V. P. M. P. POLYTECHNIC, GANDHINAGAR

DEPARTMENT: MECHANICAL ENGINEERING

DURATION OF TERM: 27/07/2023 to 16/12/2023 **TERM:** ODD

NAME OF THE FACULTY: Mr. DUSHYANT P PATEL **DESIGNATION:** LECTURER

NAME OF THE PROGRAMME: CE **CIASS:** 21CE1

COURSE CODE & NAME: 4300021 / E&SU **SEMESTER:** 5th

NO. OF LECTURES ALLOTED PER WEEK: 03 (03 hr)

Unit No.	Topic/Subtopic	Hours allotted	Tentative Dates	Actual Engaged Dates	Remarks Treatment use of teaching aid
2.	**Business Ideas and their implementation (Idea to Start-up)**	08			Chalk & Duster & OHP
	1. Discovering ideas and visualizing the business with Activity map. 1.1 Idea Generation 1.2 Product Identification	01	01-09-2023		
		01	04-09-2023		
	2. Business Plan- The Marketing Plan and Financial Plan/ Sources of Capital.	01	06-09-2023		
	3. Business opportunity identification and evaluation.	01	11-09-2023		
	4. Market research 4.1. Questionnaire design. 4.2. Sampling.	01	13-09-2023		
	4. Market research 4.3. Market survey. 4.4. Data analysis & interpretation.	01	15-09-2023		
	5. Marketing Mix (4Ps- product, price, promotion place) 5.1. Identifying the target market. 5.2. Competition evaluation and Strategy adoption. 5.3. Market Segmentation.	01	18-09-2023		
	5. Marketing Mix (4Ps- product, price, promotion place) 5.4. Marketing, Advertising and Branding. 5.5. Digital Marketing. 5.6. B2B, E-commerce and GeM.	01	20-09-2023		
	6. Product Terms- PLC, Mortality Curve and New product Development Steps, Inventory, Supply Chain Management.	01	22-09-2023		
	7. Importance and concept of Innovation, Sources and Process.	01	25-09-2023		
	8. Risk analysis and mitigation by SWOT Analysis.	01	27-09-2023		

1(B) BUSINESS PLAN

Syllabus

UNIT-I (Conti.) : THE NATURE OF ENTREPRENEURSHIP

(A) INTRODUCTION TO BUSINESS PLAN :

Management process consists of planning, organizing, directing and controlling. The critical management process is applied to every entity which is created to attain the particular mission or the objectives. Such objectives of an entity as set by the promoters of the organization. They are required to be attained efficiently and effectively.

Planning is a rational and intellectual process prior to the actual operations used for mobilizing and using the resources for the attainment of the defined objectives. According to **Dalton E. McFarland,** "Planning may be broadly defined as concept of executive action that enables the skills of antcipating, influencing and identifing nature and direction of change."

Such planning elements are the pre-operative forecasting which results from the forwardlooking and long-term vision. The planning process looks into the future and decides the future course of action. On the basis of the projected situations, the planning is made. As planning is a forward looking, it is nothing but the estimations about the future happenings, which are taken as a bases for planning.

Such future forecastings are based on certain assumptions, e.g., national income is estimated at 8%, the demand for the company's product will increase permanently, so the company will plan for the expansion programme. Here the 8% growth rate in national income is just an estimation about the future and on the basis of such estimations, the future plans are prepared. Such assumed estimations are treated as planning premises. Such estimations or forecasting may or may not come true as per the estimation, still they are used as a basis for planning. Thus, the planning rests on such assumed events, which are expected to occur in future.

Planning is an intellecutal logical exercise which is largely based on the use of soft skills of the executives. Such planning exercise is pervasive as well as inevitable for the sustainable and growth oriented existence of the business enterprise. The business plan is an integrated and co-ordinated activity to be considered by the higher level of management. The integration is made with the functional areas of business activities in the form of production planning, marketing planning, financial planning, manpower planning in human resource management etc. The corporate management developes the master business plan which is an instrument to implement the business strategy developed by them. The corporate team generally developes a unique corporate strategy with reference to the SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis based on the dynamic external and internal business environment. The **Opportunities** and **Threats** relate the **uncontrollable external environment** and the **Strengths** and **Weaknesses** are the **controllable internal environment.** Such long-tem strategy is translated into long-term business plan covering the period of 8 to 10 years. Such business plan or master plan is broken into annual business plan and various functional business plans with the reasonable inputs of production, marketing, financial and human resource manages. Generally, it is presented in the form of annual budgets in quantitative and monetary units as approved by the corporate management.

The business activity is always considered as an enterprise and thus, it is exposed to various types of business and economic risks. This is so because the business plan is a pre-operative activity which is created to meet the future uncertainties about certain unpredictable business environment. Thus, business plan is always based on some form of future forecasting and a set of assumptions developed by the managerical team.

Business plan always tends to be risky in nature, because the management first commits the resources which **involve cash outflows with certainty** with an objective of generation of periodic operating **cash inflows which are uncertain.** For example initial huge project costs involve immediate cash outflows in the form of investments in fixed assets, working capital margin and preliminary expenses and the operating revenue generation during the project life is uncertain. Such a risky project plan is explained with the help of following illustration.

