional research and development are often better equipped, enabling the entrepreneur to conceptualize and develop successful new product ideas. But many amazing product ideas have come from informal research endeavours at the private level.

### 6 Trade Shows, Fairs and Exhibitions

These sources display new products and innovations in processes and services. An innovative entrepreneur can get product ideas to adapt or modify and produce with indigenous materials and technology.

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## Sources of new idea

### 7 Focus Groups

Focus groups are good sources of product ideas. A moderator leads a group of people through an open, in-depth discussion rather than simply asking questions to solicit participant response; for a new product area, the moderator focuses the group's discussion in either a directive or a nondirective manner. The group of 8 to 14 participants is stimulated by comments from other group members to conceptualize and develop a new product idea to fulfil market needs.

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# ❖ Methods of generating idea

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## Methods of generating idea

This is an excellent method for initially screening ideas and concepts too

### 1 Brainstorming

The brainstorming method for generating new product ideas is based on the fact that people can be stimulated to greater creativity by meeting with others and participating in organized group experiences. This method would be effective if the effort focuses on a specific product or market area. The following four rules should be followed when using this method:

- No criticism is allowed by anyone in the group – no negative comments. Freewheeling is encouraged – the wilder the idea, the better
- Quantity of ideas is desired – the greater the number of ideas, the greater the likelihood of useful ideas emerging
- Combinations and improvements of ideas are encouraged – ideas of others can still produce another new idea
- The brainstorming session should be fun, with no one dominating or instituting the discussion

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## Methods of generating idea

### 2 Collective Notebook Method

In the collective notebook method, a small notebook that easily fits in a pocket, containing a statement of the problem, blank pages, and any pertinent background data, is distributed. Participants consider the problem and its possible solutions, recording ideas at least once but preferably three times a day. At the end of the month, a list of the best ideas is developed, along with any suggestions.

### 3 Heuristics Method

Heuristics relies on the entrepreneur's ability to discover through a progression of thoughts, insights, and learning. The technique is probably used more than imagined because entrepreneurs frequently must settle for an estimated outcome of a decision rather than a certainty. One specific heuristic approach is called the heuristic ideation technique (HTT).

The technique involves locating all relevant concepts – that could be associated with a given product area and generating a set of all possible combinations of ideas.

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## Methods of generating idea

**4 Value analysis Method:** The value analysis technique develops methods for maximizing value to the entrepreneur and the new venture. It is a method for developing a new idea by evaluating the worth of aspects of ideas. Under this technique, regularly scheduled times are established to develop, evaluate, and refine ideas.

### 5 Checklist Method

A new idea is developed through a lot of related issues or suggestions. The entrepreneur can use the list of questions or statements to guide the direction of developing entirely new ideas or concentrating on specific "idea" areas. The checklist may take any form and be of any length.

### 6 Dream Approach

The big dream approach to coming up with a new idea requires that the entrepreneur dreams about the problem and its solution – thinking big. Every possibility should be recorded and investigated without regard to all the negatives involved or the resources required. In other words, ideas should be conceptualized without any constraints until an idea is developed into a workable form.

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## Methods of generating idea

### 8 Market Gap Analysis

Market gap analysis is a powerful method used to uncover areas in the market in which the needs and wants far exceed the supply. This method has a hopper or gathering effect of converting everyday information into bunches of lucrative product and service gaps that few have thought of before.

### 9 Life-style analysis Method

Entrepreneurs can use lifestyle analysis effusively for product-service ideas. Lifestyle is a person's pattern of living expressed in his or her psychographics (Kotler and Armstrong 181:2001). It involves measuring consumers' major activities (work, hobbies, shopping, sports, social events), interests (food, fashion, family, recreation), and opinions (about themselves, social issues, business, products). The lifestyle analysis will help entrepreneurs understand new needs and want under the changed conditions. It will also reflect the changing consumer values that may be a good source of product-service ideas.

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## ❖ The steps of creative problem solving process

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### The steps of creating problems solving process

Training oneself to think like an entrepreneur means learning the steps to evaluating a challenge: clarify, ideate, develop, implement, and evaluate.

#### Step 1: Clarify

To **clarify** is the critical step of recognizing the existence of a gap between the current state and a desired state. This can also be thought of as having **need awareness**, which occurs when the entrepreneur notes a gap between societal or customer needs and actual circumstances. Clarifying the problem by speaking with clients and developing a detailed description of the problem brings the specifics of a problem to light. Failure to identify the specifics of a problem leaves the entrepreneur with the impossible task of solving a ghost problem, a problem that is fully unknown or unseen. To establish and maintain credibility, an entrepreneur must clarify the problem by focusing on solving the problem itself, rather than solving a symptom of the problem.

#### Step 2: Ideate

To **ideate** is the step of the creative problem-solving process that involves generating and detailing ideas by the entrepreneur. After collecting all information relevant to the problem, the entrepreneur lists as many causes of the problem as possible. This is the step in which the largest variety of ideas are put forth. Each idea must be evaluated for feasibility and cost as a solution to the problem.

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### The steps of creating problems solving process

#### Step 3: Develop

To **develop** is the step in which the entrepreneur takes the list of ideas generated and tests each solution for feasibility. The entrepreneur must consider the cost of each idea and the obstacles to implementation. The entrepreneur should identify and assess alternative solutions to find one that is most cost-effective and feasible to the customer.

#### Step 4: Implement

To **implement** is the step in which the solution to the problem is tested and evaluated. The entrepreneur walks through the planned implementation with the client and tests each part of the solution, if a service, or thoroughly tests a developed good. The entrepreneur implements the solution and goes through a structured system of follow-up to ensure the solution remains effective and viable.

#### Step 5: Evaluate

To **evaluate** is the step in which the final solution is assessed. This is a very important step that entrepreneurs often overlook. Any fallacy in the implementation of the product or service is reassessed, and new solutions are implemented. A continual testing process may be needed to find the final solution.

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# ❖ Business plan

- 1. What is business plan?**
- 2. How to write a business plan?**
- 3. Evaluating business plans**

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## What is a business plan?

A business plan is the written representation of an entrepreneur's vision for his/her business A business plan is a written document between 20–40 pages in length that describes where a business is heading and how it hopes to achieve its goals and objectives A workable business plan should determine the direction of the company; highlight the challenges in the path of the business; and formulate strategies and contingencies to keep the business on track in order to reach predetermined goals and objectives

A business plan is not just for a start-up company but also for those which are growing It prepares for a spin-off from a parent firm, or even for a project within an established organization It can be used to establish realistic goals or targets to achieve, and to determine the current position A business plan is used to help make crucial start-up decisions, to reassure investors, to measure operational progress, to test planning and assumptions, to adjust forecasts, and to set the standard for good operational management

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## What is a business plan?

The purpose for preparing a business plan are given below:

- Entrepreneurs reap benefits from the planning activity itself
- A business plan is used to get finance from banks or to get equity funding from angel investors or venture capitalists
- It can also be used to attract business partners and key employees or to make business alliances
- If the business plan is prepared within a large organization, then it enables the board of directors to make capital investment decisions
- The act of writing the plan will force the entrepreneur and his team to think through all the key elements of the business
- The plan provides a basis for measuring actual performance against expected performance
- The plan's financial projections can be used as a budget Actual results that fall short of planned results will prompt the entrepreneur to investigate and take corrective action
- The plan acts as a vehicle for communicating to others what the business is trying to accomplish

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## How to write a business plan? (Or) Contents of a business plan

Business plans follow a broadly similar structure The key sections in a business plan along with the average number of pages to be included in each section are given in the below table Most business plans contain the following components

### Cover Page and Table of Contents

Every business plan should have a cover page The cover page presents the first impression of your business plan to readers This is just like a newspaper headline that gives quick information to readers, which helps the reader to decide whether to read the complete article The cover page should have a clean and professional appearance and should contain the following information:

- Name of the business or project
- The company's name, logo, address, telephone and fax numbers, Web site address, e-mail address
- The name and designation of the contact person

The table of contents is usually on the second page of the business plan and gives at a glance the topics covered in the business plan The table of contents should be written for easy navigation to the rest of the plan by numbering each topic

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## How to write a business plan? (Or) Contents of a business plan

### Table of Contents of a Business Plan

Sl No.	Contents	Pages
1.	Cover page and table of contents	2
2.	Executive summary	2
3.	Business concept	4
4.	Management summary	4
5.	Business strategy	2
6.	Operations plan	4
7.	Marketing plan	4
8.	Financial plan	4
9.	Appendices	10

### Executive Summary:

The executive summary is a standalone document two or three pages long and is probably the most important section of the business plan. It is designed to be a complete yet concise business plan by itself. It is a snapshot of the entire business plan and usually written last. The executive summary is a concise presentation of the main points of the business plan and gives a brief overview of the business venture. The purpose of the executive summary is to give the reader a quick understanding of the business proposal and provide the whole picture

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## How to write a business plan? (Or) Contents of a business plan

The main objective of the executive summary is to entice the reader to go through the entire plan. The executive summary is a formal statement and should include the following information:

- A brief description of the industry and market environment in which the business opportunity will develop and flourish
- The uniqueness of the business opportunity and the key strategies for success
- Profiles of the company's management team
- Financial requirements and budget allocation
- The anticipated risk and reward of the business

### Business Concept

This is another summary and gives the history of the business, the basic nature, and the purpose of the business. It clearly states the business objectives. There is no point in starting or expanding a business unless the entrepreneur has identified a lucrative opportunity. This section describes the business opportunity. It analyses the economics underlying the opportunity and the key factors that will drive its success, such as market penetration and product innovation. This section is used to describe the company and to explain how it is organized. It gives the usage, description, and specifications of the products and services to be offered. If the product/service prototype is ready, high-quality photographs are included

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## How to write a business plan? (Or) Contents of a business plan

### Management Summary

The management team is very important in any business. The success of the business mainly depends on the quality of the management team. Investors are also keen to know about the people behind the business who they see as key assets. It is a well-known fact that without the right team, none of the other parts really matter. This section should be able to answer the following questions. In this section, information regarding the description of the form of organization and ownership is explained. This section will answer questions such as:

- What is the profile of the founders, the team's management philosophy, and their reputation in the business community?
- Who are the current owners, and what percentages do they control?
- How is ownership evidenced—for example, in terms of common and preferred stock?
- Have any options, warrants, or convertible bonds that could expand ownership been issued?
- Which owners are involved in the day-to-day working of the business?

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## How to write a business plan? (Or) Contents of a business plan

### Business Strategy

This section provides the SWOT analysis of the firm and analysis of the business environment. It provides information on the nature of the industry, competition within the industry, anticipating barriers to entry, the market, and the customers within the market. The industry background provides information to understand the shape, size, trends, and key features of the industry and to understand how the company's product or service will fit into that industry. The goals of the company and the business strategy are explained in this section. Strategy is the game plan of the business. It is about differentiation and competitive advantage. This section should give the mission, vision, future plan, and exit strategy of the business

### Operations Plan

Operations deals with the transformation of ideas or raw materials into products or services to be sold to the customer. It gives an overview of the flow of the daily activities of the business operation and the strategies to support them. The operations plan should focus on the critical operating factors that will make the proposed business a success

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## How to write a business plan? (Or) Contents of a business plan

The operations plan section of a business plan describes the physical necessities of the business's operation, such as the business's physical location, raw materials, technology, human resource, facilities, and equipment. Information about inventory requirements, suppliers, and employees may be included depending on the kind of business. An operations plan provides a description of the break-even analysis, quality control measures, and the manufacturing process.

### Marketing Plan

The term "market" is often used to describe the various elements of the total business environment. The market is where the company's product or service will be sold. The marketing plan is written after conducting a market analysis. This section provides information on assessing the market's size and growth, defining the target market, and articulating the value proposition. The value proposition gives the unique set of benefits that the customers will get if they choose to purchase the company's offerings over its competitor's offerings.

The market plan should be clear about all aspects of marketing, including price, position, promotion, place, and customer value proposition. The marketing plan provides strategies to sell the company's product or service. The marketing plan should be a dynamic plan used to monitor the progress of the business.

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## How to write a business plan? (Or) Contents of a business plan

### Financial Plan

The financial plan is a critical section of the business plan as it translates all the other parts of the business into anticipated financial results. The financial plan section is the section that determines whether or not your business idea is viable, and is a key component in determining whether or not your business plan is going to be able to attract any investment in your business idea. Basically, the financial plan section of the business plan consists of an analysis of financial statements such as the income statement, the cash flow projection, projected balance sheet, break-even charts, cost of the project, sources, and uses of funds.

### Appendix

This section contains document attachments and the milestones of the project. This comes at the end of the business plan. It contains the market survey report, financial projections, product and technological specifications, process flow charts, photographs of the existing or proposed firm, lists of plants and machinery, organizational charts, and résumés of each member of the management team. The milestones plan lists the major events in the business's development such as prototype development, installation of plant and equipment, market test and penetration, recruitment of key personnel, funding from investors, and the break-even point. It includes only major events and the schedule of the project that the entrepreneur can meet. This may impress investors and improve the reputation of the company.

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## Evaluating business plans

### 1 How Viable is your Plan?

While starting up your business, there may have been many assumptions you made that do not translate well into the functioning of your business.

When evaluating your plan, look for the gap between these assumptions and the reality of your business. Make adjustments and corrections to ensure that your business plan is more realistic and in touch with the current and future scenarios of your business.

Create a Business Action plan based on this evaluation and ensure it works well with your strategies for growth.

### 2 Involve your employees

Your employees are involved in the details of the running of your business. Share your Business plan with them and ask for their feedback.

This will allow you to gauge how the plan actually impacts the running of your business. It is key to ask them questions such as:

1 Do they have suggestions to improve ways to provide better customer service? 2 Do they feel the objectives laid out in the business plan align with the way they currently do their jobs?

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## Evaluating business plans

3 Do they feel that the correct target audience is being reached?

4 Is there any possible target group that could also be targeted for your business?

### 3 Is your Target Group correct?

Before starting your business, you may have listed out your ideal consumer based on age, income, gender and so on.

After your business has been running for a period of time, you will need to look at these demographics, check if your assumptions were right and if you can find a way to widen your TG by enhancing your products or services.

Getting a good grip on which the right TG is for your business will enable you to make better marketing decisions as well as allocate funds in a better, smarter way.

### 4 What are Current Industry Trends?

When evaluating your Business Plan, it is important to look at industry trends and ensure that you are making the best of current trends that impact your business. It is also essential that you examine the ways in which competitors have changed their functioning to accommodate the change in trends.

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## Evaluating business plans

This does not mean that it is necessary to ape competitor moves but rather you look at the best way you can better your service and deliver benefits to consumers that competitors are unable to due to their restraints in the market

### 5 Are your funds allocated properly?

Every month, spend an hour with your accountant or set up a weekly meeting in order to get a clear picture of how your resources are being spent

Discover if there are other ways in which your resources can be optimized, how you can reach more people by concentrating on more marketing channels or focusing on the ones that will reap you better benefits for the time and effort spent on them

It is very important as your business grows and expands to ensure that you are on the right track with your business plan. Make sure that you take the time to evaluate your plan at least every quarter to make sure your business and your business plan is on the path to success

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## Launching formalities business

Entrepreneur fulfils some legal formalities. He hunts for suitable location, design the premises and install machinery

All the statutory formalities are to be met

- i Acquiring license
- ii Permission from local authorities
- iii Approvals from banks and financial institution
- iv Registration etc

Once the project is set up, the entrepreneur must try to achieve the target of a business plan. This involves setting up of an appropriate business process. Only proper management can ensure achievement of goals. The entrepreneur must be capable of turning his ideas into reality. He should also have the foresight to anticipate changes to avail of opportunities and meeting threats likely to arise in the near future.

### 1 Incorporate as a business structure

Incorporation should be at the top of every new business checklist. Why? Incorporation puts a small business on the map. By incorporating, you can:

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## ❖ Launching formalities of a business

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## Launching formalities business

- Gain limited liability protection that helps protect your personal assets and keeps them separate from professional assets
- Maximize potential tax deductions (depending on the entity formation you choose)
- Establish a professional identity quickly
- Build credibility much faster

There are a wide range of business structures available. An example: A limited liability company (LLC), which provides flexibility to its members and the ability to elect an S Corporation or C Corporation as your tax entity. Or, you may decide to go into business with a partner, like a family member or friend, and form a partnership where both people are able to operate the business and report its profits and losses together as a team.

What can happen if a business doesn't incorporate? The most immediate issue the company faces will be a lack of liability protection. Without liability protection, the business is no longer separate from its owner. The owner assumes all responsibilities for the company's actions, good or bad. An unincorporated business may also struggle to build credibility with consumers and build up business credit because it misses out on additional tax savings that come with incorporating a business.

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## Launching formalities business

### 2 File for trademark protection:

Does your small business have a unique name, logo design, phrase or tagline associated with it? An important step in a new business checklist is to file a trademark application to protect these assets. Federally registering trademarks allow small businesses to safeguard their intellectual property. Your trademark belongs to you and may not be used without your permission.

### 3 Obtain business licenses

It's critical that every small business applies for and obtains the necessary business licenses required to operate the business. However, the types of licenses you may apply for will vary depending on your business. Factors like your location and the industry you're in will determine which business licenses you will need.

If you need extra help, consult with the professionals at My Corporation. We'll research all license requirements for you and provide you with the forms necessary to file for business licenses.

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## Launching formalities business

### 4 Apply for an EIN

Many entrepreneurs consider an employer identification number (EIN) to only be necessary when deciding to hire employees. However, applying for an EIN is beneficial to other aspects of running a business. You'll also need an EIN to open a business bank account and establish business credit.

### 5 Get a registered agent

Once a business has been incorporated, it needs a registered agent (RA) to serve as the point of contact between the business and the state. Registered agents accept official documents on behalf of the business, organize said paperwork, and privately provide it to the business owner in a timely manner. This allows entrepreneurs to attend to confidential paper work on their own time and remain in compliance with state law.

When choosing a registered agent for your small business, it's important to remember there are specific guidelines for designating an RA. Your registered agent must have a physical street address, be a resident of the state you do business in and be available to receive process during general business hours (typically Monday through Friday, from 8:00 am until 5:00 pm).

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## Launching formalities business

### 6 Prepare bylaws

Bylaws are the rules and regulations of your corporation. A corporation's bylaws detail the functions of each corporate office, how meetings are called and conducted, and shareholder voting formalities. It is generally not a requirement by most states for corporations to draft by-laws, but it is helpful to prepare and update this paperwork to protect the corporation.

### 7 Prepare an operating agreement

Similar to bylaws, an operating agreement should be drafted if you incorporated as an LLC. An operating agreement helps establish a structure for an LLC. It contains information about the members' rights and responsibilities, ownership rights, allocation of profits and losses, and outlined plans in the event of gaining and losing members as well as the LLC's dissolution.

It is not always necessary to prepare an operating agreement. However, the absence of this agreement may cause the state to question the validity of the LLC because there is no structure in place for handling issues within the entity. If that happens, it's possible your LLC could either be run by the state's de facto LLC rules or lose its status as an LLC.

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## Launching formalities business

### 8 Register for a "doing business as" name (DBA)

Do you plan on doing business under a name that is different from your personal name? If you do, you must register for a doing business as name (DBA). This will allow you to accept payments under an alternate business name, open up a business bank account, and publicly advertise the business under its DBA.

### 9 Order a certificate of good standing:

If you incorporated as an LLC or corporation, ordering a certificate of good standing is physical evidence that your entity is recognized by the state as being in existence. Should anyone question the start-up's legitimacy, you may show them the certificate as proof of your company's compliance.

### 10 File an annual report:

The last item on your checklist is an ongoing item. If you incorporated as an LLC or corporation, you are required to file an annual report. This document records the activities of the business. If anything has changed, such as your business name or registered agent's address, the changes are noted in the document. These same changes should also be updated accordingly in your bylaws and operating agreement, too.

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### **Launching formalities business**

What happens once the annual report is ready? This document is filed with the Secretary of State, stating the most updated information possible about the business. Filing an annual report on time allows your small business to remain in compliance with the state — which is critical to the success of a just-launched start up!

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## **❖ Introduction to financing ventures**

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### **UNIT - II**

**Financing and managing the new ventures:** sources of capital, record keeping, recruitment, motivating and leading teams, financial controls. Marketing and sales controls. E-commerce and Entrepreneurship, internet advertising – new venture expansion strategies and issues.

## **UNIT II**

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### **Introduction to financing ventures**

Every Venture that introduces a New Product or Service into the market requires financial funding at different stages of its growth for giving a shape to the Idea that is assessed as an opportunity. Fundamentally, the money the entrepreneur has or can arrange from different sources makes a difference in their ability to give a shape to the business and keep it running.

All entrepreneurs learn about this aspect sooner or later, irrespective of their background- technical, financial or general. This aspect is very crucial for the success of a venture, therefore, sooner or later, the entrepreneur develops a knack of either dealing with these aspects or introducing a professional to look after these aspects. There are varieties of financial possibilities. What matters the most is appropriate finance in terms of quantum, timing and other associated terms and conditions attached to getting funds for promoting ventures. The entrepreneurs need to assess well the requirement of funds and the purpose for which these are required, so as to work on the possibility of sourcing the funds from the most appropriate source from the point of view of its relevance and other associated terms and conditions.

**Capital:** The term Capital refers to “the minimum amount of money required for Promotion, establishment and running of a Venture or Business”

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## **Introduction to financing ventures**

Capital plays a vital role in success of a venture Hence entrepreneurs should be careful at the time of assessing capital required for the venture Capital is required to meet the following:

- For Promoting a Venture or Business
- For Establishment of Venture or Business
- For meeting daily requirements or running of a Venture or business

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## **❖ Sources of capital**

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### **Sources of capital**

There are many different sources of capital—each with its own requirements and investment goals They fall into two main categories: debt financing, which essentially means you borrow money and repay it with interest; and equity financing, where money is invested in your business in exchange for part ownership

- 1) Own Funds:** When starting a business, your first investor should be yourself—either with your own cash or with collateral on your assets In other words, it refers the amount of money invested by Promoters/owners of the company
- 2) Equity Share Capital:** It is a popular source used in joint stock companies where the company can issue the shares to raise money for promotion, establishment and running a business venture
- 3) Commercial Banks** Smaller companies are much more likely to obtain an attentive audience with a commercial loan officer after the startup phase has been completed In determining whether to “extend debt financing” (essentially, make a loan), bankers may look first at general credit rating, collateral and your ability to repay Bankers also can closely examine the nature of your business, your management team, competition, industry trends and the way you plan to use the proceeds A well-drafted loan proposal can go a long way in demonstrating your company’s creditworthiness to the prospective lender and ability to service the loan

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### **Sources of capital**

- 4) Financial Institutions or Companies** Many companies that get turned down for a loan from a bank turn to a commercial finance company These companies usually charge considerably higher rates than institutional lenders, but might provide lower rates if you sign up for the other services they offer for fees, such as payroll and accounts-receivable management However, the commercial finance companies are just as likely to mitigate their risk—with higher interest rates and more stringent collateral requirements for loans to undeveloped companies
- 5) Leasing:** If you need money to purchase assets for your business, leasing offers an alternative to traditional debt financing Rather than borrow money to purchase equipment, you rent the assets instead
- 6) State and Local Government Lending Programs:** Many state and local governments provide direct capital or related assistance through support services or even loan guarantees to small and growing companies in an effort to foster economic development The amount and terms of the financing will usually be regulated by the statutes authorizing the creation of the state or local development agency

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### Sources of capital

- 7) **Intermediaries** Many growing companies begin their search for capital with the assistance of an intermediary, such as an investment banker, broker, merchant banker or financial consultant These companies and individuals aren't direct suppliers of equity capital but often will assist the growing company in arranging financing through commercial lenders, insurance companies, personal funds or other institutional sources Investment bankers will also arrange for equity investment by private investors, usually in anticipation of a public offering of the company's securities
- 8) **Angels Investors:** Angel Investors are generally wealth individuals or retired company executives who invest directly in small firms owned by others They are often leaders in their own fields who not only contribute money and also their experience and network of contracts, technical and or management knowledge in running a venture
- 9) **Invoice Finance:** Invoice Financing allows companies to borrow money against the value of invoices due from customers Invoice finance can be great option if you have many corporate or SME customers who have long payment terms or tend to pay as late as possible

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### Sources of capital

- 10) **Business Overdraft:** A Bank Overdraft is an ideal source of finance for the short-term An agreed overdraft lets business use their current account to make payments which exceeds their available balance In other words, the company owes the bank money when the balance goes below zero
- 11) **Business Credit Cards:** Another similar source of short-term business finance is a business credit card, which is the most commonly used finance source for small business Companies can used credit card to pay for any business related expenses and won't incur any interest, provided outstanding balance is paid off by end of the credit-free-period, usually 30-56 days later
- 12) **Merchant Cash Advance:** It is a source to raise short-term funds under which company can raise funds from customer in the form of advances
- 13) **Crowd Funding:** Crowd funding has really grown as a source of Investment for business overall and for specific products It involves taking a small amount of Investment from a lot of people to equal a much larger sum

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## ❖ Record keeping

- 1. Introduction**
- 2. Purpose**
- 3. Terminology**
- 4. Advantage**
- 5. Disadvantages**
- 6. Records maintained in business**

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### Record keeping

**INTRODUCTION:** Keeping records is crucial for the successful management of a business A comprehensive record keeping system makes it possible for entrepreneurs to develop accurate and timely financial reports that show the progress and current condition of the business With the financial report you can generate from a good recordkeeping system, you can compare performance during one period of time (month, quarter or year) with another period, calculate trends and plan for the business's future

Record keeping is a primary stage in accounting which tells us how to keep a record of monetary business transactions with the objective keep permanent track of all the transaction, know the correct picture of assets-liabilities, profits and loss etc, keep control of the expenses with a view to minimizing the expenditure and to have important information for legal and tax purposes

For a business to be successful, its owner must possess a good blend of these skills: sales, customer service, management and recordkeeping The sole proprietor must assume all the responsibility; but if the business has more than one owner or employee, it has the advantage of bringing sales, customer service, management and detail-oriented persons together to cover all aspects of the business

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## Record keeping

**PURPOSE:** The purpose of a good recordkeeping system is to provide management information to use in operating the business. Because cash flow and profitability are closely tied to financial analysis, it is vital that the entrepreneur understand the external and internal financial factors that affect business. The recordkeeping system provides the foundations for monitoring and measuring the progress of the business. It provides a blueprint for fiscal control by monitoring and measuring sales, costs of goods sold, gross profits, expenses and taxes. The entrepreneur should be involved in setting up the recordkeeping system and the chart of accounts, which includes elements that are critical in managing the day-to-day operations of the specific business.

**TERMINOLOGY:** The following is a simplified lexicon of basic recordkeeping that demonstrates how to set up your own accounting system.

1) **Journal:** Journal is a book for recording business transactions in chronological order. A simple method of recordkeeping is to use 13 column paper for journals. You derive the information for each journal entry from original source documents, such as receipts for cash paid or received, checks written or received, cash register tapes, sales tickets, etc. The information appearing on these documents must be analyzed to determine the specific accounts affected and the dollar amounts, then the proper journal entry is recorded.

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## Record keeping

2) **Transaction:** It is entered in a journal before it is entered in ledger accounts. Transactions are entered into the journals by date, amount, description and account to which the transaction has been assigned. For example, when rent is paid, the journal entry would be made in the cash disbursement journal under the accounts of cash and rent. A journal is also called the book of original entry. Different journals are used for different source documents. Cash coming into the business (cash sales, bank loans, interest income) is entered in chronological order in a cash receipts journal. Cash going out of the business (expenses: rent, insurance, payroll, purchases,) is recorded in a cash disbursement journal. The check book is the source for recording disbursements.

3) **Disbursements:** It should be made by check from a business account that is separate from your personal bank account. This provides an audit trail in case of an IRS audit. Sales and Purchases on credit are entered into a sales journal and purchases journal, respectively. These journals are the original entry for the accounts receivable and accounts payable. A payroll journal is used to show employee gross wages, taxes/other deductions withheld and net wages. It also shows the employer's share of FICA, Medicare and unemployment taxes. A general journal is used for miscellaneous entries and adjustments such as depreciation and inventory.

