

# **ENTREPRENEURSHIP AND NEW VENTURE**

## **INTRODUCTION:**

Entrepreneurial development today has become very significant; in view of its being a key to economic development. The objectives of industrial development, regional growth, and employment generation depend upon entrepreneurial development. Entrepreneurs are, thus, the seeds of industrial development and the fruits of industrial development are greater employment opportunities to employed youth, increase in per capita income, higher standard of living and increased individual saving, revenue to the government in the form of income tax, sales tax, export duties, import duties, and balanced regional development.

The term “entrepreneurship” comes 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 creation is called “entrepreneurship”.

Generally it refers to “any person who undertakes all the roles and responsibilities of producing goods and services. Therefore a good entrepreneur is one who is self motivated and who inspires people to work towards the attainment of the economic goals.”

“A good entrepreneur is one who is capable of inspiring confidence in people and has the ability to motivate them to work with him in fulfilling the economic goals set by him.”

## **Skills Required**

**Mc Clelland** in his book, A successful entrepreneur must possess the **technical capability, good judging skills, intelligence, energy, and initiating nature, qualities of a leader, self-confidence, creativity, fairness, honesty, attitude, tactfulness and emotional stability**. In short, an entrepreneur needs to be perfect in all aspects under any situation.”

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 evolution of entrepreneurship in India can be divided into the pre-independence period and the post –independence period. However after the independence of India, the government took pro-active steps to remove the discriminatory protection enjoyed by some industries. All such steps lead to significant entrepreneurial development in India.

The concept of women entrepreneurship is new in India. Previously, Indian women were limited to 3P's i.e., (pappad, pickle, and powder). However, today women pro-actively participate in the 3E's (i.e. Engineering Electronics and Energy).

The government of India has taken significant steps for the development of rural entrepreneurs. This is because 70% of the Indian populations live in rural areas. Thus for the equi-distribution of wealth and balanced regional development, the growth of rural entrepreneur is quite essential.

## **Examples of Entrepreneurs**

Eddie hopes that his entrepreneurial gamble will pay off as well as the gambles of other well-known entrepreneurs, such as:

- **Bill Gates, founder of Microsoft. There are probably not many people that have not been touched by one of his products, such as Microsoft Windows, Microsoft Office and Internet Explorer.**
- **Steve Jobs, co-founder of Apple computers, which produce Macs, iPods and iPhones, as well as Apple TV.**
- **Mark Zuckerberg, the founder of Face book.**
- **Pierre Omidyar, founder of eBay.**
- **Flipkart – Sachin Bansal**
- **OLA-Bhavish Agarwal**
- **Redbus-Phanindra Sama**
- **Just Dial-VSS Mani**
- **OYO Rooms-Ritesh Agarwal**
- **Paytm-Vijay shekhar**
- **Quikr-Pranay chulet**

Figure: Concept of entrepreneurship

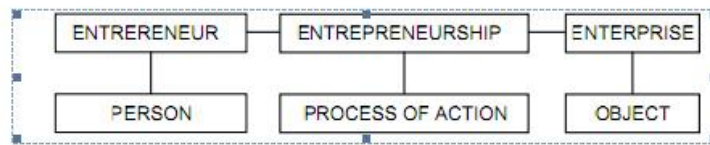


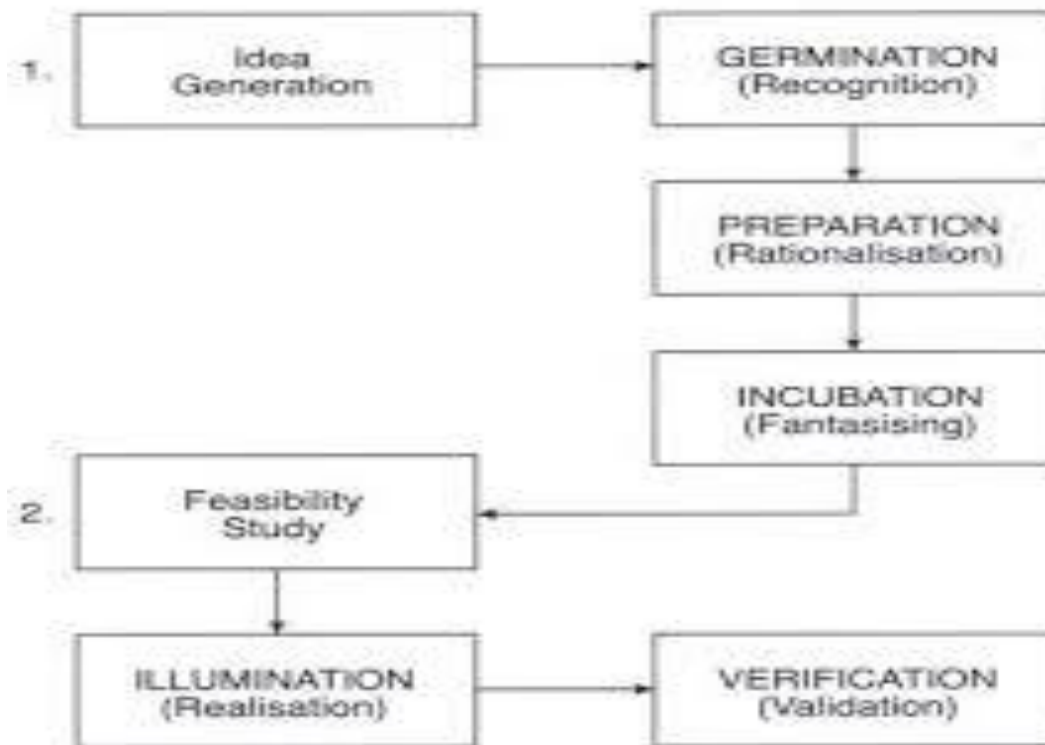
Figure:2 Relationships between entrepreneur and entrepreneurship

Entrepreneur	Entrepreneurship
Person	Process
Organizer	Organization
Innovator	Innovation
Risk-bearer	Risk-bearing
Motivator	Motivation
Creator	Creation
Visualizes	Vision
Leader	Leading
Imitator	Imitation

### Entrepreneurial Process:

Entrepreneurship is a process, a journey, not the destination; a means, not an end. All the successful entrepreneurs like Bill Gates (Microsoft), Warren Buffet (Hathaway), Gordon Moore (Intel) Steve Jobs (Apple Computers), Jack Welch(GE) GD Birla, Jamshedji Tata and others all went through this process.

To establish and run an enterprise it is divided into three parts- the entrepreneurial job, the promotion, and the operation. Entrepreneurial job is restricted to two steps, i.e., generation of an idea and preparation of feasibility report.



## **1. Idea Generation:**

To generate an idea, the entrepreneurial process has to pass through three stages.

### **a. Germination:**

This is like seeding process, not like planting seed. It is more like the natural seeding. Most creative ideas can be linked to a individual's interest or curiosity about a specific problem or area of study.

### **b. Preparation:**

Once the seed of interest curiosity has taken the shape of a focused idea, creative people start a search for answers to the problems. Inventors will go on for setting up laboratories; designers will think of engineering new product ideas and marketers will study consumer buying habits.

### **c. Incubation:**

This is a stage where the entrepreneurial process enters the subconscious intellectualization. The sub-conscious mind joins the unrelated ideas so as to find a resolution.

## **2. Feasibility study:**

Feasibility study is done to see if the idea can be commercially viable.

**a. Illumination:**

After the generation of idea, this is the stage when the idea is thought of as a realistic creation. The stage of idea blossoming is critical because ideas by themselves have no meaning.

**b. Verification:**

This is the last thing to verify the idea as realistic and useful for application. Verification is concerned about practicality to implement an idea and explore its usefulness to the society and the entrepreneur.

*Functions of entrepreneur:*

An entrepreneur is a nucleus of high growth of organization. He takes into consideration innovative ideas, demands and makes use of opportunities and promotes the technology. Economists view entrepreneurs as incorporating coordination of the business, risk taking, controlling the enterprise, making innovations, motivating and other related activities. A successful entrepreneur identifies the commercial potential of a product or a service or a design, policies, production, product development and the organizational structure.

*1. To prepare plan:*

The first and foremost function of an entrepreneur is to prepare the plan or scheme of production i. e., the scale of production, types of goods to be produced and its quantity.

*2. Selection of the Site:*

The entrepreneur makes the selection of the site for the factory to be installed. The place should be near the market, railway station or bus-stand. The selection of the place may be near the source of raw materials also. The selection of the place has an important bearing on the cost of production.

*3. Provision of Capital:*

Capital is required to install a factory or an industry. Capital is required at all the stages of business. It is not necessary that the entrepreneur should invest his own capital. Therefore, he has to trace out a capitalist, to make provision for capital for the investment. He tries to obtain capital at the lowest possible rate of interest.

#### ***4. Provision of Land:***

After making provision of capital and selection of site, he has to arrange for land. Land is either purchased or hired.

#### ***5. Provision of Labour:***

In modern times, different types of labour are required to produce one type of commodity. The entrepreneur has to make provision for labour from different places.

#### ***6. Purchase of Machines and Tools:***

It is the function of the entrepreneur to purchase machines and tools in order to start and continue the production.

#### ***7. Provision of Raw Materials:***

It is the entrepreneur who makes provision for raw materials. He purchases the best quality of raw materials at the minimum cost. He also knows the sources of raw materials.

#### ***8. Co-ordination of the Factors of production:***

One of the main functions of the entrepreneur is to coordinate different factors of production in proper combinations, so that the cost of production is reduced to the minimum.

#### ***9. Division of Labour:***

The splitting up of production into different parts and entrusting them to different workers is also the function of an entrepreneur. Thus, the entrepreneur decides the level and type of division of labour

#### ***10. Quality of Product:***

Keeping in view the competition in the market, the entrepreneur has to determine the quality of his product. He is to decide whether the goods produced should be of superior quality only or both of superior and ordinary qualities.

#### ***11. Sale of Goods:***

The responsibility of the entrepreneur is not only to produce goods but also to sell his products. He employs a good number of salesmen to market the goods. He makes arrangement for publicity to push up the sales. He adopts both informative and persuasive methods to achieve his goal.

### ***12. Advertisement:***

It is the duty of an entrepreneur to do advertisement explaining the superiority and quality of his goods through newspapers, magazines, radio, TV, etc.

Advertisement is done to create and increase the demand or sale of his goods.

### ***13. Search for Markets***

The entrepreneur has to explore markets for his products. He produces goods in accordance with the consumers' tastes which can be known from market trends.

### ***14. Supervision:***

One of the main jobs of an entrepreneur is to supervise all the factors engaged in the production process. He has to supervise every little detail so as to ensure maximum production and economy.

### ***15. Contact with the Government:***

The entrepreneur has to make contacts with the government because the modern production system is controlled by the government in several ways. A licence is taken before the start of production. The entrepreneur has to abide by certain rules and regulations of production and has to pay taxes regularly.

### ***16. Payment to Factors of Production:***

The rewards of the various factors of production have to be decided by the entrepreneur. He makes payments to the landlord, labour and capitalist in the form of rent, wages and interest. Since payments to these factors of production constitute cost, so no entrepreneur wants to pay to a factor more than its productivity.

### ***17. Quantity of Production:***

The entrepreneur determines the quantity of production keeping in view the demand for goods and the extent of market. How much goods are to be produced is the main decision taken by the entrepreneur.

### ***18. Risk-Taking:***

Risk-taking is the most important function of an entrepreneur. He has to pay to all the other factors of production in advance. There are chances that he may be rewarded with a handsome profit or he may suffer a heavy loss. Therefore, the risk-bearing is the final responsibility of an entrepreneur.

### ***19. Innovation:***

Innovation plays an important role in modern business. The entrepreneur makes arrangements for introducing innovations which help in increasing production on the one hand, and reducing costs, on the other. Innovations may take the form of the introduction of new methods in the process of production or introducing improvements in the existing methods. It also includes discovery of new markets, raw materials and new techniques of production

### **Characteristics of Entrepreneurship:**

To be a successful entrepreneur, you must have -- or develop -- certain personality traits. He is expected to combine all factors of production in a manner as to maximize output at minimum cost of production. Whether he performs the various functions effectively is determined by the nature of quality control, cost reduction, improved labour relations, profits earning etc is possible if the entrepreneur is especially a talented person and he possess qualities like capacity to assume risk, technological knowledge, alertness to new opportunities, willingness to accept change and ability to initiate, and ability of organization and administration.

Professor David C. Mc Clelland of Harvard University found that entrepreneur are likely to do well if they have the following nine characteristics you should ideally possess to start and run your own business:

#### **1. Motivation**

Entrepreneurs are enthusiastic, optimistic and future-oriented. They believe they'll be successful and are willing to risk their resources in pursuit of profit. They have high energy levels and are sometimes impatient. They are always thinking about their business and how to increase their market share. Besides this an entrepreneur must also create such an environment where in the individual seeks growth and experiences career development.

#### **2. Persistent Problem Solver**

Creativity is an essential element in entrepreneur's characteristics. An entrepreneur needs to be ambitious to accomplish a task or solve a problem. Successful entrepreneurs have the creative capacity to recognize and pursue opportunities.



### **3. Versatility**

Company workers can usually rely on a staff or colleagues to provide service or support. As an entrepreneur, you'll typically start out as a "solopreneur," meaning you will be on your own for a while. You may not have the luxury of hiring a support staff initially. Therefore, you will end up wearing several different hats, including secretary, bookkeeper and so on. You need to be mentally prepared to take on all these tasks at the beginning.

### **4. Superb Business Skills**

Entrepreneurs are naturally capable of setting up the internal systems, procedures and processes necessary to operate a business. They are focused on cash flow, sales and revenue at all times. Successful entrepreneurs rely on their business skills, know-how and contacts. Evaluate our current talents and professional network.