Illustration : A corporate management has planned to undertake a capital project. Its projected figures of cash inflows and cash outflows during the estimated project life of 5 years are as under :

The investment is broken as under :

(1)	Initial Project Cost i.e. Cash outflows) :	Rs.	10,00,000
(i)	Fixed Assets (Land, Building, Machines etc.)		6,00,000
(ii)	Working Capital Margin (for First Cycle)		3,80,000
(iii)	Preliminary and pre-operative expenses		20,000
		Rs.	**10,00,000**
(2)	Means of financing project cost (From Long-term Sources of Funds)		
(i)	Promoter's initial contribution	Rs.	4,00,000
(ii)	Bank loan as supplementary funding	Rs.	6,00,000
		Rs.	**10,00,000**

(3) Operating Cash inflows (During 5 year project life) :

1st Year	Rs.	4,00,000
2nd year	Rs.	5,00,000
3rd Year	Rs.	6,00,000
4th Year	Rs.	6,00,000
5th Year	Rs.	8,00,000
	Rs.	**29,00,000**

Thus, with the initial planned investments of Rs. 10,00,000, Rs. 29,00,000 total cash inflows are to be generated over the projected business life of 5 years. For simplicity the business life is estimated to be 5 years. It can be longer in case of business success and shorter in case of business failures. This is a risky business plan, because the entrepreneur has to commit Rs. 10,00,000 initially huge cash outflows in a project is certain while the cash inflows to be generated during the estimated project life is uncertain. Any entrepreneur, before committing the huge financial resources, has to evaluate every business plan rigorously.

Various issues of functional plans like marketing plan and financial plan are discussed in the following paragraphs.

(B) MARKETING PLAN :

The marketing plan is a critical management tool applied to the area of marketing. The basic business activities are primarily divided between the two areas - manufacturing and marketing. For both these activities, the management process of planning, organizing, directing under the modern competitive environment becomes inevitable as well as challenging.

Marketing plan strives to integrate on one side, the macro varibale like national income, economic growth rate, total demand for the products, entry of new competitors etc. This is done through the marketing research and demand forecasting techniques and on the other side, the company level micro variables are considered for developing an appropriate marketing strategy. Generally, this is done through the strengths and core competencies of the company. It is managed through the 4P's of marketing mix and STP process stated as under :

(a) 4 P's of marketing involves the marketing planning as under :

(i) Product : Product conception product development.

(ii) Price : Product pricing

(iii) Place : Channel decision of physical distribution of products.

(iv) Promotion : Promotion of product and business ideas through advertising, pubilicity, direct sales etc.

(b) STP process involves following strategies of marketing planning :

(i) S → Segmentation involving sub-division of markets

(ii) T → Target markets

(iii) P → Positioning the products in the mind of the consumers of the targetted segment.

Scope of the marketing plan :

The scope of the marketing plan includes the following activities :

(1) Market segmentation

(2) Target market

(3) Product positionig

(4) Product development

(5) Product pricing

(6) Distribution channel

(7) Advertising and communication

(8) Promotion

(9) Customer relation planning

All these aspects are briefly explained as under :

(1) Market Segmentation :

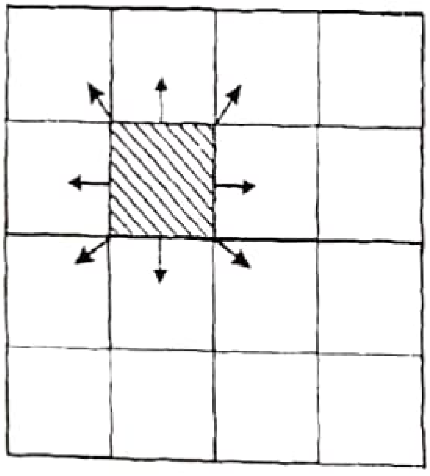
Market segmentation is the process of breaking the total market into small logical segments. It is also knows as submarkets.

According to modern marketing concept, market consists of diverse and varied customers. Marketing plan is made to satisfy their needs and wants. The company resources for marketing plan are bound to be limited as compared to the challanges of the task. The customers differ in size, resources, geographical location, product requirements, buying attitudes and buying practices. Marketing effectiveness can be increased if total market is divided into small markets and penetrating marketing efforts can be instituted only on target (or selected) market segment rather than the market as a whole. Thus, the importance of market segmentation can be described as under :

(1) It helps in using the scare marketing resources most effectively. Concentration on narrow range is always effective as compared to wider coverage.

(2) Market segmentation helps in indentifying the target market. **Philip Kotler** states that for the companies target market should be considered as a launching pad for future invasion in the large market.

The base is established in the target market, the efforts should be made to capture the market vertically, horizontally and diagonally as shown in following figure.



The shaded square indicates the target market and other squares indicate different market segments.

(3) Market segmentation helps in spotting out the market opportunities. Different segments are effectively served by different competitors. Company can bank upon its core competencies. Subseqently it can identity its strength and

weaknesses for a particular segment. This provides basic data for developing marketing strategies in the segmented market. Different marketing programmes can be developed for different marketing segments on the basis of their respective response characteristics. It should be noted that the marketing plan for the consumer products and for the industrial products differ substantially.

(2) Target market :

Target market is an important consideration in the marketing plan. The present market structure is composed of monopolistic competition rather than perfect competition or pure monopoly. Every marketer defines his focused target market. He concentrates all his marketing efforts in the identified target market. The limited, suitable and convenient target market is served in such a manner that ultimately it results into brand loyal customers. The focus of advertising efforts, pricing, promotion, channel decision etc. manage to serve the target market efficienly and effectively.