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## Record keeping

4) **Single entry:** Single entry is a simple listing of cash receipts and checks paid out. It is not a debit/credit system. It records monies received in a cash receipts journal (cash in) and monies paid out in the cash disbursements journal (cash out). From these two listings, a simple profit and loss statement and cash flow statement can be developed. The single entry can be kept manually on a notepad or journal with columns labelled with your chart of account numbers.

5) **Double entry:** Because the double entry system is more sophisticated, an understanding of bookkeeping principles is needed to implement it. A small business with a limited number of transactions and employees can get by on a single entry system, either manual or computerized. All businesses require accounts receivable controls, accounts payable controls and pricing policies. For larger businesses with employees, with different departments or with inventory to manage, it is wise to implement a double entry recordkeeping system because it affords checks and balances.

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## Record keeping

### ADVANTAGES OF RECORD KEEPING

- 1) **Permanent and Reliable Record** – It helps in maintaining the permanent record of all the transactions, which will help in ensuring the reliability of data.
- 2) **Arithmetical Accuracy of the Accounts** – Continuous recording of transactions will help in identifying any arithmetical inaccuracy that might have taken place. Eg, excess payment to suppliers or double payment of any transactions.
- 3) **Net Result of Business Operations** – It will give the profit earned during the given period based on ongoing business operations.
- 4) **Ascertainment of Financial Positions** – It helps in identifying the financial position of the business.
- 5) **Calculation of Dues** – All the outstanding liabilities and dues on a given point of time can be calculated based on the proper financial statements prepared.
- 6) **Control Over Assets and Borrowings** – Better control over assets and borrowings can be undertaken; this will help in managing the funds and various positions of business.

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### **Record keeping**

- 7) **Taxation** – It is highly recommended and needed by tax authorities To complete their assessments, business persons have to appropriately maintain the records which will help in determining the tax liability over them
- 8) **Management Decision Making** – Management is highly dependent on the financial records to undertake the planning of the business operations Moreover, they are also in need of continuous reporting by the middle level about the progress made in finance terms The financials maintained by the organization governs all the strategic decisions
- 9) **Legal Requirements** – There is a massive requirement of statutes, Local GAAPs, IFRSs, etc, to maintain the proper books of account, to ensure the transparency of the business

#### **DISADVANTAGES OF RECORD KEEPING**

- 1) **Clerical** – For large organizations, recordkeeping is a highly tedious and ongoing job It becomes tough for them to maintain the same
- 2) **Manual and Monotonous** – It is a highly manual job The same work is needed to be carried out as many times the transaction is undertaken This makes it a highly monotonous job

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### **Record keeping**

- 3) **Subjective needs to Check before Analysed** – Various accounting aspects like depreciation, stock valuation, etc requires assumptions that make the accounting highly subjective The viability of such assumptions needs to be verified before analyzing the financial statements

#### **RECORDS MAINTAINED IN BUSINESS:**

In order to fulfill needs identified above, you will need different sets of records Entrepreneur should maintain records to meet his or her requirements The following are examples of records to be maintained

- Creditors Record
- Debtors Record
- Production Records
- Cash Book
- Purchase Records
- Sales Records
- Stock Records
- Assets Records

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## **❖ Recruitment**

- 1. Meaning**
- 2. Definition**
- 3. Process of recruitment**
- 4. Factors influencing recruitment**
- 5. Sources of recruitment**

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### **Recruitment**

#### **MEANING**

Recruitment is a positive process of searching for prospective employees and stimulating them to apply for the jobs in the organization When more persons apply for jobs then there will be a scope for recruiting better persons

Recruitment is concerned with reaching out, attracting, and ensuring a supply of qualified personnel and making out selection of requisite manpower both in their quantitative and qualitative aspect It is the development and maintenance of adequate man- power resources This is the first stage of the process of selection and is completed with placement

#### **DEFINITION**

According to Edwin B Flippo, “It is a process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organisation” He further elaborates it, terming it both negative and positive

He says, “It is often termed positive in that it stimulates people to apply for jobs, to increase the hiring ratio, ie the number of applicants for a job Selection, on the other hand, tends to be negative because it rejects a good number of those who apply, leaving only the best to be hired ”

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## Recruitment

Kempner writes, "Recruitment forms the first stage in the process which continues with selection and ceases with the placement of the candidates"

In personnel recruitment, management tries to do far more than merely fill job openings As a routine the formula for personnel recruitment would be simple ie, just fill the job with any applicant who comes along

Joseph J Famularo has said, "However, the act of hiring a man carries with it the presumption that he will stay with the company—that sooner or later his ability to perform his work, his capacity for job growth, and his ability to get along in the group in which he works will become matters of first importance" Because of this, a critical examination of recruitment methods in use should be made, and that is the purpose of this chapter

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## Recruitment

### PROCESS OF RECRUITMENT

#### **Recruitment Process Passes through the Following Stages:**

1. Searching out the sources from where required persons will be available for recruitment If young managers are to be recruited then institutions imparting instructions in business administration will be the best source
2. Developing the techniques to attract the suitable candidates The goodwill and reputation of an organisation in the market may be one method The publicity about the company being a professional employer may also assist in stimulating candidates to apply Using of good techniques to attract prospective candidates There may be offers of attractive salaries, proper facilities for development, etc
3. The next stage in this process is to stimulate as many candidates as possible to apply for jobs In order to select a best person, there is a need to attract more candidates

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## Recruitment

### FACTORS INFLUENCING RECRUITMENT

All enterprises, big or small, have to engage themselves in recruitment of persons A number of factors influence this process

#### **Some of the main factors are being discussed below:**

##### **1 Size of the Enterprise:**

The number of persons to be recruited will depend upon the size of an enterprise A big enterprise requires more persons at regular intervals while a small undertaking employs only a few employees A big business house will always be in touch with sources of supply and shall try to attract more and more persons for making a proper selection It can afford to spend more amounts in locating prospective candidates So the size of an enterprise will affect the process of recruitment

##### **2 Employment Conditions:**

The employment conditions in an economy greatly affect recruitment process In under-developed economies, employment opportunities are limited and there is no dearth of prospective candidates At the same time suitable candidates may not be available because of lack of educational and technical facilities If the availability of persons is more, then selection from large number becomes easy On the other hand, if there is a shortage of qualified technical persons, then it will be difficult to locate suitable persons

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## Recruitment

### **3 Salary Structure and Working Conditions:**

The wages offered and working conditions prevailing in an enterprise greatly influence the availability of personnel If higher wages are paid as compared to similar concerns, the enterprise will not face any difficulty in making recruitments An organisation offering low wages can face the problem of labour turnover

The working conditions in an enterprise will determine job satisfaction of employees An enterprise offering good working conditions like proper sanitation, lighting, ventilation, etc would give more job satisfaction to employees and they may not leave their present job On the other hand, if employees leave the jobs due to unsatisfactory working conditions, it will lead to fresh recruitment of new persons

##### **4 Rate of Growth:**

The growth rate of an enterprise also affects recruitment process An expanding concern will require regular employment of new employees There will also be promotions of existing employees necessitating the filling up of those vacancies A stagnant enterprise can recruit persons only when present incumbent vacates his position on retirement, etc

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## Recruitment

### SOURCES OF RECRUITMENT

Sources of recruitment refers to various modes of connecting with the job seeker for completing the task of finding potential employees. In simple words, sources of recruitment is the medium through which communication regarding the vacant positions is made aware to the prospective candidates.

There are generally recognised two sources of recruitment, which are internal and external sources. Let us discuss these sources in detail in the following lines.

#### I Internal Sources

Internal sources of recruitment refers to the recruitment of employees who are already a part of the existing payroll of the organisation. The vacancy for the position can be informed to the employee through internal communication.

There are different types of internal hiring in the organisation and they are as follows:

**1 Promotion:** Promotion is referred to as the change of designation of the employee. It involves shifting of the existing employee to a higher position within the organisation and providing that employee with more responsibility and a raise in pay.

Promotion helps in motivating the other employees of the organisation to work hard so that they also become eligible for promotion.

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## Recruitment

**2 Transfer:** Transfer refers to the shifting of an existing employee from one department to another department in an organisation.

**3 Employee Referrals:** It can happen that the organisation in an effort to cut down costs on hiring is looking for employee referral. The employees are well aware of the job roles in the organisation for which manpower is required. These employees will refer potential candidates by screening them based on their suitability to the position.

**4 Former employees:** Some organisations have the provision of hiring retired employees willing to work part time/full time for the organisation.

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## Recruitment

### Advantages of Internal Sources

Following are the advantages of the internal sources:

1 The organisation saves money on hiring programmes which translates to higher revenue for business.

2 It makes selection and transfer of employees very easy.

3 Internal source of recruitment serves as a morale booster for the existing employees.

4 It provides a sense of loyalty towards the business which results in improved productivity.

5 As existing employees will be aware of the working pattern of the organisation, therefore it will take much less time for the re-hires to get adapted to working conditions.

### Disadvantages of Internal Sources

Following are some of the disadvantages of the internal sources:

1 Internal recruitment causes reduction in the morale of those employees who are not selected or considered for appraisal.

2 It discourages capable persons from outside to join to work in the company.

3 It can lead to conflict if one employee is selected for promotion, while the others are not considered.

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## Recruitment

### II External Sources

External sources of recruitment seek to employ candidates that have not been recruited anytime before in the organisation.

Introduction of fresh talent among the workforce leads to growth and development of the business.

Following are the some of the external sources of recruitment:

**1 Advertisement:** Advertisements serve as a great source of information regarding any job opportunities. This type of source is used for recruitment of middle level employees, or high level employees.

**2 Employment Exchanges:** Employment exchanges serve as a source of recruitment for the people as it is run by the government.

**3 Employment portals:** In this age of technology, development in the field of hiring has taken place. Nowadays many employment portals are open where one can find information about job openings.

**4 Educational Institutions:** Educational institutions also serve as a good source of recruitment as many students or say resources will be available at once under one roof.

**5 Recommendation:** This can also be a good source of recruitment as an existing employee will be able to provide better recommendation for other candidates.

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## Recruitment

### Advantages of External Source

Following are some of the advantages of external sources

- 1 It helps in availability of proper skilled labour
- 2 There will be availability of new ideas from employees hired using external sources
- 3 The employees join as knowledgeable persons which reduces the training time required for new hires

### Disadvantages of External Source

- 1 It can lead to unhappy employees as the existing employees may feel that they deserved an opportunity for growth
- 2 It can lead to lack of cooperation between the new hires and the existing employees
- 3 It is a lengthy process where the employee needs to appear for many rounds

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## ❖ Motivating and leading teams

1. Introduction
2. Definition
3. Characteristics of motivation
4. Importance of motivation
5. Leadership qualities to motivate

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### INTRODUCTION

### Motivating and leading teams

The biggest challenge faced by the organizations is to get the work done by their employees. This entirely depends on the motivation levels of the employees and Leading skills of Manager or Leader. Motivation is a result of their needs and organizational expectations. If the employees are adequately motivated, the organization will be able to meet its objectives.

The term 'motivation' is derived from a latin word **movere** which means to **move**. A motive is an inner state that encourages, activates or moves and that directs behaviour towards goals. Thus, motivation is psychological force within an individual that sets him in motion for the achievement of certain goals or satisfaction of certain needs.

### DEFINITION OF MOTIVATION

Several authors have defined motivation in different ways

According to Robert Dublin, "Motivation is the complex set of forces starting and keeping a person at work in an organization"

According to Stanley Vance, "Motivation represents an unsatisfied need which creates a state of tension or disequilibrium, causing the individual to march in a goal-directed pattern, towards restoring a state of equilibrium by satisfying the need"

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### Motivating and leading teams

#### CHARACTERISTICS OF MOTIVATION

On the basis of the definitions of motivation discussed above, following characteristics of motivation can be inferred:

**1 Psychological process:** Motivation is a psychological process. It is the process to achieve a desired result by stimulating and influencing the behaviour of subordinates. A manager should carefully make an attempt to understand the needs, motives and desires of every employee in the organization. The reason for this is that each person is different and a same kind of motivational technique does not apply to all kinds of individuals.

**2 Continuous process:** Motivation is a continuous process. When one need is satisfied, another need emerges. Therefore, motivation is an incessant process until the completion of objectives. Therefore, it is the responsibility of the management to develop innovative techniques, systems and methods to satisfy the changing needs of workers.

**3 Complex and unpredictable:** Motivation is a complex and unpredictable task. Human wants are not definite and they change according to consequences. A worker may be satisfied in present situation but due to his changed needs he may not be satisfied in future. Similarly, even two persons may not be motivated with

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## Motivating and leading teams

similar behaviour and facilities Therefore, a manager must be more conscious to motivate subordinates and to achieve objectives

**4 Pervasive function:** Motivation is the pervasive function of all levels of management Every manager from top to the lowest level in the management hierarchy is responsible for motivation A manager is largely responsible for motivating his subordinates and secondly other subordinates in management hierarchy

**5 Influences the behaviour:** The most important objective of motivation is to influence the employees' behaviour and thus bringing about the behavioural changes The managers influence the behaviour of workers and encourage them to concentrate more on their goals

**6 Positive or negative:** Motivation may be positive or negative A positive motivation promises incentives and rewards to workers Incentives are both financial and non financial Negative motivation is based on punishment for poor performance like reducing wages, demotion, job termination etc On the basis of requirements, manager can use both positive and negative motivation for better performance

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## Motivating and leading teams

### IMPORTANCE OF MOTIVATION

Motivating the subordinates is the fundamental duty of the manager as it ultimately helps in fulfilling the goals of the organisation The significance of motivation is discussed below and has been summarized:

**1 Cooperation and Goals:** Motivated employees cooperate willingly with the management and thus contribute maximum towards the goals of the company

**2 Productivity:** Motivated employees attempt to enhance their knowledge and skills This enables increase in the productivity

**3 High Efficiency:** It has been observed that when motivated employees work sincerely towards their given tasks; they develop a sense of belongingness which results in conserving the organisational resources This results in improvement in efficiency

**4 Job Satisfaction:** Higher motivation paves the way for a higher job satisfaction of the employees A motivated employee yearning for opportunities for satisfying needs becomes loyal and committed towards his work and eventually the organisation

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## Motivating and leading teams

**5 Better Relations:** The number of complaints and grievances reduce when the employees are motivated

**6 Good Image:** If the employees of the organisational are motivated and satisfied with the work environment, the image of the company as a good employer boosts in the industry

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## Motivating and leading teams

### LEADERSHIP QUALITIES TO MOTIVATE THE TEAM

#### **1 Provide a vision and purpose**

Create an inspiring vision of the future that also gives your team a purpose – something to look forward to, and something to work towards Make this vision achievable and realistic and work with your team towards achieving this goal Think of practices or services that could help make both yours and their job easier Use personal stories and anecdotes to explain your vision and inspire your team members, it will make you more relatable and less of a separate entity

#### **2 Set clear goals**

Set clear goals for completing a project so that your team knows what is expected of them Ensure that your team agrees with goals and deadlines you have set, and can identify with them on a personal level This way they can be motivated to work harder and achieve those goals, boosting productivity levels in turn Making sure that your team are in agreement and happy with goals and deadlines you have set will help them feel more involved in their work

#### **3 Lead by example**

One of the most powerful motivational tactics you can use is to lead by example Working hard, showing professional integrity, and having a can-do attitude are all

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## Motivating and leading teams

qualities that will have a positive effect on your team members

If your team recognises that you value the time and effort they put into their work, and you demonstrate the same actions and values you expect from them, it will inspire them to do the same

### 4 Encourage teamwork

Encourage members to work together as a team by stressing the importance of and the connection between teamwork and achieving group goals Note the fact that when people work together, work is much easier and quicker to do You can further motivate your team by linking performance with team goals

Encouraging teamwork will help individual team members feel less isolated and separate from the workplace Employees will feel more engaged and a part of a larger community, inspiring them to work harder and enjoy what they do

### 5 Be optimistic and positive

Having a positive attitude and an optimist outlook, even when times are tough, can inspire your team members to adopt the same attitude and outlook and continue to work hard Remaining positive will show your team that it's not the end of the world if things are going wrong, and keep them focused on the greater picture

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## Motivating and leading teams

You can also help motivate your team by reacting positively to goal or project completion, and to the skills and abilities that each member brings to the team Make them feel valued and appreciated, and your team will work harder

### 6 Give praise and rewards

This is one of the best ways to inspire and motivate your team to work harder When you praise one person in front of others, it encourages them to work harder or perform better, simultaneously motivating the others to work hard in order to be praised When a reward is linked to performance, people will work even harder and be more committed to their task in order to win the reward

### 7 Communicate with the team

You should be contactable at all times so that your team members can ask you questions about a project, get your opinion, offer ideas, and give feedback Being available for your team plays a key role in motivating them, as it shows that you value the project and their feedback Making yourself more available also avoids making your team members feel isolated and separate from management Ensuring you're always available for your team can boost productivity and improve the quality of your work

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## Motivating and leading teams

### 8 Empower team members

When you give team members the power or authority to do something with complete control, this helps to motivate them to complete the work You can also keep motivating your team members to work hard and bring out the best in them by offering constructive feedback This will result in an empowered, happier, and more productive team

The eight qualities above are essential in making you an effective team leader By developing your leadership skills, you'll see your team's performance, productivity, and morale improve significantly In turn, this can lead you and your company towards greater success

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## ❖ Financial controls

1. Introduction
2. Definition
3. Objectives
4. Process
5. Importance
6. Types

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## Financial controls

**INTRODUCTION:** Financial controls are the procedures, policies, and means by which an organization monitors and controls the direction, allocation, and usage of its financial resources. Financial controls are at the very core of resource management and operational efficiency in any organization.

This strategy involves reviewing the company's actual performance concerning its business plans and adjusting policies and procedures in response to any anomalies, irregularities, or unanticipated changes.

In simpler words, financial controls are necessary for the formulation of strategies and policies of an organization. It not only reduces expenses but can also streamline the entire process, resulting in increased profits. The absence of it can bring chaos to the system.

Businesses typically need to keep track of and control their financial resources to fulfill their goals. The balance sheet, cash flow statement, and income statement (profit and loss) are the three most effective ways to accomplish so. It provides an insight into identifying new business prospects and fine-tuning processes to optimize performance while adhering to industry and legal standards.

**Financial control** has now become an **essential part of any company's finances**. Hence, it is very important to understand the meaning of financial control, its objectives and benefits, and the steps that must be taken if it is to be implemented correctly.

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## Financial controls

### DEFINITION OF FINANCIAL CONTROL

Financial control may be construed as the analysis of a company's actual results, approached from different perspectives at different times, compared to its short, medium and long-term objectives and business plans.

These analyses require control and adjustment processes to ensure that business plans are being followed and that they can be amended in the event of anomalies, irregularities or unforeseen changes.

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## Financial controls

### OBJECTIVES OF FINANCIAL CONTROLS

A company must prepare a financial controls checklist to minimize the risks, avoid future consequences, and ensure profitability. Its main objectives are –

- 1) Boost productivity and profitability by streamlining processes across all areas and departments of the business.
- 2) Conduct frequent audits and report accurate financial data to guarantee the balance sheet, cash flow statement, and income statement are all free of errors.
- 3) Direct, allocate, manage, and employ financial resources per needs, resulting in increased performance and income.
- 4) Improve operational efficiency by evaluating financial data, distributing resources more efficiently, and controlling cash flow.
- 5) Maintain financial accountability and communication at all levels, ensuring all stakeholders comply with fiduciary responsibility, corporate governance, and due diligence obligations.
- 6) Meet production targets, cut costs, and prevent invoice fraud through on-budget, on-target expenditure.

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## Financial controls

### FINANCIAL CONTROL PROCESS

The implementation of effective financial control policies should be done after a thorough analysis of the existing policies and future outlook of a company. In addition, it is important to ensure the following four processes are completed before implementing financial control in a business:

#### 1 Detecting overlaps and anomalies

Financial budgets, financial reports, profit & loss statements, balance sheets, etc., present the overall performance and/or operational picture of a business. Hence, while formulating financial control policies, it is very important to detect any overlaps and/or anomalies arising out of the data available. It helps in detecting any existing loopholes in the current management framework and eliminating them.

#### 2 Timely updating

Financial control is the essence of resource management and, hence, the overall operational efficiency and profitability of a business. Timely updates of all available data are very important. In addition, updating all management practices and policies concerning the existing financial control methods is also equally important.

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## Financial controls

### 3 Analyzing all possible operational scenarios

Before implementing a fixed financial control strategy in an organization, it is important to thoroughly evaluate all possible operational scenarios. Viewing the policies from the perspectives of different operational scenarios – such as profitability, expenditures, safety, and scale of production or volume – can provide the necessary information. Also, it helps establish an effective financial control policy that covers all operational aspects of the organization.

### 4 Forecasting and making projections

While implementing a financial control policy, forecasting and making projections are very important steps. They provide an insight into the future goals and objectives of the business. In addition, they can help establish a financial control policy in accordance with the business objectives and act as a catalyst in achieving such goals.

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## Financial controls

### IMPORTANCE OF FINANCIAL CONTROLS

#### 1 Cash flow maintenance

Efficient financial control measures contribute significantly to the cash flow maintenance of an organization. When an effective control mechanism is in place, the overall cash inflows and outflows are monitored and planned, which results in efficient operations.

#### 2 Resource management

The financial resources of an organization are at the very core of any organization's operational efficiency. Financial resources make available all other resources needed for operating a business. Hence, financial resource management is crucial in order to manage all other resources. Effective financial control measures hence are crucial to ensure resource management in an organization.

#### 3 Operational efficiency

An effective financial control mechanism ensures overall operational efficiency in an organization.

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## Financial controls

### 4 Profitability

Ensuring an organization's overall operational efficiency leads to the smooth functioning of every organizational department. It, in turn, increases productivity, which comes with a direct, positive relationship with profitability. Hence, establishing effective financial control measures ensures the improved profitability of any business.

### 5 Fraud prevention

Financial control serves as a preventative measure against fraudulent activities in an organization. It can help prevent any undesirable activities such as employee fraud, online theft, and many others by monitoring the inflow and outflow of financial resources.

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## Financial controls

### TYPES OF FINANCIAL CONTROL

A valid and commonly accepted classification at an academic and professional level establishes three major typologies of financial control:

#### 1 Immediate or directional financial control

Consists of using a 'classic' vision of financial control. It entails knowing with the highest degree of certainty or detail the current situation of the company at any given moment. As a rule, it includes controls of a global nature based on general financial situations.

The aim of this type of control is, to apply immediate and concrete corrective measures, in the event of any kind of error or deviation that could jeopardise the objectives of the organization.

#### 2 Selective financial control

This is a more specific type of control than the former, as it is focused on certain areas of the business, with the aim of establishing whether these areas comply with the processes and seeking alternatives on the way.

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## Financial controls

### 3 Postdate financial control

The principal characteristic of postdate financial control is that it is carried out once operations have already taken place. That is to say, the comparison is carried out between planned objectives based on the results already obtained and the company acts accordingly: by continuing to work in the same way if the results are satisfactory or take corrective actions this is not the case.

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## Marketing and sales controls

### DEFINITION

Marketing control refers to the measurement of the company's marketing performance in terms of the sales revenue generated, market share captured, and profit earned. Here, the actual result is compared with the standard set, to find out the deviation and make rectifications accordingly.

Marketing is one of the crucial functions of any organization. Therefore, the management must exercise proper control over the marketing operations to ensure error-free results, optimum utilization of the resources and achievement of the planned objectives.

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## ❖ Marketing and sales controls

1. **Definition**
2. **Types of marketing control**
3. **Marketing control process**

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## Marketing and sales controls

### TYPES OF MARKETING CONTROL

When we say control, it is not about overpowering the personnel, but it means enhancement of efficiency, by reducing the chances of errors and meeting the standards set by the management.

Let us now discuss the four major types of control, implemented in an organization:

#### 1 Annual Plan Control

As the name suggests, the plans which are determined for one year for the control of operational activities through the successful implementation of management by objectives is termed as annual plan control. Such programs are usually framed and controlled by the top management of the organization.

Following are the five vital tools used under the annual plan control mechanism:

**i Sales Analysis:** The first one is the sales analysis, where the manager determines whether the sales target of the organization have been achieved or not. For this purpose, the actual sales are compared with the desired sales and deviation is computed.

This method is also used for finding out the efficiency of sales personnel by comparing the individual sales with the target set for each salesperson.

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## Marketing and sales controls

**ii Market Share Analysis:** To evaluate the competitiveness, the management needs to find out the market share acquired by the organization

However, it is quite challenging to determine the market share of other organizations which constitute of unorganized firms, due to lack of sufficient data

**iii Marketing Expense to Sales Analysis:** Sometimes the firms spend much on the marketing of products, which diminishes their profit margin or increases the product price

Therefore, a marketing expense to sales ratio is calculated to know the percentage of sales value paid off as a marketing expense

Let us now go through the other ratios computed to determine the share of each marketing expense in sales value:

- **Sales Force Cost to Sales Ratio** estimates the percentage of sales value used to pay the salespeople
- **Sales Administration to Sales Ratio** determines the share of sales amount utilized for meeting the selling and administration expenses
- **Sales Promotion to Sales Ratio** is the value of sales invested in the sales promotion activities

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## Marketing and sales controls

- **Advertising to Sales Ratio** is the percentage of sales value, which is contributed to the advertising expenses of the products

- **Distribution Expenses to Sales Ratio** is the value of sales, which is utilized for paying off distribution expenses

## iv Financial Analysis

The management needs to handle its finances well It should examine the reasons and factors which influence the rate of return and financial leverage and return on assets in the organization through financial analysis tools

It also helps to enhance the financial leverage position of the company

## v Customer Attitude Tracking

Consumer satisfaction has been considered as an essential parameter to analyze the organization's performance It is a qualitative analysis tool which can be of the following three types:

- **Customer Surveys:** The companies get the questionnaires filled or make calls to the past customers for finding out the level of consumer satisfaction It provides a direction to the sales team and the management

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## Marketing and sales controls

**▪ Customer Panels:** The organizations form consumer panels where the customers are hired to review the products, advertisements and other marketing activities It helps the management to know about the consumer's perception and attitude

**▪ Feedback and Suggestion Systems:** Market performance of the products can be analyzed with the help of genuine feedback from the customers, and the same can be improved through their suggestions and input

## 2 Profitability Control

Maximizing the profit margin has become a difficult task in today's highly competitive market This has enforced pressure on the marketing team of the organizations too

They now need to frame strategies for profit assessment and control in the different product line, trade channels and territories

Following is the process of profitability control in an organization:

- The first step is to understand the functional expenses, ie, selling, distribution, administrative and advertising expenses incurred while carrying out the marketing function of a territory or marketing channel

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## Marketing and sales controls

- The second step is to segregate the non-marketing expenses from the marketing overheads and then to associate these pure marketing expenses to the marketing entities (like apportioning the building rent into marketing function)

- Lastly, to compile everything systematically and to ascertain the profit or loss incurred on carrying out the particular marketing activity, an individual profit and loss account is prepared for each operation

## 3 Efficiency Control:

The management and the marketers are regularly involved in finding out ways to improve the task performance in the organization These improvements bring in efficiency and perfection in marketing operations

The three essential mechanisms used under efficiency control are as follows:

**i Sales Force Efficiency Indicators:** The competence of the sales team can be determined by evaluating the various factors It includes acquisition of new customers, customer turnover, average cost incurred on each sales call, return on time invested on the prospective customers, market share lost to the competitors, average sales made by each person per day, etc Advertising Efficiency Indicators

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## Marketing and sales controls

To know the effectiveness of the advertising activities, the marketers analyze the various advertising functions on different grounds. For this purpose, it finds out the brand awareness, cost incurred on each enquiry, media cost to reach per thousand customers, advertising campaign reach, etc.

**ii Distribution Efficiency:** The performance of the distribution channels in comparison to the cost incurred on channel partners and distribution of products can be analyzed through the distribution efficiency control.

It includes the measurement of the channel member's market reach, cost incurred on operating a particular channel and the contribution of each channel member in selling the brand's products.