### **5. Optimistic**

The successful entrepreneurs are highly optimistic in nature. They hold up an assumption and belief that the future conditions would be in their own favor which develops a sense of confidence among them that they can efficiently perform their operations even in the future circumstances.

### **6. Vision**

One of your responsibilities as founder and head of your company is deciding where your business should go. That requires vision. Without it, your boat will be lost at sea.

### **7. Good Organizer**

All the factors of production are not available at one site. An entrepreneur needs to search and select the best resources for the production process. Thus, it is essential that an entrepreneur knows how to organize and get the work done properly. The success of the business merely depends upon the ability of an entrepreneur.

### **8. Technical Knowledge**

An entrepreneur must possess technical knowledge. Even though the acquisition of technical knowledge is not an easy task. So one needs to put in a little of hard work and efforts to be technically sound and fit.

### **9. Good Predictor**

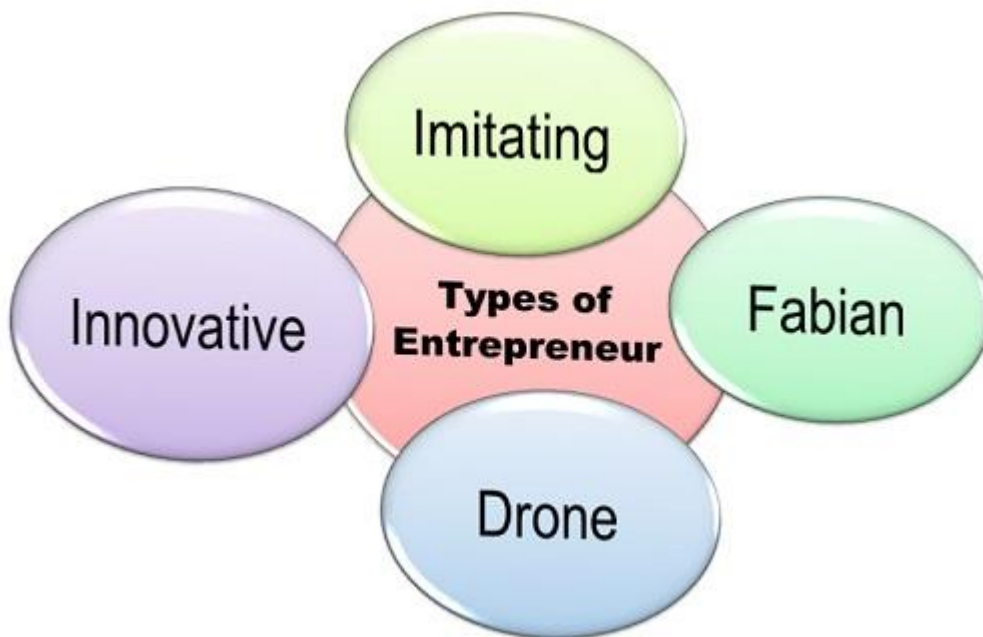
A successful entrepreneur holds a good forecasting ability which helps them in accurately predicting the future conditions of business. In short, they anticipate the future changes that would be seen in the consumer's tastes, fashions, attitude, preferences, technological changes and many more and prepare a defensive strategy to get rid of them.

## **TYPES OF ENTREPRENEURS:**

### **Based on Clarence Danhof Classification:**

Clarence Danhof (1949), on the basis of his study of the American Agriculture, classified entrepreneurs in the manner that at the initial stage of economic development, entrepreneurs have less initiative and drive and as economic development proceeds, they become more innovating and enthusiastic.

**Based on this, he classified entrepreneurs into four types:**



□ **Innovative Entrepreneur:** These are the ones who invent the new ideas, new products, new production methods or processes, discover potential markets and reorganize the company's structure. These are the industry leaders and contribute significantly towards the economic development of the country. The innovative entrepreneurs have an unusual foresight to recognize the demand for goods and services. They are always ready to take a risk because they enjoy the excitement of a challenge, and every challenge has some risk associated with it. Rattan Tata is said to be an innovative entrepreneur, who launched the Tata Nano car at a considerably low cost.

□ **Imitating Entrepreneurs:** The imitating entrepreneurs are those who immediately copy the new inventions made by the innovative entrepreneurs. These do not make any innovations by themselves; they just imitate the technology, processes, methods pioneered by others. These entrepreneurs are found in the places where there is a lack of resources or industrial base due to which no new innovations could be made. Thus, they are suitable for the underdeveloped regions where they can imitate the combinations of inventions already well established in the developed regions, in order to bring a boom in their industry.

Example: China is a growing economy that provides large opportunities to its citizens. Among them the cellular market is growing through adaptation and modification of the innovative product by Innovative Companies.

□ **Fabian Entrepreneurs:** A Fabian entrepreneur fall neither in innovation entrepreneur category nor in adoptive entrepreneur category. This makes them cautious with decision making and at times they miss out on great opportunities. They are shy to introduce new methods and ideas. Fabian entrepreneurs are no risk takers.

□ **Drone Entrepreneurs:** These entrepreneurs are reluctant to change since they are very conservative and do not want to make any changes in the organization. They are happy with their present mode of business and do not want to change even if they are suffering the losses. Drone entrepreneurs refuse to adopt changes..Example: There is a tobacco making industry which is still making tobaccos entirely by hand. Not willing to use the machines.

### Based on the Type of Business:

#### 1. Trading Entrepreneur:

As the name itself suggests, the trading entrepreneur undertake the trading activities. They procure the finished products from the manufacturers and sell these to the customers directly or through a retailer. These serve as the middlemen as wholesalers, dealers, and retailers between the manufacturers and customers.

#### 2. Manufacturing Entrepreneur:

The manufacturing entrepreneurs manufacture products. They identify the needs of the customers and, then, explore the resources and technology to be used to manufacture the products to satisfy the customers' needs. In other words, the manufacturing entrepreneurs convert raw materials into finished products.

#### 3. Agricultural Entrepreneur

Agriculture entrepreneurs are normally engaged in the activity of raising crops and marketing crops, fertilizers and other inputs of agriculture. They are also engaged in allied agriculture activity.

### Based on the Use of Technology:

#### 1. Technical Entrepreneur:

The entrepreneurs who establish and run science and technology-based industries are called 'technical entrepreneurs.' Speaking alternatively, these are the entrepreneurs who make use of science and technology in their enterprises. Expectedly, they use new and innovative methods of production in their enterprises.

#### 2. Non-Technical Entrepreneur:

These entrepreneurs are more concerned about developing alternative marketing and channels of distribution. They try to promote their business. Non-technical entrepreneurs are not concerned with the product development.

Their target is not to change the production techniques but to increase the demand for the product by alternate course of actions.

### Based on Ownership:

#### 1. Private Entrepreneur

A private entrepreneur is one who as an individual sets up a business enterprise. He / she is the sole owner of the enterprise and bears the entire risk involved in it.

#### 2. State Entrepreneur:

When the trading or industrial venture is undertaken by the State or the Government, it is called 'state entrepreneur.'

#### 3. Joint Entrepreneurs:

When a private entrepreneur and the Government jointly run a business enterprise, it is called 'joint entrepreneurs.' This type of industries monitor, evaluation and the functioning of activities undertaken directly by state.

### Based on Gender:

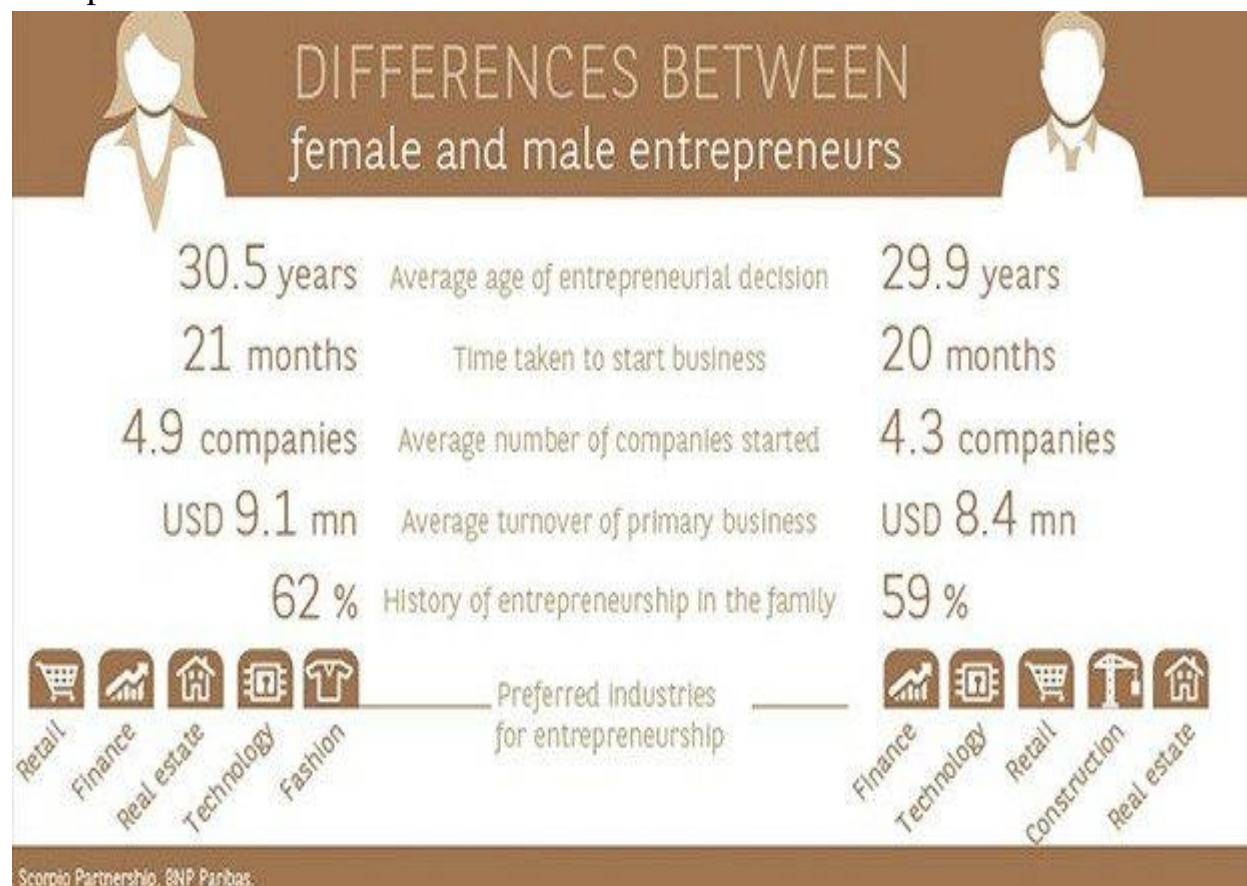
#### 1. Men Entrepreneurs:

When business enterprises are owned, managed, and controlled by men, these are called 'men entrepreneurs.'

#### 2. Women Entrepreneurs:

Women entrepreneurs are defined as the enterprises owned and controlled by a woman or women having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of employment generated in the

enterprises to women.



### Based on the Size of Enterprise:

#### 1. Small-Scale Entrepreneur:

An entrepreneur who has made investment in plant and machinery up to Rs 1.00 crore is called 'small-scale entrepreneur.'

#### 2. Medium-Scale Entrepreneur:

The entrepreneur who has made investment in plant and machinery above Rs 1.00 crore but below Rs 5.00 crore is called 'medium-scale entrepreneur.'

#### 3. Large-Scale entrepreneur:

The entrepreneur who has made investment in plant and machinery more than Rs 5.00 crore is called 'large-scale entrepreneur.'

**Differences between entrepreneur, entrepreneurship, manager, intrapreneur :**

## INTRAPRENEUR DEFINITION:

Intrapreneurs are creative, motivated, proactive employees. They are eager to handle a specific division of an organization in a leading role without having to venture on their own.

Intrapreneurship is also known as “corporate entrepreneurship”. It basically deals with innovations which results incorporate divisions or subsidiary ventures in large scale organizations. Intrapreneurship also called as ICS”-Intra-corporate Entrepreneurs” and Intra-Corporate Venturing”.

Intrapreneur/Corporate entrepreneurs who create new products and services very rarely hold the commensurate responsibility of taking a persona stake in their creations. They do not assume any personal risk or any profit or loss.

## Difference between Entrepreneur and Intrapreneur

Difference	Entrepreneur	Intrapreneur
(1) Dependency	An entrepreneur is an independent businessman	Whereas, an Intrapreneur is semi-independent businessman.
(2) Risk	An entrepreneur bears full risk involved in the business	An Intrapreneur does not fully bear the risk of the business he develops and operates.
(3) Operation	An entrepreneur operates from outside an organization	On the contrary, an Intrapreneur operates from within the organization itself.
(4) Raising of capital	The entrepreneur himself raises the recovery capital from various sources.	On the other hand, the Intrapreneur does not raise the capital himself.



# Differences between Entrepreneur and Manager

Points	Entrepreneur	Manager
1. Motive	The main motive of an entrepreneur is to start a venture for his personal gratification.	Main motive of a manager is to render services in an enterprise already set by someone else.
2. Status	Owner	Servant
3. Risk	Assumes risk and uncertainty	Manager does not bear any risk involved in enterprise.
4. Rewards	Profits, which are highly uncertain and not fixed.	Salary which is certain and fixed.
5. Innovation	Entrepreneur himself thinks over what and how to produce goods to meet the changing needs of the customers. Hence he acts as innovator / change agent.	A manager simply executes plans prepared by the entrepreneur.
6. Qualification	An entrepreneur needs to possess qualities and qualifications like high achievement motive, originality in thinking, foresight, risk-bearing ability etc.	A manager needs to possess distinct qualifications in terms of sound knowledge in management theory and practice.