(3) Product positioning :

The product positioning in the mind of the customers is considered to be the most challenging task in the competitive environment. Some important tactics of the marketing plan have to be developed for product positioning. It is the last stage of the STP process viz, segmention, Targeting and positioning. The product positioning needs continuous and sustained efforts towards providing maximum satisfaction or perceived value about the products. It is an outcome of the customer relationship. Such efforts ultimately generate the brand loyal customers.

(4) Product development :

Every company starts with some basic products to cater to the needs of the segmented market. Once the target market is identified and the product is positioned in the minds of the customers, the company plans for the product development.

The product development refers to the introduction of the newer products in the market and also the improvements in the existing products. The basic objectives of the marketing plan is to enhance the market share of the company products in the long-run while operating under the competitive business environment.

The product development is as under :

(i) Growth in the existing products. This is done through the line of products in terms of sizes, weights etc.

(ii) Demand growth in the company products through development of related products. This is done through using the brand image of the company. e.g., From Amul milk to Amul Butter, Amul Chocolate etc.

(iii) Demand growth in unrelated products through using the brand image. e.g. the ITC Ltd, basically a cigarate company has entered in paper industry (Craft paper, Classmate note books), hotels (Welcome Group), Food industry (Sunfeast brand varieties) etc.

(5) Product princing :

Product pricing is an imporant area of the marketing plan. Following issues are considered in the product pricing.

The profit-oriented companies follow cost-plus pricing. The cost is considered as a floor limit in pricing. The profit 'plus' part is determined by serveal factors as under :

(i) The profit mark-up is determined by the market structure viz., perfect competion, monopoly, monopolistic competition with duopoly (two players) and oligopoly (limited players)

(ii) The price sensitivities of cost conscious customers and the premium pricing for the quality conscious customers is considered.

(iii) The pricing in a marketing plan is also contingent upon short term cost cutting strategy and cross subsidization in case of multiple product pricing.

(6) Distribution Channel :

The marketing plan for sales management is considered in terms of direct sales through company sales force or distribution through net working of agents and distributors.

The intermediary links (2, 3, 4, etc.) are considered in terms of spread of products, distance and logistics, characteristics of products etc.

(7) Adversising and Communication :

Advertising is an indirect sales. It is managed through various media like print, audio, audio-vedio etc. The market plan determines the total budget in terms of the objective of the advertisement.

(8) Promotion :

The promotional marketing plan focuses on the size of the market, market growth and market share of the company. The sales promotion plan is managed through direct sales, advertising, publicity and also the incentives to customers in influencing their buying decisions.

(9) Customer relationship management :

In the modern competitive world, the customers are identified, retained and developed through STP process, i.e. segmenting, targetting and positioning the product in the minds of the customers. Customer identificatin and retention is a challenging task. The marketing plan should focus on building and maintaining the customer relationships through the tactical approach. Primarily the price and quality are two basic considerations of a customer. Other secondary considerations are timely delivery at appropriate place, suitable packing enabling repeated use in case of consumer goods and after-sale services like quick repairs on consumer durables and industrial goods provide additional satisfaction to consumers.

The distinction between price and value is very important to consumers. The value signifies perceived satisfaction to the consumers. As it is a mental process, the formal and informal communication help a lot in building and maintaining customer relationship. The positive difference between value and price provides perceived satisfaction. The wide gap between the two increases consumer delightedness. Thus, consumer relationship management (CRM) is considered as an important tactic of the marketing plan in the modern competitive business world.

(C) FINANCIAL PLAN :

The financial plan is a basic and crucial business plan. The business plan is a strategic blue print of the business. Generally, the entrepreneur's business conception phase involves the estimation and feasibility of procuring 4-m resources viz., man, machines, materials and money. Among these resources money or financial resource is important because it is a means to procure other resources. The finance serves as a seed of the business tree. The germination and the growth of a business is linked to the type of activity, size of the business, adoption of technology, progressive growth phase along with the location of the unit and layout of the plant. All these considerations revolve around the arrangement of the financial resources. One basic consideration which proves to be a prohibitive factor is the promoter's initial contributors provided from the accumulated wealth of the promoters. In the country like India, majority of the persons aspiring for the entrepreneurial career as a technocrate (engineering degree) or managerial acumen (management degree) and even creative less educated people find it difficult to plunge into the business only because of the lack of provision of the initial financial resources and skepticism to bear the incidental business risk. All developing countries, including India planning for the entrepreneurship development for the economic development facilitates the young entrepreneurs in the financial plan relating to the initial project investments as under :

(1) They provide supplementary funding in the form of term loan from the specially created developmental financial institutions like IDBI, SIDBI, GSFC etc.