### 4 Strategic Control

The external environment creates a significant impact on the organization's marketing strategies. To understand and align the plans with the prevailing external environment, the organization can adopt any of the following control functions:

**i Customer Relationship Barometer:** To determine the customer's loyalty towards the brand and its products, the organization uses the relationship barometer.

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## Marketing and sales controls

Here, the company studies the customer's perception based on the criteria like organization's core values, system, policies, structure, customer orientation strategy, technology, personnel attitude, knowledge, skills and behaviour.

**ii Marketing Audit:** Like accounting audits, marketers carry out marketing audit to get a clear picture of the company's performance while executing the various marketing operations.

It is a systematic record which periodically examines the problem areas and provides for the means of rectification, to overcome the weakness by utilizing the organizational strength and grab the current opportunities.

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## Marketing and sales controls

### MARKETING CONTROL PROCESS

Marketing control is a systematic and integrated process. A marketer follows the following steps while exercising control over the marketing operation in an organization:

**1. Determining Marketing Objectives:** The initial step in marketing control is the setting up of the marketing goals, which are in alignment with the organizational objectives.

**2. Establishing Performance Standards:** To streamline the marketing process, benchmarking is essential. Therefore, performance standards are set for carrying out marketing operations.

**3. Comparing Results with Standard Performance:** The actual marketing performance is compared and matched with the set standards and variation is measured.

**4. Analyzing the Deviations:** This difference is then examined to find out the areas which require correction, and if the deviation exceeds the decided range, it should be informed to the top management.

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## Marketing and sales controls

**5 Rectification and Improvement:** After studying the problem area responsible for low performance, necessary steps should be taken to fill in the gap between the actual and expected returns.

Thus, marketing can be seen as a complete function, which needs to be performed successfully through proper control over the related activities, to ascertain the achievement of the set goals and objectives.

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## ❖ E-commerce and entrepreneurship

1. What is e-commerce?
2. Types of e-commerce
3. Advantages of e-commerce
4. Disadvantages of e-commerce

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### E-commerce and Entrepreneurship

#### WHAT IS E-COMMERCE?

E-commerce (electronic commerce) is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the internet. These business transactions occur either as business-to-business (B2B), business-to-consumer (B2C), consumer-to-consumer or consumer-to-business.

The terms e-commerce and e-business are often used interchangeably. The term e-tail is also sometimes used in reference to the transactional processes that make up online retail shopping.

In the last two decades, widespread use of e-commerce platforms such as Amazon and eBay has contributed to substantial growth in online retail.

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### E-commerce and Entrepreneurship

#### TYPES OF E-COMMERCE

**Business-to-business (B2B)** e-commerce refers to the electronic exchange of products, services or information between businesses rather than between businesses and consumers. Examples include online directories and product and supply exchange websites that let businesses search for products, services and information and initiate transactions through e-procurement interfaces. A Forrester report published in 2018 predicted that by 2023, B2B e-commerce will reach \$18 trillion dollars and account for 17% of US B2B sales.

**Business-to-consumer (B2C)** is the retail part of e-commerce on the internet. It is when businesses sell products, services or information directly to consumers. The term was popular during the dot-com boom of the late 1990s, when online retailers and sellers of goods were a novelty.

Today, there are innumerable virtual stores and malls on the internet selling all types of consumer goods. Amazon is the most recognized example of these sites. It dominates the B2C market.

**Consumer-to-consumer (C2C)** is a type of e-commerce in which consumers trade products, services and information with each other online. These transactions are generally conducted through a third party that provides an online platform on which the transactions are carried out.

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### E-commerce and Entrepreneurship

Online auctions and classified advertisements are two examples of C2C platforms. eBay and Craigslist are two well-known examples of these platforms. Because eBay is a business, this form of e-commerce could also be called C2B2C -- consumer-to-business-to-consumer. Platforms like Facebook marketplace and Depop -- a fashion reselling platform -- also enable C2C transactions.

**Consumer-to-business (C2B)** is a type of e-commerce in which consumers make their products and services available online for companies to bid on and purchase. This is the opposite of the traditional commerce model of B2C.

A popular example of a C2B platform is a market that sells royalty-free photographs, images, media and design elements, such as iStock. Another example would be a job board.

**Business-to-administration (B2A)** refers to transactions conducted online between companies and public administration or government bodies. Many branches of government are dependent on various types of e-services or products. These products and services often pertain to legal documents, registers, social security, fiscal data and employment. Businesses can supply these electronically. B2A services have grown considerably in recent years as investments have been made in e-government capabilities.

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## E-commerce and Entrepreneurship

**Consumer-to-administration (C2A)** refers to transactions conducted online between consumers and public administration or government bodies. The government rarely buys products or services from individuals, but individuals frequently use electronic means in the following areas:

Social security: Distributing information and making payments

Taxes: Filing tax returns and making payments

Health: Making appointments, providing test results and information about health conditions, and making health services payments

## E-commerce and Entrepreneurship

### ADVANTAGES OF E-COMMERCE TO ENTREPRENEURS

Benefits of e-commerce include its around-the-clock availability, the speed of access, the wide availability of goods and services, easy accessibility and international reach.

**1 Availability** Aside from outages and scheduled maintenance, e-commerce sites are available 24/7, enabling visitors to browse and shop at any time. Brick-and-mortar businesses tend to open for a fixed number of hours and may even close entirely on certain days.

**2 Speed of access** While shoppers in a physical store can be slowed by crowds, e-commerce sites run quickly, which is determined by compute and bandwidth considerations on both the consumer device and the e-commerce site. Product and shopping cart pages load in a few seconds or less. An e-commerce transaction can comprise a few clicks and take less than five minutes.

**3 Wide availability** Amazon's first slogan was "Earth's Biggest Bookstore." It could make this claim because it was an e-commerce site and not a physical store that had to stock each book on its shelves. E-commerce enables brands to make a wide array of products available, which are then shipped from a warehouse or various warehouses after a purchase is made. Customers will likely have more success finding what they want.

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## E-commerce and Entrepreneurship

**4 Easy accessibility** Customers shopping a physical store may have difficulty locating a particular product. Website visitors can browse product category pages in real time and use the site's search feature to find the product immediately.

**5 International reach** Brick-and-mortar businesses sell to customers who physically visit their stores. With e-commerce, businesses can sell to anyone who can access the web. E-commerce has the potential to extend a business's customer base.

**6 Lower cost** Pure play e-commerce businesses avoid the costs of running physical stores, such as rent, inventory and cashiers. They may incur shipping and warehouse costs, however.

**7 Personalization and product recommendations** E-commerce sites can track a visitor's browse, search and purchase history. They can use this data to present personalized product recommendations and obtain insights about target markets. Examples include the sections of Amazon product pages labeled "Frequently bought together" and "Customers who viewed this item also viewed."

## E-commerce and Entrepreneurship

### DISADVANTAGES OF E-COMMERCE TO ENTREPRENEURS

**1 Limited customer service** If customers have a question or issue in a physical store, they can see a clerk, cashier or store manager for help. In an e-commerce store, customer service can be limited: The site may only provide support during certain hours, and its online service options may be difficult to navigate or not answer a specific question.

**2 Limited product experience** Viewing images on a webpage can provide a good sense about a product, but it's different from experiencing the product directly, such as playing a guitar, assessing the picture quality of a television or trying on a shirt or dress. E-commerce consumers can end up buying products that differ from their expectations and have to be returned. In some cases, the customer must pay to ship a returned item back to the retailer. Augmented reality technology is expected to improve customers' ability to examine and test e-commerce products.

**3 Wait time** In a store, customers pay for a product and go home with it. With e-commerce, customers must wait for the product to be shipped to them. Although shipping windows are decreasing as next-day and even same-day delivery becomes common, it's not instantaneous.

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## E-commerce and Entrepreneurship

**4 Security** Skilled hackers can create authentic-looking websites that claim to sell well-known products Instead, the site sends customers fake or imitation versions of those products -- or simply steals credit card information Legitimate e-commerce sites also carry risk, especially when customers store their credit card information with the retailer to make future purchases easier If the retailer's site is hacked, threat actors may steal that credit card information A data breach can also lead to a damaged retailer reputation

**5 Reliance on technology:** If your website crashes, garners an overwhelming amount of traffic, or must be temporarily taken down for any reason, your business is effectively closed until the ecommerce storefront is back

**6 Higher competition:** Although the low barrier to entry regarding low cost is an advantage, this means other competitors can easily enter the market Ecommerce companies must have mindful marketing strategies and remain diligent on SEO optimization to ensure they maintain a digital presence

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## ❖ Internet advertising

- 1. Introduction**
- 2. Benefits of internet advertising**
- 3. Types of internet advertising**

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### Internet advertising

#### INTRODUCTION

Internet advertising has proven to be a targeted approach to reaching your customer base, and is easily the most cost effective and measurable method of obtaining new customers It's an ideal way to reach potential customers with a solution that's cost effective, offers precise targeting and easy to understand tracking tools Online search advertising reaches over 945% of Australian internet users who use search engines to find products or services online

Each one of these users is interested in the search keywords they have entered, which makes the web such an effective way to connect with prospects interested in your business

**Responsive Audiences:** More and more Australians are using search engines like Google every day Over 107 million Australians are online at least monthly and many of them are looking to buy products or services while you read this This is great news for small business owners who can use advertising platforms like Google AdWords to reach this captive audience

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### Internet advertising

#### BENEFITS FOR YOUR BUSINESS

- 1) being found first in search results
- 2) Gaining an advantage over your competitors
- 3) Attaining the highest rate of traffic to your website
- 4) Taking your position as your industry's leader
- 5) Attracting more quality sales leads
- 6) Increasing business revenue
- 7) Improving business sustainability

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## Internet advertising

### TYPES OF ADVERTISING

There are multiple types of advertising, each with their own strengths and weaknesses There is no "best" type of advertising; ultimately, the particular method used depends on the kind of site it is being run on, the needs of the advertiser, and the audience the advertising will reach

1) **Sponsorships:** This is one of the traditional forms of advertising Essentially, an advertiser will sponsor an entire site, or at least a section of a site or a specific page on a site With this type of advertising it is most common for the sponsorship to be exclusive for a given period of time Normally an advertiser will use this kind of advertising for branding, or for introducing a new product Since visitors to the site will see the same sponsorship advertising constantly, rather than in rotation with other ads, it is more likely to sink in and be established in their minds

2) **Banner Run:** This is perhaps the most basic and traditional form of advertising With this method, the advertiser essentially buys a run of advertising, usually for a specific period of time They will agree to pay a specific CPM for a certain number of impressions over a specific period of time Sometimes this type of advertising will still take on elements of Sponsorship Advertising Most commonly, publishers will sell a Banner Run on a specific

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## Internet advertising

section of a site, or specific ad spots on a page For impressions across the premium ad placements on their site, for a higher rate

3) **Affiliate:** Affiliate advertising is based on the concept of an advertiser rewarding a publisher (the affiliate) for any business that is brought in Generally speaking, the publisher will run ads for an affiliate with special tracking code that helps the advertiser to identify which site a visitor came from Affiliate systems can also often keep track of which visitors actually sign up for or buy something as well, and the affiliate can be rewarded accordingly Affiliate systems can reward

4) **Pay per click:** Most commonly, this type of advertising is associated with search engines and contextual Advertising generally, the advertiser pays out to the publisher (and the PPC network, if one is being Used) for each click on an ad Commonly these ads will be text links, and will be shown either as part of a search results page, or based on the content of a site

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## ❖ New venture expansion strategies

### 1. Introduction

### 2. Expansion strategies

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## New venture expansion strategies

### INTRODUCTION

The **Expansion Strategy** is adopted by an organization when it attempts to achieve high growth as compared to its past achievements In other words, when a firm aims to grow considerably by broadening the scope of one of its business operations from the perspective of customer groups, customer functions, and technology alternatives, either individually or jointly, then it follows the Expansion Strategy

The reasons for the expansion could be survival, higher profits, increased prestige, economies of scale, larger market share, social benefits, etc The expansion strategy is adopted by those firms that have managers with a high degree of achievement and recognition They aim to grow, irrespective of the risk, and the hurdles coming in the way

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## New venture expansion strategies

### TYPES OF EXPANSION STRATEGIES

#### 1 Expansion through Concentration

The **Expansion through Concentration** is the first level form of the Expansion Grand strategy that involves the investment of resources in the product line, catering to the needs of the identified market with the help of proven and tested technology

Simply, the strategy followed when an organization coincides its resources into one or more of its businesses in the context of customer needs, functions, and technology alternatives, either individually or collectively, is called expansion through concentration

#### 2 Expansion through Diversification

Expansion through Diversification is followed when an organization aims at changing the business definition, ie either developing a new product or expanding into a new market, either individually or jointly A firm adopts the expansion through diversification strategy, to prepare itself to overcome the economic downturns

Generally, the diversification is made to set off the losses of one business with the profits of the other; that may have got affected due to the adverse market conditions

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## New venture expansion strategies

existence The firm that acquires another is said to have made an acquisition, whereas, for the other firm that gets acquired, it is a merger

**b) Takeover:** Takeover strategy is the other method of expansion through cooperation In this, one firm acquires the other in such a way, that it becomes responsible for all the acquired firm's operations The takeovers can either be friendly or hostile In the former, both the companies agree for a takeover and feel it is beneficial for both However, in the case of a hostile takeover, a firm tries to take on the operations of the other firm forcefully either known or unknown to the target firm

**c) Joint Venture:** Under the joint venture, both the firms agree to combine and carry out the business operations jointly The joint venture is generally done, to capitalize on the strengths of both the firms The joint ventures are usually temporary; that lasts till the particular task is accomplished

**d) Strategic Alliance:** Under this strategy of expansion through cooperation, the firms unite or combine to perform a set of business operations, but function independently and pursue the individualized goals Generally, the strategic alliance is formed to capitalize on the expertise in technology or manpower of either of the firm

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## New venture expansion strategies

#### 3 Expansion through Integration

Expansion through Integration means combining one or more present operations of the business with no change in the customer groups This combination can be done through a value chain

The value chain comprises of interlinked activities performed by an organization right from the procurement of raw materials to the marketing of finished goods Thus, a firm may move up or down the value chain to focus more comprehensively on the needs of the existing customers

#### 4 Expansion through Cooperation

The **Expansion through Cooperation** is a strategy followed when an organization enters into a mutual agreement with the competitor to carry out the business operations and compete with one another at the same time, to expand the market potential

**The expansion through cooperation can be done by following any of the strategies as explained below:**

**a) Merger:** The merger is the combination of two or more firms wherein one acquires the assets and liabilities of the other in the exchange of cash or shares, or both the organizations get dissolved, and a new organization came into the

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## New venture expansion strategies

#### 5 Expansion through Internationalization

The **Expansion through Internationalization** is the strategy followed by an organization when it aims to expand beyond the national market The need for the Expansion through Internationalization arises when an organization has explored all the potential to expand domestically and look for the expansion opportunities beyond the national boundaries

However, going global is not an easy task, the organization has to comply with the stringent benchmarks of price, quality, and timely delivery of goods and services, that may vary from country to country

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### **UNIT - III**

**Industrial Financial Support:** schemes and functions of directorate of industries, District industries centre (DICs) Industrial development corporation (IDC), State Financial corporation (SFCs), small scale industries development corporation (SSIDCs) Khadi and village industries commission (KVIC) Technical Consultancy organisation (TCO), Small industries service institute (SISI), national small industries corporation (NSIC), small industries development bank of India (SIDBI).

# **UNIT III**

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## **❖ Industrial financial support**

- 1. Directorate of industries**
- 2. District industries centre**
- 3. State industrial development corporation**
- 4. Stage finance corporation**
- 5. Small scale industries development corporation**
- 6. Khadi and village industries development commission**
- 7. Technical consultancy organization**
- 8. Small industries service institute**
- 9. National small industries corporation**
- 10. Small industries development bank of India**

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### **Directorate Of Industries (DOI)**

Directorate of industries is the state level office responsible for implementing the policies and programmes for industrial development in the state. The main aim of DOI is to provide a comprehensive framework to enable a facilitating, investor environment for ensuring rapid and sustainable industries development and through this to generate additional employment opportunities and bring about a significant increase in the state domestic product, eventually widening the resources base of the state.

#### **OBJECTIVES OF DOI:**

- To promote and develop village and small scale sectors
- To supervise and control the district level functionaries, ie, the district industries center in implementation of various schemes and programmes of department
- To act as the Nodal Promotional Agency in the development of industries and industries activities in the State as a whole

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### **Directorate Of Industries (DOI)**

#### **ROLE OF DOI:**

- Registration of small- scale of units
- Providing financial assistance
- Distributing scarce and indigenous raw material to industrial units
- Developing industrial infrastructure

#### **FUNCTION OF DOI:**

The primary function and objectives of the Directorate of Industries are supervision and control of District Level functionaries, ie, the District Industries Centres in implementation of the various schemes and programmes of the Department.

And to promote and achieve the above-mentioned purpose, the Department organises and implements various programmes and schemes to provide the basic infrastructural facilities for the creation of industrial awareness and atmosphere viz,

- Investment Awareness Programmes
- Entrepreneurship Development Programmes
- Workshop and seminars etc

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### **Directorate Of Industries (DOI)**

Besides, the Department also runs regular vocational training courses for creation of skilled manpower in the following trades: –

- Knitting
- Tailoring and Embroidery
- Carpentry and Furniture making
- Leather, Blacksmith and Fabrication
- Carpet Weaving

To replacement the above purpose, regular sponsoring with stipend is also offered to local youths for under-going training and study courses both inside and outside the State

The Department also provides grants-in-aid loans to some of the autonomous bodies and subsidiaries every year

To accelerate the pace of industrialisation process, infrastructure development and development of industrial areas and estates are being given importance

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### **Directorate Of Industries (DOI)**

Financial Assistance is made available to tiny/ cottage, to large/ medium sector of industrial units in the form of grants-in-aid to technical entrepreneurs to package scheme of incentives and central transport subsidy Some of the scarce raw materials like paraffin wax, iron and steel materials are also allotted to register industrial units at concessional rates

Every year, a number of local entrepreneurs are nominated for selection of National Awards to: –

- Small Scale Industries and
- Handloom and Handicrafts Artisans

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### **District Industries Centre (DIC)**

The concept of DIC was announced by the Government of India during the new industrial policy formulated on 23 December 1977 DIC are the main focus agencies for promoting MSME at the district level DIC were established with the aim of generating greater employment opportunities especially in the rural and backward areas of the country The functions and activities of DIC are monitored by the Directorate of Industries and Commerce DIC are district-level institutions set up by the government, which provide all services and facilities to entrepreneurs in one place to set up MSME These services and facilities include identification of a suitable scheme, preparation of a project feasibility report, arrangements for the supply of plant, machinery, and equipment, provision of raw materials, credit facilities and input for marketing and extension services, quality control, and research and entrepreneurial training

- The finances for setting up DICs in a state are contributed equally by the particular state government and the central government
- To facilitate the process of small enterprise development DICs have been entrusted with most of the administrative and financial powers
- For purpose of allotment of land, work, sheds, raw materials etc, DICs functions under the directorate of industries
- Each of DIC is headed by a general manager who is assisted by four functional managers and three project managers to look after the following activities

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### **District Industries Centre (DIC)**

#### **OBJECTIVES:**

The important objectives of DICs are as follow:

- 1) Accelerate the overall (factors) efforts for industrials of the district
- 2) Rural industrialization and development of industries and handicrafts
- 3) Attainment of economic quality in various regions of the district
- 4) Providing the benefit of the government schemes to the new entrepreneurs
- 5) Centralization of procedures required to start a new industrial unit and minimization of the efforts and time required to obtain various permissions, licenses, registrations subsidies etc

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## District Industries Centre (DIC)

### FUNCTIONS:

As an initiative of the central government, the District Industries Centres (DICs) work towards performing various functions

### **These include:-**

1. **Registration of Small Scale Industries (SSI) units** – It is for the registration of industries in the manufacturing as well as the services sector on a small scale The registration done can be permanent or provisional
2. **Registration of handicraft or cottage industries** – This is typically the case with villages and clusters in rural areas
3. **Implementation of PM Rozgar Yojana** – Launched in 1993, this scheme is to provide employment opportunities in both rural and urban areas and is implemented under the District Industries Centre (DIC) scheme
4. Granting subsidies to SSI units – Subsidies to the Small Scale Industries are granted under the DIC scheme of the central government
5. Training for Entrepreneur Development Programme – To enhance skills, training is provided under the ambit of DICs through the Entrepreneur Development Programme

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## District Industries Centre (DIC)

6. **Organization of Industrial Cooperative Society** – It is an association of craftsmen and workers who are engaged in cottage and village industries
7. **Raw material assistance through SIDCO** – This is to facilitate entrepreneur initiatives by facilitating them with the supply of raw materials
8. **Marketing assistance through SIDCO** – The Small Industries Development Corporation Limited (SIDCO) not only assists ventures with raw materials but also assists them with the marketing of their produce
9. **Conducting motivation campaigns** - In addition to hosting awards functions to boost the morale of entrepreneurs, motivation campaigns are also organized by DICs
10. **Single window clearances** – To make the registration process as well as clearance and granting of licenses a hassle-free process, DICs provide a single-window mechanism to achieve this goal
11. **Rehabilitation of sick SSI units** – To revive and to better the ailing Small Scale Industrial units, DIC plays an important role
12. **Recommendation of awards to the SSI units** – The awards granted to SSI units are done on the recommendation of DICs
13. **Recommendation of loan application** to banks under the KVIC scheme – DICs play an important role in making recommendations to banks for grants of loans under the KVIC scheme

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## District Industries Centre (DIC)

### SCHEMES UNDER THE DISTRICT INDUSTRIES CENTRE (DIC):

A number of schemes have been launched which fall under the ambit of District Industries Centres (DICs) These schemes help in fulfilling the goals of establishing the District Industries Centres (DICs) These schemes are centrally sponsored schemes as well as central sector schemes The following schemes fall under the DIC:-

1. **Prime Minister's Employment Guarantee Program (PMEGP):** This centrally sponsored scheme under the Ministry of Micro, Small and Medium Enterprises (MSME) was launched in 2008 The PMEGP aims to generate employment opportunities for educated unemployed citizens in rural and urban areas The nodal agency for the implementation of the scheme is Khadi & Village Industries Commission (KVIC) Under this scheme, 90-95% of the amount will be given by banks as loans with 5-10% of the project cost in the industry, service or business sector being the applicant's share
2. **District Industries Centre (DIC) Loan Scheme:** This scheme is for the self-employed as well as the small unit sector in towns and rural areas with population less than 1 lakh and with capital investment being less than Rs 2 lakhs These small units are identified by the Small Scale Industries Board and Village industries, handicrafts, handlooms, silk & coir industries

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## District Industries Centre (DIC)

For entrepreneurs in the general category, 20% of the total investment or Rs 40,000 shall be the margin money (whichever is lesser) For entrepreneurs in the SC/ST category, 30% of the total investment or Rs 60,000 shall be the margin money (whichever is lesser)

3. **Seed Money Scheme:** This scheme is targeted towards the self-employed who engage in skilled wage employment or self-employment ventures Institutional financial assistance in the form of soft loans Project cost to avail loan facility under the seed money scheme has been increased to Rs 25 lakhs For projects up to Rs 10 lakhs, seed money assistance of up to 15% of the project cost is offered For SC/ST/OBC, the assistance provided will be 20% of the project cost; the limit of assistance provided is Rs 375 lakhs with 75% of the project cost being in the form of a bank loan
4. **District Awards Scheme:** To boost entrepreneurs' spirits and celebrate their achievements and successes, the state governments have started honoring such entrepreneurs with awards at the district level The District Advisory Committee formed at the district level shall select the entrepreneurs to be awarded The District Awards Function is held on Vishwakarma Jayanti Day which falls on varying dates every year The award function includes the display of the products by the entrepreneur for sale and exhibition along with workshops and discussion about the same

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### **District Industries Centre (DIC)**

**5. Entrepreneurship Development Training Programme:** This scheme was launched to impart training to the educated unemployed people and encourage them to encourage self-employment ventures or engage in skilled wage employment Training programmes under the Entrepreneurship Development Training Programme are:

- Entrepreneurship Introductory Programme (Udyojakata Parichay Karyakram)
- Entrepreneurship Development Training Programme (12 Day residential)
- Technical Training Programme (12 Days to 2 Months non-residential)

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### **State Industrial Development Corporation (SIDC)**

The full form of SIDC or SIDCs is State Industrial Development Corporations It was first established in 1995 under the Companies Act, 1956 They are state-owned government corporations that engage in the development and promotion of medium and large industries SIDCs aim to develop industrial infrastructure such as industrial parks and industrial estates along with providing financial assistance They set up industrial projects either in joint sector collaboration with private entrepreneurs or on their own They also set up such projects as wholly-owned subsidiaries They provide loans to several industrial units in medium and large sectors at an interest rate that ranges from 13.5% to 17% according to the size of the loan

#### **OBJECTIVES OF SIDC:**

The main objectives of SIDC are as follows:-

- SIDC aims to promote micro, small and medium enterprises
- It aids in the establishment of entrepreneurship and skill development
- It helps in facilitating industrial infrastructure development
- It aims in providing publicity and marketing support to industries

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### **State Industrial Development Corporation (SIDC)**

#### **FUNCTIONS OF SIDC:**

The main functions of SIDC are:-

1. SIDCs act as an instrument in expediting industrialization in the states of India in which they are present
2. SIDCs issue loans, subscriptions of shares, guarantees to various companies belonging to different industries
3. SIDCs organise various promotional programs like entrepreneurial training, project identification, etc
4. It provides financial assistance in the form of loans or subscriptions to debentures and shares, guarantees, etc
5. SIDCs procure scarce raw materials from the domestic market and international market and make it available to the needy small scale industries as per their requirements
6. SIDCs take up various schemes to provide the various industrial units with efficient marketing assistance SIDCs participate in tenders floated by the state government departments

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### **State Industrial Development Corporation (SIDC)**

7. To obtain orders and distribute them among various small scale units, SIDCs make advance payments
8. It helps in solving working capital problems of the various industrial units
9. The government departments often delay payments when goods are supplied to them by the industrial units Therefore, to avoid such delays, SIDCs discounts the bills drawn on government departments Hence, they ensure that 80% of the bill value is paid to the supplier units
10. SIDCs have developed websites so that the products manufactured by the industrial units are displayed in the foreign markets It provides export marketing assistance and helps in procuring export orders
11. It helps small scale units to take part in the international trade fair so that the products are displayed there
12. SIDCs also promote industrial units run by women entrepreneurs
13. SIDCs help in setting up skill development centres where workers are trained in various skills and industrial activities This is to ensure the supply of skilled labourers to various small scale industries

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## **State Finance Corporation (SFC)**

**INTRODUCTION:** The State Financial Corporations Act was passed in 1951 which empowered all states and union territories to set up State Financial Corporations to meet the need for financial assistance of micro, small and medium scale industries These State Financial Corporations provide loans to individual trading concerns, partnership firms as well as private and public limited companies

There are 18 State Financial Corporations in India at present, from which 17 are established in accordance to the State Financial Corporation Act 1951 and the eighteenth is the Tamil Nadu Industrial Investment Corporation Ltd was formed according to Companies Act 1949 The State Financial Corporation of Punjab was the first Financial Corporation to be set up in the country in 1953

The Micro, Small, and Medium Enterprises are of increased importance in India They form a large part of Rural and Semi-Urban industries and provide employment opportunities to a large number of people The number of people employed in Small and Medium industries is more as the technique of production is labour-intensive than capital intensive Due to the high number of employees needed, the SMEs have a huge need for working capital and also fixed capital for installing machinery and such The State Financial Corporations are set up to meet these requirements of Small and Medium Industries and to provide thrust to the rural economy

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## **State Finance Corporation (SFC)**

### **WORKING OF SFC:**

Each State Financial Corporation is run and led by a board of directors The board of directors will have 10 members The board itself is headed by a managing director who is appointed by the state government in consultation with the RBI The state government also appoints three more directors All insurance companies, scheduled banks, investment banks, and other quasi-government institutions elect the other three members Therefore, the majority of director appointments come from the government's side

The maximum paid-up capital of any State Financial Corporation is rupees five crores The minimum capital is fixed at rupees fifty lakhs The total capital of the State Financial Corporations is divided into shares and is acquired by the state government, Reserve Bank of India, cooperative banks, other insurance, and financial institutions, and even private parties

SFCs can also add to its capacity of funds by issuing debentures and bonds These instruments will carry a fixed return and can be subscribed to by the public The issue of such borrowed capital should not exceed five times the paid-up capital and reserve taken together The maximum amount of reserve that any State Financial corporation can hold is rupees ten lakhs

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## **State Finance Corporation (SFC)**

### **FUNCTIONS OF SFC:**

The State Financial Corporations are established by the respective state governments aimed at assisting Small and Medium industries The major functions of State Financial Corporations are-

- 1. Long Term Financial Assistance:** Providing long term financial assistance to finance small and medium industries is the prominent function for which the State Financial Corporations are set up These enterprises may be in the form of individual proprietorships, partnership firms, private or public companies and the maximum tenure of the loan is twenty years
- 2. Guarantee for Loans:** The State Financial Corporations also stand guarantee for loans taken by small and medium business concerns from cooperative banks, commercial banks, or any other banking financial institution for a tenure of up to 20 years
- 3. Acts as Agents of Government:** The State Financial corporation also acts as an agent of the state as well as the central government when it comes to implementing government schemes related to small and medium industries financing The SFCs also disburse loans as per different schemes of the governments

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## **State Finance Corporation (SFC)**

**4. Underwriting and Subscription:** The State Financial Corporation also functions as an underwriter by underwriting the shares of small and medium public companies The SFCs also subscribe to debentures of these small and medium firms which are of tenure of fewer than 20 years

**5. Credit and Guarantee for Purchases:** The State Financial Corporation also provides loans and guarantees deferred payment for purchases for the industry like machinery, plant, or any other fixed expenditure

### **PROBLEMS OF SFC:**

1. Bad loans are prevalent in State Financial Corporations are quite common as in commercial banks and other financial institutions The loans are taken by small and medium industries who find it tough to repay the loans which put the State Financial Corporations in a fix
2. The excessive focus on granting loans is also a problem of State Financial Corporations The small and medium firms are also in need of other financial services that the corporations do not focus on
3. The leniency of the financial corporations to the larger firms is also very common This will lead to the lack of financial services for smaller firms, which are actually in more need of funds

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### **State Finance Corporation (SFC)**

4. As the employees of the financial corporations are appointed by the government via a general eligibility criterion, there is a dearth of specialized technical staff. This leads to a lack of efficiency in the implementation of policies and programs. One of the most important drawbacks of borrowing funds from the SFCs is the high rate of interest charged by it. This high rate of interest generally puts the small and medium entrepreneurs in a tough position.
5. The rigorous procedures and formalities to gain a loan from an SFC is also a huge hurdle for businessmen. People find it easier to borrow from commercial banks and other financial institutions.
6. The limited amount of resources that the SFCs possess is also a menace when it comes to providing the necessary financial services. The SFCs are constrained due to stringent laws curtailing them from acquiring extra capital or even borrowings.