### **Different Opinion on Emergence of Entrepreneurship:**

The concept of entrepreneurship has undergone major changes over more than two and half centuries. Yet the concept of entrepreneurship is not clear. As the concept of entrepreneurship is complex in its content, it is influenced by not only economical aspects, but also by sociological, psychological, ethical, religious and cultural values.

**Joseph Massie** observes,” However, because of the diversity of approaches to the study of entrepreneurship, there is difficulty in defining just what entrepreneurship is and identifying just who is an entrepreneur.”

### **Growth of Entrepreneurship in India:**

“Excellence doesn’t happen miraculously but springs from pace setting levels of personal effectiveness and efficiency. Great business, government and nonprofit organization owe their greatness to a few individuals who mastered leadership skills and passed those skills on to others

— John Gardner.

Basically the growth of entrepreneurship depends upon the economic history of a country. On the basis of India’s economic history the growth of entrepreneurship is being divided into two periods,

1. Pre-independence and
2. Post –independence.

### **Pre-independence Period:**

Entrepreneurship in India can be witnessed back in the **Vedic civilization around B.C 2000 -1500**, wherein Aryans used to practice metal handicrafts. It can be inferred that handicrafts entrepreneurship in India is as old as the human civilization and was nourished by the craftsmen as one of their duties, towards the village was being considered for the economic system, as the Indian towns were distant from the common life of the people. In the Vedic civilization the society was being classified into various categories as farmers, artisans and religious priests. Most of the artisans were considered as slaves. This compressed system of village competition and hence, there was no **localization** of handicrafts industry in the ancient period.

Artisans in the ancient period established industrial units in few cities like **Banaras, Allahabad, Gaya, Puri and Mirzapur**, wherein they focused upon few identifiable products. All these cities were situated nearby the rivers provided the cheapest mode of transportation. These industrial units blossomed due to the princely support that they were receiving from the kings. They established workshops which were popularly known as '**kharkhanas**'. '**Guild system**' was formed as an association of craftsmen, wherein all the craftsmen and traders were abided by 'trade guilds'. Trade guilds were popularly known as **merchants association**.

Indian craftsmanship was characterized by perfect art, durability and was attractive in nature. Few well-known products of the pre-independence period were as follows,

1. Corah – Produced in Bengal
2. Chintzes – Produced in Lucknow
3. Dupattas and Dhotis – Produced in Ahmedabad
4. Silk – bordered cloths – Produced in Nagpur
5. Shawls – Produced in Kashmir
6. Metal wares – Produced in Banaras.

Thus, in the 17<sup>th</sup> century and in the beginning of the 18<sup>th</sup> century India was considered as the golden eagle due to handicrafts industry.

### **Decline of the Handicrafts Industry:**

Primarily Indian handicraft industry was considered as cottage and small sector industry which witnessed a great fall due to the following criteria,

1. Dispersion of the Indian Royal Courts, Who supported the handicraft industry
2. Indifferent attitude of the British colonial governments regarding Indian handicraft industry
3. High excise duty on Indian imports from England
4. Large- scale production of British goods at lower costs resulted in reduced levels of competition among Indian handicrafts
5. Enhanced transportation facility resulted in the availability of British goods everywhere, even to the far off places

6. Changing tastes and habits of the Indians
7. Consistency of the Indian craftsmen to adapt changes according to the changing tastes and preferences of the people.

**Ranchod lal Chota lal**, a Nagar Brahman, was the first Indian who wanted to start the **textile industry on modern factory** lines in the **year 1847**, but unfortunately could not succeed. He made second attempt in which he was successful in establishing a textile mill in **1861 at Ahmadabad**. By the time Ranchodlal Chotala could establish his textile mill, **Cowasjee Nanabhoy Davar** of Bombay followed by Nawsosjee, Wadia, had already established the first cotton textile unit in 1854 and in 1880 respectively. Up to 1915, Parsis contributed largely towards the growth of entrepreneurship.

The total number of textile mills existed in the year 1916 were 96, out of which 41 were established by Parsis, 23 by Hindus, 10 by Muslims and 22 by British citizens which formed 43, 24, 10 and 23 percent respectively. Later on, Parsis started moving in other fields, specially iron and steel industry. **Jamshedjee Tata** was the first Parsi entrepreneur to start the first steel industry in **Jamshedpur** in the year 1911. The Swadeshi movement laid greater emphasis on the native goods and industries, which helped in developing nationalism all over the country. The effect was so strong that Jamshedji Tata named his first mill as 'Swadeshi Mill'. Entrepreneurship in India started after the **First World War(1914-1919)**. The Indian government accepted the discriminating protection to few industries, even making it compulsory that the industries which are enjoying the benefits of discriminating protection need to register themselves in Indian directors. This was greatly beneficial and in favour of Indians.

## **Entrepreneurial Opportunities in Telangana State:**

Entrepreneurs tend to be strategic thinkers who recognize changes and see opportunities where others do not foresee such changes and opportunities. By creating new ventures based on these strategic changes, entrepreneurs make a contribution and are rewarded in terms of wealth and personal satisfaction.

Hence, the entrepreneur has to know the environmental changes to achieve the goals of the enterprise. **A business has to monitor the macro environmental factors such as demographic, economic, political, legal, social, technological and cultural factors which will affect its ability to earn profits.** It should also analyze the micro environmental factors such as **suppliers, customers, intermediates, competitors, public** etc., to achieve the desired results.

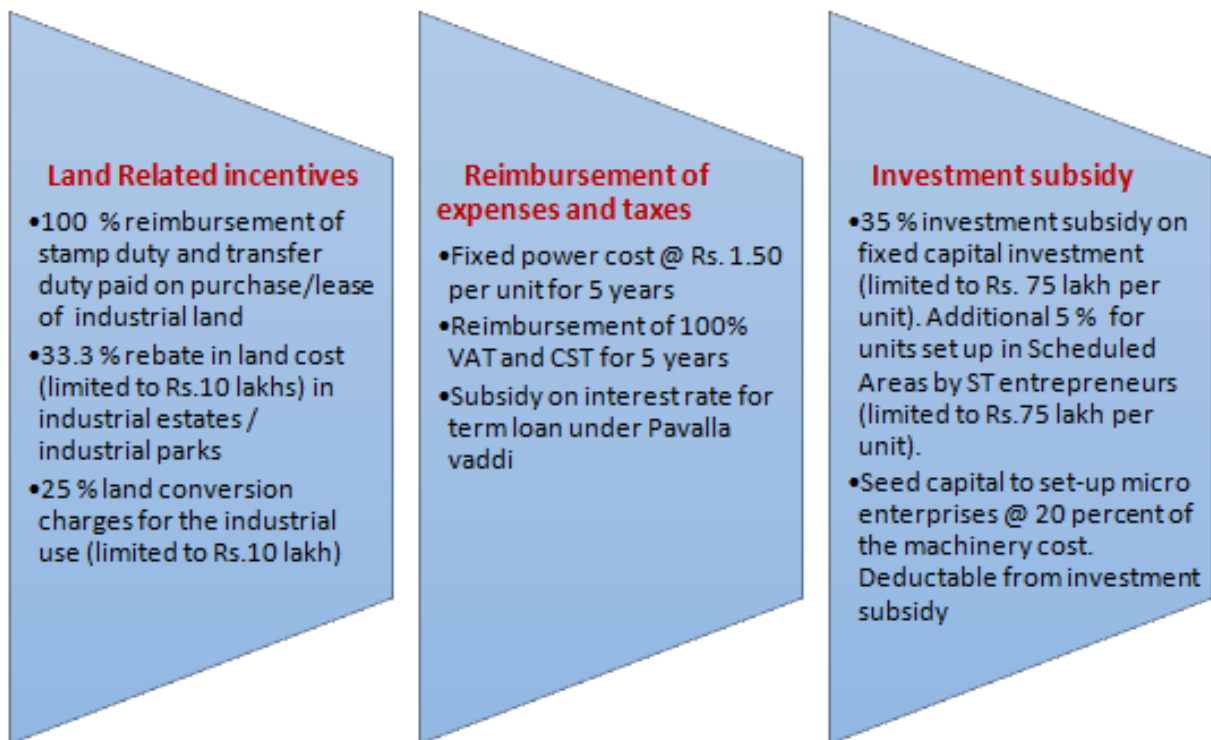
Some of the opportunities which require analysis of growing population, increase in disposable income, good monsoon, easily availability of men, materials and money, availability distributors, media, presence of favorable cultural environment.

The Industrial policy framework for the state of Telangana has provided a graft-free, hassle-free environment in which the entrepreneurial spirit of local, domestic and international investors will thrive to take-up their industrial units in the state of Telangana as the preferred investment destination. The various opportunities provided by Government of Telangana are detailed below:

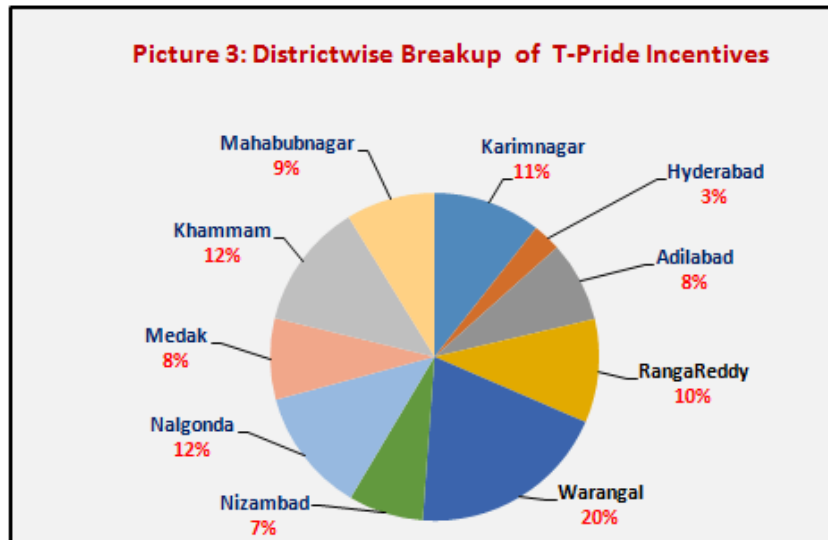
1. The government introduced a Telangana State Industrial Project Approval and Self-Certification System Act 3, 2014 (TS-iPASS) whereby a right to single window clearance, on the lines of the right to information, will be bestowed for all applicants.
2. Self certification will be encouraged and automatic renewals are implemented. There will be web based E-helpline facilities as well as physical help-desks at Hyderabad and Districts.
3. The Telangana State Government recognized 14 Sectors as thrust areas, investments in which will be accorded a higher priority over others. The thrust areas are (a) Life sciences including bulk drugs, formulations, vaccines, nutraceuticals, biological; R & D facilities (b) IT Hardware are including bio-medicals devices, electronics, and cellular communications.(c) Precision engineering including aviation, aero-space, defence .(d) Food processing and nutrition products including dairy, poultry, meat and fisheries.(e) Automobiles, Transport vehicles, Auto Components, Tractors, & Farm Equipment.(f) Textiles and apparel, Leather and leather value added products (g) Plastics & Polymers, Chemicals and Petro Chemicals, glass and ceramics (h) FMCG and domestic appliances (i) Engineering and capital goods (j) Gems and Jewellery (k) Waste management and Green technologies (l) Renewable

energy and Solar parks (m) Mineral based and wood-based industries (Transportation/Logistic hub/ Container depot.

4. The Telangana State government's Industrial Park is development in such a way that along with anchor units, enough plots are made available for setting up suppliers Vendors Park.
5. Each of the nine districts of the state excluding Hyderabad will have one or more industrial parks exclusively for women. Organizations working for women are invited to partner with government to identify and train women entrepreneurs, get their project proposals developed, link them to financial institutions and monitor the progress of their projects from time to time.
6. Special support to SC/ST entrepreneurs is offered through TS-PRIDE i.e., **The Telangana State Program for Rapid Incubation of Dalit Entrepreneurs** (T-PRIDE) aims to develop entrepreneurship among **Scheduled Caste and Scheduled Tribes**. The scheme, which covers both manufacturing and service sector establishments offers a number of incentives to start a new enterprise or expand an existing business. This blog discusses key features of the scheme and its contribution to Dalit entrepreneurship. Some of the activities are as follows:
  - a. A special direct funding programme for financing SC/ST entrepreneurs.



- b. Payment of Margin money on behalf of SC/ST entrepreneurs by the government and creation of Rs 5 crores for Margin Money Refund Scheme.
- c. Preferential Allotment of plots in industrial parks and reservation of 22% land in Industrial Estates.
- d. State departmental procurement policy in tune with GOI's SME procurement policy of 20%.
- e. Organizing Intensive entrepreneur and skill development programmes.
- f. Organizations like Dalit India Chamber of Commerce and Industry involved in planning, implementing and monitoring special programmes for SC/STs.



9. To improve the **productivity and income of Traditional Arts and Handicrafts Like Nirmal Paintings, Dokra metal work, Bidriware, Prembarthy Brassware as well as textiles like Pochampally Ikat, Gadwal, sarees and Warangal carpets**, the Government of Telangana Provides various Programmes under **TS -HART Telangana State Handicrafts and Artisans Revival with Technology Program.**

- a) Identification and documentation of arts and crafts.
- b) Technology upgradation and design support centres.
- c) Skill upgradation and quality improvement.
- d) Marketing assistance and marketing events participation.

10. About **20 lakh acres of land is identified as unfit for cultivation in Telangana**, which is transferred to the Telangana State Industrial Infrastructure Corporation (TSIIC) for establishing **industrial parks like roads, water supply, industrial tower , and common effluent treatment facilities** and thereby the investor can begin the construction of his unit from the day of getting sanction letter.