(2) The debt equity ratio is kept liberal like 4:1 through limiting promoters initial margin like 20% of total project cost. i.e. 80% of the project cost is financed from the term loan. Thus, the total initial capitalization is splitted between term loan debt (80%) and promoters' equity (20%), giving a liberal debt equity ratio of

4 : 1. In case of small projects (i.e., initial investments upto Rs. 5 lacs), this ratio is kept as high as 9 : 1, through promoters margin of only 10%. Moreover, in case of such micro projects upto Rs. 5 lacs, the promoter's equity contribution is provided by the specialized financial institution in the form of **angel finance** without any interest burden. The seed capital scheme of IDBI (Industrial Development Bank of India) and SIDBI (Small Industries Development Corporation) is noteworthy. Moreover, the Reserve Bank of India guideline has also provided for bank lending in the form of term loan without collateral security, i.e., if an entrepreneur does not possess any private property to be offered as collateral security against the bank lending, then it will not prove a hindrance in launching any productive business plan into practice. For the special category entrepreneurs like scheduled caste, scheduled tribes and women candidates, the schemes are made more liberal.

(3) Moreover, from the term loan component, 25% to 50% capital subsidy is provided by the Government under various schemes. The back-end capital subsidy relieves the borrowers from the loan repayment obligation.

(4) In some cases, interest subsidy upto initial 1 or 2 years or subsidized interest rate reduction upto 6% for the term loan is also provide.

Such angel financing schemes show committed strong intention of the government to develop entrepreneurship for the economic development. However, the scheme implementing agencies like Industry Commissioners office (IC), District Industries Centers (DIC), Lending Banks and Refinancing banks do not take the scheme in their right spirit and thus it proves as a stumbling block in the entrepreneurship development. Some important issues relating to the financial planning are discussed in the following paragraphs.

The financial plan can be simply explained under the 5 A's of financial management as under :

(1) Capital structure plan - '**A**'nticipation of financial needs.

(2) Capital structure plan - '**A**'cquisition of financial resources in the form of prime equity and supplementary debt proportion or debt equity mix.

(3) Assets structure plan - '**A**'llocation of funds between fixed assets and current assets or fixed assets current asset ratio.

(4) Internal financing plan - '**A**'ppropration of generated profits between distribution of dividends and renvestment of profits for business needs.

(5) Business growth plan '**A**'ssessment of financial performance for growth, financial restructuring or liquidation.

All there financial plans are briefly explained as under :

(1) Capitalization plan (Anticipation of funds) :

At the start -up phase of a business, the entrepreneur has to plan for the total funds needed for the business project. It is known as capitalization plan. A Fair capitalization' is considered at initial stage. When the business is operated, then over a period of time, it faces a problem of over capitalization (i.e., more funds than required to run the business at certain capacity) or undercapitalization (i.e., scarcity of funds as per business needs). So, it becomes necessary not only to attain fair capitalization at intial stage but also correcting overcapitalization or undercapitalization at later stage to administer certain tactics to bring the business to fair capitalization.

(2) Capital structure plan (Acquisition of funds) :

The capital structure relates to the next stage of the financial plan. Having determined the total capitalization at the start-up stage, the next stage is how to procure such total funds partly from the promoter's initial equity contribution and the supplementary debt funds. The relative proportion of debt equity mix is known as capital structure planning.

Assume that the total capitalization is Rs. 10 lacs. This can be financed from various equity debt combinations as under :

Various Combination of equity and debt funds :

Out of total capitalization of Rs. 10 lakhs, the equity and debt combination can be developed as under :

Strategic Combination		**Equity**	**+ Debt**	**= Total**
Lower Debt	:	80%	+ 20%	= 100%
		(Rs. 8 lakhs)	+ Rs. 2 lakhs	= (Rs. 10 lakhs)
Moderate Debt	:	50%	+ 50%	= 100%
		(Rs. 5 lakhs)	+ Rs. 5 lakhs	= (Rs. 10 lakhs)
Higher Debt	:	30%	+ 70%	= 100%
		(Rs. 3 lakhs)	+ (Rs. 7 lakhs)	= (Rs. 10 lakhs)

Such various combinations affect the profit available to equity owners, e.g. use of higher debt may improve returns to equity if the Interest cost of debt is lower (say 10%) and returns on investments are higher (say 25%). Such strategy of improving equity returns through use of debt is known as "trading on equity" or "leverage advantage". **The concept of "trading on equity" refers that the supplementary debt fund advantage can be availed only when the prime equity are contributed by owners. The term "leverage" refers to the proportion of the debt fund in total capitalization. High debt funds is known as 'high** leverage'.

(3) Asset structure plan (Allocation of Funds) :

The total capitalization of Rs.10 lakhs, are deployed in the business for acquiring the operating assets. The operating assets are broadly classified into following two categories :

(a) **Fixed assets** : Land, Building, Machineries, Furniture, Vehicles.. These assets are acquired for **business use** and so they block the money on long- term basis. They are not recycled like current assets.

(b) **Current assets** : Current assets Indicate the investments made in inventories (i.e. raw materials, work-in-process, finished goods, stores, spares etc.), debtors, (uncollected credit sales to customers), cash (minimum cash balance), and" bank balance (minimum bank balance to be maintained). The current assets are meant for **resale** and thus they involve cash-noncash-cash recycling. e.g." Raw materials are converted in finished goods, finished goods are sold to customers on credit sales and finally collections are made from customers in cash which are put to use again through buying raw materials.,

The allocation of funds between fixed assets and current assets is a very important financial decision, e.g. Rs.10 lakhs total capitalization can be allocated on fixed assets and current assets as under :

		Fixed assets	+ Current assets	= Total Funds
High mechanization '	:	Rs. 8 Lakhs	+ Rs. 2 lakhs	= Rs. 10 lakhs
Moderate mechanization	:	Rs. 5 lakhs	+ Rs. 5 lakhs	= Rs. 10 lakhs
Low Mechanization	:	Rs. 3 lakhs	+ Rs. 7 lakhs	= Rs. 10 lakhs.