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### **Small Scale Industries Development Corporation (SSIDC)**

#### **NEED:**

1. In many state governments for the promotion of small industries a separate corporation has been set up which is known as small industries Development Corporation. They undertake all kinds of activities for the promotion of small scale industries. Right from the stage of installation to the stage of commencing production these corporations help small scale industries (SSI) in many ways.
2. In short they provide infrastructure facilities to small scale industries. Due to the assistance provided by SSIDCs, many backward areas in most of the states have been developed. So SSIDCs has also been responsible in spreading the individual activity throughout several states.

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### **Small Scale Industries Development Corporation (SSIDC)**

#### **OBJECTIVES:**

1. The main objective of SSIDCs is to stimulate the growth of industries in all small scale of sector.
2. To provide infrastructure facilities like roads, drainage, electricity, water supply, etc is one of the primary objectives of SSIDCs.
3. To promote industrial (sector) estates which will provide industrial sheds of different sizes with all basic infrastructure facilities.
4. To provide technical assistance through training facilities to the entrepreneurs.
5. To promote skilled labor through the setting up of industrial training institutes.

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### **Khadi and Village Industries Commission (KVIC)**

#### **INTRODUCTION:**

**Khadi and Village Industries Commission (KVIC)** is a statutory body formed in April 1957 (During 2nd Five Year plan)(as per an RTI) by the Government of India, under the Act of Parliament, 'Khadi and Village Industries Commission Act of 1956'. It is an apex organisation under the Ministry of Micro, Small and Medium Enterprises, with regard to khadi and village industries within India, which seeks to - "plan, promote, facilitate, organise and assist in the establishment and development of khadi and village industries in the rural areas in coordination with other agencies engaged in rural development wherever necessary".

Khadi and Village Industries Commission (KVIC) plans, promotes, organizes, and implements programs for the development of Khadi and other village industries in the rural areas, nationwide. KVIC also helps in building up the reserve of raw materials for supply to producers. The commission focuses on the creation of common service facilities for the processing of raw materials, such as semi-finished goods. KVIC has also helped in the creation of employment in the Khadi industry.

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## **Khadi and Village Industries Commission (KVIC)**

### **OBJECTIVES OF KVIC:**

- To promote Khadi in rural areas
- To provide employment
- To produce saleable articles
- To create self-reliance amongst the poor
- To build up a strong rural community

### **FUNCTIONS OF KVIC:**

1. The KVIC is charged with the planning, promotion, organization and implementation of programs for the development of khadi and village of industries in the rural areas in co-ordination with the other agencies engaged in rural development wherever necessary
2. Its functions also comprise building up of a reserve of raw materials and implements for supply to producers, creations of common service facilities for processing of raw materials as semi-finished goods and provisions of facilities for marketing of KVIC products of a part from organization of training of artisans engaged in these industries and encouragement of co-operative efforts amongst them

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## **Khadi and Village Industries Commission (KVIC)**

3. To promote the sale and marketing of khadi/product of village industries or handicrafts, the KVIC may forge linkage with established marketing agencies where feasible and necessary
4. The KVIC is also charged with responsibility of encouraging and promoting research in the production techniques and equipment employed in the khadi and village industries sectors and providing facilities for the study of the problems relating to it, including the use of non-conventional energy and electric power with a view to increasing productivity, eliminating drudgery and otherwise enhancing of salient result from such research
5. Further, the KVIC is entrusted with the task of providing individuals for the development and operation of khadi and supply of designs prototype and other technical information
6. In implementing KVIC activities, the KVIC may take products and to set standards of quality and ensure that the conform to the standards
7. The KVIC is may also undertake directly or through other khadi and/or village industries besides research or establish khadi and village industries besides research or establish khadi and village industries
8. The KVIC is authorized to establish and maintain separate of out any or all of the above matters besides carrying out any other

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## **Khadi and Village Industries Commission (KVIC)**

### **SCHEMES AND PROGRAMS OF KVIC:**

**1 Prime Ministers Employment Generation Program (PMEGP):** The Prime Minister's Employment Generation Programme (PMEGP) the result of the merger of two schemes - Prime Minister's Rojgar Yojana (PMRY) and The Rural Employment Generation Programme (REGP)

Rural beneficiaries receive up to a 25% margin compensation in rural areas and 15% in urban areas for the general category and 35% in rural areas and 25% in urban areas for SCs, STs, OBCs, minorities and women among other special categories

**2 Interest Subsidy Eligibility Certification Scheme (ISEC):** The Interest Subsidy Eligibility Certificate (ISEC) Scheme is the major source of funding for the Khadi programme It was introduced in May 1977 to mobilise funds from banking institutions to fill the gap in the actual fund requirement and its availability from budgetary sources

Under this scheme, loans are provided by the banks to the members to meet their working/fixed capital requirements These loans are provided at a concessional interest rate of 4% pa The difference between the actual interest rate and the concessional rate is borne by the commission under the 'grants' head of its budget However, only members producing Khadi or Polyvastra (a type of Khadi) are eligible for this scheme

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## **Khadi and Village Industries Commission (KVIC)**

**3 Rebate Scheme:** The rebate on sales of Khadi and Khadi products is made available by the Government so as to make the price of Khadi and Khadi products competitive with other textiles Normal rebate (10 per cent) all through the year and an additional special rebate (10 per cent) for 108 days in a year, is given to the customers

The rebate is allowed only on the sales made by the institutions/centers run by the Commission/State Boards and also at the sales centers run by the registered institutions which are engaged in the production of Khadi and Polyvastra fabric (Cotton Polyester)

Recently, the finance ministry has asked the micro, small and medium enterprises ministry to redraw its rebate scheme for Khadi and village industries Its view is that the "ministry should approach the plan commission and not seek year-to-year extension of the scheme Furthermore, it has asked the MSME ministry to redesign the scheme in a manner that it should benefit the artisan and not the seller, which (has been) the case so far" With regard to this, A proposal received from the commission for introducing Market Development Assistance as a possible alternative to Rebate on Sale is being considered by the Government

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### **Technical Consultancy Organization (TCO)**

A TCO is a premier professional, industrial, technical, and management consultancy organization. A network of Technical Consultancy Organizations (TCOs) was established by the all- India financial institutions in the seventies and the eighties in collaboration with state-level financial/development institutions and commercial banks to cater to the consultancy needs of MSME and new entrepreneurs. At present, there are 18 TCOs operating in various states, some of them covering more than one state.

#### **FUNCTIONS AND ACTIVITIES OF TCO:**

1. Industrial potential surveys
2. Preparation of profits and feasibility studies
3. Evaluation of project
4. Conduct of EDPs
5. Assisting in the modernization, technical upgradation and rehabilitation programs etc
6. Undertaking market research and surveys for specific products
7. Offering merchant banking services

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### **Small Industries Service Institute (SISI)**

The small industries service institutes (SISI's) are set-up one in each state to provide consultancy and training to small and prospective entrepreneurs. The activities of SISIs are co- ordinate by the industrial management training division of the DC, SSI office (New Delhi). In all there are 28 SISI's and 30 Branch SISI's set up in state capitals and other places all over the country. SISI has wide spectrum of technological, management and administrative tasks to perform.

#### **FUNCTIONS OF SISI:**

1. To assist existing and prospective entrepreneurs through technical and managerial counseling such as help in selecting the appropriate machinery and equipment, adoption of recognized standards of testing, quality performance etc;
2. Conducting EDPs all over the country;
3. To advise the Central and State governments on policy matters relating to small industry development;
4. To assist in testing of raw materials and products of SSIs, their inspection and quality control;
5. To provide market information to the SISI's;
6. To recommend SSI's for financial assistance from financial institutions;
7. To enlist entrepreneurs for participation in Government stores purchase programme;
8. Conduct economic and technical surveys and prepare techno-economic feasible reports for selected areas and industries

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### **National Small Industries Corporation (NSIC)**

**INTRODUCTION:** The National Small Industries Corporation Ltd (NSIC), an ISO 9000 certified company, since its establishment in 1955, has been working to fulfill its mission of promoting, aiding and fostering the growth of small-scale industries and industry related small-scale services/businesses in the country.

At present, the NSIC operates through 6 Zonal Offices, 26 Branch Offices, 15 Sub-offices, 5 Technical Services Centres, 3 Extension Centres and 2 Software Technology Parks supported by a team of over 5000 professionals spread across the country. To manage operations in Gulf and African countries, the NSIC operates from its offices in Dubai and Johannesburg.

It is observed that the main constraint faced by the entrepreneurs is the dearth of investible fund to purchase machinery and equipment.

- Non-availability of finance deprives many new entrepreneurs from availing entrepreneurial opportunities
- NSIC is established to cater to this need of the entrepreneur
- NSIC provides plant, machinery and equipment on a hire - purchase basis. Under this special scheme, entrepreneurs can procure indigenous as well as imported machinery and machinery costs less than RS 1000.

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### **National Small Industries Corporation (NSIC)**

- NSIC also assists the entrepreneurs in procuring government orders for various items of stores. Depending upon the cost of the machinery An entrepreneur has to pay an application fee of Rs50 to Rs1000
- The processing fee is 2% to 5% of the cost of the machinery. Service fee depends upon the location of the unit. Discrimination is made between the units of scheduled castes, scheduled tribes, persons with disabilities, ex-servicemen and women
- The cost of the machinery is to be repaid in 13 equal instalments. New entrepreneurs are given special incentives. They can pay the first instalment after 18 months from the date of contract with NSIC
- For imported machinery an entrepreneur has to abide by the provisions of the import policy of the government. Entrepreneurs have to secure a license for such imports. In special cases entrepreneurs have to prepare prototypes of machines

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## National Small Industries Corporation (NSIC)

### FUNCTIONS OF NSIC:

1. Provide machinery on hire-purchase scheme to small-scale industries
2. Provide equipment leasing facility
3. Help in export marketing of the products of small-scale industries
4. Participate in bulk purchase programme of the Government
5. Develop prototype of machines and equipments to pass on to small-scale industries for commercial production
6. Distribute basic raw material among small-scale industries through raw material depots
7. Help in development and up-gradation of technology and implementation of modernization programmes of small-scale industries
8. Impart training in various industrial trades
9. Set up small-scale industries in other developing countries on turn-key basis
10. Undertake the construction of industrial estates

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## Small Industries Development of Bank of India (SIDBI)

**INTRODUCTION:** **Small Industries Development Bank of India (SIDBI)** is the apex regulatory body for overall licensing and regulation of micro, small and medium enterprise finance companies in India

It is under the jurisdiction of Ministry of Finance, Government of India headquartered at Lucknow and having its offices all over the country

Its purpose is to provide refinance facilities to banks and financial institutions and engage in term lending and working capital finance to industries, and serves as the principal financial institution in the Micro, Small and Medium Enterprises (MSME) sector

SIDBI also coordinates the functions of institutions engaged in similar activities It was established on 2 April 1990, through an Act of Parliament It is headquartered in Lucknow

SIDBI is one of the four All India Financial Institutions regulated and supervised by the Reserve Bank of India; other three are India Exim Bank, NABARD and NHB But recently NHB came under government control by taking more than 51% stake They play a statutory role in the financial markets through credit extension and refinancing operation activities and cater to the long-term financing needs of the industrial sector

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## Small Industries Development of Bank of India (SIDBI)

SIDBI is active in the development of Micro Finance Institutions through SIDBI Foundation for Micro Credit, and assists in extending microfinance through the Micro Finance Institution (MFI) route Its promotion & development program focuses on rural enterprises promotion and entrepreneurship development<sup>[5][6]</sup>

In order to increase and support money supply to the MSE sector, it operates a refinance program known as Institutional Finance program Under this program, SIDBI extends Term Loan assistance to Banks, Small Finance Banks and Non-Banking Financial Companies Besides the refinance operations, SIDBI also lends directly to MSMEs

### CAPITAL OF SIDBI:

SIDBI has an authorised capital of Rs 1000 crores which can be increased to Rs 1000 crores The RBI has also allocated INR 10,000 Crores to SIDBI for various venture capital activities and company startups in 2015 The entire operations of IDBI connected with small scale industries are now handed over to SIDBI

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## Small Industries Development of Bank of India (SIDBI)

### OBJECTIVES OF SIDBI:

- 1.To promote marketing of products of small scale sector
- 2.To upgrade technology and also undertaking modernization of small scale units
- 3.To provide more financial assistance to small scale ancillary and tiny sector
- 4.To encourage employment oriented industries
- 5.To coordinate all the other institutions involved in the promotion of small scale industries

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## Small Industries Development of Bank of India (SIDBI)

### FUNCTIONS OF SIDBI:

Coordinating and financing the various institutions involved in the development of small industries are undertaken by SIDBI Its functions are

- 1) **Refinance to SSI:** Refinancing loans and advances provided by commercial banks to small scale industrial units Different types of loans are given to small scale industries and as per the recommendations of Nayak Committee, additional funds have been given to commercial banks for promoting more borrowings of small scale industries In fact, there are commercial banks with separate branches meant exclusively for small scale industries
- 2) **Discounting the bills of SSI:** Apart from discounting the bills of small scale industries, even hurdles arising out of financing small scale industries are being discounted The bank credit has gone up to Rs 2,18,219 crores The percentage of bank credit to SSI has gone up to 175
- 3) **SIDBI offers assistance to exports:** Direct assistance to export oriented units and also to import substituting units in the small scale sector is given the highest priority There has been a simplified procedure for the exports of small scale industries Products of SSI exporters are displayed in international exhibitions with the help of SIDBI Other export related expenditures are borne

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## Small Industries Development of Bank of India (SIDBI)

by SIDBI Latest packing standards and training programmes on packing for exports are also financed by SIDBI Trade delegations and sales and study teams are sponsored for small scale sector under Marketing Development Assistance scheme

- 4) **Seed capital and also soft loan Assistance:** Seed capital is provided for starting of SSI units Under this, the initial expenditure in starting the small scale units are being met by SIDBI In addition to that, SIDBI, under this scheme, undertakes the following activities:

- Identification of potential entrepreneurs in the district
- Providing training facility for these entrepreneurs
- Linkage with banks for financial assistance
- Follow-up and monitoring the progress

Under soft loan, SIDBI provides long-term loan repayable in a period of 15 to 20 years with a very low rate of interest

- 5) **Factoring, Leasing and HP finance:** In factoring services, SIDBI finances 80% of the bills to the seller and after obtaining the remaining 20% balance, it repays to the seller and for this service it obtains a factoring commission

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## Small Industries Development of Bank of India (SIDBI)

- 6) **Leasing:** After the increase in the fixed capital limit of Rs 1 crore to SSI, there has been increasing demand for leasing equipment The small scale industries have expanded their activities as lease finance institutions have enabled them to obtain costly equipment which are otherwise, not possible within the purview of small scale industries, In fact, this has helped them in modernizing their industry **HP finance:** Hire purchase financing has also helped small scale industries in acquiring machinery of a higher value In fact, certain machinery are even imported from foreign countries on a deferred payment basis

- 7) **Automatic finance scheme:** Refinance facilities under automatic finance scheme is also provided which was initially for Rs 50 lakhs Now with the increase in the capital limit of small scale industries, this finance scheme has also increased its limit to Rs 2 crores

- 8) **Modernization:** The technology development which has taken place in various industries has also spread to small scale industries and to meet the requirements of technology upgradation, a separate fund has been set up by SIDBI, through which it provides Technology upgradation equipment finance

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## Small Industries Development Bank of India (SIDBI)

- 9) **Venture capital:** Venture capital fund for the promotion of new entrepreneurs has been set up For this purpose, IDBI, the holding company of SIDBI provides funds New ventures in different areas with high technical know how is encouraged under the scheme Though this scheme is in the initial stage, this will promote more new small scale industries

- 10) **Single window scheme:** This scheme was introduced by SIDBI for providing finance to commercial banks which in turn will give all kinds of assistance to small scale industries That is, from registration units to marketing of products will be undertaken under this scheme

The creation of SIDBI has certainly improved the growth of small scale industries in the country Apart from financing, banks have identified the weak areas of small scale industries and have attempted to improve the same This will go a long way in not only strengthening SSI units but also in the creation of employment opportunities in rural areas

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## **UNIT - IV**

**Production and marketing management:** Thrust areas of production management, selection of production techniques, plant utilisation and maintenance, designing the work place, inventory control, material handling and quality control. Marketing functions, market segmentation market research and channels of distribution, sales promotion and product pricing.

# **UNIT IV**

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## **❖ Production management**

- 1. Meaning**
- 2. Definitions**
- 3. Importance**

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### **Production management**

#### **MEANING**

Production Management refers to the application of management principles to the production function in a factory In other words, production management involves application of planning, organizing, directing and controlling the production process

Production management means planning, organising, directing and controlling of production activities

Production management deals with converting raw materials into finished goods or products It brings together the 6M's ie men, money, machines, materials, methods and markets to satisfy the wants of the people

Production management also deals with decision-making regarding the quality, quantity, cost, etc, of production It applies management principles to production

Production management is a part of business management It is also called "Production Function" Production management is slowly being replaced by operations management

The main objective of production management is to produce goods and services of the right quality, right quantity, at the right time and at minimum cost It also tries to improve the efficiency Production management ensures full or optimum utilisation of available production capacity

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### **Production management**

#### **DEFINITIONS:**

**In the words of Mr, EL Brech,** "Production Management is the process of effective planning and regulating the operations of that section of an enterprise which is responsible for the actual transformation of materials into finished products"

This definition limits the scope of production management to those activities of an enterprise which are associated with the transformation process of inputs into outputs & the definition does not include the human factors involved in a production process It lays stress on materialistic features only

**According to Elwood Spencer Buffa,** "Production management deals with decision-making related to production processes so that the resulting goods or service is produced according to specification, in the amount and by the schedule demanded and at minimum cost"

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## Production management

### IMPORTANCE OF PRODUCTION MANAGEMENT

#### I To business Firms

1. **Accomplishment of firm's objectives:** Production management helps the business firm to achieve all its objectives. It produces products, which satisfy the customers' needs and wants. So, the firm will increase its sales. This will help it to achieve its objectives.
2. **Reputation, Goodwill and Image:** Production management helps the firm to satisfy its customers. This increases the firm's reputation, goodwill and image. A good image helps the firm to expand and grow.
3. **Helps to introduce new products:** Production management helps to introduce new products in the market. It conducts Research and development (R&D). This helps the firm to develop newer and better quality products. These products are successful in the market because they give full satisfaction to the customers.
4. **Supports other functional areas :** Production management supports other functional areas in an organisation, such as marketing, finance, and personnel. The marketing department will find it easier to sell good-quality

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## Production management

products, and the finance department will get more funds due to increase in sales. It will also get more loans and share capital for expansion and modernisation. The personnel department will be able to manage the human resources effectively due to the better performance of the production department.

5. **Helps to face competition :** Production management helps the firm to face competition in the market. This is because production management produces products of right quantity, right quality, right price and at the right time. These products are delivered to the customers as per their requirements.
6. **Optimum utilisation of resources :** Production management facilitates optimum utilisation of resources such as manpower, machines, etc. So, the firm can meet its capacity utilisation objective. This will bring higher returns to the organisation.
7. **Minimises cost of production :** Production management helps to minimise the cost of production. It tries to maximise the output and minimise the inputs. This helps the firm to achieve its cost reduction and efficiency objective.

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## Production management

8. **Expansion of the firm :** The Production management helps the firm to expand and grow. This is because it tries to improve quality and reduce costs. This helps the firm to earn higher profits. These profits help the firm to expand and grow.

#### II To customers and society

1. **Higher standard of living:** Production management conducts continuous research and development (R&D). So, they produce new and better varieties of products. People use these products and enjoy a higher standard of living.
2. **Generates employment:** Production activities create many different job opportunities in the country, either directly or indirectly. Direct employment is generated in the production area, and indirect employment is generated in the supporting areas such as marketing, finance, customer support, etc.
3. **Improves quality and reduces cost:** Production management improves the quality of the products because of research and development. Because of large-scale production, there are economies of large scale. This brings down the cost of production. So, consumer prices also reduce.

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## Production management

4. **Spread effect:** Because of production, other sectors also expand. Companies making spare parts will expand. The service sector such as banking, transport, communication, insurance, BPO, etc also expand. This spread effect offers more job opportunities and boosts economy.
5. **Creates utility:** Production creates Form Utility. Consumers can get form utility in the shape, size and designs of the product. Production also creates time utility, because goods are available whenever consumers need it.
6. **Boosts economy:** Production management ensures optimum utilisation of resources and effective production of goods and services. This leads to speedy economic growth and well-being of the nation.

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# ❖ Scope/thrust areas of PM

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## Scope/Thrust areas of Production management

Production Management is a process which involves managing and controlling production activities of the business. It involves the application of management principles to the production function of the business to increase productivity. Production management applies planning, directing, organising and controlling for managing production operations. This process is concerned with the conversion of raw materials into business finished products efficiently without any wastage of resources.

**1. Facility location:** It involves selecting the right location for setting up production facilities of business that affects its long term growth. This is an important decision to be taken as it involves long term commitment and huge investments in land, building and machinery. Location of facility should be appropriate from where raw materials, labor and other factors of production are easily accessible by business.

**2. Plant layout and Material Handling:** Plant layout is concerned with physical arrangement of facilities set up by business. It involves deciding departments, work Centre's, machines and necessary equipment's within the facility for ensuring better productivity. Material handling refers to managing the movement of materials from storeroom to machinery and from machinery to another stage of production like packaging and storing.

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## Scope/Thrust areas of Production management

- 3. Product Designing:** Product designing means giving shapes to ideas of products for converting them into a reality. Every organization should come up with innovative products in market after conceiving new ideas based on market requirements.
- 4. Designing of Process:** Process design is an overall route followed by business for transforming raw materials into finished products. It is a crucial decision to be taken as it determines the efficiency of business. It involves choosing appropriate technology, deciding sequence of production processes and facilities layout.
- 5. Production Planning and Control (PPC):** It involves planning and controlling various aspects of production activities. PPC is a process of deciding production in advance, setting up the exact route for each item, deciding the start and finish deadline of each product for directing production orders to shops and following product progress in accordance with the order.
- 6. Quality Control:** Quality control is a process of checking and maintaining the required quality standards of production activities within the organization. It ensures that goods produced are of high quality by setting up check points and measuring performance from time to time.

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## Scope/Thrust areas of Production management

**7. Maintenance Management:** It refers to evaluation of all business activities for identifying any deviations, if there. Maintenance management involves taking all corrective steps for removing these deviations. It focuses on keeping all the processes on track in line with decided quality, pre-determined cost schedule and time range. Taking care of all machinery repairs, replacement and servicing are included in this.

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# ❖ Selection of production techniques

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## Selection of production technique

When considering your manufacturing options, there's a number of production methods, with each offering its own unique set of benefits depending on product type and market size All businesses follow their own set of operation, so it's essential to know the differences between various production methods to ensure that you are selecting the most suitable and cost-effective solutions for you

It's also important to understand that while one production method may work the best for your production needs today, a different method may be required to keep costs low and to reach a larger customer base The most successful manufacturers will realize the importance of flexibility with how their operating processes are designed, as well as how easily their facility can adapt to potential future changes

### 1 Job Production Method

When producing high quality or highly specialized products such as luxury watches, job production is the method typically used Job production focuses on a single item at a time and usually requires a specific set of skills depending on the product being produced These skills can be hard to come by and could require extra time spent in hiring production employees

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## Selection of production technique

Artisan and handcrafted brands utilize job production methods to create their exclusive products, but at a much slower pace and typically for an individual customer or very small audience

Depending on your brand, there are many benefits of working with a job production method including increased customer satisfaction Additionally if the products being produced aren't too complex many skilled laborers can be hired to produce your products efficiently around the world in artisan communities

### 2 Batch Production Method

Batch production is when a facility manufactures specific groups of pieces or completed products in small preset batch sizes This kind of production method is usually adopted by small companies as its capable of reducing the initial capital outlay Batch production makes it easier to control the quality and schedule of production as everything from designs to material requirements are standardized for specific product variations well before production begins

Often times batch production methods are used to create elements of a final product which will go through multiple stages before the final product itself is completed This also gives the manufacturer the capability to produce several products in different variations

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## Selection of production technique

For example, a production order for 1,000 socks of the same dimensions, where half are required to be white and the other half red, batch production is the best option It allows the manufacturer to create 500 white socks and then quickly retool the line, in this case change the dye color, to produce 500 red socks Although, this also has its own set of drawbacks as the production line must be put to a halt and reconfigured between each batch

While materials will be cheaper due to order in bulk and labor costs will be lower as batch production doesn't require a highly skilled team, there will be drawbacks when it comes to storing your products Warehousing costs can quickly add up so it's crucial that companies order only as much product as they need for the time in between production runs

### 3 Flow Production Method

Flow Production is also known as continuous production If your brand plans to produce complex products such as kitchen appliances or furniture you'll most likely deal with flow production methods somewhere in your product's production process

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## Selection of production technique

Flow production involves passing of sub-assemblies or individual parts from one production to the next until the final product is completed. This way, production lines for each stage of the completed product's production cycle can run without interruption even if another line needs to be retooled.