11. The details of land in the industrial parks are made available on the website of TSIIC and the department of Industrial and commerce. **All required information like distance of the industrial park from nearest highway/railway station/airport/town, size of individual plots, photographs of the lands, Google maps etc., are displayed.** Three empowered bodies viz., The State Industrial Promotional Committee, the State Level Allotment

Committee and TSIIC manage the land allotment process in a transparent and objective manner for the large projects. All applications of **micro, small and medium enterprises** for land allotment are handled by District Industrial Promotion Committee headed by the respective District Collector.

Thus, the new industrial policy of government of Telangana provides many opportunities to the industrialists, investors and entrepreneurs in the new state and promises to fulfill their aspirations.

### **Post –independence Period:**

Post-independence period i.e., after 1947 India regained its independence on 15<sup>th</sup> August 1947 after long years of colonial rule. India took a long **sigh of political relief in 1947** and it tried to achieve balanced regional development. Therefore, the first industrial policy was formulated in the year 1948 which is being reviewed since then from time to time on regular basis. The government of India, since its inception has always been **emphasizing on promoting, assisting and developing industrial nationally**. The government of India also identified the potential role played by the private sector in the industrial development.

In order to achieve, these general objectives, the government has laid emphasis on the development of small-scale industries in the country. Since, the **third five-year plan(1961-66)** government has been providing various incentives and concessions like capital, technical know-how, markets and land



to the potential entrepreneurs to develop and start industries in backward regions to achieve balanced regional development.

Various institutions like the Directorate of Industries, Financial Corporations, Small Scale Industries Corporation and Small Industries Service Institute were stated by the government to aid the new entrepreneurs in setting up their enterprises. There has been a drastic change in the number of small-scale industries. It increased from 121,619 to 190727 in the year 1966 to 1970 respectively.

**Tata, Birla, Dalmia, Ambani and many more entrepreneurs are the finest examples of small entrepreneurs who have grown beyond the expected size and have established new business frontiers in the modern era.**

## **THEORIES OF ENTREPRENEURSHIP:**

### **1. Theory by Joseph Schumpeter:**

According to Schumpeter, who believes that entrepreneur helps the process of development in an economy. He says that an entrepreneur is the one who is innovative, creative and has a foresight. According to him, innovation occurs when the entrepreneur are

- a) The introduction of a new product i.e., one with which consumers are not yet familiar or producer of a new quality.Ex:Nano Car
- b) The introduction of a new method of production i.e., A method not yet tested in the branch of manufacture concerned nor based upon a new scientific discovery but capable of existing in a new way of handling a commodity commercially.Ex:using different machine in production.
- c) The opening of a new market i.e., A market which the particular type of manufacturer of the country has not previously entered.Ex:Super amrket ,Bigbazar.
- d) Finding a new source of supply of raw materials of half manufactured goods, irrespective of whether this source already existed or has to be newly created,

Ex:online services. and

- e) The establishing a new organization of industry such as the establishment of a monopoly system through stratification or breaking up of existing monopoly system.Ex:Electricity ,using of solar power.

The theory emphasizes on innovation, ignoring the risk taking and organizing abilities of an entrepreneur. **Schumpeter's** entrepreneur is a large scale businessman, who is rarely found in developing countries, where entrepreneurs are small scale businessmen who need to imitate rather than innovate.

## 2.Theory of High Achievement/ Theory of Achievement Motivation:

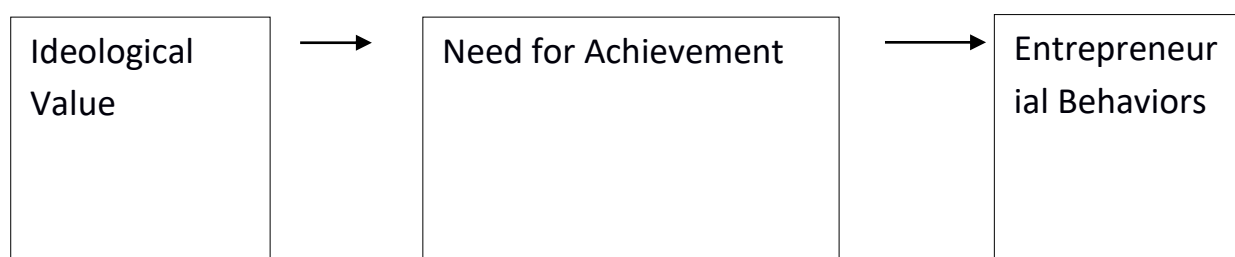
Mc Clelland Identified 2 characteristics of entrepreneurship

1. Doing things in a new and better way.
2. Decision making under uncertainty.

He stressed that people with high achievement orientation (need to succeed) were more likely to become entrepreneurs. Such people are not influence by money or external incentives. They consider profit to be a measure of success and competency. Mc Clelland found that the need for achievement is the highest for entrepreneurs and work indicated that there are five major components to the Need achievement trait:

- a) Responsibility for problem solving.
- b) Setting goals, Reaching goals through one's own effort
- c) They prefer situations wherein they can take personal responsibility for solving problems.
- d) They set moderate realistic and attainable goals for them.
- e) They need concrete feedback on how well they are doing.

### (McClelland's casual Sequence)



### 3. Market Process Theory:

This theory was proposed by **Frederick Von Hayek** and it had explained the role and effect of market processes (such as investment) upon the structure of production. Thus, it is also called as the” **Theory of over investment**”.

**Assumptions:** The theory is based on the following assumptions,

- 1) In every economic system, a complex set of variables plays a vital role in determining the required level of optimum production i.e., the quantity of goods to be produced, nature of goods and the parties for whom the goods have to be produced.
- 2) Different factors affecting the economic system include the government rules and regulations, ownership rights of the factors of production and so on.
- 3) The entry of the new entrepreneur disturbs the market equilibrium, leading to the generation of mismatch between the supply and demand factors.

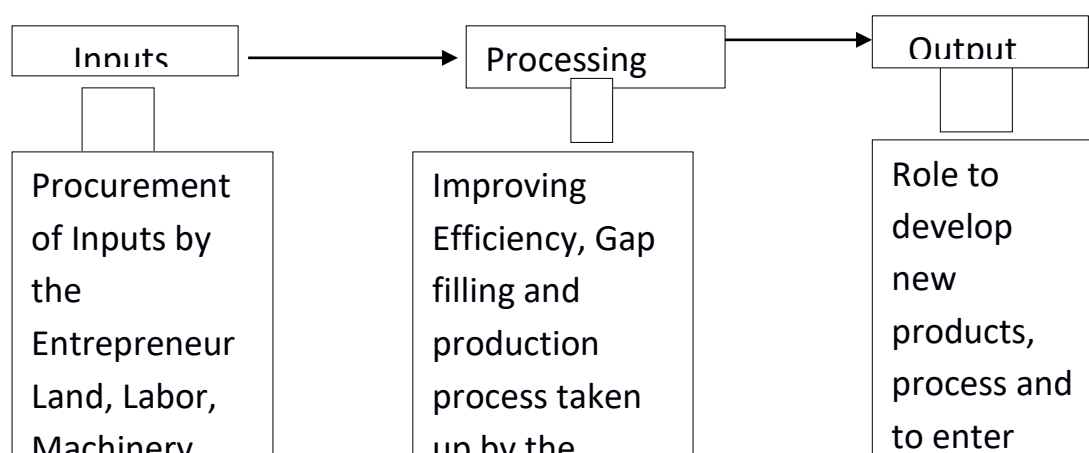


Figure showing the role of entrepreneur under market process theory.

According to Hayek, the problem of economic organizations could be solved by optimally allocating the resources.

#### **Implications:**

1) By analyzing the various market forces affecting the mechanics of market, entrepreneurs are able to gather significant information relating to demand and supply factors. With the help of gathered information, firms are capable of producing appropriate levels of output for the generation of desired profits.

2) Appropriate method of specialization can be selected as the market processes are mainly dependent on the structure of production. The degree of specialization is directly proportional to the length of the production structure.

#### **4.Risk Bearing Theory:**

This theory was proposed by **Professor Frank.H.knight** in the year 1940.

Knight has proposed this theory by considering the various types of **risks and uncertainties** associated with the various business transactions. The main cause of such risks may be due to the existence of time gap between the production of goods and their consumption by the consumers. If the time gap is considerably long, then most of the variables such as, **structure of population, income levels, tastes and preferences of consumers, patterns of advertisement** and others undergo changes thereby disturbing the equilibrium state of the markets. Thus, for identifying and dealing with such uncertain events, this theory had been proposed.

**Assumption:**

- 1) Every economic activity is associated with high levels of uncertainty. Risk arises as a result of uncertainty in the business environment.
- 2) Possibility of the occurrence of potential losses can be avoided only if the entrepreneur is an efficient forecaster.

**Implications:**

- 1) An entrepreneur enjoys profits but only for managing and coordinating the various activities of business, but also for efficiently dealing with risk of uncertainty.
- 2) This theory is appropriately be considered as the “ **Theory of profits** “, because if an entrepreneur is capable of accurately predicting the future events and uncertainties, then the amount of profits that could be generated by his/her business can be improved to a great extent.
- 3) The level of profits and the number of entrepreneurs are mainly influenced by the self-confidence of the entrepreneurs. Ex: NANO Car, Jio sim, phones.

**WOMEN ENTREPRENEUR:**

### **Concept of Women Entrepreneur:**

Women entrepreneurs may be defined as a woman or a group of women who initiate, organize and operate a business enterprise. According to Government of India, a woman entrepreneur is defined as **“an enterprise owned and controlled by a woman and having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of the employment generated in the enterprise to women.”**

However, Government tried to simplify the definition of women enterprise by eliminating the stipulation regarding employment of majority of women workers and units in which women entrepreneurs have a majority share holding and managing control would be defined as women enterprise. This change clearly lays emphasis on Women Entrepreneurship, a shift away from women employment generation as a motive. This shift also has to be examined in view of reports regarding feminization of labor force in the eighties. There are three distinct situations which lead women to enter into entrepreneurial activities:

#### **1. Chance entrepreneurs:**

Where they enter into business without any preparation, no clear goals and plans.

#### **2. Forced entrepreneurs:**

Women compelled by circumstance such as death of the husband or father with responsibilities fall in on them to take-up or continue the existing business..

#### **3. Created entrepreneurs:**

Located, motivated, encouraged and developed women as competent entrepreneurs. All these aspects must be properly understood by those interested in promotion of women entrepreneurship.

Women entrepreneurship in India is a new phenomenon. It is just an extension to their kitchen activities of 3P's viz., ***pickles, powder and pappad***. Women in India entered into business due to pull and push factors. Pull factors which provide encouragement to women to start up their own business and be self-confident where as Push-factors are those factors women to enter into business due to scarcity of funds and financial crunches in order to overcome their difficulties.

a) Total number of self-employed women were engaged in an organized sector like **handicraft, Agriculture, Handloom, Cottage base industry**.

b) 1988-89 survey shows there was 1,53,000 women entrepreneur which are **9%** of total **1.7** million in India. Thus 1980 onwards India has shown positive growth among women entrepreneurship during **95-96** there were **3,00,000** women entrepreneur in India.

c) According to **Sixth Economic Census released by the Ministry of Statistics and Programme Implementation**, women constitute around 14% of the total [entrepreneurship](#) i.e. 8.05 million out of the total 58.5 million entrepreneurs, noted the [Vice President of India, M. Venkaiah Naidu](#). Out of this, 2.76 million women constituting 13.3% of women entrepreneurs work in agriculture sector whereas 5.29 million women constituting more than 65% work in non-agriculture sector. The average employment in women-owned enterprises is meager 1.67.

d) In 1996 Department of SSI under the ministry of industry had taken initiative to train lakh women entrepreneurs. Through various schemes like

1. Mahila Gramudyog Scheme
2. Jawahar Rojagar Uyojaga Scheme
3. Ibis Mahila Udyog Vidhi
4. Urban Poverty Education Programme
5. Scheme Of Nabard
6. Shakti Package for Women's
7. Schemes of SBI

These were to stimulate growth among women.

### **Operational problems of women:**

There are several problems faced by women entrepreneurs which might completely demoralize them. Until and unless women have determination perseverance, creativity and hard work, they cannot overcome the problems and emerge stronger.

#### **1. Product choice:**

First problem is choice of the product or service. Ability to choose and Decide to undertake a manufacturing activity or trading activity which an inclination to take calculated, moderate risks have to be cultivated in women.

#### **2. Identity:**

Women face a mental block which they do not know how to overcome. They do not know their capabilities, hence often try to identify themselves as a wife or a daughter. Women should believe that they are individuals and have an identity

of their own. This gives courage to become an entrepreneur and create an identity for herself and her product as well.

### **3. Marketing:**

Almost all women entrepreneurs face marketing problems. Since some play dual role they have to play and prioritise their roles leads to give less importance to marketing.

### **4. Accounts and finance:**

The general contention is that women are good at maintaining records and are very calculative in their financial matters. But this alone does not help women significantly. Most of the entrepreneurs do not have enough knowledge about accounting. Reason may be that importance is given to production and sales.

Many women are ignorant about banking terminologies. And banking procedures hence they have

Problems with the bankers. Though accountancy and financial management are separate subjects' altogether women should know some basics at least.

### **5. Motivation:**

Not all women are fortunate to have cooperative family members in the event of failure in her venture. Initiative, independence, self confidence, positive thinking will contribute to her business.

### **6. Problems-solving:**

Most women in spite of their abilities face stress and strain when problems arise. Again this is due to her dual role and she is drawn. Her financial problems both domestic and business are most of the time in conflicts.

### **7. Life style:**

The life style of a women entrepreneur distinctly differs from that of nine to five executives and also uncertain working hours plus her domestic working conditions.

## **DEVELOPMENT OF WOMEN ENTREPRENEUR-RECENT TRENDS:**

“You can only become truly accomplished at something you love. Don’t make money your goal. Instead, pursue the things you love doing, and then do them so well that people can’t take their eyes on you “.