(4) Internal Financing Plan (Appropriation of generated profits) :

The generated profits as shown above is the residual amount. It is the claim of the equity owners or a reward to theequity funds. Such positive difference between sales and costs. (i.e., sales less cost) is known as profits and the negative difference (i.e., cost less sales) is known as losses. An entrepreneur's reward may be negative (i.e., loss) or could be positve (i.e., profits). The profits may be thin or very large. The profits of the owners can be withdrawn by them from the business or can be reinvested in the business for the growth requirements. Especially in the company from of organization, the owner's profits are presented on a per share basis. i.e., EPS (Earnings per share). From such EPS, the board of directors declare cash dividends set to shareholders and a part is reinvested in the business for expansion or diversification. If the EPS is Rs. 12 then it can be appropriated as under :

Nature of appropriation		Cash Dividend	+ Reinvestment	= Total
High dividend	:	Rs. 8	+ Rs. 4	= Rs. 12
Moderate dividend	:	Rs. 6	+ Rs. 6	= Rs. 12
Low dividend	:	Rs. 3	+ Rs. 9	= Rs. 12

All the above five financial decisions affect the value of the business.

(5) Business growth plans (Assessment of financial performance) :

The financial operations over a period of time with the use of operating assets result into profits or losses.

The assessment of the use of the funds is made on the basis of the costs and the selling price. e.g., The cost of production is Rs. 15 lakhs and the selling price is Rs. 18 lakhs then Rs. 3 lakhs is the operating profits generated from the efficient operations of fixed and current assets. If it turns into losses, the equity parts get eroded away. So either financial restructuring or closure of business is planned.

(D) SOURCES OF CAPITAL :

Among the 4 'm' business resources viz., men, machines, materials and money, money is a critical resource because it buys all other resources. Thus money is a prime resource which is used to acquire all other resources. The primary financial contribution is made by owners, who promote the business plan. They are known as internal equity funds which are not retured till business exists. Such prime equity is supplemented by outside debt funds.

Thus, total funds are supplied in the form of (a) Owner's equity and (b) outsider's debt. Following featues of owners equity and outsider debt should be noted carefully. It should be noted that they are shown on the liability side of the balance sheet.

Owner's Prime Equity	Outsider's supplementary funds
(1) They are prime fund.	(1) They are secondary fund.
(2) They are permanent funds.	(2) They are available only for a contractual period like one year or five years.
(3) There is no commitment to pay fixed service charges as dividends.	(3) Debt funds are raised through committing the payment of periodic interest at fixed rate.
(4) They have residual claim on earnings. So their rewards are linked to the profitability. In loss year, they do not get any reward. In huge profit years, they get wind fall gain.	(4) Their rewards are fixed at committed rate of interest. This fixed rate of interest is not affected by the loss or profit position.

(5) Their reward is known as dividends.	(5) Their reward is known as interest.
(6) Dividends are paid only from profits earned.	(6) Interest are paid even in loss years.
(7) They are owners and have a right to manage the business.	(7) They are creditors and thus they have no any say in the management.
(8) The dividend payments to shareholders are not allowed as a deductible business expenses for the income tax purposes.	(8) The interest payments are allowed for the income tax purposes, as a deductible business expenses.

Funds are required for (a) longterm investments in fixed assets like land, building, machineries, furniture and vehicles and (b) short-term investments in current assets like inventories, debtors, cash and bank. Such investments are shown on the assets side of the balance sheet.

Some Important characterstics of long-term and short-term funds are as under :

Long-term funds	Short-term funds
(1) They are invested as under : Equity - on permanent basis Long term debt - for 5 to 10 years.	(1) They are generally invested upto 1 year.
(2) They are needed to buy fixed assets	(2) They are needed to finance current assets or working capital.
(3) Their cash-non cash-cash cycle is slower.	(3) Their cash-non cash-cash cycle is faster.
(4) For the supplier of funds, such investments are more risky.	(4) For the supplier of the funds, such investments have lower risk.
(5) The interest rate or borrowing cost is high due to higher risk like 12% to 15%.	(5) The interest rates are lower because of the lower risk, i.e. 6% to 8%.
(6) Some main sources of long-term funds are : (i) Equity share capital (ii) Reinvested profits (iii) Debenture (iv) Term loans (v) Preference share capital	(6) Some important sources of short-term funds are bank overdraft, cash credit, bill discounting, factoring, commercial papers, certificate of deposits, intercompany deposits, public deposits etc.

Domestic funds and foreign funds :

It should be noted that the role of foreign funds have also developed after June. 1991 liberalization of Indian economy.

Domestic funds are raised in the domestic currency ana their service charges the form of dividends and interests are paid in the domestic currency. The supplier the funds are the national citizens.