There are many benefits to utilizing flow production in a mass production process; however, creating unique assembly lines for each sub-assembly is exclusive to massive production orders as the costs are too high to be justifiable for smaller production runs. In many cases, flow-based assembly lines produce the exact same product for years if not decades before any changes are made.

### 4 Mass Production Method

Mass production, sometimes utilizing flow production, cuts out the problem of downtime associated with batch manufacturing. Although, this method will only be cost-effective when producing large quantities of the same product, which makes it difficult to utilize as a new business or for those operating in niche markets. The concepts of mass production can be applied to all sorts of products, from food, fuel, chemicals and mind minerals to discrete substantial parts, such as fasteners, to assemblies of individual parts for things such as automobiles or household appliances.

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## Selection of production technique

Mass productions are usually almost fully automated, requiring only a minimal amount of staff to monitor the process and perform random quality checks. Producing large quantities means

that the price of each individual unit will be greatly reduced. However, due to the nature of this process high quality control can be difficult to achieve and defect rates tend to run higher.

Mass production has its benefits, but the initial production costs required and the lack of quality control makes it something smaller businesses should be cautious about pursuing.

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## ❖ Plant utilization and maintenance

### 1. Objectives

### 2. Types of maintenance

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## Plant utilization and maintenance

Plant maintenance is defined as a set of activities that are necessary to keep machinery, parts & types of equipment in good operating conditions to avoid production stoppage and loss.

### OBJECTIVES OF MAINTENANCE MANAGEMENT

- 1) Minimizing the loss of production time due to equipment failure
- 2) To reduce loss due to the production stoppage
- 3) To keep all productive assets in good working conditions
- 4) Improve the quality of the product and to improve productivity
- 5) Helps to reduce the total maintenance cost of repair, preventive maintenance & inventory carrying a cost due to a spare part inventory

### TYPES OF MAINTENANCE

**1 Breakdown Maintenance:** This is also called corrective maintenance it occurs when work gets stopped because of a machine breakdown. In this sense, maintenance becomes repair work. Repairs are made after the equipment is out of order.

For eg- A electric motor will not start if the conveyor belt is ripped or shaft has broken. In this case, the maintenance department checks into difficulty and makes the necessary repairs.

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## Plant utilization and maintenance

**2 Preventive Maintenance:** In contrast to corrective maintenance, preventive maintenance is undertaken before the need arises and aims to minimize the possibility of un-anticipated production interruptions or a major breakdown, preventive maintenance consists of,

- a) Proper design and installation of equipment
- b) periodic inspection of plant & equipment
- c) Repetitive servicing of types of machinery
- d) Adequate lubrication, cleaning, and painting of the building

**3 Predictive Maintenance:** One of the new type of maintenance that may be anticipated to gain increasing attention. In this sensitive instruments are used to predict trouble conditions can be measured on a continuous basis and this enables the maintenance of people to plan for an overhaul.

**4 Routine Maintenance:** This includes activities such as periodic inspection, cleaning, lubrication & repair of production equipment. This can be classified into two types,

- i. **Running maintenance:** In this, the maintenance work is carried out while the equipment is in the operating conditions

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## Plant utilization and maintenance

ii. **Shutdown maintenance:** Here the maintenance work is carried out when the machine or equipment is out of service

**5 Planned Maintenance:** The breakdown of a machine does not occur in a planned manner but maintenance work can be planned well in advance. Planned maintenance is also known as scheduled maintenance. It involves inspection of all plants & equipment, machinery, building according to a predetermined schedule.

## ❖ Designing the workplace

### 1. Introduction

### 2. Designing of workplace

### 3. Factors to be considered in the workplace design

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## Designing the workplace

### INTRODUCTION:

Workplace design refers to "the process of designing and organizing a workplace to optimize worker performance and safety."

It is an important health and safety issue for workers in both high-risk environments (such as construction sites) and low-risk workplaces (such as offices).

The relationship between workplace design and wellness has become increasingly emphasized by employers as an important factor of worker wellness.

In industrial settings, workplaces must be designed to ensure workers can safely perform routine functions and efficiently conduct emergency safety procedures.

In an office workplace, employers increasingly focus on designing environments that optimize employee wellness by maximizing conditions such as air quality, lighting, and ergonomics.

Workplace design principles involve efforts to optimize the safety and health conditions of regular work activities through measures such as ergonomic seating and temperature control, as well as efforts to protect workers in high-risk

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## Designing the workplace

industries through measures like designing safe navigation routes through construction sites. Some workplaces use detailed aesthetic designs to reduce worker stress. These might involve the use of plants to improve mood, the use of specific types of lighting, and the use of alterations to make a space "feel" less crowded.

For higher-risk industries, workplace design can involve the implementation of engineering and administrative controls designed to make work processes safer. Industrial design principles can involve a variety of different safety-focused practices, such as designing a work floor so that workers have enough space to move around dangerous equipment or by ensuring that safety equipment is easily accessible.

According to the National Institute for Occupational Safety and Health (NIOSH), the use of design-driven concepts has been documented as the most effective and reliable method of preventing occupational harm or illness. NIOSH promotes occupational health and safety through a workplace design framework called "Prevention through Design" (PtD). The PtD program focuses on preventing workplace safety incidents through the design and redesign of the tools, equipment, structures, and processes that are used in the workplace.

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## Designing the workplace

### DESIGN OF WORKPLACE

Backaches, neckaches, and other muscular strains due to bad seating and incorrect working posture are common in industry, where most of the jobs are performed by the operators either in sitting or standing in a fixed posture for a long duration.

The interaction of the operator with the immediate workspace around him is influenced by many factors such as seat design, the working desk and adjacent machine.

These factors are responsible for the position and postures of the users and, hence their efficiency.

**a) Location of Tools and Materials:** All tools and materials required must be located within the normal grasp area and as far as possible in front of the worker. This will enable him to travel lesser distances to pick up and put these tools and materials frequently at desired place so as to save time and energy.

For the assembly work, it is advisable to provide such arrangement so that the components can slide along the smooth surface and the worker picks them up. It will greatly reduce the time and effort.

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## Designing the workplace

**b) Proper Chairs:** Chairs permitting proper posture for the workers must be provided. This is possible when the worker is working on the work bench (eg assembly, fitting and inspection etc). Performing a job on floor in sitting position or on table in standing position requires more energy. The height of chair and the work bench must be arranged in such a way so that the worker may not feel any difficulty while working. Their height must be such that the top of bench remains at the height of the elbow of the worker. If possible the height of the bench must be such that worker can work both in sitting and standing positions. Chairs must be provided with foot rests.

**c) Working desk:** All the tools and materials must be located within the normal grasp area and as close in front of the operator as possible. Experiment have shown that a semi-circular table having a radius of 20" or 50 cm from a point at 4" or 10 cm back (4" or 10 cm gives approximately centre line of the operator shoulders and elbow) as shown in Fig 531, allows a most comfortable position.

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## Designing the workplace

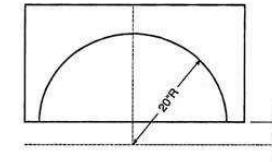


Fig. 53.1. Shoulder Elbow centre line.

Working desk must be so designed so that use of both hands can be taken simultaneously.

In the end, "work place layout" helps the analyst in determining the required body and eye motions of operators, safety measures and operational difficulties that may occur at working place.

**d) Work Posture:** The posture that a workman needs to adopt to perform the task is an important consideration in the design of workplace. Incorrect posture can cause strain in back, waist, legs and hands. Ergonomic design of the seats include type of seat, seat height, back support, arm support, foot rests etc.

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## Designing the workplace

### **FACTORS CONSIDERED IN THE WORK PLACE DESIGN**

1. Purpose of operation
2. Product design-value analysis
3. Materials related factors, like
  - i. space required, quantity of items, size, etc for raw, finished and scrap materials
  - ii. rate of production
  - iii. inspection requirement
4. Equipment related factors, like
  - i. Size
  - ii. Utility, service requirements
  - iii. Auxiliary equipment
  - iv. Number of machines, and space required
  - v. Nature of process
  - vi. Noise, pollution, vibration, safety hazards etc
5. Material handling methods
6. Space related factors; like

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## Designing the workplace

- i. Aisles
- ii. Ceiling height required
- iii. Space utilisation
7. Operated related factors:
  - i. Sitting or standing
  - ii. Level of comfort
  - iii. Movement required
  - iv. Number of operators
  - v. Supervision requirement
8. Working Conditions:
  - i. Noise, lighting, heating and Ventilation
  - ii. Dust, Vibration, window location
9. Method related factors:
  - i. Direction of flow
  - ii. Floor levels
  - iii. Location of items
  - iv. Material movement

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## Designing the workplace

- v. Safety requirement
- vi. Operation sequence
- vii. Tools and material locations
- viii. Production rate
- ix. Auxiliary services

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## ❖ Inventory control

- 1. Meaning of inventory**
- 2. Reasons for keeping inventories**
- 3. Meaning of inventory control**
- 4. Objectives of inventory control**
- 5. Benefits of inventory control**
- 6. Types of inventory control**

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## Inventory control

### MEANING OF INVENTORY:

Inventory generally refers to the materials in stock It is also called the idle resource of an enterprise Inventories represent those items which are either stocked for sale or they are in the process of manufacturing or they are in the form of materials, which are yet to be utilized The interval between receiving the purchased parts and transforming them into final products varies from industries to industries depending upon the cycle time of manufacture It is, therefore, necessary to hold inventories of various kinds to act as a buffer between supply and demand for efficient operation of the system Thus, an effective control on inventory is a must for smooth and efficient running of the production cycle with least interruptions

### REASONS FOR KEEPING INVENTORIES

**1. To stabilize production:** The demand for an item fluctuates because of the number of factors, eg, seasonality, production schedule etc The inventories (raw materials and components) should be made available to the production as per the demand failing which results in stock out and the production stoppage takes place for want of materials Hence, the inventory is kept to take care of this fluctuation so that the production is smooth

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## Inventory control

- 2. To take advantage of price discounts:** Usually the manufacturers offer discount for bulk buying and to gain this price advantage the materials is bought in bulk even though it is not required immediately Thus, inventory is maintained to gain economy in purchasing
- 3. To meet the demand during the replenishment period:** The lead time for procurement of materials depends upon many factors like location of the source, demand supply condition, etc So inventory is maintained to meet the demand during the procurement (replenishment) period
- 4. To prevent loss of orders (sales):** In this competitive scenario, one has to meet the delivery schedules at 100 per cent service level, means they cannot afford to miss the delivery schedule which may result in loss of sales To avoid the organizations have to maintain inventory
- 5. To keep pace with changing market conditions:** The organizations have to anticipate the changing market sentiments and they have to stock materials in anticipation of non-availability of materials or sudden increase in prices
6. Sometimes the organizations have to stock materials due to other reasons like suppliers minimum quantity condition, seasonal availability of materials or sudden increase in prices

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## Inventory control

### MEANING OF INVENTORY CONTROL

Inventory control is a planned approach of determining what to order, when to order and how much to order and how much to stock so that costs associated with buying and storing are optimal without interrupting production and sales Inventory control basically deals with two problems:

1. When should an order be placed? (Order level), and
2. How much should be ordered? (Order quantity)

These questions are answered by the use of inventory models The scientific inventory control system strikes the balance between the loss due to non-availability of an item and cost of carrying the stock of an item Scientific inventory control aims at maintaining optimum level of stock of goods required by the company at minimum cost to the company

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## Inventory control

### OBJECTIVES OF INVENTORY CONTROL

1. To ensure adequate supply of products to customer and avoid shortages as far as possible
2. To make sure that the financial investment in inventories is minimum (ie, to see that the working capital is blocked to the minimum possible extent)
3. Efficient purchasing, storing, consumption and accounting for materials is an important objective
4. To maintain timely record of inventories of all the items and to maintain the stock within the desired limits
5. To ensure timely action for replenishment
6. To provide a reserve stock for variations in lead times of delivery of materials
7. To provide a scientific base for both short-term and long-term planning of materials

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## Inventory control

### BENEFITS OF INVENTORY CONTROL

It is an established fact that through the practice of scientific inventory control, following are the benefits of inventory control:

1. Improvement in customer's relationship because of the timely delivery of goods and service
2. Smooth and uninterrupted production and, hence, no stock out
3. Efficient utilization of working capital Helps in minimizing loss due to deterioration, obsolescence damage and pilferage
4. Economy in purchasing
5. Eliminates the possibility of duplicate ordering

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## Inventory control

### TECHNIQUES OF INVENTORY CONTROL

In any organization, depending on the type of business, inventory is maintained. When the number of items in inventory is large and then large amount of money is needed to create such inventory, it becomes the concern of the management to have a proper control over its ordering, procurement, maintenance and consumption. The control can be for order quality and order frequency. The different techniques of inventory control are: (1) ABC analysis, (2) HML analysis, (3) VED analysis, (4) FSN analysis, (5) SDE analysis, (6) GOLF analysis and (7) SOS analysis. The most widely used method of inventory control is known as ABC analysis. In this technique, the total inventory is categorized into three sub-heads and then proper exercise is exercised for each sub-heads.

1. **ABC analysis:** In this analysis, the classification of existing inventory is based on annual consumption and the annual value of the items. Hence we obtain the quantity of inventory item consumed during the year and multiply it by unit cost to obtain annual usage cost. The items are then arranged in the descending order of such annual usage cost. The analysis is carried out by drawing a graph based on the cumulative number of items and cumulative usage of consumption cost. Classification is done as follows:

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## Inventory control

Category	Percentage of items	Percentage of annual consumption value
A	10–20	70–80
B	20–30	10–25
C	60–70	5–15

Once ABC classification has been achieved, the policy control can be formulated as follows:

**A-Item:** Very tight control, the items being of high value. The control need be exercised at higher level of authority.

**B-Item:** Moderate control, the items being of moderate value. The control need be exercised at middle level of authority.

**C-Item:** The items being of low value, the control can be exercised at gross root level of authority, ie, by respective user department managers.

**2. HML analysis:** In this analysis, the classification of existing inventory is based on unit price of the items. They are classified as high price, medium price and low cost items.

**3. VED analysis:** In this analysis, the classification of existing inventory is based on criticality of the items. They are classified as vital, essential and desirable items. It is mainly used in spare parts inventory.

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## Inventory control

**4. FSN analysis:** In this analysis, the classification of existing inventory is based on consumption of the items. They are classified as fast moving, slow moving and non-moving items.

**5. SDE analysis:** In this analysis, the classification of existing inventory is based on the items.

**6. GOLF analysis:** In this analysis, the classification of existing inventory is based on sources of the items. They are classified as Government supply, ordinarily available, local availability and foreign source of supply items.

**7. SOS analysis:** In this analysis, the classification of existing inventory is based on nature of supply of items. They are classified as seasonal and off-seasonal items. For effective inventory control, combination of the techniques of ABC with VED or ABC with HML or VED with HML analysis is practically used.

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# ❖ Material handling

1. Meaning
2. Definition
3. Objectives
4. Principles
5. Importance
6. Types

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## Material handling

### MEANING

Material handling is an activity that involves movement of material or products within an organization from one place to another place or the flow of material or products to vehicles or from vehicles. The activities are usually confined within the boundaries of an organization. The movement of material from one organization to another is categorized as transportation work, which is not part of material handling activities.

It is not only about the movement of material. It also involves storage, protection, and control of material while it moves in different departments like a warehouse, production, and manufacturing departments. It is one of the essential tasks for organizations. A poorly handled material becomes waste before it can be used for production purpose or before it is sent to retail stores.

In the old times, it was mostly done manually because of the lack of technology. Because of that, the number of accidents during handling work was quite high. In present times, with the introduction of technology, almost all of the work is done using automation or semi-automation. The introduction of technology not only reduced the cases of accidents occurred but also made the work fast.

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## Material handling

### DEFINITION

Material handling can be defined as the science and art involved in receiving, packing, storing, and moving material in any form.

### OBJECTIVES OF MATERIALS HANDLING PROCESSES

Material handling is one of the most critical activities taking place in an organization. Material handling makes a large portion of the total business expense of a company. Therefore, achieving the lowest cost and maximum production can be considered as the main objectives of the material handling process.

**1 Reduced cost using a material handling:** The first and foremost objective of material handling is lowering the cost of production. Because a large portion of the total production cost is spent on material procurement, storage, and movement. Material is crucial for the production process.

The process of production will halt if the material is not provided in sufficient quantity and on time. Therefore, material handling is given the utmost importance. Companies always look for methods that can be used for the optimized use of material. By the use of sophisticated methods, the cost of production can be reduced to a significant amount.

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## Material handling

**2 Reduced waste of material:** Another significant concern of an organization is to minimize material waste. Sometimes, the material gets wasted because of poor storage, or sometimes it gets wasted while moving it from one place to another.

An appropriate material handling not only concerns about the movement of material but also takes care of placing orders of the right amount, making the use of the material at the right time, keeping the right amount of inventory, and moving material using better techniques and with caution.

All of this is taken care of to reduce the wastage of material. Moreover, lower wastage for material results in lower costs. As a result of which the profit margin of the organization will increase.

### 3 Improved work condition

Before the inclusion of technology, all movement and storage works were done manually. Some labors were responsible for performing these tasks. They were responsible for all the loading and unloading work.

Poor results in frequent accidents on-site because of poor work conditions. A proper and well-thought material handling also takes care of people performing the work.

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## Material handling

**4 Enhanced distribution:** Distribution means the delivery of final goods to the retailers and wholesalers A lot of material gets damaged during transportation because of poor packing and poor storage

It helps in the reduction of damage to **products** during shipping and handling In addition to this, it also concerns the storage location of the material A proper storage location reduced the chances of material gets damaged in the storage house

**5 Optimized warehouse capacity:** Warehouse cost also adds to the price of the final product Warehouse capacity means the ability for storing goods It is essential to take care of the layout of the warehouse, flooring of the warehouse, and aisle space in the warehouse to have optimized warehouse capacity Optimized warehouse capacity also helps in reducing the overall production cost

**6 Improved flow of material:** A smooth flow of material is when material enters the company in raw material form at the time when it is required and exits the organization in the form of final goods The flow of material gets disturbed when the material is not available when it is needed for the production or gets damaged rather than being used for the production process

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## Material handling

It concerns with the smooth flow of material in the organization It improves the circulation of material in the organization as a result of which material stays for less time in the warehouse and is used for production at earliest

**7 Full equipment utilization:** Expensive machinery and equipment are used for the production process These equipment fails to perform at their maximum capacity because of poor material handling

Because the performance of these equipment depends mainly on the speed at which the material is supplied and received Therefore, material handling also helps in the full utilization of the capacity of the equipment

**8 Workers' safety:** The last but not least objective is the safety of workers Poor material handling can result in accidents in the factory, which are very risky for workers working there

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## Material handling

### PRINCIPLES OF MATERIAL HANDLING

The material handling methods are designed based on the principles that you are going to learn in this section The followings are the principles:

- 1. Cost principle:** To encourage minimum expenditure while materials handling
- 2. Computerization principle:** To encourage maximum use of computers and automation as materials
- 3. Energy principle:** This principle is concerns about the consumption of energy
- 4. Ergonomic Principle:** To identify the human limitations and capabilities to do the work
- 5. Ecology principle:** To ensure the least impact on the ecological system because of material handling work
- 6. Flexibility Principle:** To encourage the use of tools and methods which can be used in different types of work conditions
- 7. Gravity Principle:** To promote the consideration of gravity principle in materials handling

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## Material handling

**8. Layout Principle:** The layout principle is concerned with the sequential order of material handling operations

**9. Maintenance principle:** The maintenance principle is for regular maintenance and repair of machinery and device in materials handling

**10. Mechanization principle:** Mechanization principle is concerned with the deployment of mechanization methods to speed up the work and reduce the efforts of humans

**11. Orientation principle:** To study the existing processes and problems before getting into preliminary planning

**12. Planning principles:** To plan by including basic requirements and alternative approaches in materials handling

**13. Standardization principle:** The standardization principle encourages the standardization of tools and techniques

**14. Simplification principle:** The simplification principle is concerned with making the process of material handling as simple as possible

**15. Space utilization principle:** The space utilization principle encourages the optimized use of available space

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## Material handling

**16. Systems Principle:** The system principle is concerned with material and storage activities in materials handling

**17. System flow principle:** The system flow principle is concerned with the integration of physical material flow with the data flow

**18. Safety principle:** The safety principle is concerned with the rules and regulations related to the safety of workers working in materials handling

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## Material handling

### IMPORTANCE OF MATERIAL HANDLING

1. It is essential because a large portion of the manufacturing cost is made of material handling costs. The cost of production can be reduced to an exceptional level with the help of proper handling.
2. Moreover, the material is needed to move to several places before it is converted into final goods. Therefore, the lack of appropriate handling can result in the damage of **products** before they can be converted into final products. The cost of damaged goods also adds to the manufacturing costs, and as a result, the overall profit of the organization reduces.
3. If I talk about the importance of material handling from the safety of workers working in the organization and the safety of machines and equipment used for the production process, then it has a significant role to play. Workers are responsible for loading and moving material across the organization.
4. Poor material handling can result in accidents during this process and due to accidents not only the material will get damaged but the risk to the life of workers also increases. Therefore, it is necessary for the sake of workers working in the organization as well as to minimize production costs.

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## Material handling

### TYPES OF MATERIAL HANDLING

The types of material handling have changed because of the enhancement of technology. In this section, I will discuss all kinds of material handling that are used in the companies to receive, store, and move material in the organization.

Let us learn about different types of material handling in the chronological order of their introduction in industries.

**1. Manual material handling:** The first method is used for material movement is manual material handling. In this type of handling, the whole work of the movement is dependent on the workers. The workers lift, carry, deliver, empty the container of material by their hands. This type of material handling is a prolonged method for material movement as a result of which it causes a delay in the production work and stops efficient machines to deliver up to their full capacity.

Manual handling not only slows down the production work but is also hazardous for workers who do the work. They do a lot of physical labor, which affects their health. The shoulders and lower back of workers get strained which affects not only their work capacity but also the overall work capacity of the organization. Moreover, they are also prone to accidents because of doing a lot of physical work.

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## Material handling

Sometimes, workers get seriously injured in the accidents and left with life long injuries. This is not good for the workers as they become incapable of earning their bread and butter, and it puts an extra financial burden on the company too.

**2. Semi-automated material handling:** The semi-automated material handling is when workers do the work of material handling with the help of machinery and other carrying trollies and trams. Semi-automation becomes popular in industry in the initial days of the introduction of technology. It is a good alternative for manual handling. Semi-automation not only reduced the physical work of workers but also speed up the production work.

In semi-automation handling, workers do the work of loading and unloading themselves but rather than carrying material on their backs or by holding in hands; they can move the material using trollies or trams.

It is economical for a company as a company hires a smaller number of workers to do the same amount of work. Moreover, it also lowers the rate of mis-happenings in the organization as a result of which the medical expenses of the organizations also reduce.

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### **Material handling**

**3. Automated material handling:** The next type is automated material handling. Automated handling reduces or eliminates manual work. Automated handling means machines and robots perform work. Robots have replaced the manual work completely. In developed countries like Japan, most industries have replaced their workforce with worker robots.

There are several advantages to automated handling. The first benefit is that it increases the speed of production work. Robots work 100 times faster than a human worker. Moreover, Automation also reduces the chances of accidents during work. Workers are not required to do physical work in the gruesome work conditions. They can sit comfortably and can control robots to do all the physical work.

Automation also reduces the production cost for the company. Rather than hiring many workers, companies can employ a few workers who can control the robots. This reduces the expenses of workers' wages and medical expenses.

For example, Amazon is replacing its fulfillment center jobs with robots. Fulfillment centers were employing a considerable number of employees. Now, at the place of humans, robots will pack orders to send out for delivery.

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## **❖ Quality control**

### **1. Definition**

### **2. Objectives**

### **3. Types**

### **4. Steps**

### **5. Benefits**

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### **Quality control**

#### **DEFINITION**

Quality Control (QC) may be defined as a system that is used to maintain a desired level of quality in a product or service. It is a systematic control of various factors that affect the quality of the product. It depends on materials, tools, machines, type of labor, working conditions etc. QC is a broad term, it involves inspection at particular stage but mere inspection does not mean QC. As opposed to inspection, in quality control activity emphasis is placed on the quality future production. Quality control aims at prevention of defects at the source, relies on effective feedback system and corrective action procedure. Quality control uses inspection as a valuable tool.

Alford and Beatty define QC as "In the broad sense, quality control is the mechanism by which products are made to measure up to specifications determined from customers, demands and transformed into sales engineering and manufacturing requirements, it is concerned with making things right rather than discovering and rejecting those made wrong."

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### **Quality control**

#### **OBJECTIVES OF QUALITY CONTROL**

Following are the objectives of quality control:

1. To improve the companies income by making the production more acceptable to the customers, ie, by providing long life, greater usefulness, maintainability etc
2. To reduce companies cost through reduction of losses due to defects
3. To achieve interchangeability of manufacture in large scale production
4. To produce optimal quality at reduced price
5. To ensure satisfaction of customers with productions or services or high quality level, to build customer goodwill, confidence and reputation of manufacturer
6. To make inspection prompt to ensure quality control
7. To check the variation during manufacturing

The broad areas of application of quality control are incoming material control, process control and product control.

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## Quality control

### TYPES OF QUALITY CONTROL

QC is not a function of any single department or a person. It is the primary responsibility of any supervisor to turn out work of acceptable quality. Quality control can be divided into three main sub-areas, those are:

**1. Off-line quality control:** Its procedure deal with measures to select and choose controllable product and process parameters in such a way that the deviation between the product or process output and the standard will be minimized. Much of this task is accomplished through product and process design.

**Example:** Taguchi method, principles of experimental design etc

**2. Statistical process control:** SPC involves comparing the output of a process or a service with a standard and taking remedial actions in case of a discrepancy between the two. It also involves determining whether a process can produce a product that meets desired specification or requirements. Online SPC means that information is gathered about the product, process, or service while it is functional. The corrective action is taken in that operational phase. This is real-time basis.

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## Quality control

**3. Acceptance sampling plans:** A plan that determines the number of items to sample and the acceptance criteria of the lot, based on meeting certain stipulated conditions (such as the risk of rejecting a good lot or accepting a bad lot) is known as an acceptance sampling plan.

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## Quality control

### STEPS IN QUALITY CONTROL

Following are the steps in quality control process:

1. Formulate quality policy
2. Set the standards or specifications on the basis of customer's preference, cost and profit
3. Select inspection plan and set up procedure for checking
4. Detect deviations from set standards of specifications
5. Take corrective actions or necessary changes to achieve standards
6. Decide on salvage method ie, to decide how the defective parts are disposed of, entire scrap or rework
7. Coordination of quality problems
8. Developing quality consciousness both within and outside the organization
9. Developing procedures for good vendor-vendee relations

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## Quality control

### BENEFITS OF QUALITY CONTROL:

1. Improving the quality of products and services
2. Increasing the productivity of manufacturing processes, commercial business, and corporations
3. Reducing manufacturing and corporate costs
4. Determining and improving the marketability of products and services
5. Reducing consumer prices of products and services
6. Improving and/or assuring on time deliveries and availability
7. Assisting in the management of an enterprise

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# ❖ Marketing functions

## 1. Meaning

## 2. Definition

## 3. Functions

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## Marketing functions

### MEANING OF MARKETING

Marketing refers to activities a company undertakes to promote the buying or selling of a product or service. Marketing includes advertising, selling, and delivering products to consumers or other businesses. Some marketing is done by affiliates on behalf of a company.

### DEFINITIONS OF MARKETING

According to the American Marketing Association (AMA) Board of Directors, **Marketing** is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

**Dr Philip Kotler** defines **marketing** as “the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit. Marketing identifies unfulfilled needs and desires. It defines, measures and quantifies the size of the identified market and the profit potential. It pinpoints which segments the company is capable of serving best and it designs and promotes the appropriate products and services.”