-----Maya Angelou.

In today era, women go hand in hand with men in terms of official proclamation. In other words, they are at par with men. But in reality it is quite different because India is still a men-dominated country wherein, males are given more authority than women. In fact, women are still considered as ‘**abla**’ **i.e., weak and dependent on men**. Women are not given equal status in both areas i.e., within the house and also in the outside world. This ill treatment as



resulted in the decreasing literacy rate, work participation and urban population share.

They have shown excellence not only in the educational field but also in other fields such as technology, politics, administration, business and industry. Earlier their strengths, talents and remained hidden were unutilized. Several initiatives have been taken for the growth and development of women entrepreneurship which helps the women to identify their hidden potentials.

Even in highly developed economies such as US, women are playing a significant role in the development of industries (especially for the development of SSI's). Due to rapid industrial growth both in national and international firms have recognized the need and importance of the promotion of women entrepreneurship.

1. The decade from **1975-85 was declared as 'Decade for Women' by UNO** for the upliftment of women entrepreneurship.
2. "The World Conference of the United Nations Decade for Women" held at Copenhagen in Denmark on 30-06-1980, followed a programme whose main opportunities for women and also to help them to enter into non-traditional professions.
3. The "First National Conference of Women Entrepreneurs" was conducted at New Delhi in November 1981, where women were given priority for the allotment of land, sheds, electricity and licenses etc.
4. "The Second International Conference of Women Entrepreneurs" which was coordinated by National Alliance of Young Entrepreneurs (NAYE) was held in 1989 at New Delhi. This meeting also aimed at increasing the women's role and participation in industries.
5. The sixth five year plan emphasized on the promotion of female employment in the women-based industries. The **seventh five year plan** focused upon the "Integration of Women in Development" and suggested.
  - a) To **consider women as specific target group** in all development programmes.
  - b) To **devise and diversify vocational training facilities** for women according to their needs and talents.
  - c) To **provide marketing assistance** for the promotion of their products.
  - d) To **develop appropriate technologies for enhancing** their efficiency and productivity.
6. There exist various central and state financial institutions such as The nationalized banks, state finance corporations, district industry

National Alliance of Young Entrepreneurs (NAYE) etc. which

Aims at safeguarding and developing the women entrepreneurship in the country.

### [Dena Shakti](#)

Dena Shakti Scheme finances women entrepreneurs by including following activities / sectors under 1.Agriculture & allied activities 2.Small Enterprises (Direct and Indirect Finance) 3. Micro and small (manufacturing) enterprises 4. Micro and small (service) enterprises which include small road and water transport operators, small business professional and self-employed and all other service enterprises 5. Retail Trade 6. Micro Credit 7. Education 8. Housing

### [Schemes from Punjab National Bank](#)

Existing tiny and small scale industrial units and service industries undertaking expansion, modernization technology up gradation & diversification can also be considered

### [CENT Kalyani](#)

New as well as Existing Women entrepreneurs for her Micro / Small enterprise ( as defined under MSME Act- 2006) .i.e engaged in manufacturing and service activity for eg. Handloom weaving Handicraft, Food-Processing, Garment making etc. etc. Professionals & Self employed women – Doctors, Chartered Accountants, and Engineers or trained in Art or Craft etc.

Health /Beauty clinics/Dieticians/Fashion Designing Beauty Parlors .

Small Business-Small lunch/canteen, mobile restaurant, circulating library/ tailoring /Day Creches for children ,Tailoring, Typing / STD/ Zerox booth etc.

Transport Operators- Three wheeler /Four wheeler.

### [Stree Shakti Package](#)

The Stree Shakti Package is a unique scheme run by the SBI, aimed at supporting entrepreneurship among women by providing certain concessions.

An enterprise should have more than 50% of its share capital owned by women to qualify for the scheme.

### [Oriented Mahila Vikas Yojana](#)

Women Entrepreneurs enterprise consisting of all units managed by one or more in proprietary concerns or in which she/they individually or jointly have a share capital of not less than 51% as partners/ shareholders/ directors of a private ltd. company/members of a co-operative society.

### [MUDRA Loan](#)

Micro Units Development and Refinance Agency Ltd. [MUDRA] is an NBFC supporting development of micro enterprise sector in the country. MUDRA provides refinance support to Banks / MFIs for lending to micro units having loan requirement upto 10 lakh. MUDRA provides refinance to micro business under the Scheme of Pradhan Mantri MUDRA Yojana.

### [Udyogini Financial Linkages](#)

Udyogini links entrepreneurs with social investor firms. Entrepreneurs will be evaluated and qualified independently, though the funds are routed through and guaranteed by Udyogini; Provides formal financial linkages; Micro-insurance; Subsidies for critical inputs available from government schemes and other programs

### [Maan Deshi Foundation – Women's Bank](#)

Provide financing to women entrepreneurs to expand their businesses; Create new and customised credit products and services specifically for rural women; Promote digital banking; Represent rural women's concerns at the national and international level for Banking and Financial Inclusion; Provide insurance schemes and products; Provide doorstep banking services

### [ICICI Bank: Empowering women through economic independence](#)

ICICI Bank launched the Self Help Group – Bank Linkage Programme exclusively for underprivileged women in rural India. The programme provides unsecured loans to these women-led groups and helps them in starting or expanding their own businesses. Through this programme, the Bank aims at promoting

entrepreneurship among rural women and in helping them to earn sustainable livelihoods.

### [Small Industries Development Bank of India \(SIDBI\)](#)

The purpose is to provide refinance facilities and short term lending to industries. It is an institution for the promotion, and development of the Micro, Small and Medium Enterprise (MSME) sector and for co-ordination of the functions of the institutions engaged in similar activities.

### [Stand Up India](#)

Prime Minister Narendra Modi launched the 'Stand up India' scheme on 5 April 2016 as part of the government's efforts to support entrepreneurship among **women and SC & ST communities**. The scheme offers bank loans of between ₹10 lakh (US\$15,000) and ₹1 crore (US\$150,000) for scheduled castes and scheduled tribes and women setting up new enterprises outside of the farm sector.

### [National Credit Guarantee Trustee Company Ltd \(NCGTC\)](#)

National Credit Guarantee Trustee Company Ltd (NCGTC) is a private limited company incorporated under the Companies Act 1956 on March 28, 2014, established by the Department of Financial Services, Ministry of Finance, as a wholly owned company of the Government of India, to act as a common trustee company for multiple credit guarantee funds.

### [Trade Related Entrepreneurship Assistance and Development \(TREAD\) Scheme for Women](#)

Govt. of India launched a scheme entitled "Trade Related Entrepreneurship Assistance and Development" (TREAD) during the 9th plan period which has slightly been modified and is now put in operation. The scheme envisages economic empowerment of such women through **trade related training, information and counseling extension activities** related to trades, products, services etc.

### [Support to Training and Employment Programme for Women \(STEP\)](#)

The Ministry has been administering 'Support to Training and Employment Programme for Women (STEP) Scheme' since 1986-87 as a 'Central Sector Scheme'. The STEP Scheme aims **to provide skills that give employability to women and to provide competencies and skill** that enable women to become self-employed/entrepreneurs. The assistance under STEP Scheme will be available in any sector for imparting skills related to **employability and entrepreneurship, including but not limited to the Agriculture, Horticulture, Food Processing, Handlooms, Tailoring, Stitching, Embroidery, Zari etc, Handicrafts, Computer & IT enable services along with soft skills and skills for the work place such as spoken English, Gems & Jewellery, Travel & Tourism, Hospitality.**

### **Rural entrepreneurship:**

Nearly 3/4<sup>th</sup> of India's population is living in rural areas. India is primarily an agricultural country, wherein more than 70% of the people are deriving their livelihood from the agricultural sector. Villages are flooded with high population than cities and towns. There are great variations between rural and urban economic activities. Much emphasis is laid upon agriculture in rural areas, whereas urban areas focus upon greatly on industrial sector. These are the differences results in two problems.

1. Firstly, as agriculture grows and develops at a slower pace than industry, the division of economic activities would result in uneven development.
2. Secondly, as industry's wages are higher than agricultural wages, the gap between these wages/incomes increases.

In order to develop the rural areas the only **remedy is “rural industrialization”**. Entrepreneurship precedes industrialization. Thus, rural entrepreneurship has wide scope.

### **Meaning of Rural Entrepreneurship:**

In simple words, it can be defined as, “The entrepreneurship which is emerging in rural areas.” **In other words, setting up industrial units in the rural areas is called rural entrepreneurship.** Rural entrepreneurship is also called rural industrialization. The industries functioning under rural areas are called rural industries usually it is relate to agriculture.

According to the **Khadi and Village Industries Commission (KVIC)**, “Village industry or rural industry means any industry located in rural area, population of which does not exceed 10000 or more which produces any goods or services with or without use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed a thousand rupees”.

The above definition has been altered by the Government of India in order to widen up the scope of rural industries. Accordingly, any industry located in rural area, village or town with a population of 20,000 and below an investment of village industry. This resulted in an increases of village industries from 70 to 101 i.e., 31 new village industries have been established.

Primarily, all the village industries have been categorized into seven major groups as follows,

1. Mineral based industry (**1. Iron and Steel Industry 2. Copper Smelting Industry 3. Aluminium Industry 4. Lead and Zinc Smelting Industry 5. Cement Industry**)
2. Forest based industry(**Pulp and Paper Industries,Match Industries,Plywood Industries,Timber and Sawn Wood Industries**)
3. Agro based industry(**sugar industries,Textiles,Silk industry,Woolen,jute industry**)

4. Polymer and chemical based industry(**Non-edible and Soap Industries,Leather Industries,Plastic Industries,Cottage Match Industrie like card board**)
5. Engineering and non-conventional industry( **Wind energy,Tidal energy,Solar energy**)
6. Textile industry (including khadi )and
7. Service industry

### **Need for Rural entrepreneurship:**

Rural industrialization provides the best solution to solve the unemployment and poverty problem of the rural areas. This is reason why government of India has been emphasizing much on the rural entrepreneurship in every five year plan. The following points explain the significance and need of rural entrepreneurship.

1. As Rural industries are labour intensive they provide large **number of employment generation opportunities**. They need less capital and more labour. Rural industries try to resolve the problems related with disguised unemployment and underemployment.
2. Rural entrepreneurship **helps in reducing the income disparity of rural and urban areas** by generating employment opportunities and creating income.
3. Rural industrialization **helps in achieving balanced regional development** by encouraging dispersal of economic activities.
4. Rural entrepreneurship **helps in protecting and promoting the art and creativity** of the nation.
5. Rural industrialization helps in improving the **economic development of rural areas**. Rural industrialization not only helps in controlling the rural urban migration but also helps in reducing the growing number of slum areas, social tensions and disproportionate growth in cities and also helps in reducing the atmospheric pollution.
6. Finally, rural industrialization **is eco-friendly in nature**, which results in the development without destruction. Annual report of KVIC , 1971-72 employment regenerated is 8.38 and in the year 1997-98 is 42.45 .This depicts the superfast progress of SSI's in Indian economy.

## **PROBLEMS AND DEVELOPMENT OF RURAL ENTREPRENEURSHIP:**

Even though the development of rural entrepreneurship is important but it is not an easy task. This statement is 100 percent true. One of the vital roles played by the government is development and promotion of rural entrepreneurship, which is a difficult task. The most common **hurdles** that have been faced by an entrepreneur during rural industrialization are due to the scarcity of finance, outdated technical knowledge, improper training and extension services, managerial constraints, improper quality control, high cost of production due to less number of units, lack of communication and market information, unstandardized use of raw materials, inadequate storage and warehouse facility. Lack of new technology and innovations and finally due to the lack of appropriate promotional strategy.

The **ninth five year plan** identified the following as the major problems faced by rural entrepreneurs,

- a) Lack of adequate credit facilities.
- b) Use of outdated and obsolete technology, machinery and equipment
- c) Poor quality standards and
- d) Improper and inadequate infrastructural facilities.

The major problem in developing rural entrepreneurship is lack of knowledge and awareness about rural entrepreneurship. Besides this, the **rural people are not willing to become entrepreneurs. They prefer a salaried job due to assured income, less number of worked hours, lower responsibility** and so on. This is being supported by the fact that rural society gives more preference to the individual doing a job for a specific salary than those who are self employed as entrepreneurs.

In addition to this, rural people hold limited or no knowledge about the prevailing entrepreneurial opportunities and the financial institutions and other important information about the process of establishing entrepreneurship. Therefore, it can be concluded that the family environment, society and the support system is not friendly in encouraging the rural entrepreneurship the rural entrepreneurship also faces the similar problems of the small scale industries.



## DEVELOPMENT OF RURAL ENTREPRENEURSHIP:

Establishment of an **industry requires as combined effort of many individuals**. Unlike SSIs whose establishment requires a single or few individuals (One-man show).

The following measures are suggestion to develop rural entrepreneurship.

1. There should be an adequate raw material base in rural areas to **overcome the shortage of raw materials**. It is a fact absences of raw material would halt an organization and its operations. Thus, raw materials are most essential for the production process of any industry. The viability of the industries is weakened by the non-availability of raw material along with their prohibitive costs.
2. **Finance is regarded as the life of any business** organization. It **acts as a lubricant in starting up and running** of an organization.
3. To tackle the marketing problem of rural industrialization, a **common production-cum-marketing centers needs** to established by providing adequate infrastructural facilities especially in good production areas and high growth potential areas. The production –cum-marketing centers would help in improving the exports of a country on one hand and forms a direct relationship between a buyer and seller without the assistance of any intermediary.
4. One of the facts among entrepreneurs is that they enter into entrepreneurship by chance and not by choice. Consequently, they lack aptitude and competence, which ultimately leads to the failure of the business. Thus, there must be few **(EDPs) Entrepreneurship Development Programmes for developing** the aptitude and competencies of the entrepreneurs.