Foreign funds are raised from the foreign countries. They are raised in the currencies of the foreign countries e.g. dollar ($) from U.S.A., pound sterling (£) from England , yen (¥) from Japan, francs (fi) from France, dutch mark (DM) from Germany etc. Such funds are available in the form of equity or debt. They are also available for long-term and short-term. The availability of such funds are decided on the basis of credit rating of the borrowing country, willingness of the lending countries, regulation by the Central Bank like Reserve Bank of India etc. Some popular form of foreign funds are as under :

(a) **Equity funds :** They are obtained through fesue of Americal Depository Receipts (ADR) in America and Global Depository Receipts (ADR) in other countries of the world.

(b) **Debt funds :** They are issued in the form of External Commercial Borrowinj (ECB). They are long-term debt or short-term debt

(c) **Foreign Direct Investments (FDI) :** There are the Investments made by for countries in India in the form of equity or debt In the projects established India.

(d) **Non-Resident Indians (NRIs) deposits :** There are the short-term and long-term deposits made by NRIs residing outside India and Investing in India due to their Indian affiliation. These deposits are serviced In rupee form or foreign currency of origin as per terms of the issue.

Important Sources Capital :

(1) Long-term sources : Some important long-term sources of funds are as under :

(i) Owners' equity funds : In sole proprietorship supplied by single promoter, in partnership, they are supplied by few partners and In company form they are supplied by large number of shareholders. The huge equity capital of the company is dividend into equal denomination known as a share, e.g. Rs. 10 crores share capital of a company Is divided Into 1 crore share each of Rs. 10. Equity capital In company form Is raised through public issue, right issue and private placement.

(ii) Debentures : Debentures are the debt funds. They are collected by the registered companies. It is a retail form of borrowings. The total debt funds are divided into small equal denomination e.g. Rs. 10 lakhs are raised through Issue of 10,000 debentures each of Rs. 100. Like equity shares they are raised through public Issue, right, Issue and private placement.

(iii) Term loans : Term loans are also debt funds. They are raised from the special financial institutions. It is a wholesale borrowing made only from one institute. In India, following national level and state level financial institutions are providing the term loans.

National Institutions		Agriculture and Rural	
(1) IDBI -	Industrial Development Bank of India	(1)	GSFC - Gujarat State Financial Corporation
(2) IFCI -	Industrial Finance Corporation of India	(2)	GIIC-Gujarat Industrial and Investment Corporation
(3) SIDBI -	Small Industries Development Bank .	(3)	GSIC-Gujarat Small Industries Corporation of India
(4) NABARD -	National Bank for Development.	(4)	GIDC-Gujarat Industrial Development Corporation

(iv) Internal financing : In a company form, the total profits are not distributed among the shareholders. Generally such earnings on equity is presented as Earnings Per Share (EPS). From the EPS, a part is distributed as cash dividends to shareholders and a part is reinvested in business for growth requirements. Such reinvested profits are equity owner's claim. They are shown under the head of "Reserves and Surpluses" in the balance sheet. Like prime equity funds, they are used as a permanent funds of the business.

(v) Preference share capital : Preference share capital is a special class of ownersh; funds. Like equity capital, they get dividends from the generated profits. Unlik equity they have fixed dividend claim. They are known as preference capital becaus they enjoy following two preferences over equity :

(a) First claim of fixed dividend before any.dividend is paid to equity.

(b) First claim on redemption of capital over equity when the company is liquidated or closed down.

Preference share capital like equity capital and debentures are divided into small equal denomination e.g. Rs. 10 lakhs as 10,000 preference shares each of

Rs. 100. They are raised through public issue, right issue or private placement. Preference share capital is not a popular source of fund because for investors, it is not an attractive investment. As owners they do not get any reward in loss years, while in good profit years, they get the dividends at the fixed rate.

(2) **Short-term sources :**

Following are some important short-term sources of funds :

(i) **Bank borrowings** : The banks provide the **overdraft facilities** on an year basis. **Cash credit facilities** are also available for short-term period. Banks also provide bill discounting facilities through discounting of short-term commercial bills. The customers unpaid claim in the form of Bills, are paid immediately by the banks after deducting some interest part as discount.

Factoring facilities are provided by the subsidiary companies of banks and certain non-banking financing companies. The factors are buying the book-debts (i.e. unpaid customer's balance) against immediate cash payments.

(ii) **Public deposits** : In India, private and public limited companies are raising public deposits from the public for the minimum period of 3 months to maximum *period of 36* months. They are unsecured in nature, i.e. borrowing company do not offer any asset, as security.

(iii) **Inter company deposits** : These are the temporary lending made by the cash-rich companies to cash-need companies. Generally, the period varies from 3 months to 24 months. The rates of interest tend to be higher. Like public deposits, they are unsecured debt, i.e. borrowing companies do not offer any asset as security .

(iv) **Commercial papers (CPs)** : Commercial papers are the short-term borrowings. They are raised for the maximum period of 1 year. Only large companies with higher credit standing are issuing Commercial Papers (CPs). They are issued with a high denomination value of Rs. 5 lakhs or more. The rates of interest are generally higher than the bank lending. They are unsecured debt.

(v) **Certificates of Deposits (CDs)** : Certificates of Deposits are issued by banks and financial institutions. They are short-term borrowing because the maximum term of CDs are 1 year. Their denomination value is higher e.g. Rs. 5 lakhs per CD. They are unsecured debts raised by financial intermediaries.