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## Marketing functions

### MARKETING FUNCTIONS

Here are the seven marketing functions, along with their benefits for marketing professionals:

**1. Promotion:** Promotion fosters brand awareness while educating target audiences on a brand's products or services. It emphasizes introducing potential consumers to your brand. This function of marketing varies in form, and marketing professionals tailor each form to relate to a particular product, brand or target audience. Promotion may include any of the following strategies:

- Email marketing
- Social media advertisements
- Public relations
- Digital or print advertising
- Content marketing
- Brand partnerships
- Influencer marketing
- Events

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## Marketing functions

Each of these methods attempts to generate conversation and excitement about a product or service. However, the promotion itself often requires the support of other marketing functions to be successful.

**2. Selling:** Selling is a function of marketing that comprises communicating with potential customers and pursuing sales leads. It's important for marketing professionals to pursue sales leads with subtlety, which helps them build relationships with potential customers. As communication with a potential customer progresses, successful marketers may introduce their product and answer questions customers may have. Effective selling techniques can help you distinguish your brand from competitors. Marketers and salespeople may collaborate to determine how to best position their product within their market and sell it to potential customers.

**3. Product management:** Product management includes the development, design and improvement of products or services. The role of a marketer in product management is to ensure that a finished product meets customer needs. This includes examining the overall visual of the product, its usefulness and how it's delivered. Some product management strategies include:

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### Marketing functions

- **Analyzing competitors:** Researching and analyzing your competitors equips you with information to develop a product that rivals or surpasses theirs
  - **Communicating with customers:** This strategy provides helpful insight into ways to improve your products before they reach the market
  - **Implementing feedback:** It's important for marketing professionals to gather feedback from several areas—both inside and outside their organization—to improve their production processes
  - **Conducting market research:** Researching similar products helps a marketing team determine what customers want and how to satisfy them
  - **Coordinating with other departments:** Collaborating with other teams in your organization prepares your entire company to release a product, generate ideas for distribution and deliver products seamlessly
- 4. Pricing:** Establishing a price for a product incorporates several factors of cost and value. Ideally, marketers find a price between customers' perceptions of a product's value and the actual cost of producing it. Other factors include the price your competitors set and the amount customers might pay for your product. Marketing professionals consider these elements when deciding how to price a particular product or service

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### Marketing functions

It can be challenging to determine a price for your product, but using in-depth market research can help you make an informed decision. Whatever price you choose for your product,

it's important for your promotions and branding to match its price. For example, if you sell a handbag for \$1,000, you might market it as a luxury item. This emphasizes your product's value, which could convince customers to purchase your item.

- 5. Marketing information management:** You can optimize your marketing strategies when you focus on data and information. It's important to collect and store data, such as customer preferences and demographics. Often, this data directly relates to your target audience for your products and services. This also can inform effective business decisions for the entire company, so consider sharing your data and findings with other departments, as well.

You can gather relevant information from various marketing tools, such as:

- Surveys
- Online reviews
- Social media engagements
- Market research reports

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### Marketing functions

Each marketing tool provides unique data and feedback, so choosing the right one depends on your specific needs. For example, if your team wants to measure the effectiveness of your last social media campaign, you could research the number of followers that your brand's accounts gained during the campaign. This can help you determine whether your efforts succeeded in increasing social media engagement.

- 6. Financing:** Financing is a marketing function that involves securing funding—either internally or externally—to create marketing campaigns. It's important for marketing teams to secure enough availability in their annual budget to improve previous marketing campaigns and remain updated with industry trends.

A marketing team can demonstrate its added value to its company if revenue continues to increase due to high-quality marketing campaigns. This upward trajectory might also allow that team to secure future funding, as they can demonstrate a quantifiable positive return on their investment.

- 7. Distribution:** Distribution is the process of transporting your company's products or services to your customers. There are several physical and digital methods of distribution, including:

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### Marketing functions

- Online stores
- Catalogs or magazines
- Sales calls
- Retail stores
- Wholesalers

Marketers often choose the channel of distribution that best fits a particular product, brand or target audience. It's important to choose a location to sell your product that your target audience often visits. Distribution is a function of marketing that requires collaboration across departments to ensure that each product reaches your consumers in its intended fashion.

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# ❖ Market segmentation

1. Meaning
2. Benefits
3. Types
4. Process

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## Market segmentation

**MEANING:** At its core, market segmentation is “the practice of dividing your target market into approachable groups” Market segmentation creates subsets of a market based on demographics, needs, priorities, common interests, and other psychographic or behavioural criteria used to better understand the target audience

By understanding your market segments, you can leverage this targeting in product, sales, and marketing strategies Market segments can power your product development cycles by informing how you create product offerings for different segments like men vs women or high income vs low income

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## Market segmentation

### BENEFITS OF MARKET SEGMENTATION

- 1) **Stronger marketing messages:** You no longer have to be generic and vague – you can speak directly to a specific group of people in ways they can relate to, because you understand their characteristics, wants, and needs
- 2) **Targeted digital advertising:** Market segmentation helps you understand and define your audience’s characteristics, so you can direct your marketing efforts to specific ages, locations, buying habits, interests etc
- 3) **Developing effective marketing strategies:** Knowing your target audience gives you a head start about what methods, tactics and solutions they will be most responsive to
- 4) **Better response rates and lower acquisition costs:** These will result from creating your marketing communications both in ad messaging and advanced targeting on digital platforms like Facebook and Google using your segmentation
- 5) **Attracting the right customers:** Market segmentation helps you create targeted, clear and direct messaging that attracts the people you want to buy from you

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## Market segmentation

- 6) **Increasing brand loyalty:** when customers feel understood, uniquely well served and trusting, they are more likely to stick with your brand
- 7) **Differentiating your brand from the competition:** More specific, personal messaging makes your brand stand out
- 8) **Identifying niche markets:** segmentation can uncover not only underserved markets, but also new ways of serving existing markets – opportunities which can be used to grow your brand
- 9) **Staying on message:** As segmentation is so linear, it’s easy to stay on track with your marketing strategies, and not get distracted into less effective areas
- 10) **Driving growth:** You can encourage customers to buy from you again, or trade up from a lower-priced product or service
- 11) **Enhanced profits:** Different customers have different disposable incomes; prices can be set according to how much they are willing to spend Knowing this can ensure you don’t over (or under) sell yourself
- 12) **Product development:** You’ll be able to design with the needs of your customers top of mind, and develop different products that cater to your different customer base areas

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## Market segmentation

### TYPES OF MARKET SEGMENTATION

With segmentation and targeting, you want to understand how your market will respond in a given situation, like purchasing your products. In many cases, a predictive model may be incorporated into the study so that you can group individuals within identified segments based on specific answers to survey questions.

**1. Demographic segmentation:** Demographic segmentation sorts a market by elements such as age, education, income, family size, race, gender, occupation, and nationality. Demographic is one of the simplest and most commonly used forms of segmentation because the products and services we buy, how we use those products, and how much we are willing to spend on them is most often based on demographic factors.

**2. Geographic segmentation:** Geographic segmentation can be a subset of demographic segmentation, although it can also be a type of segmentation in its own right. It creates different target customer groups based on geographical boundaries. Because potential customers have needs, preferences, and interests that differ according to their geographies, understanding the climates and geographic regions of customer groups can help determine where to sell and advertise, as well as where to expand your business.

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## Market segmentation

**3. Firmographic Segmentation:** Firmographic Segmentation is similar to demographic segmentation, except that demographics look at individuals while firmographics look at organisations. Firmographic segmentation would consider things like company size, number of employees and would illustrate how addressing a small business would differ from addressing an enterprise corporation.

**4. Behavioural Segmentation:** Behavioural Segmentation divides markets by behaviours and decision-making patterns such as purchase, consumption, lifestyle, and usage. For instance, younger buyers may tend to purchase bottled body wash, while older consumer groups may lean towards soap bars. Segmenting markets based on purchase behaviours enables marketers to develop a more targeted approach because you can focus on what you know they, and are therefore more likely to buy.

**5. Psychographic segmentation:** Psychographic segmentation considers the psychological aspects of consumer behaviour by dividing markets according to lifestyle, personality traits, values, opinions, and interests of consumers. Large markets like the fitness market use psychographic segmentation when they sort their customers into categories of people who care about healthy living and exercise.

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## Market segmentation

### MARKET SEGMENTATION PROCESS

Market segmentation Process includes the following Steps:

**1. Define your market:** Is there a need for your products and services? Is the market large or small? Where does your brand sit in the current marketplace?

**2. Segment your market:** Decide which of the five criteria (demographic/firmographic, psychographic, geographic or behaviour) you want to use to segment your market. You don't need to stick to just one – in fact, most brands use a combination – so experiment with each one and find what works best.

**3. Understand your market:** You do this by conducting preliminary research surveys, focus groups, polls, etc. Ask questions that relate to the segments you have chosen, and use a combination of quantitative (tickable/selectable boxes) and qualitative (open-ended for open text responses) questions.

**4. Create your customer segments:** Analyse the responses from your research to highlight which customer segments are most relevant to your brand.

**5. Test your marketing strategy:** Once you have interpreted your responses, test your findings on your target market, using conversion tracking to see how effective it is. And keep testing. If uptake is disappointing, relook at your segments or your research methods.

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## ❖ Market research

### 1. Definition

### 2. Objectives

### 3. Importance

### 4. Types

### 5. Process

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## Market research

### DEFINITION

Market research is defined as “the process of evaluating the feasibility of a new product or service, through research conducted directly with potential consumers. This method allows organizations or businesses to discover their target market, collect and document opinions and make informed decisions”

Market research can be conducted directly by organizations or companies or can be outsourced to agencies which have expertise in this process

The process of market research can be done through deploying surveys, interacting with a group of people also known as sample, conducting interviews and other similar processes

Primary purpose of conducting **market research** is to understand or examine the market associated with a particular product or service, to decide how the audience will react to a product or service. The information obtained from conducting market research can be used to tailor marketing/ advertising activities or to determine what are the feature priorities/service requirement (if any) of consumers

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## Market research

### OBJECTIVES

A market research project may usually have 3 different types of objectives

**Administrative:** Help a company or business development, through proper planning, organization, and both human and material resources control, and thus satisfy all specific needs within the market, at the right time

**Social:** Satisfy customer's specific needs through a required product or service. The product or service should comply with the requirements and preferences of a customer when it's consumed

**Economical:** Determine the economical degree of success or failure a company can have while being new to the market, or otherwise introducing new products or services, and thus providing certainty to all actions to be implemented

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## Market research

### IMPORTANCE OF MARKETING RESEARCH

Conducting research is one of the best ways of achieving customer satisfaction, reducing customer churn and elevating business. Here are the reasons why market research is important and should be considered in any business:

- 1. Valuable information:** It provides information and opportunities about the value of existing and new products, thus, helping businesses plan and strategize accordingly
- 2. Customer-centric:** It helps to determine what the customers need and want. Marketing is customer-centric and understanding the customers and their needs will help businesses design products or services that best suit them
- 3. Forecasts:** By understanding the needs of customers, businesses can also forecast their production and sales. Market research also helps in determining optimum inventory stock
- 4. Competitive advantage:** To stay ahead of competitors market research is a vital tool to carry out comparative studies. Businesses can devise business strategies that can help them stay ahead of their competitors

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## Market research

### TYPES OF MARKET RESEARCH

Whether an organization or business wishes to know purchase behavior of consumers or the likelihood of consumers paying a certain cost for a product, market research helps in drawing meaningful conclusions

Depending on the methods and tools required, following are the types:

**1 Primary Market Research :** Primary market research is a process, where organizations or businesses get in touch with the end consumers or employ a third party to carry out relevant studies to collect data. The data collected can be qualitative data (non-numerical data) or quantitative data (numerical or statistical data)

While conducting primary market research, one can gather two types of information: Exploratory and Specific. Exploratory research is open ended, where a problem is explored by asking open ended questions in a detailed interview format usually with a small group of people also known as sample. Here the sample size is restricted to 6-10 members. Specific research, on the other hand, is more pinpointed and is used to solve the problems that are identified by exploratory research.

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## Market research

As mentioned earlier primary market research is a combination of qualitative market research and quantitative market research Qualitative market research study involves semi- structured or unstructured data collected through some of the commonly used qualitative research methods like:

- **Focus groups:** Focus group is one of the commonly used qualitative research methods Focus group is a small group of people (6-10) who typically respond to online surveys sent to them The best part about focus group is the information can be collected remotely, can be done without personally interacting with the group members However, this is a more expensive method as it is used to collect complex information
- **One-to-one interview:** As the name suggests this method involves personal interaction in the form of an interview, where the researcher asks a series of questions to collect information or data from the respondents The questions are mostly open ended questions and asked in a way to facilitate responses This method is heavily dependent on the ability and experience of the interviewer to ask questions that evoke responses
- **Ethnographic research:** This type of in-depth research is conducted in the natural settings of the respondents This method requires the interviewer to

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## Market research

adapt himself/herself to the natural environment of the respondents which could be a city or a remote village Geographical constraints can be a hindering factor in conducting this kind of research Ethnographic research can last from a few days to a few years

**2 Secondary Market Research:** Secondary research uses information that is organized by outside source like government agencies, media, chambers of commerce etc This information is published in newspaper, magazines, books, company website, free government and nongovernment agencies and so on Secondary source makes use of the following:

- **Public sources:** Public sources like library are an awesome way of gathering free information Government libraries usually offer services free of cost and a researcher can document available information
- **Commercial sources:** Commercial source although reliable are expensive Local newspapers, magazines, journal, television media are great commercial sources to collect information
- **Educational Institutions:** Although not a very popular source of collecting information, most universities and educational institutions are a rich source of information as many research projects are carried out there than any business sector

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## Market research

### MARKETING RESEARCH PROCESS:

Following are the steps to conduct an effective market research

**Step 1: Define the Problem:** Having a well-defined subject of research will help researchers when they ask questions These questions should be directed to solve problems and they have to be adapted to the project Make sure the questions are written clearly and that the respondents understand them Researchers can conduct a test with a small group to know if the questions are going to know whether the asked questions are understandable and will they be enough to gain insightful results

Research objectives should be written in a precise way and should include a brief description of the information that is needed and the way in which it will obtain it They should have an answer to this question "why are we doing the research?"

**Step 2: Define the Sample:** To carry out market research, researchers need a representative sample that can be collected using one of the many sampling techniques A representative sample is a small number of people that reflect, as accurately as possible, a larger group

There are two ways to obtain a representative sample:

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## Market research

**■ Probability sampling:** In probability sampling, the choice of the sample will be made at random, which guarantees that each member of the population will have the same probability of selection and inclusion in the sample group Researchers should ensure that they have updated information on the population from which they will draw the sample and survey the majority to establish representativeness

**■ Non-probability sampling:** In a non-probability sampling, different types of people are seeking to obtain a more balanced representative sample Knowing the demographic characteristics of our group will undoubtedly help to limit the profile of the desired sample and define the variables that interest the researchers, such as gender, age, place of residence, etc By knowing these criteria, before obtaining the information, researchers can have the control to create a representative sample that is efficient for us

**Step 3: Carry out data collection:** First, a data collection instrument should be developed The fact that they do not answer a survey, or answer it incompletely will cause errors in research The correct collection of data will prevent this

**Step 4: Analyze the results:** Each of the points of the market research process is linked to one another If all the above is executed well, but there is no accurate

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## Market research

analysis of the results, then the decisions made consequently will not be appropriate In-depth analysis conducted without leaving loose ends will be effective in gaining solutions Data analysis will be captured in a report, which should also be written clearly so that effective decisions can be made on that basis

Analyze and interpret the results is to look for a wider meaning to the obtained data

All the previous phases have been developed to arrive at this moment

How can researchers measure the obtained results? The only quantitative data that will be obtained is age, sex, profession, and number of interviewees because the rest are emotions and experiences that have been transmitted to us by the interlocutors For this, there is a tool called empathy map that forces us to put ourselves in the place of our clientele with the aim of being able to identify, really, the characteristics that will allow us to make a better adjustment between our products or services and their needs or interests

When the research has been carefully planned, the hypotheses have been adequately defined and the indicated collection method has been used, the interpretation is usually carried out easily and successfully What follows after conducting market research?

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## Market research

**Step 5: Make the Research Report:** When presenting the results, researchers should focus on: what do they want to achieve using this research report and while answering this question they should not assume that the structure of the survey is the best way to do the analysis One of the big mistakes that many researchers make is that they present the reports in the same order of their questions and do not see the potential of storytelling

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## ❖ Channels of distribution

### 1. Meaning

### 2. Functions

### 3. Types

## Channels of distribution

### MEANING OF DISTRIBUTION CHANNEL:

A distribution channel is a chain of businesses or intermediaries through which a good or service passes until it reaches the final buyer or the end consumer Distribution channels can include wholesalers, retailers, distributors, and even the internet

A distribution channel (also called a marketing channel) is the path or route decided by the company to deliver its good or service to the customers The route can be as short as a direct interaction between the company and the customer or can include several interconnected intermediaries like wholesalers, distributors, retailers, etc

Hence, a distribution channel can also be referred to as a set of interdependent intermediaries that help make a product available to the end customer

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## Channels of distribution

### FUNCTIONS OF DISTRIBUTION CHANNELS

In order to understand the importance of distribution channels, businesses need to understand that it doesn't just bridge the gap between the producer of a product and its user

Distribution channels provide time, place, and ownership utility They make the product available when, where, and in which quantities the customer wants But other than these **transactional functions**, marketing channels are also responsible to carry out the following functions:

1. **Logistics and Physical Distribution:** Marketing channels are responsible for assembly, storage, sorting, and transportation of goods from manufacturers to customers
2. **Facilitation:** Channels of distribution even provide pre-sale and post-purchase services like financing, maintenance, information dissemination and channel coordination
3. **Creating Efficiencies:** This is done in two ways: bulk breaking and creating assortments Wholesalers and retailers purchase large quantities of goods from manufacturers but break the bulk by selling few at a time to many other channels or customers They also offer different types of

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## Channels of distribution

products at a single place which is a huge benefit to customers as they don't have to visit different retailers for different products

4. **Sharing Risks:** Since most of the channels buy the products beforehand, they also share the risk with the manufacturers and do everything possible to sell it
5. **Marketing:** Distribution channels are also called marketing channels because they are among the core touch points where many marketing strategies are executed They are in direct contact with the end customers and help the manufacturers in propagating the brand message and product benefits and other benefits to the customers

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## Channels of distribution

### TYPES OF DISTRIBUTION CHANNELS

Channels of distribution can be divided into the direct channel and the indirect channels Indirect channels can further be divided into one-level, two-level, and three-level channels based on the number of intermediaries between manufacturers and customers

#### **1. Direct Channel or Zero-level Channel (Manufacturer to Customer)**

Direct selling is one of the oldest forms of selling products It doesn't involve the inclusion of an intermediary and the manufacturer gets in direct contact with the customer at the point of sale Some examples of direct channels are peddling, brand retail stores, taking orders on the company's website, etc Direct channels are usually used by manufacturers selling perishable goods, expensive goods, and whose target audience is geographically concentrated For example, bakers, jewellers, etc

#### **2 Indirect Channels (Selling Through Intermediaries)**

When a manufacturer involves a middleman/intermediary to sell its product to the end customer, it is said to be using an indirect channel Indirect channels can be classified into three types:

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## Channels of distribution

- **One-level Channel (Manufacturer to Retailer to Customer):** Retailers buy the product rom the manufacturer and then sell it to the customers One level channel of distribution works best 1 for manufacturers dealing in shopping goods like clothes, shoes, furniture, toys, etc
- **Two-Level Channel (Manufacturer to Wholesaler to Customer):** Wholesalers buy the bulk from the manufacturers, breaks it down into small packages and sells them to retailers who eventually sell it to the end customers Goods which are durable, standardised and somewhat inexpensive and whose target audience isn't limited to a confined area use two-level channel of distribution
- **Three-Level Channel (Manufacturer to Agent to Wholesaler to Retailer to Customer):** Three level channel of distribution involves an agent besides the wholesaler and retailer who assists in selling goods These agents come handy when goods need to move quickly into the market soon after the order is placed They are given the duty to handle the product distribution of a specified area or district in return of a certain percentage commission The agents can be categorised into super stockists and carrying and forwarding agents Both these agents keep the stock on behalf of the company Super

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## Channels of distribution

- stockists buy the stock from manufacturers and sell them to wholesalers and retailers of their area Whereas, carrying and forwarding agents work on a commission basis and provide their warehouses and shipment expertise for order processing and last mile deliveries Manufacturers opt for three-level marketing channel when the userbase is spread all over the country and the demand of the product is very high

### 3 Dual Distribution

When a manufacturer uses more than one marketing channel simultaneously to reach the end user, he is said to be using the dual distribution strategy They may open their own showrooms to sell the product directly while at the same time use internet marketplaces and other retailers to attract more customers Example of goods sold through dual distribution is smartphones

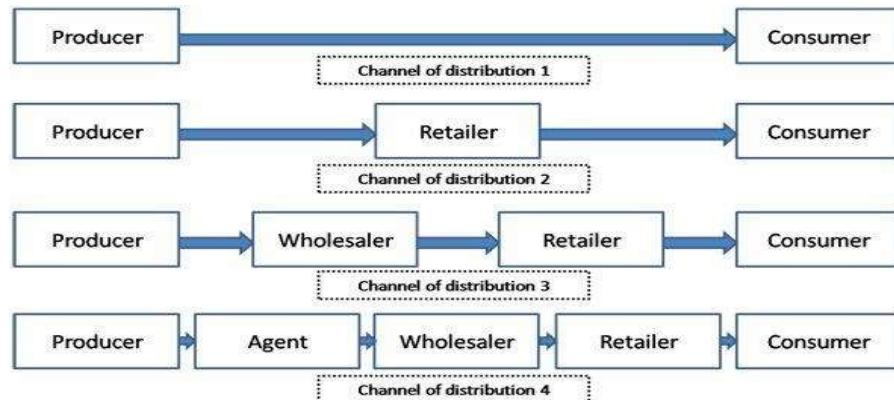
### 4 The Internet as a Distribution Channel

The internet has revolutionised the way manufacturers deliver goods Other than the traditional direct and indirect channels, manufacturers now use marketplaces like Amazon (Amazon also provide warehouse services for manufacturers' products) and other intermediaries like aggregators (Uber, Instacart) to deliver the goods and services The internet has also resulted in the

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## Channels of distribution

- removal of unnecessary middlemen for products like software which are distributed directly over the internet



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## ❖ Sales promotion

- 1. Introduction**
- 2. Definition**
- 3. Importance**
- 4. Objectives**
- 5. Strategies**
- 6. Types**

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## Sales promotion

**INTRODUCTION:** Even though customer satisfaction has become the top priority for businesses, there are times when they need to stimulate demand and increase sales of their products for short-run This is where sales promotion comes into play Sales promotion is a part of the promotional mix where the business uses many short- term customer-oriented strategies to stimulate the demand for its product by making it look more attractive and/or worthy

### DEFINITION

Sales promotion is a marketing strategy where the product is promoted using short- term attractive initiatives to stimulate its demand and increase its sales

This strategy is usually brought to use in the following cases –

- To introduce new products,
- To sell out existing inventories,
- To attract more customers, and
- To lift sales temporarily

American Marketing Association defines sales promotion as – Media and nonmedia marketing pressure applied for a predetermined, limited period of time in order to stimulate trial, increase consumer demand, or improve product availability

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## Sales promotion

### IMPORTANCE OF SALES PROMOTION

Sales promotion is a handy technique to fulfil the short term sales goals by persuading potential customers to buy the product It is an important promotional strategy to –

- Spread information about the brand to new customers or new market
- Stabilize sales volume and fulfil short-term sales goals
- Stimulate demand for a short term by making the product look like a great deal

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## Sales promotion

### OBJECTIVES OF SALES PROMOTION

The answer to the question what is sales promotion? also gives a hint to sales promotion objectives, the main objective being lifting the sales temporarily Other objectives include but are not limited to –

1. **Create market for new products:** It is sometimes hard to establish demand for a new product in a market of similar products In such cases, the company opt for increasing some sales by using sales promotion strategies like penetration pricing, offers, discounts, and scarcity principle
2. **Remain competitive:** Companies use temporary sales promotion techniques to compete with competitor's short term marketing strategies
3. **Gain dealers' trust:** Sales promotion techniques increase the sales of the products This increases dealers' income and results in them preferring the brand more
4. **Take products to new markets:** New markets are often hard to enter Sales promotion increases traction and makes more customers try the new product
5. **Increase brand awareness:** It includes attractive incentives which help increase brand awareness, which eventually leads to more sales
6. **Woo existing customers:** Sales promotion is also used to tackle the poaching strategies of competitors and keep existing customers with the brand

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## Sales promotion

### SALES PROMOTION STRATEGIES:

Sales promotion strategies can be divided into three broad types These are –

1. **Pull Strategy** – The pull strategy attempts to get the customers to 'pull' the products from the company It involves making use of marketing communication and initiatives like seasonal discounts, financial schemes, etc
2. **Push Strategy** – The push strategy attempts to push the product away from the company to the customers It involves convincing the intermediary channels to push the product from the distribution channels to the final consumers using promotional and personal selling efforts This strategy involves making use of tactics developed especially for resellers, merchants, dealers, distributors, and agents
3. **Hybrid Strategy** – A hybrid sales promotion strategy makes use of both the pull and push strategy to sell the product with the least resistance possible It involves attracting the customers using special coupons and also providing incentives to the merchants to sell the brand's products

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## Sales promotion

### TYPES OF SALES PROMOTIONS

Sales promotion can be broadly divided into two types according to whom the promotion is targeted to These are –

#### **1 Consumer Sales Promotion:**

When the sales promotion strategies are targeted to the end consumers, it is referred to as consumer sales promotion An example would be offering 20% off on certain products to the customers The main motive of consumer-oriented promotion is to increase sales directly by attracting new customers and wooing existing ones

#### **Sales Promotion Techniques Targeted To Consumers:**

Sales promotion tools used for consumer-oriented promotion are –

- **Free Samples:** Distributing free samples increases brand awareness and triggers the psychology of ownership where the person chooses the promoted product if he liked the sample
- **Free Gifts** – Offering free gifts attract customers as they get more while paying for less

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### Sales promotion

- **Discounts/Discount Coupons** – Discount coupons are a great method of increasing sales for the short term. People go for discount coupons as they let them buy the products they couldn't afford otherwise.
- **Exchange Schemes** – Exchange schemes attract many customers as they get some value even for their old product.
- **Finance Schemes** – Finance schemes like no-cost EMI, low-interest EMI, etc makes it easier for customers to purchase expensive products.
- **Shipping Schemes** – Sometimes huge shipping costs discourage the customers from buying products. Such short term shipping schemes remove friction.
- **Bundle Discounts** – These deals are a great way to reduce unsold inventory. It includes selling bundled products at a price lesser than when those number of products are bought separately.
- **Bulk Purchase Deals** – This is a great sales promotion tactic to reduce unsold inventory. It includes providing discount to customers who buy in bulk.

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### Sales promotion

#### 2 Trade Sales Promotion:

When the promotion activities are strategized keeping in mind the dealers, distributors, or agents, it is called trade sales promotion. In this type of sales promotion, offers are provided within the trade channels with an aim to woo retailers, wholesalers, agents, or distributors. This is done to get more shelf space as compared to competitors, motivate the dealers to sell more of the brand's products and to increase the sales indirectly.

#### Sales Promotion Techniques Targeted to Traders

- Point Of Purchase Displays – This includes providing free point of purchase (POP) display units to the retailers to increase their sales.
- Trade Shows – Trade shows are a great sales promotion strategy where the business promotes its product to thousands of traders in the trade show. Trade shows also witness huge discounts as compared to when bought usually.
- Push Money – Also known as spiffs, this technique includes extra payments to traders to motivate them to meet specified goals. For example, giving them a \$50 bonus per unit for selling product A and \$30 for selling product B for a specified time period.

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### Sales promotion

- Deal Loaders – These are the gifts provided to the traders (wholesalers and retailers) for ordering a certain quantity of product.
- Trade Deals – These are special concessions provided to the merchants to encourage them to promote a specific product and increase its sales for a limited time period.
- Buying Allowances – Special discounts provided to the sellers when they order a specified number of products.