5. Entrepreneurial education must be **imparted to the youth at school, college and university levels as youth's levels** mind can be shaped easily than others.
6. One of the problems of rural entrepreneurship is that **resources will be available but lack of awareness** about them **creates problem of unexploitation** of available resources. Awareness programmes must be initiated to provide the knowledge about the various sources of raw materials.
7. Proper provisions need to be made in order to provide the **institutional training to the entrepreneurs in specific products and trades**, so that the local resources can be utilized properly.
8. NGOs i.e., Non-Governmental Organization can develop rural entrepreneurship in the country to a large extent.
9. Some of the contributing NGOs are ,
  - a) WASME- World Association for Small and Medium Entrepreneurs **invites businesses, policy makers, influencers, members of chamber of commerce, heads of financial institutes & global change makers** to associate with institution and develop the nation with proper employment.
  - b) XISS- Xavier Institute of **Social Studies is work towards the empowerment** and makes the shape of their own destiny.
  - c) SEWA of Ahmedabad (Self Employed Women's Agency) they **produce the organic products and Gujarati special snacks.**
  - d) 'y' self-employment of Calcutta
  - e) AWAKE- Association of Women Entrepreneurs of Karnataka.
  - f) RUDSETIS-Rural Development and Self-employment Training Institute of Karnataka.(Serve the community people with finance and proper guidance and support empowerment)
  - g) NAYE – National Alliance of Young Entrepreneurs **which aims at safeguarding and developing the women entrepreneurship** in the country.

## **ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES (EDP)**

Entrepreneurship development is a prerequisite for an overall economic development of any country. In India, we have mixed economy i.e. **co-existence of both private and public sectors**. The private sector, especially small scale sector requires entrepreneurial development. Entrepreneurial Development is a process in which persons are prepared to face business uncertainties and risks. This is possible with proper education, training, motivation, orientation and re-orientation of entrepreneurs. Growth of any enterprise depends on the Entrepreneurial Development Programmes (EDPs) help the entrepreneurs in improving their characteristics such as **knowledge, vision, planning, organizing, coordinating, controlling, hard work and dynamism**. Hence, it is an act of human resource development.

### **Definitions:**

According to **C.B. Gupta and N.P.Srinivasan** entrepreneurial development refers to inculcating entrepreneurial traits into a person, imparting the required knowledge, developing the technical, financial, marketing skills and building the entrepreneurial attitude.

The entrepreneurial development is considered as a tool of industrialization and a solution to unemployment.

### **IMPORTANCE AND ROLE OF EDP:**

Entrepreneur is the person with a vision, with the drive and with the ability to bear risk. A successful entrepreneur can transform the economic scene of the country. Hence, it is said that an economy is an effect for which entrepreneurship is the cause. Entrepreneurship development has become a matter of great concern in all developed and developing countries all over the world. It plays a vital role in eliminating poverty, unemployment, helps in balanced regional development, prevents industrial slums, available resources are properly made used and defuses social tensions.

### **Objectives of Entrepreneurial Development Programme:**

1. To identify and train potential entrepreneurs
2. To impart basic managerial understanding
3. To develop necessary **knowledge and skills** among the participants
4. To develop and **strengthen entrepreneurial quality and motivation**
5. To analyze the **environment issues** related to the proposed project
6. To formulate the **effective and profitable project**
7. To understand the **process, procedure and rules and regulations** for setting up the project
8. To know the sources of **help and incentives and subsidies** available from government to setup the project
9. To acquire the **basic managerial skills** to run the project efficiently
10. To know the **pros and cons of being an entrepreneur**
11. To prepare entrepreneur to accept the uncertainty involved in running a business.
12. To develop **passion for integrity and honesty**
13. To make him **learn compliance with law**
14. To analyze the environmental setup relating to the industry.

Thus, EDPs **aim at overall economic and industrial development of the country**. Entrepreneurial development programmes have become imperative for exploiting vast untapped human skills and to channelize them into accelerating industrialization. Entrepreneurship development programmes are **responsible for emerging entrepreneurial opportunities** in various fields like **electronic, medicine, food technology, packaging** etc.

### **Phases of EDPs:**

An EDP has three phases as follows,

- 1) Pre-training phases i.e, before training
- 2) Training phase i.e., during training
- 3) Post-training phase i.e., after training.

## 1. Pre-training phase:

The name itself is explanatory of this stage. It includes all those **activities and preparations which are essential to start up** a training programme. This stage involves the following,

- a) Entrepreneur's selection.
- b) Arranging the required infrastructure.
- c) Inviting the guest faculty for providing training.
- d) Setting up of inauguration programme.
- e) Selecting appropriate tools and techniques.
- f) Appointing selection committee for selecting trainees.
- g) Advertising and campaigning.
- h) Preparing applications form.
- i) Framing training syllabus.
- j) Conducting surveys for identifying opportunities in the given environment.

## 2. Training phase:

The main aim of this phase is to **transform an individual into an entrepreneur and to bring a desired change in the behavior of the trainees**. In other words, it can be explained as to develop 'need for achievement', creating motivation among trainees. The following changes are to be observed by a trainer in the trainee's behavior,

- a) Is the candidate focusing upon her/his project idea?
- b) Is the trainee motivated to adopt entrepreneurial career and holds the capacity to bear risk?
- c) Does there exist any variation in his entrepreneurial **outlook, skill, attitude, and role** and so on?
- d) What should be the behavior of an entrepreneur?
- e) Which **traits are highly lacking /absent in the trainee**?
- f) Does the trainee hold the knowledge of technology, resources and other entrepreneurship prerequisites?

- g) Whether the **trainee is skillful in selecting the viable project, mobilizing and allocating at the right time** and at the right place?

### **3. Post-training Phase (Follow-up):**

The ultimate objective of entrepreneurship development programme is to produce a new set of entrepreneurs. Therefore, **this phase includes the assessment of whether the EDP objectives are met or not.** This is also called as **‘follow-up’**. Follow-up indicates our past **performances, weakness, loopholes if any in our previous work and provides suggestions and guidelines to frame future policies to improve the performance and avoid loopholes.**

In short, follow-up in EDP ensures,

- a) Reviewing the pre-training phase
- b) Reviewing the training process and
- c) Reviewing past training approach.

### **Entrepreneurial development cycle:**

#### **1. Stimulatory:**

- a. Entrepreneurial education.
- b. Planned publicity for entrepreneurial opportunities.
- c. Identification of potential entrepreneurs through scientific method.
- d. Motivational training to new entrepreneurs.
- e. Help and guidance in selecting products and preparing projects reports.
- f. Making available techno-economic information and products profiles.
- g. Availability of local agencies with trained persons for entrepreneurial counseling and promotions.
- h. Creating entrepreneurial forum.

#### **2. Support:**

- a. Registration of unit.
- b. Arranging finance.
- c. Providing land, shed, power, water etc.,.

- d. Guidance for selecting and obtaining machinery.
- e. Supply of scarce raw material.
- f. Getting licenses/ import licenses.
- g. Providing common facilities.
- h. Granting tax relief or other subsidy
- i. Offering management consultancy
- j. Help in marketing product and providing information.

### **3. Sustaining:**

- a. Help modernization.
- b. Help diversification/expansion/substitute reduction.
- c. Additional financing for full capacity utilization.
- d. Deferring repayment/interest.
- e. Product reservation/creating new avenues for marketing.
- f. Quality testing and improving services.

### **PROBLEMS IN EDP TRAINING:**

1. **Problems at the Pre-training Phase:** Various problems faced in this phase that are — **identification of business opportunities, finding & locating target group, selection of trainee & trainers etc.**
2. **No Policy at the National Level.** Though Government of India is fully aware about the importance of entrepreneurial development, yet we do not have a national policy on entrepreneurship. It is expected that the government will formulate and enforce a policy aimed at promoting balanced regional development of various areas through promotion of entrepreneurship.
3. **Duration of EDPs.** Duration of most of these EDPs varies between **4 to 6 weeks**, which is too short a period to instill basic managerial skills in the entrepreneurs. Thus the very objective to develop and strengthen entrepreneurial qualities and motivation is defeated.

4. **Non-Availability of Infrastructural Facilities.** No prior planning is done for the conduct of EDPs. EDPs conducted in rural and **backward areas lack infrastructural facilities like proper class room suitable guest speakers, boarding and lodging etc.**
5. **Over Estimation of Trainees.** Under EDPs it is assumed that the trainees have aptitude for self employment and training will motivate and enable the trainees in the successful setting up and managing of their enterprises. These agencies thus overestimate the aptitude and capabilities of the educated youth. Thus on one hand the **EDPs do not impart sufficient training and on the other financial institutions are not prepared to finance these risky enterprises set up by the not so competent entrepreneurs.**
6. **Non Availability of Competent Faculty.** Firstly there is problem of non availability of competent teachers and even when they are available, they are not prepared to take classes in small towns and backward areas. This naturally creates problems for the agencies conducting EDP.
7. **Poor Response of Financial Institutions:-** Entrepreneurs are **not able to offer collateral security for the grant of loans.** Banks are not prepared to play with the public money and hence they **impose various conditions for the grant of loans.** Those entrepreneurs who fail to comply with the conditions are not able to get loan and hence their dream of setting up their own enterprises is shattered. Helpful attitude of lending institutions will go a long way in stimulating entrepreneurial climate.
8. **Mode of Selection:-** There is **no uniform procedure adopted by various agencies for the identification of prospective entrepreneurs.** Organizations conducting EDPs prefer those persons who have some project ideas of their own and thus this opportunity is not provided to all the interested candidates.



# THE BUSINESS PLANNING PROCESS:

A business plan is a written summary of what you hope to accomplish by being in business and how you intend to organize your resources to meet your goals. Some authors say it is the **road map for operating** any business and measuring progress along the way. Others say it is **the blueprint for building a business on solid grounds** and making sure that it will withstand the difficult and lean first years.

1. What business am I in?
2. What do I sell?
3. Where is my market?
4. Who will buy my product?
5. Who is my competitor?
6. What is my promotion strategy?
7. How much money is needed to operate my firm?
8. How will I get the work done?
9. What management controls are needed?
10. How can they be carried out?
11. Where will the business be after twelve months from now?
12. Where will it be two years from now?
13. When should I revise my plan?
14. Where can I go for help?

## Why Prepare a Business Plan:

It takes **time and energy** to draw up a satisfactory business plan. However, it is essential to prepare a business plan even if your proposed business is small. The primary benefits of developing a business plan are:

1. It serves as a tool for your own internal use to follow the progress of your firm, and
2. It helps in seeking capital for external use.

**Internally**, it forces you to be clear about what your business will be like, it also allows you to assess the situation, if your business is developing as forecast, or if changes must be done because of deviations from your plan. **Externally**, it helps others to decide whether your business idea is worth backing.

### **1)Ownership**

**structure** Most of the production and distribution activities are carried out by millions of people in different parts of the country. But they carry out these works based on some form of organization. These organizations are based on some form of ownership. **Choosing a legal form of organization – a sole proprietorship, partnership, or corporation** – ranks among the entrepreneur's most vital decisions.

2)**The sole proprietorship**: The simplest way to start up in business on your own is to become a sole trader (sometimes known as a sole proprietor). The sole proprietorship as its name implies is a business owned and managed by one individual. The general perception of sole proprietorships is that they are a small and insignificant part of the national as well as global economy..

**Suitability**: Sole proprietary form of organization is suitable when the **size of the concern is very small**, requires **little capital**, prefers to **control by one person**, where **risk is more and person attention is required**.

3)**General partnerships**: As defined by the uniform Partnership Act, a partnership is a “voluntary association of two or more persons to carry on as co-owners a business for profit”. An association of individuals competent to contract who agree to carry on a lawful business in common with the object of sharing profit is a partnership.

**Suitability**: Partnership form or organization is suitable where there is more scope for long duration of the project, not possible for one person to carry out the activities, where more funds are to be needed, more skills .