Evaluation of equity and Debt funds :

The equity funds are primary initial contribution made by the promoters at the start-up stage. It is described as promoter's initial contribution in the project management. It is supplemented by the debt funds at the subsequent stage to meet the financial needs of the business. The evaluation of such equity and debt funds are explained as under :

(1) Evaluation of equity funds :

Advantages	Disadvantages
(1) It is initial capital contribution by prmoters which remain in the business till the business exists. (2) It does not involve payment of financial charges like interest commitment on debt funds. (3) As it is owners fund, they can use them in a way they like. While on use of debt funds, some restrictive conditions for the use are imposed by the lender of the funds. (4) Equity funding do not need any securities to be offered as the security of some propoerites. (5) There is no any limit on the earning. They claim the entire residual profit of the business.	(1) Equity funds are the risky funds because there is no any assurance of interest payments or principal redemption. Moreover, it involves huge issue costs. (2) There is no any assurance of reward on such funding as it is there on debt funds in the form of fixed rate interest payments. (3) The cost of equity funds is higher than the cost of debt funds in the form of interest cost. The expected return of equity suppliers is the cost of equity funds. (4) The dividend on equity is not allowed for income tax deduction purposes like the interest on debt which is deductible as business expense for income tax purposes.

(2) Evaluation of debt funds :

Advantages	Disadvantages
(1) The cost of debt (i.e., interest charges) are lower than the cost of equity. Thus, it is a cheaper source of capital.	(1) Debt fund is a double-edged funds. In high earning it avails leverage advantage. The lower ROI below interest cost, gives a blow to the equity fund suppliers, because fixed interest has to be paid even in loss years.

(2) The leverage advantage is possible. If the returns on investments (ROI) are higher than the interest cost; then the leverage advantage to the equity is possible from the positive difference between ROI and Interest rate.	(2) The debt suppliers like developmental banks put some restrictive conditions on the use of the debt funds.
(3) As debt funds involve the interest commitment to be discharged even in losses, the management uses the debt funds very carefully. (4) Interest is allowed as a deductible for tax purposes. Thus, its use avails tax advantage.	(3) The debt funds are available only against the collateral securities from the private properties of the equity owners. Thus, poor people cannot offer such properties as securities.

EXERCISE

(1) Explain the importance of the business plan for the business success.

(2) What is a marketing plan ? Briefly explain various issues involved in the marketing plan.

(3) Explain the concept of financial plan. Discuss various issues involved in the financial plan.

(4) State various long-term and short-term sources of capital.

(5) Briefly explain various long-term sources of capital.

(6) Briefly explain various short-term sources of capital.

(7) What is a primary source of capital ? Evaluate equity capital as primary source of capital.

(8) What is a secondary source of capital ? Evaluate debt as a secondary source of capital.

(9) Write notes on :

(i) Business Plan

(ii) Marketing Plan

(iii) Financial Plan

(iv) Sources of Capital

(v) Long term sources of capital

(vi) Short term sources of capital

(vii) Evaluation of equity capital

(viii) Evaluation of debt funds.

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How to Develop an Effective Market Research Questionnaire

When conducting customized market research for your organization, quantitative surveys and qualitative discussion guides are among the most effective tools at your disposal.

Surveys will help you collect data to validate or disprove the hypothesis your research was designed to answer with regard to product usage and attitude, channel behavior, brand awareness, and market opportunities.

Getting the maximum value from a questionnaire, however, hinges on how it is developed. It's important to tailor not only the focus of the survey but also the style of questions to your focused objective.

6 Techniques for Market Research Sampling

Once the basics of market research sampling are understood, specific techniques can be explored. Each research project objective is best served with a certain type of market research sampling.

Straight talk from your sample provider can help set a research project up for success. Understanding the options available can also speed up the process, helping deliver a shorter time span to first value for any study. As research design begins, often stakeholders are included in important discussions. But these stakeholders may not have experience in the field or be familiar with respondent sampling options. Likewise, survey design may be impacted by the choice of sampling technique, so having a short primer can be helpful. What follows is an overview of six techniques frequently used for market research sampling.

True Random Sampling

True random sampling is the gold standard for probabilistic studies, but it may not be attainable with certain limitations. The most common method of random sample selection involves assigning numbers to the population of available participants and the use of a random number generator for selection. This technique is used so that each respondent within a pool has the same probability of being selected for feedback. In this way, it aims to remove bias by allowing chance to dictate research participants.

While the advantages of removing bias are desirable for many research projects, random sampling is not always attainable as it requires access to a larger database of willing survey participants. With respondent screener requirements, creating a large pool is costly and time consuming. Unless a significant database is immediately accessible, the time involved in achieving representative numbers makes this technique difficult to get projects done within budget and time constraints.

Systematic Sampling

Systematic sampling is the more common cousin of true random sampling. It allows for a methodical approach to retain the benefit of removing bias that comes from random sampling. Systematic sampling is based on the size of the population to be surveyed. The actual number of that population is then sampled according to the radio needed for representative sample size. Because this sampling method does not require such a large pool of ready participants, it is easier to achieve the required sample size.

Example:

If a list of all of St. Louis households numbered 139,594, and the requested representative sample was one percent, systematic sampling would start with a random spot on the list and then select every 100th household until the 1,395 households are selected.

Stratified Sampling

A modified approach to systematic sampling is called stratified sampling. This method is often preferred in an attempt to reduce the chances of a misrepresentative population sample. If respondent data is first separated according to strata of demographics, or segments. Participants are then selected systematically from these strata.