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## ❖ Product pricing

1. Introduction
2. Objectives
3. Kinds of pricing
4. Methods of pricing

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## Product pricing

### INTRODUCTION:

Pricing the product or service is one of the most important business decisions you will make. You must offer your products for a price your target market is willing to pay – and one that produces a profit for your company – or you won't be in business for long.

According to Prof KC Kite, “Pricing is a managerial task that involves establishing pricing objectives, identifying the factors governing the price, ascertaining their relevance and significance, determining the product value in monetary terms and formulation of price policies and the strategies, implementing them and controlling them for the best results”

### OBJECTIVES OF PRICING:

1. To achieve target rate of return on investment;
2. To stabilize prices;
3. To maintain or improve share of the market;
4. To meet or prevent competition;
5. To maximize profits; and
6. To improve public image

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## Product pricing

**6) Price Lining:** This policy of pricing is usually found among retailers. Technically it is closely related to both psychological and customary prices. Under this policy the pricing decisions are made only initially and such fixed prices remain constant over long periods of time.

**7) Geographic Pricing:** The manufacturer sometimes adopts different prices in different markets without creating any ill will among customers, eg, Petrol is priced depending upon the distance from the storage area to the retail outlet.

**8) FOB Pricing (Free on Board):** Here the buyer will have to incur the cost of transit and in the later the price quoted is inclusive of transits charges.

**9) Dual Pricing:** When the manufacturer sells the same product at two or more different prices in the same market it is ‘Dual Market Pricing’. This is possible only if different brands are marketed. It is adopted in railways where passengers are charged differently for the same journey and traveling in different classes. This is also referred to as ‘Discriminatory Pricing’.

**10) Administered Pricing:** This applies to the practice of pricing the products for the markets not on the basis of cost, competitive pressures or the laws of supply and demand but purely on the basis of the policy decisions of the sellers. These kinds of price remain unchanged for substantial periods of time.

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## Product pricing

### KINDS OF PRICING

Firms may choose various kinds of pricing for their various products these are:

- 1) Odd Pricing:** It may be a price ending in an odd number. Bata Shoe Company pricing one of its pair shoes at 29995 is an example of odd pricing. Such a pricing is adopted by the sellers of specialty or convenient goods.
- 2) Psychological Pricing:** The prices under this method are fixed at a full number. The price setters feel such a price has an apparent psychological significance from the viewpoint of buyers. This differs from the concept of odd pricing in that the curve doesn't necessarily have any segments positively inclined.
- 3) Customary Prices:** Such prices are fixed by the custom. Soft drinks are priced by their customary bases, such a pricing is usually adopted by chain stores.
- 4) Pricing at Prevailing Prices:** This kind of pricing is undertaken to meet the competition. It is also called ‘Pricing at the market’. Such a strategy presumes a market in elasticity of demand below the current price.
- 5) Prestige Pricing:** Many customers judge the quality of a product by its price. In their opinion lower priced product is inferior, and higher priced product is superior. This pricing is applied generally to luxury goods.

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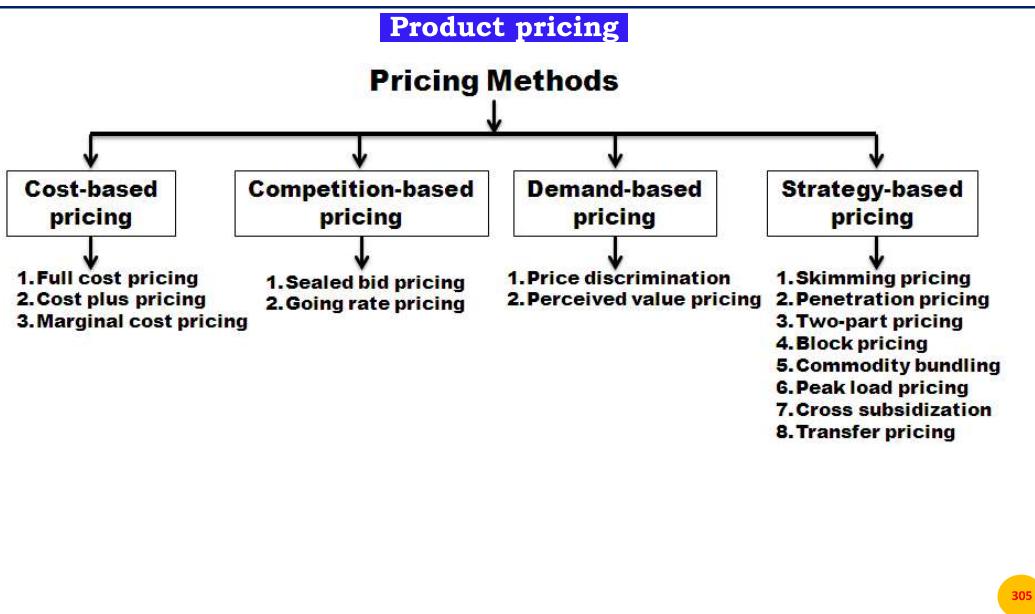
## Product pricing

### METHODS OF PRICING:

The export price structure, like the domestic price structure, begins on the factory floor. But there is no similarity in the costs included in the two structures. The pricing of the products for domestic and export purposes shall be calculated in a somewhat different manner. The export price structure is the basis of all export price quotations, discount and commissions. There are various methods of pricing the product in the foreign markets. The methods may be grouped into two ie, cost oriented export pricing methods and market oriented export pricing methods.

The pricing of the products for domestic and for the markets abroad is calculated in a somewhat different way. The price structure for export is the basis of all export price quotations, discount and commissions.

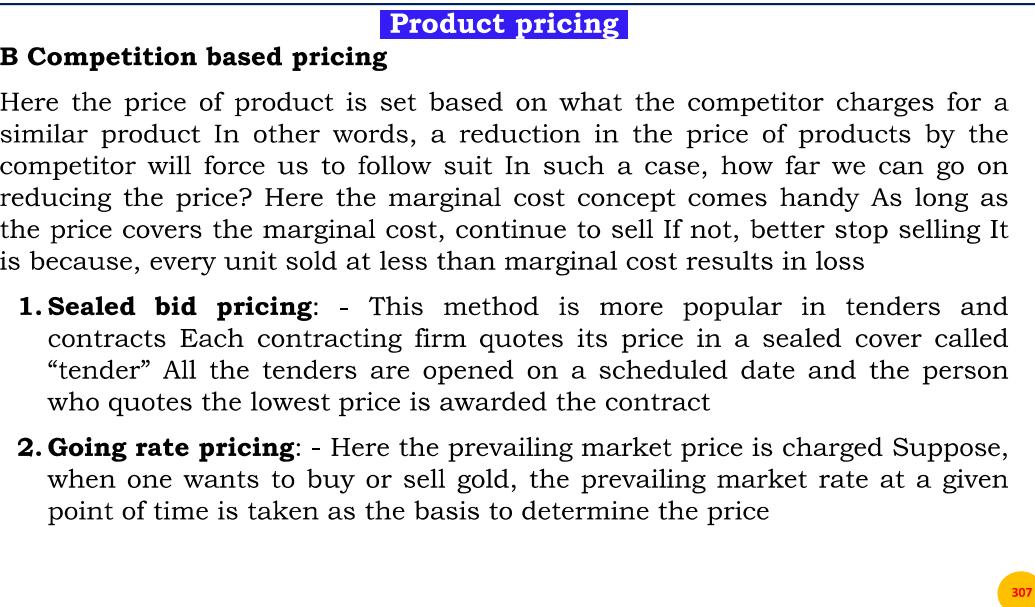
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- Product pricing**
- A. Cost Based Pricing**
- 1. Full cost pricing:** - Under this method, price is just equal to the average cost
  - 2. Cost plus pricing:** - Here, the average cost is ascertained and then a conventional margin added to the cost to arrive at the price In other words, find out the product unit's total cost and add a percentage of profit to arrive at the selling price It is commonly followed in departmental stores and other retail shops This method is simple to be administered It may be very difficult to find the selling price in advance due to complexity of the nature of the project
  - 3. Marginal cost pricing (Break even pricing or Target profit pricing):-** In this method, selling price is fixed in such a way that it covers full variable or marginal cost and contributes towards recovery of fixed costs in the stiff competition, marginal cost offers a guidelines as to how far the selling price can be lowered

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- Product pricing**
- C Demand Based Pricing**
- 1. Perceived value pricing:** - This method considers the buyer's perception of the value of the product as the basis of pricing Here the pricing rule is that the firm must develop procedures for measuring the relative value of the product as perceived by consumers
  - 2. Price discrimination (Differential pricing):-** Price discrimination refers to the practice of charging different prices to customers for the same good It involves selling a product or service for different prices in different market segments Price differentiation depends on geographical location of the consumers, type of consumer, purchasing quantity, season, time of the service etc Eg Telephone charges, APSRTC charges

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## Product pricing

### D Strategy based pricing

**1. Skimming pricing:** - The company follows this method when the product is for the first time introduced in the market Under this method, the company fixes a very high price for the product this strategy is mostly found in case of technology products When Samsung introduces a new cell phone model, it fixes a high price because of the uniqueness of the product

**2. Penetration pricing:** - This is exactly opposite to the market skimming method Here, a low price is fixed for the product in order to catch the attention of consumers, once the product image and credibility is established, the seller slowly starts jacking up the price to reap good profits in future The Rin washing soap perhaps falls into this category This soap was sold at a rather low price in the beginning and the firm even distributed free samples Today, it is quite an expensive brand and yet it is selling very well

**3. Two-part pricing:** - Under this strategy, a firm charges a fixed fee for the right to purchase its goods, plus a per unit charge for each unit purchased Entertainment houses such as country clubs, athletic clubs, etc, usually adopt this strategy They charge a fixed initiation fee or membership fee plus a charge, per month or per visit, to use the facilities

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## Product pricing

**4. Block pricing:** - We see block pricing in our day-to-day life very frequently Four Santhoor soaps in a single pack with nice looking soap box or five Maggi packets in a single pack with an attractive bowl indicate this pricing method The total value of the goods includes consumer's surplus as the consumer is given soap box and bowl along with the products freely By selling certain number of units of a product as one package, the firm earns more than by selling unit wise

**5. Commodity bundling:** - Commodity bundling means the practice of bundling two or more different products together and selling them at single 'bundle price' For example tourist companies offer the package that includes the travelling charges, hotel, meals and sight-seeing etc, at a bundle price instead of pricing each of these services separately

**6. Peak load pricing:** - Under this method, high price is charged during the peak times than off-peak times RTC increases charges during festivals, Railways charge more fares during tatkal time During seasonal period when demand is likely to be higher, a firm may increase profits by peak load pricing

**7. Cross subsidization:** - The process of charging high price for one group of customers in order to subsidize another group

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## Product pricing

**8. Transfer pricing:** - Transfer pricing means a price at which one process forwards their output (work-in-progress) to the next process for further processing It is an internal pricing technique

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## UNIT - V

**Labour legislation**, salient provision of health, safety, and welfare under Indian factories Act, Industrial dispute act, employees state insurance act, workmen's compensation act and payment of bonus Act.

# UNIT V

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# ❖ Labour legislation

- 1. Introduction**
- 2. Need**
- 3. Objectives**
- 4. Principles**

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## Labour legislation

### INTRODUCTION:

The term "labour legislation" or "labour laws" is used to denote that body of laws which deal with employment and non-employment wages, working conditions, industrial relations, social security and labour welfare of industrially employed persons. Any enlightened state would intervene in the conduct of industry and impose statutory obligations mostly on the employers and also, to a lesser degree, on the workers in order to maintain industrial peace and good relations between management and workers and to secure to the better working conditions a minimum wage, compensation in case of accidents medical facilities provision for future etc.

The origin and growth of labour legislation may be ascribed mostly to the development of organised industry where a large number of workers including women and children are employed under conditions which tend to be detrimental to their health, safety and welfare and against which they are often unable to protect themselves.

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## Labour legislation

### NEED FOR LABOUR LEGISLATION:

It proceeds from two basic concepts:

1. The relationship between workers and employers is one of partnership in the maintenance of production and the building up of the national economy
2. The community as a whole as well as individual employer are under an obligation to protect the well-being of workers and to secure to them their due share in the gains of economic development

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## Labour legislation

### OBJECTIVES OF THE LABOUR LEGISLATIONS:

Labour legislation in India has sought to achieve the following objectives:

1. Establishment of justice- Social, Political and Economic
2. Provision of opportunities to all workers, irrespective of caste, creed, religion, beliefs, for the development of their personality
3. Protection of weaker section in the community
4. Maintenance of Industrial Peace
5. Creation of conditions for economic growth
6. Protection and improvement of labour standards
7. Protect workers from exploitation:
8. Guarantee right of workmen to combine and form association or unions
9. Ensure right of workmen to bargain collectively for the betterment of their service conditions
10. Make state interfere as protector of social well-being than to remain an onlooker
11. Ensure human rights and human dignity

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## Labour legislation

### PRINCIPLES OF LABOUR LEGISLATION:

Labour Legislation is based on certain fundamental principles

**1 Social Justice**—In an industrial set-up, social justice means an equitable distribution of profits and benefits accruing from industry between industrialists and workers and affording protection to the workers against harmful effect to their health, safety and morality. Mere compliance with and enforcement of legal rights may be unfair and cause hardship to the workers as workers-employer contracts are generally one-sided and directed by the employers. The Workmen's Compensation Act, 1923 and the Minimum Wages Act, 1948, for example, are attempts at securing social justice to the workers. The provisions of the Factories Act, 1948, fixing hours of work, overtime, leave privileges, welfare facilities and safe working conditions are also directed towards the same end.

Social justice is the signature tune of the Constitution of India and this note is nowhere more vibrant than in industrial jurisprudence [Per Krishna Iyer, J in Punjab National Bank v Ghulam Dastagir AIR (1978) SC 481]

The Preamble to our Constitution also lays down the objective of establishing 'Justice—Social, Economic and Political'

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## Labour legislation

2. **Social equity**—Another principle on which Labour Legislation is based is social equity. Legislation based on social justice fixes a definite standard for adoption for the future, taking into consideration the events and circumstances of the past and the present. But with the change of circumstances and ideas there may be a need for change in the law. This power of changing the law is taken by the Government by making provisions for True-making powers in the Acts in regard to certain specified matters. The rules may be modified or amended by the Government to suit the changed situation. Such legislation is based on the principle of social equity.
3. **International uniformity**—International uniformity is another principle on which labour laws are based. The important role played by the International Labour Organisation (in short, ILO) in this connection is praiseworthy. ILO is an international agency which was founded in 1919 soon after the First World War.
4. **National economy**—In enacting labour legislation, the general economic situation of the country has to be born in mind lest the very objective of the legislation be defeated. The state of national economy is an important factor in influencing labour legislation in the country.

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# ❖ Factories Act 1948

## 1. Introduction

## 2. Definitions

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## Factories Act 1948

### INTRODUCTION

The Factories Act, 1948, has been promulgated primarily to provide safety measures and to promote the health and welfare of the workers employed in factories. The object thus brings this Act, within the competence of the Central Legislature to enact. State Governments/Union Territory Administrations have been empowered under certain provisions of this Act, to make rules, to give effect to the objects and the scheme of the Act.

**Applicability:** This Act applies to factories, which qualify the definition of "Factory" under the section 2(m) of the Act or to those industrial establishments, to whom section 85 have been made applicable by the State Government, by notification in the Official Gazette. This applies to any premises wherein 10 or more persons with the aid of power or wherein 20 or more workers without aid of power are/were working on any day in the preceding 12 months, wherein manufacturing process is being carried on.

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## Factories Act 1948

### DEFINITIONS

According to Section 2 (m) of Factories Act, 1948, **Factory means** any premises including the precincts thereof

- whereon ten or more persons are employed or were employed for wages on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on with the aid of power or is ordinarily so carried on, or
- whereon twenty or more persons are employed or were employed for wages on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on without the aid of power or is ordinarily so carried on

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## Factories Act 1948

According to Section 2 (k) of Factories Act, “**manufacturing process**” means any process for

- making, altering, repairing, ornamenting, finishing, packing, oiling, washing, cleaning, breaking up, demolishing, or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal, or
- pumping oil, water, sewage or any other substance; or;
- generating, transforming or transmitting power; or
- composing types for printing, printing by letter press, lithography, photogravure or other similar process or book binding;
- constructing, reconstructing, repairing, refitting, finishing or breaking up ships or vessels;
- preserving or storing any article in cold storage;

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## ❖ Provisions under Factories Act 1948

- 1. Provisions of health**
- 2. Provisions of safety**
- 3. Provisions of welfare**

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## Provisions under Factories Act 1948

### PROVISIONS OF HEALTH FOR EMPLOYEES UNDER FACTORIES ACT, 1948

The main focus of Factories Act is towards the Health benefits to the workers Health Chapter of the Act contains specification from Section 11 to 20 Detailed information of the sections of is provided as under:

**Section 11:** This section basically specifies the issues of cleanliness at the workplace It is mentioned in the provision that every factory shall be kept clean and free from effluvia arising from any drain, privy or other nuisance This includes that there should be no accumulation of dirt and refuse and should be removed daily and entire area should be kept clean

**Section 12:** This section specifies on disposal of wastes and effluents That every factory should make effective arrangements for the treatment of wastes and effluents due to the manufacturing process carried on therein, so as to render them innocuous and for their disposal

**Section 13:** This section focuses on ventilation and temperature maintenance at workplace Every factory should work on proper arrangements for adequate ventilation and circulation of fresh air

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## Provisions under Factories Act 1948

**Section 14:** This section details on the proper exhaustion of dust and fume in the Factory In this it is mentioned that factory which deals on manufacturing process should take care of the proper exhaustion of dust, fume and other impurities from its origin point

**Section 15:** This section specifies regarding the artificial humidification in factories In this the humidity level of air in factories are artificially increased as per the provision prescribed by the State Government

**Section 16:** Overcrowding is also an important issue which is specified in this section In this it is mentioned that no room in the factory shall be overcrowded to an extent that can be injurious to the health of workers employed herein

**Section 18:** This section specifies regarding arrangements for sufficient and pure drinking water for the workers There are also some specified provisions for suitable point for drinking water supply As in that drinking water point should not be within 6 meters range of any washing place, urinal, latrine, spittoon, open drainage carrying effluents In addition to this a factory where there are more than 250 workers provisions for cooling drinking water during hot temperature should be made

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## Provisions under Factories Act 1948

**Section 19:** This section provides details relating to urinals and latrine construction at factories It mentions that in every factory there should be sufficient accommodation for urinals which should be provided at conveniently situated place It should be kept clean and maintained There is provision to provide separate urinals for both male and female workers

**Section 20:** This section specifies regarding proper arrangements of spittoons in the factory It is mentioned that in every factory there should be sufficient number of spittoons situated at convenient places and should be properly maintained and cleaned and kept in hygienic condition

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## Provisions under Factories Act 1948

### PROVISIONS OF SAFETY FOR EMPLOYEES UNDER FACTORIES ACT, 1948:

The Factories Act, 1948 also provides provisions relating to safety measures for the workers employed herein This is to ensure safety of workers working on or around the machines The detailed information on each provision relating to safety measures is as under:

**Section 17:** Under section it has been described that there should be proper arrangement of lighting in factories In every part of the factory where workers are working or passing should be well equipped with lighting arrangement either by natural sources or artificial sources

**Section 21:** This section specifies that fencing of machinery is necessary That any moving part of the machinery or machinery that is dangerous in kind should be properly fenced

**Section 23:** This section prescribes that employment of young person on dangerous machinery is not allowed In the case where he is been fully instructed in the usage of the machinery and working under the supervision he might be allowed to work on it

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## Provisions under Factories Act 1948

**Section 24:** This section provides provision of striking gear and devices for cutting off power in case of emergency Every factory should have special devices for cutting off of power in emergencies from running machinery Suitable striking gear appliances should be provided and maintained for moving belts

**Section 28:** This section prohibits working of women and children on specific machinery As per this section women and children should not be appointed for any part of factory working on cotton pressing

**Section 32:** In this section it has been specified that all floors, stairs, passages and gangways should be properly constructed and maintained, so that there are no chances of slips or fall

**Section 34:** This section specifies that no person in any factory shall be employed to lift, carry or move any load so heavy that might cause in injury State Government may specify maximum amount of weight to be carried by workers

**Section 35:** This section provides specification regarding safety and protection of eyes of workers It mentions that factory should provide specific goggles or screens to the workers who are involved in manufacturing work that may cause them injury to eyes

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## Provisions under Factories Act 1948

**Section 36:** As per this section it is provided that no worker shall be forced to enter any chamber, tank, vat, pit, pipe, flue or other confined space in any factory in which any gas, fume, vapour or dust is likely to be present to such an extent as to involve risk to persons being overcome thereby

**Section 38:** As per this section there should be proper precautionary measures built for fire There should be safe mean to escape in case of fire, and also necessary equipment and facilities to extinguish fire

**Section 45:** This section specifies that in every factory there should be proper maintained and well equipped first aid box or cupboard with the prescribed contents For every 150 workers employed at one time, there shall not be less than 1 first aid box in the factory Also in case where there are more than 500 workers there should be well maintained ambulance room of prescribed size and containing proper facility

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## Provisions under Factories Act 1948

### PROVISIONS OF LABOUR WELFARE UNDER FACTORIES ACT, 1948

Some of the provisions relating to the Labour Welfare as mentioned in the Factories Act, 1948 are:

- (1) Washing Facilities
- (2) Facilities for storing and drying clothing
- (3) Facilities for sitting
- (4) First aid appliances
- (5) Canteens
- (6) Shelters, rest rooms and lunch rooms
- (7) Crèches and
- (8) Welfare officers

**1. Washing Facilities (Sec 42):** In every factory (a) adequate and suitable facilities shall be provided and maintained for the use of workers; (b) separate and adequately screened facilities shall be provided for the use of male and female workers; (c) such facilities shall be easily accessible and shall be kept clean

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## Provisions under Factories Act 1948

**2. Facilities for storing and drying clothing (Sec43):** In every factory provision for suitable place should exist for keeping clothing not worn during working hours and for the drying of wet clothing

**3. Facilities for sitting (Sec44):** In every factory, suitable arrangements for sitting shall be provided and maintained for all workers who are obliged to work in a standing position so that the workers may take advantage of any opportunity for rest which may occur in the course of work If in any factory workers can efficiently do their work in a sitting position, the Chief inspector may require the occupier of the factory to provide such seating arrangements as may be practicable

**4. First aid appliances (Sec45):** Under the Act, the provisions for first-aid appliances are obligatory At least one first-aid box or cupboard with the prescribed contents should be maintained for every 150 workers It should be readily accessible during all working hours

Each first-aid box or cupboard shall be kept in the charge of a separate responsible person who holds a certificate in the first-aid treatment recognised by the State Government and who shall always be readily available during the working hours of the factory

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## Provisions under Factories Act 1948

In every factory wherein more than 500 workers are ordinarily employed there shall be provided and maintained an ambulance room of the prescribed size containing the prescribed equipment The ambulance room shall be in the charge of properly qualified medical and nursing staff These facilities shall always be made readily available during the working hours of the factory

**5. Canteens (Sec46):** In every factory employing more than 250 workers, the State government may make rules requiring that a canteen or canteens shall be provided for the use of workers Such rules may provide for (a) the date by which the canteen shall be provided, (b) the standards in respect of constitution, accommodation, furniture and other equipment of the canteen; (c) the foodstuffs to be served therein and charges which may be paid thereof; (d) the constitution of a managing committee for the canteens and representation of the workers in the management of the canteen; (e) the items of expenditure in the running of the canteen which are not to be taken into account in fixing the cost of foodstuffs and which shall be borne by the employer; (f) the delegation to the Chief inspector, of the power to make rules under clause (c)

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### Provisions under Factories Act 1948

**6. Shelters, rest rooms and lunch rooms (Sec47):** In every factory wherein more than 150 workers are ordinarily employed, there shall be a provision for shelters, rest room and a suitable lunch room where workers can eat meals brought by them with provision for drinking water

Where a lunch room exists, no worker shall eat any food in the work room Such shelters or rest rooms or lunch rooms shall be sufficiently lighted and ventilated and shall be maintained in a cool and clean condition

**7. Creches (Sec48):** In every factory wherein more than 30 women workers are ordinarily employed there shall be provided and maintained a suitable room or rooms for the use of children under the age of six years of such women

Such rooms shall provide adequate accommodation, shall be adequately lighted and ventilated, shall be maintained in clean and proper sanitary conditions and shall be under the charge of women trained in the care of children and infants

The State government may make rules for the provision of additional facilities for the care of children belonging to women workers including suitable provision of facilities:—

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### Provisions under Factories Act 1948

- a) For washing and changing their clothing
- b) of free milk or refreshment or both for the children, and
- c) for the mothers of children to feed them at the necessary intervals

**8. Welfare officers (Sec 49):** In every factory wherein 500 or more workers are ordinarily employed, the occupier shall employ in the factory such number of welfare officers as may be prescribed under Sec 49(1) The State government may prescribe the duties, qualifications and conditions of service of such officers

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## ❖ Industrial Disputes Act 1947

### 1. Introduction

### 2. Objectives

### 3. Provisions and Applicability

### 4. Authorities under the Act

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### Industrial Disputes Act 1947

**INTRODUCTION:** The main purpose of the Industrial Disputes Act, 1947 is to ensure fair terms between employers and employees, workmen and workmen as well as workmen and employers The objective of the Industrial Disputes Act is to secure industrial peace and harmony by providing machinery and procedure for the investigation and settlement of industrial disputes by negotiations

Industrial Disputes Act, 1947 is an Act to make provision for the investigation and settlement of industrial disputes, and for certain other purposes

According to Industrial Dispute-Sec 2 (k), Industrial Dispute is “any dispute of difference between employers and employees or between employers and workmen; or between workmen and workmen, which is connected with the employment or non-employment or the terms of employment or with the conditions of labour of any person”

Industrial dispute as defined under Sec 2(k) exists between- Parties to the dispute who may be

- Employers and workmen
- Employers and Employers
- Workmen and workmen

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## Industrial Disputes Act 1947

- a) There should be a factum of dispute not merely a difference of opinion
- b) It has to be espoused by the union in writing at the commencement of the dispute Subsequent espousal will render the reference invalid Therefore date when the dispute was espoused is very important
- c) It affects the interests of not merely an individual workman but several workmen as a class who are working in an industrial establishment

The dispute may be in relation to any workman or workmen or any other person in whom they are interested as a body

### **OBJECTIVES OF INDUSTRIAL DISPUTE ACT:**

1. To encourage good relations between labour and industries, and provide a medium of settling disputes through adjudicator authorities
2. To provide a committee for dispute settlement between industry and labor with the right of representation by a registered trade union or by an association of employers
3. Prevent unauthorized strikes and lockouts
4. Reach out to labour that has been laid-off, unrightfully dismissed, etc
5. Provide labour the right to collective bargaining and promote conciliation

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## Industrial Disputes Act 1947

### **PROVISIONS AND APPLICABILITY:**

#### **The Act also lays down:**

- The provision for payment of compensation to the workman on account of closure or lay off or retrenchment
- The procedure for prior permission of appropriate Government for laying off or retrenching the workers or closing down industrial establishments
- Unfair labour practices on part of an employer or a trade union or workers

#### **Applicability:**

The Industrial Disputes Act extends to whole of India and applies to every industrial establishment carrying on any business, trade, manufacture or distribution of goods and services irrespective of the number of workmen employed therein

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## Industrial Disputes Act 1947

### **AUTHORITIES UNDER THE ACT AND THEIR DUTIES**

The Industrial Dispute Act, 1947 makes provision for the investigation and settlement of disputes that may hamper the peace of the industry It ensures harmony and cordial relationship between the employers and employees The Act provides self-contained code to compel the parties to resort to industrial arbitration for the resolution of disputes It also provides statutory norms besides helping in the maintaining of cordial relation among the employers and employees, reflecting socio-economic justice

The act provides for the following authorities for Investigation and Settlement of industrial disputes:

- a) Works Committee
- b) Conciliation officer
- c) Boards of Conciliation
- d) Court of Inquiry
- e) Labour Court
- f) Labour Tribunals
- g) National Tribunals

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## Industrial Disputes Act 1947