4)**Company form of organization** A corporation is “an artificial being, invisible, intangible, and existing only in contemplation of the law”. 50

### **7)Co-**

**operative (common ownership)** Co-operatives provide a structure for starting up business in which all the members of the **cooperative jointly own, control and work for the business**. They share responsibility equally, make decisions on the basis of one person one vote and, in most co-ops, **receive equal pay**. The

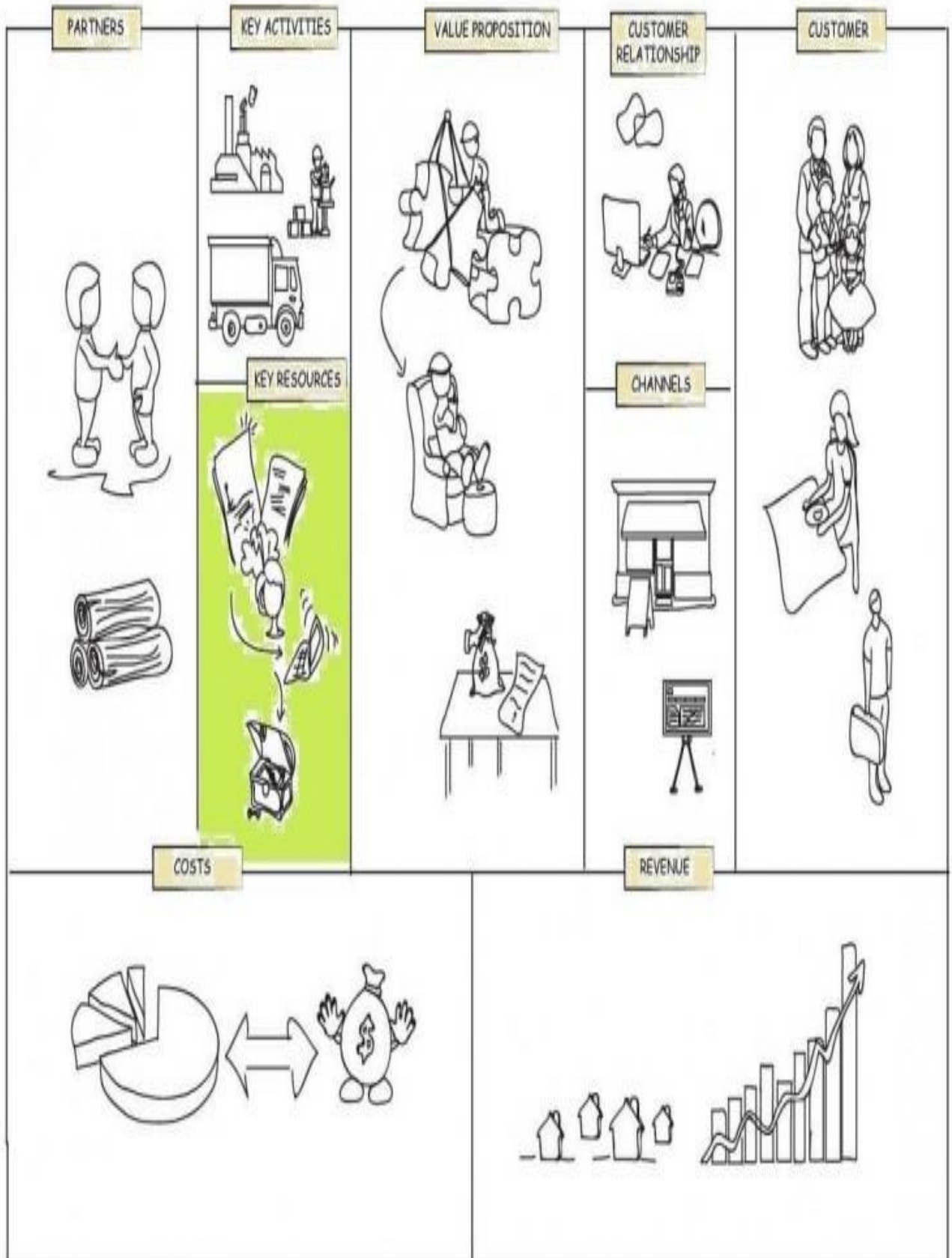
concept of a co-operative enterprise is not a political concept and the idea of co-operative working is supported by the government. Co-operative or Common Ownership enterprise can be **divided basically into a society or a company.**

## **BUSINESS MODEL CANVAS:**

Business Model Canvas is a [strategic management](#) and [lean startup](#) template for developing new or documenting existing [business models](#). It is a visual chart with elements describing a firm's or product's [value proposition](#), infrastructure, customers, and finances. It assists firms in aligning their activities by illustrating potential trade-offs.

The Business Model Canvas was initially proposed by [Alexander Osterwalder](#) based on his earlier work on Business Model Ontology. Since the release of Osterwalder's work in 2008, new canvases for specific niches have appeared.

<b>KEY PARTNERS</b>	<b>KEY ACTIVITIES</b>	<b>VALUE PROPOSITIONS</b>	<b>CUSTOMER RELATIONSHIPS</b>	<b>CUSTOMER SEGMENTS</b>
Who are our key partners? Who are our key suppliers? Which key resources are we acquiring from our partners? Which key activities do partners perform?	What key activities do our value propositions require? Our distribution channels? Customer relationships? Revenue streams?	What value do we deliver to the customer? Which one of our customers' problems are we helping to solve? What bundles of products and services are we offering to each segment? Which customer needs are we satisfying? What is the minimum viable product?	How do we get, keep, and grow customers? Which customer relationships have we established? How are they integrated with the rest of our business model? How costly are they?	For whom are we creating value? Who are our most important customers? What are the customer archetypes?
	<b>KEY RESOURCES</b>		<b>CHANNELS</b>	
	What key resources do our value propositions require? Our distribution channels? Customer relationships? Revenue streams?		Through which channels do our customer segments want to be reached? How do other companies reach them now? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines?	
<b>COST STRUCTURE</b>			<b>REVENUE STREAMS</b>	
What are the most important costs inherent to our business model? Which key resources are most expensive? Which key activities are most expensive?			For what value are our customers really willing to pay? For what do they currently pay? What is the revenue model? What are the pricing tactics?	



Formal descriptions of the business become the building blocks for its activities. Many different business conceptualizations exist; **Osterwalder's** work and thesis (2010, 2004) propose a single reference model based on the similarities of a wide range of business model conceptualizations. With his business model design template, an enterprise can easily describe their business model.

- **Offering**

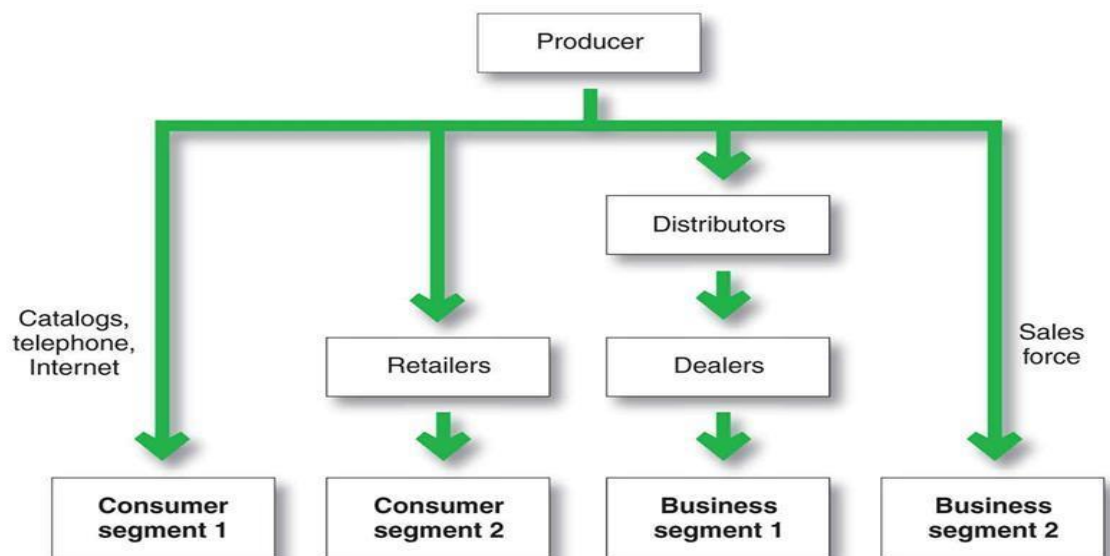
- **Value Propositions**: The collection of products and services a business offers to meet the needs of its customers. According to Osterwalder, (2004), a company's value proposition is what distinguishes itself from its competitors. The value proposition provides value through various elements such as newness, performance, customization, "getting the job done", design, brand/status, price, cost reduction, risk reduction, accessibility, and convenience/usability.
  - The value propositions may be:
    - Quantitative – price and efficiency
    - Qualitative – overall customer experience and outcome

- **Customers**

- **Customer Segments**: To build an effective business model, a company must identify which customers it **tries to serve**. Various sets of customers can be segmented based on the different needs and attributes to ensure appropriate implementation of corporate strategy meets the characteristics of selected group of clients. The different types of customer segments include:
  - **Mass Market**: There is no specific segmentation for a company that follows the Mass Market element as the organization displays a wide view of potential clients. e.g. Car
  - **Niche Market**: Customer segmentation based on specialized needs and characteristics of its clients. e.g. Rolex in watches, butterfly for kitchen items.

- **Segmented:** A company applies additional segmentation within existing customer segment. In the segmented situation, the business may further distinguish its clients based on gender, age, and/or income.
- **Diversify:** A business serves multiple customer segments with different needs and characteristics.
- **Multi-Sided Platform / Market:** For a smooth day-to-day business operation, some companies will serve mutually dependent customer segment. A credit card company will provide services to credit card holders while simultaneously assisting merchants who accept those credit cards.

**3.Channels:** A company can deliver its value proposition to its targeted customers through different channels. Effective channels will distribute a company's value proposition in ways that are fast, efficient and cost effective. An organization can reach its clients either through its **own channels (store front)**, **partner channels (major distributors)**, or **a combination of both**.



- **Customer Relationships:** To ensure the survival and success of any businesses, companies must identify the type of relationship they want to create with their customer segments. Various forms of customer relationships include:

- **Personal Assistance:** Assistance in a form of employee-customer interaction. Such assistance is performed either during sales, after sales, and/or both.ex:tv,
  - **Dedicated Personal Assistance:** The most intimate and hands on personal assistance where a sales representative is assigned to handle all the needs and questions of a special set of clients.ex.[restaurant](#)
  - **Self Service:** The type of relationship that translates from the indirect interaction between the company and the clients. Here, an organization provides the tools needed for the customers to serve themselves easily and effectively.ex:**all online services.**
  - **Automated Services:** A system similar to self-service but more personalized as it has the ability to identify individual customers and his/her preferences. An example of this would be **Amazon.com making book suggestion based on the characteristics of the previous book purchased.**
  - **Communities:** Creating a **community allows for a direct interaction among different clients** and the company. The community platform produces a scenario where knowledge can be shared and problems are solved between different clients.
  - **Co-creation:** A personal relationship is created through the **customer's direct input in the final outcome** of the company's products/services.
- **Key Activities:** The most important activities in executing a company's value proposition. An example the pen manufacturer, would be creating an efficient supply chain to drive down costs.
  - **Key Resources:** The resources that are necessary to create value for the customer. They are considered an asset to a company, which are **needed in order to sustain and support the business.** These resources could be human, financial, physical and intellectual.



- **Partner Network/key partners** : *In order to optimize operations and reduce risks of a business model, organization usually cultivate buyer-supplier relationships so they can focus on their core activity. Complementary business alliances also can be considered through joint ventures, strategic alliances between competitors or non-competitors.*
- **Finances**
  - **Cost Structure:** This describes the most important monetary consequences while operating under different business models.
    - **Classes of Business Structures:**
      - **Cost-Driven** – This business model focuses on minimizing all costs and having no frills. e.g. Low cost airlines
      - **Value-Driven** – Less concerned with cost, this business model focuses on creating value for their products and services. eg. Rolex watches.
  - **Revenue Streams:** The way a company makes income from each customer segment. Several ways to generate a revenue stream:
    - **Asset Sale** – (the most common type) Selling ownership rights to a physical good. e.g. retail corporations
    - **Usage Fee** – Money generated from the use of a particular service e.g. United Parcel Service.
    - **Subscription Fees** – Revenue generated by selling a continuous service. e.g. membership fee for using service.
    - **Lending/Leasing/Renting** – Giving exclusive right to an asset for a particular period of time. e.g. Leasing a Car
    - **Brokerage Fees** – Revenue generated from an intermediate service between 2 parties. e.g. Broker selling a house for commission.
    - **Advertising** – Revenue generated from charging fees for product advertising

- **Licensing** – Revenue generated from charging for the use of a protected intellectual property.

# Starbucks Business Model



## Key Partnerships



Specialized coffee machine makers



## Key Activities



## Key Resources



## Value Propositions

Unique coffee co-created with customer



Third place between the home and the office



A place to hangout with friends, do homework



## Customer Relationships

Long term



Loyal



## Channels

Retail stores



## Customer Segments

Coffee aficionados



Mobile professionals



Students



## Cost Structure

Coffee and milk



Marketing & R&D



Rent



People costs



## Revenue Streams

Retail sales



## **Small Scale Industries in India:**

Industrialization plays a significant role in the economic development of any country. But the type of industrialization needed by each developing country differs. It is common knowledge that the **industrial structure of a country consists of large, medium and small scale industries**. Of these three types of industrialization, the role of small scale industries in the industrial development of a country is of paramount importance. This is so because; the contribution of this **sector is to the tune of 50 to 80 percent of the global economy as a whole**. The idea of massive development of small scale industries in order to regenerate India's stagnant economy was first mooted by Mahatma Gandhi in 1937, when he propounded his theory of Trusteeship for economic progress. In India, further development of movement of small industries started in the 1950s when the Ford Foundation team visited this country and prepared a practical plan for the development of small scale industries. Use of "Small" as a designation in industry differentiates one set of industries from others. Comparatively, **small in operation, employment, products, capital, technology etc.** Thus, this small sector share unique problems compared to others. **In the case of manufacturing units, small industries are to be expected to have a unique set of problems in relation to their 'smallness' that differentiates them from medium and large manufacturing units.** At the same time, the small sector has unique advantages. such as small is not only beautiful, but also beneficial, efficient and reliable.

### **Concept and Definition of Micro, Small, and Medium Enterprises:**

(A) **Manufacturing Enterprises:** Manufacturing enterprises are classified in terms of **gross fixed investment in plant and machinery** (excluding land and buildings)

- i) A **micro manufacturing enterprise** is one with gross investment in plant and machinery up to Rs.25 lakh.
- ii) A **small manufacturing enterprise** is one with gross investment in plant and machinery above Rs.25 lakh and up to Rs.5 crore.
- iii) A **medium manufacturing enterprise** is one with gross investment in plant and machinery above Rs.5 crore and up to Rs.10 crore.

(B) **Service Enterprises:** Service enterprises are defined as **those engaged in providing/rendering of services, and classified in terms of gross fixed investment in equipment** (excluding land and buildings).

- i) A micro service enterprise is one with gross investment in equipment up to Rs.10 lakh.
- ii) A small service enterprise is one with gross investment in equipment above Rs.10 lakh and up to Rs.2 crore.
- iii) A medium service enterprise is one with gross investment in equipment above Rs.2 crore and up to Rs.5 crore.