Example:

That same list of St. Louis households could be broken down into strata such as those living in single family owned homes, single family rental units, multi-family housing, etc. The systematic sampling method is then started to ensure the final sample pool adequately represents each strata.

Quota Sampling

Quota sampling is a technique which takes stratified sampling to greater detail by requiring quotas to be reached within each of the strata. In this way, it is a non-probabilistic version of stratified sampling. The downside to quota sampling is that with an inadequate sample pool, quota sampling can force a hand-picking of participants which gives an opening for bias. Also, as the selection is no longer random, the margin of error cannot be calculated.

Cluster Sampling

When a large population, especially one over a wide geographic area, needs to be sampled, cluster sampling can be a good option. In research design, the population of study is broken down into smaller groups, referred to as clusters. Individuals are then selected randomly from the clusters to create the study sample.

Example:

Five large St. Louis neighbourhoods are selected as clusters and individuals are selected randomly from each cluster to represent opinions from every neighbourhood in the city more accurately.

A large number of small clusters to sample from is preferred to a small number of large clusters. This is best practice is used to eliminate cluster sampling bias (CSB) which can occur when some clusters in a given territory are more likely to be sampled than others.

Area Sampling

Area sampling is a random sampling technique applied with geographic boundaries. Area sampling is a common technique used for ecological or geographic sampling. It is not often used in the study of humans or human behavior as the potential to end up in areas with no observational instances, such as a desert, or sparsely populated area is possible. If area sampling is used to observe humans, selecting random areas within a known populated region can ameliorate these issues by combining some standards of cluster sampling with this technique..

Choosing the Right Sampling Technique Your Market Research

Before choosing a sampling technique for any study, the objectives and measurement protocols should be determined. The goals of the study, the available resources and the amount of time allotted for study completion and analysis are factors that may immediately eliminate some techniques and guide the decision for the best possible outcome.

Once the sampling type is confirmed, screening potential participants begins. To take the next step, review our guide, Survey Design Best Practices and Screening Question Template. This free guide offers an easy-to-follow and comprehensive resource for getting started.

Market Survey:

Definition

Market survey is the survey research and unit of analysis of the market for a particular product/service which includes the investigation into customer inclinations. A study of various customer capabilities such as investment attributes and buying potential. Market surveys are tools to directly collect feedback from the target audience to understand their characteristics, expectations, and requirements.

Marketers develop new and exciting strategies for upcoming products/services but there can be no assurance about the success of these strategies. For these to be successful, marketers should determine the category and features of products/services that the target audiences will readily accept. By doing so, the success of a new avenue can be assured.

Most marketing managers depend on market surveys to collect information that would catalyse the market research process. Also, the feedback received from these surveys can be contributory in product marketing and feature enhancement.

Market surveys collect data about a target market such as pricing trend analysis, customer requirements, competitor analysis, and other such details.

Purpose of Market Survey

- Gain critical customer feedback: The main purpose of the market survey is to offer marketing and business managers a platform to obtain critical information about their consumers so that existing customers can be retained and new ones can be got onboard.
- Understand customer inclination towards purchasing products: Details such as whether the customers will spend a certain amount of money for their products/services, inclination levels among customers about upcoming features or products, what are their thoughts about the competitor products etc.
- Enhance existing products and services: A market survey can also be implemented with the purpose of improving existing products, analyze customer satisfaction levels along with getting data about their perception of the market and build a buyer persona using information from existing clientele database.
- Make well-informed business decisions: Data gathered using market surveys is instrumental in making major changes in the business which reduces the degree of risks involved in taking important business decisions.

Market Survey Templates

Product Surveys: New products/concept testing survey templates offer questions to obtain insights about products and concepts. These survey questions are curated by market research experts and can help in analyzing which kind of products or features will work in a market.

Conference Feedback Surveys: Conference feedback survey templates provide questions that can be asked to participants of a conference. An organization can organize better conferences by implementing feedback received from these surveys such as enhancing overall conference management, improved IT infrastructure, better content coverage or other such factors.

Focus Group Surveys: Focus group survey templates can be implemented during and after the recruitment of the focus group. Gaining insights from a dedicated group of 8-10 people can be done easily with this existent survey template.

Hardware and Software Surveys: Hardware and software survey templates offer editable questions about software product evaluation, hardware product evaluation, pre-installation procedure, technical documentation quality and other such factors.

Website Surveys: Website survey templates are customizable as per application and consist of questions pertaining to website customer feedback, visitor profile information, online retail information etc.

Importance of Market Survey

There are 5 factors that depict the importance of a market survey.

1. Understanding the demand and supply chain of the target market: A product is most likely to be successful if it is developed by keeping in mind the demand and supply of the target market. This way, marketers can obtain insights about market capabilities to absorb new products and concepts to develop customer-centric products and features.
2. 2. Developing well-thought marketing plans: The World is a target market for an organization, especially a well-established one. Getting data from the target market through thorough market research using market surveys and segmentation can be a source of creating concrete and long-term marketing plans.
3. Figure out customer expectations and needs: All marketing activities revolve around customer acquisition. All small and large organizations require market surveys to gather feedback from their target audience regularly, using customer satisfaction tools such as Net Promoter Score, Customer Effort Score, and Customer Satisfaction Score (CSAT)