Let us discuss these authorities in detail:

**1. Works Committee (Section 3):** The works committee is a committee consisting of representatives of employers and workmen (section3) The works committee is a forum for explaining the difficulties of all the parties The main objective of the works committee is to solve the problems arising in the day-to-day working of a concern and to secure industrial harmony The function of the working committee is to ascertain the grievances of the employees and to arrive at some agreement The committee is formed by general or special order by the appropriate Government in an industrial establishment in which 100 or more workmen are employed or have been employed on any day in the preceding 12 months It consists of the representatives of employers and workmen engaged in the establishment

**2. Conciliation officer (Section 4):** For promoting and settlement of industrial disputes the appropriate Government may by notification in the official Gazette, appoint such number of conciliation officer as it thinks fit The main objective of appointing conciliation officer is to create congenial atmosphere within the industry and reconcile the disputes of the workers and the employers He may be appointed for a specified area or for specified industries in a specified area or for one or more specified industries and either permanently or for a limited period

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## Industrial Disputes Act 1947

The duty of the conciliation officer is not judicial but administrative He has to hold conciliation proceedings, investigate the disputes and do all such things as he thinks fit for the purpose of inducing the parties to arrive at a fair settlement of the disputes The conciliation officer is entitled to enter an establishment to which the dispute relates, after reasonable notice and also to call for and inspect any document which he consider relevant He has to send a report and memorandum of settlement to appropriate Government The report by the conciliation officer has to be submitted within 14 days of the commencement of the conciliation proceeding or shorter period as may be prescribed by the appropriate Government The conciliation officer has the power to enter the premises as well can call for and inspect documents

3. **Boards of Conciliation (Section 5):** The appropriate Government may by notification in the official Gazette, constitute a Board of Conciliation for the settlement of industrial disputes The Board shall consist of a chairman and 2 or 4 other members in equal numbers representing the parties to the disputes as the appropriate Government thinks fit The Chairman shall be an independent person A person is independent for the purpose of appointment to a Board, Court or Tribunal if he is uncommitted with the dispute or with any industry directly affected by such dispute

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## Industrial Disputes Act 1947

He may be a shareholder of a company connected with or likely to be affected by such disputes But in such a case he must disclose to the Government the nature and intent of his share [Section 2(i)] Where the appropriate Government is of the opinion that any industrial disputes exist in an industry, it may refer by order in writing to the Board of Conciliation for settling industrial disputes

The Board of Conciliation has to bring about a settlement of the dispute He has to send a report and memorandum of settlement to appropriate Government He has to send a full report to the Appropriate Government setting for the steps taken by the Board in case no settlement is arrived at The Board of Conciliation has to communicate the reasons to the parties if no further reference is made The Board has to submit its report within 2 months of the date on which the dispute was referred to it within the period what the appropriate Government may think fit The report of the Board shall be in writing and shall be signed by all the members of the Board

4. **Court of Inquiry (Section 6):** The appropriate Government may by notification in the official Gazette, constitute a court of inquiry into any matter appearing to be connected with or relevant to settlement of industrial disputes having an independent person or of such independent persons as the appropriate Government may think fit The court consists of two or more

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## Industrial Disputes Act 1947

members one of whom shall be appointed by the Chairman Within a period of 6 months, the court has to send a report thereon to the appropriate Government from the commencement of its any inquiry This period is not mandatory and it may be extend

It has the same powers as are vested in a Civil Court under the Code of Civil Procedure 1908, in the following matters-

- a) enforcing the attendance of any person and examining him on oath,
- b) compelling the production of documents and material objects,
- c) issuing commissions for the examination of witnesses,
- d) in respect of such other matters as may be prescribed

The report of the Court must be signed by all the members A member can submit a note of dissent The Report together with the dissenting note must be published by the appropriate Government within 30 days from its report A court of enquiry has no power to improve any settlement upon the parties

5. **Labour Court (Section 7):** The appropriate Government may by notification in the official Gazette, constitute one or more labour court for adjudication of industrial disputes relating to any matters specified in the Second Schedule A labour court consists of one person only to be appointed by the appropriate Government

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## Industrial Disputes Act 1947

The main function of the labour court is to hold its proceedings expeditiously and submit its award as the proceeding concludes

A person shall be presiding officer of a labour court unless:

- a) he is or has been, a Judge of the High court,
- b) he has for a period of not less than three years, been a District Judge or an Additional District Judge or
- c) he has held any judicial office in India for not less than seven years; or
- d) he has been the presiding officer of a Labour Court constituted under any provincial Act or State Act for not less than five years
- e) He must be an independent person and must not have attained the age of 65 years

6. **Labour Tribunals (Section 7-A):** The appropriate Government may by notification in the official Gazette, constitute one or more Industrial Tribunals for adjudication of industrial disputes A Tribunal shall consist of one person to be appointed by the appropriate Government The Appropriate Government may appoint two persons as assessors to advise the Tribunal The person shall be not qualified unless:

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### **Industrial Disputes Act 1947**

- a) he is, a Judge of the High court,
- b) he has for a period of not less than three years, been a District Judge or an Additional District Judge
- c) The appropriate Government may, if it so thinks fit, may appoint two persons as assessors to advise the Tribunal in the proceeding before it

The functions of the Tribunals are very much like those of a body discharging judicial functions, although it is not a Court Its power is different from that of a Civil Court The proceedings before an Industrial Tribunal are quasi-judicial in nature with all the attributes of a Court of Justice The Government is empowered under Section 7-A of the Act to constitute for a limited time which comes to an end automatically on the expiry of the said period for any particular case The duties of Industrial Tribunal are identical with the duties of Labour Court, ie on reference of any industrial disputes; the Tribunal shall hold its proceedings expeditiously and submit its award to the appropriate Government

7. **National Tribunals ( Section 7 B):** The Central Government may, by notification in the official Gazette, constitute one or more National Industrial Tribunals for the adjudication of industrial disputes National Industrial Tribunals are involve only incase of the questions of national importance or if

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### **Industrial Disputes Act 1947**

of one person only to be appointed by the Central Government

The person sthey are of such a nature that industrial establishments situated in more than one State are likely to be interested in, or affected by, such industrial disputes It consists hall not be qualified for appointment as the presiding officer unless he is, or has been, a Judge of a High Court Beside these, the Central Government may, if it thinks fit, appoint two persons as assessors to advise the National Tribunal in the proceedings before it

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## **❖ Employees State Insurance Act 1948**

### **1. Introduction**

### **2. Origin**

### **3. Objectives**

### **4. Applicability**

### **5. Benefits**

### **6. Obligations of employer**

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### **Employees State Insurance Act 1948**

#### **INTRODUCTION:**

The Employee State Insurance Act, [ESIC] 1948, is a piece of social welfare legislation enacted primarily with the object of providing certain benefits to employees in case of sickness, maternity and employment injury and also to make provision for certain others matters incidental thereto

The Act in fact tries to attain the goal of socio-economic justice enshrined in the Directive principles of state policy under part 4 of our constitution, in particular articles 41, 42 and 43 which enjoin the state to make effective provision for securing, the right to work, to education and public assistance in cases of unemployment, old age, sickness and disablement

#### **ORIGIN OF EMPLOYEE STATE INSURANCE ACT:**

The Employee State Insurance act was promulgated by the Parliament of India in the year 1948To begin with the ESIC scheme was initially launched on 2nd February 1952 at just two industrial centers in the country namely Kanpur and Delhi with a total coverage of about 120 lakh workers

There after the scheme was implemented in a phased manner across the country with the active involvement of the state governments

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## **Employees State Insurance Act 1948**

### **OBJECTIVES OF EMPLOYEE STATE INSURANCE ACT:**

The ESI Act is a social welfare legislation enacted with the object of providing certain benefits to employees in case of sickness, maternity and employment injury Under the Act, employees will receive medical relief, cash benefits, maternity benefits, pension to dependents of deceased workers and compensation for fatal or other injuries and diseases

### **APPLICABILITY:**

The ESI Act extends to the whole of India

- It applies to all the factories including Government factories (excluding seasonal factories), which employ 10 or more employees and carry on a manufacturing process with the aid of power and 20 employees where manufacturing process is carried out without the aid of power
- The act also applies to shops and establishments Generally, shops and establishments employing more than 20 employees are covered by the Act
- The act does not apply to any member of Indian Naval, Military or Air Forces
- All employees including casual, temporary or contract employees drawing wages less than Rs 10,000 per month are covered The ceiling limit has been raised from Rs7500 to Rs10000 with effect from 011006

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## **Employees State Insurance Act 1948**

- Apprentices covered under the Apprenticeship Act are not covered under this Act According to Apprenticeship Act 1961, "apprentice" means a person who is undergoing apprenticeship training in pursuance of a contract of apprenticeship
- Where a workman is covered under the ESI scheme,
- Compensation under the Workmen's Compensation Act cannot be claimed in respect of employment injury
- No benefits can be claimed under the Maternity Benefits Act

### **Areas Covered**

The ESI Scheme is being implemented area-wise by stages The Scheme is being implemented in almost all union territories and states except Nagaland, Manipur, Tripura, Sikkim, Arunachal Pradesh and Mizoram

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## **Employees State Insurance Act 1948**

### **BENEFITS UNDER THE SCHEME:**

Employees covered under the scheme are entitled to medical facilities for self and dependents They are also entitled to cash benefits in the event of specified contingencies resulting in loss of wages or earning capacity The insured women are entitled to maternity benefit for confinement

Where death of an insured employee occurs due to employment injury or occupational disease, the dependents are entitled to family pension Various benefits that the insured employees and their dependents are entitled to, the duration of benefits and contributory conditions thereof are as under:

### **Medical benefits:**

- From day one of entering insurable employment for self and dependents such as spouse, parents and children own or adopted
- For self and spouse on superannuation subject to having completed five years in insurable employment on superannuation or in case of having suffered permanent physical disablement during the course of insurable employment

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## **Employees State Insurance Act 1948**

### **Sickness benefits:**

- Sickness benefit is payable to an insured person in cash, in the event of sickness resulting in absence from work and duly certified by an authorised insurable medical officer/ practitioner
- The benefit becomes admissible only after an insured has paid contribution for at least 78 days in a contribution period of 6 months
- Sickness benefit is payable for a maximum of 91 days in two consecutive contribution period

### **Maternity benefit:**

- Maternity benefit is payable to insured women in case of confinement
- Miscarriage or sickness related thereto
- For claiming this an insured woman should have paid for at least 70 days in 2 consecutive contribution periods ie 1 year
- The benefit is normally payable for 12 weeks, which can be further extended up to 16 weeks on medical grounds

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### **Employees State Insurance Act 1948**

- The rate of payment of the benefit is equal to wage or double the standard sickness benefit rate
- The benefit is payable within 14 days of duly authenticated claim papers Disablement benefit
- Disablement benefit is payable to insured employees suffering from physical disablement due to employment injury or occupation disease

#### **OBLIGATIONS OF EMPLOYERS:**

1. The employer should get his factory or establishments registered with the ESI Corporation within 15 days after the Act becomes applicable to it, and obtain the employers Code Number
2. The employer should obtain the declaration form from the employees covered under the Act and submit the same along with the return of declaration forms, to the ESI office He should arrange for the allotment of Insurance Numbers to the employees and their Identity Cards
3. The employer should deposit the employees' and his own contributions to the ESI Account in the prescribed manner, whether he has sufficient resources or not, his liability under the Act cannot be disputed

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## **❖ Workmen Compensation Act 1923**

### **1. Introduction**

### **2. Objectives**

### **3. Scope**

### **4. Employer liabilities for compensation**

### **5. Features of the Act**

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### **Workmen Compensation Act 1923**

#### **INTRODUCTION:**

The Workmen Compensation Act, 1923 is an enactment that was issued by the Central Government and was implemented by various State Governments which gives social security to workers This security is offered by the law for people who work

The Act was formed after it was noted that labourers were getting more exposed to danger with the use of advanced and sophisticated machinery The common law had it that the employer would only take up the compensation responsibility if it is found that the industrial accident was a result of his negligence

#### **OBJECTIVE**

- The Workmen Compensation Act of 1923 was formed majorly to give compensations to workmen in the event of an accident
- The Act has it that employers should have duties and obligations that include the welfare of workers after an injury resulting from employment in the same way they have reserved the right to make profits The Act aims to see workmen have a sustainable life after an employment-related accident

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### **Workmen Compensation Act 1923**

#### **SCOPE**

The Act is applicable only to those workmen working in industries as specified in the Act The Act affords protection to a workman from losses or injury caused by accident arising out of and in the course of employment subject to certain exceptions as laid down in the Act

#### **EMPLOYERS LIABILITY FOR COMPENSATION:**

To make the employer pay compensation, the death or injury suffered by the workman must be consequence of an accident arising out of and in the course of his employment is dependent upon the following four conditions:

1. The casual connection between the injury and the accident (ie, personal injury is caused to workman while on work);
2. The injury and accident caused during the course of employment;
3. The probability tenable to reason that the work contributed to the causing of personal injury; and
4. The applicant proves that it was the work and the resulting strain which contributed to or aggravated the injury

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## Workmen Compensation Act 1923

**THE SALIENT FEATURES OF THE ACT ARE AS FOLLOWS:**

### I Application:

It applies to:

- a) All railway servants not permanently employed in any administrative, district or sub- divisional office of a railway and not employed in any capacity as is specified in Schedule II to the Act;
- b) Persons employed in any such capacity as is specified in Schedule II to the Act Schedule II includes persons employed in factories, mines, plantations, mechanically propelled vehicles, construction works and certain other hazardous occupations In all, there are 48 employments listed in the Schedule; and
- c) Persons employed in employments added to Schedule II by the State Government in exercise of the powers conferred on them under section 2(3) of the Act In this connection, a statement indicating the additions made so far by different State Governments is enclosed (Annex-I)

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## Workmen Compensation Act 1923

### II Contingencies in which Compensation is Payable:

Compensation is payable in case of temporary/permanent disablement or death as a result of an employment injury The contracting of any disease listed in Schedule III to the Act is deemed to be an injury by accident

- **Occupational Diseases:** If a workman employed in the employment specified in Schedule III of the Act contracts any occupational disease peculiar to that employment he becomes eligible for payment of compensation under the Act
- **Settlement of Claims under the Act:** The claims for compensation broadly fall in three categories, namely (i) uncontested cases of disablement; (ii) disputed cases of disablement and (iii) fatal cases

### III Compensation:

- a) where death results from the injury : an amount equal to fifty per cent of the monthly wages of the deceased \*[employee] multiplied by the relevant factor; or an amount of \*[one lakh and twenty thousand rupees], whichever is more;
- b) where permanent total disablement results from the injury: an amount equal to sixty per cent of the monthly wages of the injured \*[employee] multiplied by the relevant factor; \*[one lakh and twenty thousand rupees], whichever is more;

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## Workmen Compensation Act 1923

- c) where permanent partial disablement result from the injury: (i) in the case of an injury specified in Part II of Schedule I, such percentage of the compensation which would have been payable in the case of permanent total disablement as is specified therein as being the percentage of the loss of earning capacity caused by that injury; and (ii) in the case of an injury not specified in Schedule I, such percentage of the compensation payable in the case of permanent total disablement as is proportionate to the loss of earning capacity (as assessed by the qualified medical practitioner) permanently caused by the injury;
- d) where temporary disablement, whether total or partial, results from the injury: a half monthly payment of the sum equivalent to twenty-five per cent of monthly wages of the \*[employee], to be paid in accordance with the provisions of sub-section (2)

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## ❖ Payment of Bonus Act 1965

- 1. Introduction**
- 2. What is bonus?**
- 3. Objectives**
- 4. Definitions**
- 5. Bonus payment**
- 6. Bonus calculation**
- 7. Special provision under the Act**
- 8. Duties and rights of employer**

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## Payment of Bonus Act 1965

### INTRODUCTION:

The payment of bonus is dealt by “**Payment of Bonus Act, 1965**”, **read with “payment of Bonus Rules, 1975”**, (**central rules**), the main purpose of the enactment is to impose a legal obligation on the employer to provide for payment of bonus

The Payment of Bonus Act applies to every factory and establishment employing not less than 20 persons on any day during the accounting year

### WHAT IS BONUS?

Bonus is considered as “reward” or any additional payment made to their monthly remuneration, given by the employer to the employee in any establishment. The basic objective to give the bonus is to share the profit earned by the organisation amongst the employees

Any payment made in kind is perquisite, not a bonus. The Minimum bonus will be provided **833%** of the salary during the year, or **one hundred rupees** will be given in case of employees above 15 years and sixty rupees in case of employees below 15 years, whichever is higher. The maximum bonus is **20%** of salary during the accounting year

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## Payment of Bonus Act 1965

### OBJECTIVES OF THE ACT:

- To impose a legal responsibility upon the employer to pay bonus to his employees
- To regulate the amount of bonus to be paid to the workers
- To fix the maximum and minimum bonus that can be paid
- To prescribe a formula for computing the bonus
- To reward the workers by sharing the profits earned by the organization
- To link the bonus with productivity of the workers

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## Payment of Bonus Act 1965

### DEFINITIONS (U/S 3):

**Accounting Year** – means the year on which the books of accounts are closed and balanced ie, year commencing from 1 st April and ending on 31st March

**Allocable Surplus** – (a) for companies (except banking institutions) which have no prescribed arrangements for declaration and payment of dividends under the Income Tax Act- 67% of the available surplus (b) in any other case, 60% of the available surplus

**Appropriate Government** – (a) for establishments covered under the Industrial Dispute Act, the Central government (b) for any other establishment, the respective State government

**Employee** – means any person employed in an organisation not earning more than INR 21,000 per month for any type of job

**Employer** – means owner or occupier of the factory or establishment or manager , managing director of the establishment

**Salary or Wages** – all remuneration in monetary terms except HRA, allowances for light, water , gas, medical attendance, concessional supply of foodgrains, travelling allowances, bonuses, contributions made by employer to gratuity, pension fund, provident fund, retrenchment, any commission

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## Payment of Bonus Act 1965

### THE ESTABLISHMENTS/INDUSTRIES/FACTORIES TO WHICH THE ACT IS APPLICABLE

The act is extent to the whole of India, and the act is applicable to

- Every Factory
- Other Establishments where 20 or more persons are employed on any day during the year
- Any Establishment or Class of establishment notified in the Gazette by the Appropriate Government
- Part-time Employees also included

The Establishments covered under the Act Shall continue to pay the bonus even if the number of employees falls below subsequently

### THE ESTABLISHMENTS TO WHICH THE ACT IS NOT APPLICABLE

- Employees of General Insurance Business or LIC
- Seamen defined under the Merchant Shipping Act
- Employees of RBI
- Employees of Unit Trust of India, IDBI, Deposit Insurance Corporation etc

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## Payment of Bonus Act 1965

### BONUS PAYMENT:

**Sec 8: Eligibility for Bonus** – the employee should have worked for at least 30 working days in that year to be entitled to bonus

**Sec 9: Disqualification for Bonus** – an employee may not avail the bonus if he is engaged in a fraud or violent behaviour or misappropriation or sabotage of company property

**Sec 10: Minimum Bonus** – the employer shall pay atleast 833% of the wages or salary or INR 100, whichever is higher as bonus

**Sec 11: Maximum Bonus** – upto a maximum of 20% of the wages or salary earned by the employee

**Sec 14 – Computation of Working Days** -The employee shall be deemed to have worked if he has been laid off or has been on leave with salary or has been absent due to temporary disablement or has been on maternity leave, during the accounting year

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## Payment of Bonus Act 1965

### BONUS CALCULATION:

The act prescribes for the minimum bonus, that is 833% of the employee's Salary/wages, which is the least percent mandatorily to be paid by every establishment or organisation covered by the act, (Section 10 of the Act); on the other hand, the maximum amount of bonus shall not exceed, 20% of the salary/wages of the employees (Section 11 of the Act)

The ceiling amount on which the bonus payable is calculated is **Rs 7,000 per month** (amendment of 2015), earlier this amount was Rs 3,000 Therefore, if the employee receives **Gross Salary up to of Rs 21,000 per month**, the employee is eligible to receive bonus

For bonus calculation only employee's Salary/Wages and Dearness allowance is considered

Therefore, if the Basic Salary and Dearness Allowance is less than Rs 7,000 (calculation ceiling), the Bonus will be calculated on the actual amount, and in case the Basic Salary and Dearness Allowance, exceeds Rs 7,000; bonus will be calculated on Rs 7000 only

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## Payment of Bonus Act 1965

### PROVISIONS UNDER THE ACT:

**Sec 16:** Special provisions for newly established organizations: When the organisations are newly set-up, the employees shall be entitled to bonus in the following manner:

- a) In the first 5 years of the establishment of the company, the bonus shall be paid out only if the profits are earned
- b) In the 6 th year, profits shall be paid out of the allocable surplus available It can set on or set off the bonus of the 5 th or 6 th accounting years
- c) In the 7 th year, it shall distribute the bonus out of the allocable surplus and can also set-off or set on the bonus payments of the 5 th , 6 th , and 7 th years

**Sec 17:** Adjustment of customary or interim bonus – If any employee has received any puja bonus or customary bonus or any part of bonus, then he is entitled to receive only the balance amount of bonus after deduction of such bonus already paid

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## Payment of Bonus Act 1965

**Sec 18:** Deductions of certain amount from the bonus payable – the employer may deduct any amount from the bonus payable for any misconduct of the employee leading to a financial loss

**Sec 19:** Time limit for payment of bonus – it should be paid in cash within 8 months from close of accounting year in normal cases But is there is a dispute , then within a month from the date of award

**Sec 21:** Recovery of bonus due from employer – the employee or his representative or his assignee (incase of death) shall give in writing to the appropriate government for the recovery of bonus due The appropriate government will then issue a Certificate to the Collector to recover the same

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## Payment of Bonus Act 1965

### DUTIES/RIGHTS OF EMPLOYER

#### Duties

- To calculate and pay the annual bonus as required under the Act To submit an annual return of bonus paid to employees during the year, in Form D, to the Inspector, within 30 days of the expiry of the time limit specified for payment of bonus
- To co-operate with the Inspector, produce before him the registers/ records maintained, and such other information as may be required by them
- To get his account audited as per the directions of a Labour Court/ Tribunal or of any such other authority

#### Rights

- Right to forfeit bonus of an employee, who has been dismissed from service for fraud, riotous or violent behaviour, or theft, misappropriation or sabotage of any property of the establishment
- Right to make permissible deductions from the bonus payable to an employee, such as, festival/interim bonus paid and financial loss caused by misconduct of the employee
- Right to refer any disputes relating to application or interpretation of any provision of the Act, to the Labour Court or Labour Tribunal

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# JNTUH PREVIOUS QUESTION PAPERS

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## Question Paper-Sep, 2020

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD  
B. Tech IV Year II Semester Examinations, September - 2020  
PRINCIPLES OF ENTREPRENEURSHIP  
(Agriculture Engineering)

Time: 2 hours

Max. Marks: 75

Answer any Five Questions  
All Questions Carry Equal Marks

- 1.a) What is a business plan? Whom is it meant to address?  
b) What are the sources of new business ideas? [7+8]
- 2.a) What are the sources of recruitment of new employees for startups?  
b) Explain the difference between historical and pro forma financial statements. [8+7]
- 3.a) Explain the primary function and objectives of the Director of Industries?  
b) What are the important functions of State Finance Corporations? [7+8]
4. How and when were Khadi and village Industries Commission established? Explain in detail the objectives and the function of KVIC. [15]
- 5.a) What do you understand by behavioral segmentation? Illustrate your answer with suitable examples.  
b) What are some of the material handling equipment found in industrial establishments? [7+8]
- 6.a) Bring out the differences between preventive maintenance and breakdown maintenance.  
b) What are the objectives of pricing a product? [8+7]
7. Write briefly the important provisions of the Factory Act 1948. [15]
- 8.a) What are the pension benefits under Employees Provident Fund Act 1952?  
b) What are the objectives of Employee State Insurance Act? What is the required contribution to be made by employer and employee to the scheme as mandated under the act? [8+7]

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## Question Paper-May, 2019

Code No: 128DW  
JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD  
B. Tech IV Year II Semester Examinations, May - 2019  
PRINCIPLES OF ENTREPRENEURSHIP  
(Agriculture Engineering)

Time: 2 hours

R15

Max. Marks: 75

Note: This question paper contains two parts A and B.  
Part A is compulsory which carries 25 marks. Answer all questions in Part A. Part B consists of 5 units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

- PART - A (25 Marks)
- 1.a) What is brain storming? Explain the process involved in brainstorming.  
b) How is an entrepreneur different from manager?  
c) What is recruitment? What challenges new entrepreneurs face in recruiting skilled people?  
d) What is internet advertising? Give examples of products that are successful using this channel for advertising.  
e) Outline the objectives of District Industries Centres.  
f) Briefly outline the functions of Technical & Economic Organization.  
g) What do you understand by market penetration strategy? For what kind of products this is advisable. Illustrate with suitable examples.  
h) What is direct marketing? Give examples of products that are successful using this channel.  
i) Define factory under the factories act.  
j) Who is a dependent under the Employee State insurance act?  
k) Who is a dependent under the Employee State insurance act?

- PART - B (50 Marks)
2. The success of business is based on the quality of innovative ideas. How do business ideas generate? Explain the various sources through which business ideas originate. [10] OR
  3. What is evaluation of business plan? How do evaluate and say that this business plan would work out.  
[10]

4. What are different sources for raising capital for new entrepreneurs?  
[10]
5. In new business motivating and leading teams is challenging - What do you suggest for motivating the teams for new ventures?  
[10]
6. Explain the role of State Financial Corporation. How SFC's are successful in providing financial assistance to small entrepreneurs?  
[10] OR  
7. State the formation of SIDBI. Critically examine the role of SIDBI in providing financial assistance to small entrepreneurs.  
[10]

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### Question Paper-May, 2019

8. What is market segmentation? Explain the various basis on which market segmentation is done. [10]  
**OR**  
9. What is marketing? Explain the functions of marketing. [10]  
10. State the welfare measures under the Factories act. [10]  
**OR**  
11. State the provisions relating to employer's liability under the Workmen Compensation act. [10]

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### Question Paper-May, 2016

R13

Code No: 126DX  
JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD  
B.Tech III Year II Semester Examinations, May - 2016  
PRINCIPLES OF ENTREPRENEURSHIP  
(Civil Engineering)

Time: 3 hours

Max. Marks: 75

Note: This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answer all questions in Part A. Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

#### PART - A

(25 Marks)

- 1.a) Explain the success of business model of Uber and OYO rooms. [2]
- b) How is an entrepreneur different from a Manager? [3]
- c) How would you use internet to market a product like ladies foot wear? [2]
- d) Imagine that you are in fast food business having your operations near JNTU campus. Now that you want to expand your business near to corporate offices, what strategies would you adopt for expansion? [3]
- e) What is the role of Technical Consultancy Organization? [2]
- f) State the need for Khadi and Village Industries commission. [3]
- g) For a mobile phone costing Rs. 55,000 who would be your market segment? Justify. [2]
- h) What is ABC analysis? How does it help in inventory control? [3]
- i) Define available surplus as per payment of bonus act. [2]
- j) When does the liability for payment of compensation to worker arises? [3]

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### Question Paper-May, 2016

#### PART - B

(50 Marks)

2. Explain the different sources of business Idea. [10]  
**OR**  
3. Who is your role model entrepreneur? Outline the entrepreneur traits of your role model entrepreneur. [10]  
4. What is e-commerce? What advantages do you have when using e-commerce? [10]  
**OR**  
5. State the different sources of Finance. Explain merits and demerits of different sources of finance. [10]  
6. Explain the role of State financial corporation in development of small entrepreneurs. [10]  
**OR**  
7. State the objectives and functions of, Small Industries Service Institute. [10]  
8. What are the different pricing methods? Explain the pricing strategy for electronic goods. [10]  
**OR**  
9. What is channel of distribution? Explain different channels of distribution. [10]  
10. Explain the provisions relating to safety as per Factories Act. [10]  
**OR**  
11. Define the terms: a) Lay off b) Lock out c) Settlement d) Strike as per industrial dispute act. [10]

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Thank  
You!

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