#### **1. Micro Industrial Enterprise:**

A unit is regarded as a micro industrial enterprise if its **gross fixed investment in plant and machinery goes up to Rs.25 lakh** (from December 1997). The term tiny enterprise used for this category has been replaced by micro enterprise from October 2006.

**2. Small Industrial Enterprise:** An industrial undertaking is regarded as small if its gross fixed investment in plant and machinery whether held on ownership terms or **on lease/hire purchase basis, is above Rs.25 lakh and goes up to Rs.5 crore** from October 2006, and earlier Rs. one crore from December 1999. The investment limit was raised from time to time over years.

**3. Medium and Large Industrial Enterprise, and Mega Project:** An industrial enterprise is considered as medium if its gross fixed investment in plant and machinery is above **Rs.5 crore and up to Rs.10 crore**. Industrial enterprises beyond Rs.10 crore gross fixed investments in plant and machinery are referred to as large enterprises. Industrial enterprises beyond Rs.100 crore (Rs. one billion) project outlays are referred to as mega projects.

**4. Ancillary Industrial Enterprise:** An ancillary industrial enterprise is one, which is engaged or proposed to be engaged in the manufacture or production of parts, components, sub-assemblies, tooling or intermediates, or rendering of services; and the enterprise supplies or renders or proposes to supply or render not less than 50 per cent of its production or services, as the case may be, to one or more industrial or service enterprises. The parent enterprise to which supplies are made can be large, medium, small or micro. The **ancillary enterprise's gross fixed investment** in plant and machinery is the same as that of a small enterprise, i.e., **up to Rs.5 crore from October 2006, and earlier Rs. one crore** from December 1999. An ancillary enterprise is also referred to as a sub-contracting enterprise.

**5. Export-oriented Small Industrial Enterprise (EOU):** An export-oriented small industrial enterprise is one with an obligation to export at least 30 per cent of its annual production by the end of the third year of commencement

of production, and having gross fixed investment in plant and machinery up to Rs.5 crore from October 2006, and earlier Rs. one crore from December 1999. In view of the **demand for raising investment limit for export-oriented small scale units, which have high growth potential for export, and are contributing**

in a substantial measure, for select product lines identified from time to time, the gross fixed investment limit in plant and machinery was raised from Rs. one crore to Rs.5 crore during 2001 to 2006. This was in respect of 140 product lines by early 2006 - hosiery (27 items), hand tools (14 items), stationery (13 items), drugs and pharmaceuticals (10 items), sports goods (7 items), and 69 other items reserved for manufacture in the small enterprise sector. There are also wholly export-oriented units (100 per cent) in the small, medium and large sectors, which are permitted to **sell 25 per cent of production in the domestic tariff area**. In case of medium and large scale units, wanting to enter the manufacture of product lines reserved for small enterprises sector, **50 per cent of export obligation** is insisted upon.

**6. Service Enterprise:** An enterprise engaged in providing/rendering of services with gross fixed investment in equipment, excluding land and buildings, up to Rs.10 lakh (from September 2000) is referred to as a micro service enterprise. For a small service enterprise, the investment level in equipment is above Rs.10 lakh and up to Rs.2 crore.

**7. Women Entrepreneurs-promoted Enterprise:** A women entrepreneurs-promoted enterprise is a **micro, small or medium manufacturing or service enterprise**, managed by one or more women entrepreneurs in proprietary concerns or other forms of organisation, and in which she/they individually or jointly have a share capital of not less than 51 per cent as partners/share holders/directors of a private limited company/members of a co-operative society.

#### **8. Mini Industrial/Service Enterprise/Tiny Units:**

These refer to undertakings having fixed investment in plant and **machinery not exceeding Rs. 23 lakh**. These also include undertakings providing **services such as laundry, Xeroxing, repairs and maintenance of customer equipment and machinery, hatching and poultry etc, located in towns with population less than 50,000**. There is no formal definition for a mini enterprise. Mini enterprises covering industry, service, business, and agro-related activities can be broadly grouped into those covered under target beneficiary-specific poverty alleviation self employment programmes implemented by different agencies, and other enterprises not covered by these

programmes but having higher investment limits. Manufacturing and service mini enterprises generally employ less than 10 persons, if using power; and less than 20 persons, if not using power.

**9. Village Industry as defined by KVIC:** Khadi and Village Industries Commission (KVIC) have given a formal definition for village industries covered under its programmes. As per the latest definition finalized in **KVIC Amendment Act, 2006**, any industry in a rural area, village or town, with population not exceeding 20,000, and per capita investment of a full time artisan or worker in fixed assets excluding land, **not exceeding Rs. one lakh is considered a village industry.** In respect of **hilly areas, per capita fixed investment limit excluding land, of a full time artisan or worker, has been raised to Rs. 1.5 lakh.** The upward revision in investment limit was made in May 2006.

#### **PLANNING FOR SETTING INDUSTRY:**

Getting familiar an entrepreneur desiring to set an industry must at the outset formulate a comprehensive planning for setting industries in order to be enabling to set the industry successfully. The foremost things required of him are that he/she should be confident, enthusiastic and realistic; Further, he/she has to make himself/herself familiar with the following:

1. Government policy and procedure regarding registration finance through foreign collaboration, export and import of raw materials and other programmes of assistance.
2. Requirement of an industrial licence/statutory clearances.
3. planning for scarce of materials and opening letter of credit (LC) for import of capital goods.
4. Government store purchase department and other markets to sell the products profitably.(ex ; rice, all types of food grains )
5. Assistance and facilities offered by various states
6. Priorities adopted by the Government
7. Various organizations ready to help in various respects.
8. Incentives for starting factory (Reservations, supply of raw material, financial assistance, technical consultancy services, machinery on hire purchase basis, transport subsidy, training facilities, marketing assistance)

9. Special scheme of assistance to engineers

10. Tax incentive (credit guarantee fund scheme for micro and small enterprises, technology upgradation fund scheme for textile industry, market development assistance scheme for micro, small and medium enterprises)

11. Requirements under Factories Act, 1948 Rules and Regulations (serves to assist in formulating national policies in India with respect to [occupational safety and health](#) in factories and docks in India. It deals with various problems concerning safety, health, efficiency and well-being of the persons at work places.

12. Obligations of central Excise (Small Scale Industries. Notification no.8/2003 provides relaxation to SSI units from central excise duty subject to certain conditions. They can claim on certain products on getting damage of goods and services while traveling, transporting)

### Characteristics of Small-Scale Industries:

#### (i) Ownership:

Ownership of small scale unit is with one individual in sole-proprietorship or it can be with a few individuals in partnership.

#### (ii) Management and control:

A small-scale unit is **normally a one man show** and even in case of partnership the activities are mainly carried out by the active partner and the rest are generally sleeping partners. These units are managed in a personalized fashion. The owner is **actively involved in all the decisions concerning** business.

#### (iii) Area of operation:

The area of operation of small units is generally localized **catering to the local or regional demand**. The overall resources at the disposal of small scale units are limited and as a result of this, it is forced to confine its activities to the local level.

#### (iv) Technology:



Small industries are **fairly labour intensive** with comparatively smaller capital investment than the larger units. Therefore, these units are more suited for economics where **capital is scarce and there is abundant supply of labour**.

**(vi) Flexibility:**

Small scale units as compared to large scale units are more **change susceptible and highly reactive and responsive to socio-economic conditions**.

They are **more flexible to adopt changes like new method of production, introduction of new products etc.**

**(vii) Resources:**

Small scale units **use local or indigenous resources** and as such can be located anywhere subject to the availability of these resources like **labour and raw materials**.

## Objectives of Small Scale Industries:

The objectives of small scale industries are:

1. To create more employment opportunities with less investment.
2. To **remove economic backwardness** of rural and less developed regions of the economy.
3. To reduce regional imbalances.
4. To mobilize and ensure optimum **utilization of unexploited resources of the country**.
5. To improve standard of living of people.
6. To ensure equitable distribution of income and wealth.
7. To solve unemployment problem.
8. To attain self-reliance.
9. To **adopt latest technology** aimed at producing better **quality products at lower costs**

## Role of SSI in Indian Economy

Small scale industries play an important role for the development of Indian economy in many ways. About **60 to 70 percent of the total innovations in India** come from the SSIs. Many of the big businesses today were all started small and then **nurtured into big** businesses. The roles of SSIs in economic development of the country are briefly explained below.

### 1. Small Scale Industries Provides Employment

1. SSI uses **labour intensive techniques**. Hence, it provides **employment opportunities to a large number of people**. Thus, it reduces the unemployment problem to a great extent.

2. SSI provides employment to artisans, technically qualified persons and professionals. It also provides employment opportunities to people engaged in traditional arts in India.

3. It provides employment to **skilled and unskilled people** in India.

4. The employment **capital ratio is high for the SSI**.

## 2. SSI Facilitates Women Growth

1. It provides employment opportunities to women in India.

2. It promotes entrepreneurial skills among women as special incentives are given to women entrepreneurs.

## 3. SSI Brings Balanced Regional Development

1. SSI promotes **decentralized development of industries** as most of the small scale industries are set up in backward and rural areas.

2. It removes **regional disparities by industrializing rural and backward areas** and brings balanced regional development.

3. It promotes **urban and rural growth** in India.

4. It helps to reduce the problems of congestion, slums, sanitation and pollution in cities by providing employment and income to people living in rural areas. It plays an important role by initiating the government to build the infrastructural facilities in rural areas.

5. It helps in **improving the standard of living of people residing in suburban and rural areas in India**.

## 4. SSI Helps in Mobilization of Local Resources

1. It helps to mobilize and utilize local resources like small **savings, entrepreneurial talent**, etc., of the entrepreneurs, which might otherwise remain idle and unutilized. Thus it helps in effective utilization of resources.

2. It paves way for promoting **traditional family skills and handicrafts**. There is a great demand for handicraft goods in foreign countries.

3. It helps to improve the growth of local entrepreneurs and self-employed professionals in small towns and villages in India.

#### 5. SSI Paves for Optimization of Capital

1. SSI **requires less capital per unit of output.** It provides quick return on investment due to shorter gestation period. The **payback period is quite short in small scale industries.**

2. SSI functions as a stabilizing force by providing high output capital ratio as well as high employment capital ratio.

#### 6. SSI Promotes Exports

1. SSI **does not require sophisticated machinery.** Hence, it is not necessary to **import the machines from abroad.** On the other hand, there is a great demand for goods produced by small scale sector. Thus it reduces the pressure on the country's balance of payments.

2. SSI earns valuable foreign exchange through exports from India.

#### 7. SSI Complements Large Scale Industries

1. SSI plays a complementary role to large scale sector and supports the large scale industries.

2. SSI provides **parts, components, accessories to large scale industries and meets the requirements** of large scale industries through setting up units near the large scale units.

3. It serves as ancillaries to large Scale units.

#### 8. SSI Meets Consumer Demands

1. SSI **produces wide range of products required by consumers in India.**

2. SSI meets the demand of the consumers without creating a shortage for goods. Hence, it serves as an **anti-inflationary force** by providing goods of daily use.

#### 9. Develops Entrepreneurship

1. It helps to develop a class of entrepreneurs in the society. It helps the job seekers to turn out as job givers.

2. It promotes self-employment and spirit of self-reliance in the society.
3. Development of small scale industries helps to **increase the per capita income of India in various ways**.
4. It facilitates development of backward areas and weaker sections of the society.
5. Small Scale Industries are **adopting in distributing national income in more efficient and equitable manner** among the various participants of the society.

### **Problems of Small Scale industries:**

Even though some entrepreneurs are successful, some others are doing better and having confidence to do the business, they do face various problems at different levels and at different timings. Based on the opinions of the entrepreneurs, different types of problems identified and presented in a consolidated form. It was felt that there is no need to deal the problems from different types of entrepreneurs. The reason is that all entrepreneurs are manufactures. After consolidation of various groups of problems, micro level problems are also identified within the main problems. Consolidated problems of entrepreneurs are:

**The major problems are raw materials, marketing, finance, infrastructural facilities and problems with the Government.**

**Financial problems (18.22%) and labour problems (18.68%)** and the most significant factors troubling the entrepreneurs are facing **raw material problems**, **Marketing is another major problem for 14.22% of entrepreneurs.** **Low capacity utilization** is also mentioned as problem.

### 1) Raw materials:

Getting required **raw material at reasonable rates** is one of the problems faced by some of the industrial units under the study. The objective of **encouraging small scale industries** by the government is to utilize the available **local resources**. But when it comes to practice, many units face raw material problems. This is mainly because non-availability of the required raw material locally and Government quota is insufficient. As a result, they are forced to under utilize their installed capacity. **The problem is more acute for those units who depend completely on Government quota.** These units complain that the supply is not only inadequate but also irregular. However, they have to pay money advance to the raw material well before the release of raw material. Consequently production schedule are severely affect very often. Precisely industrial units under the study face the following problems:

- a) Non-availability of raw material locally
- b) Non-availability of raw material on time.
- c) Cost of raw materials is very high and prices are fluctuating.
- d) Substandard raw materials
- e) Advance payment for raw material
- f) Required quantity is not available
- g) Government quota supply is much below the required quantity.

### 2) Labour problems:

It is the general **assumption that required skilled labour is not available**, although unemployment is very high in the country. The entrepreneurs are facing variety of labour problems and the problems are:

- a) Lack of required skilled labour
- b) High absentees
- c) Inefficient labour force
- d) Laziness is common, resulting in declining in production
- e) Demand for more wages
- f) Lack of sincerity on the part of labour

### 3) Marketing problems:

Marketing is one of the major hurdles before the entrepreneurs. In spite of Government interference in giving market support to entrepreneurs, they are suffering from the marketing. Some of the marketing problems are as follows:

- a) Limited local market
- b) Lacking of Orders for production is less.
- c) Difficult to go to national markets because of limited resources
- d) Credit sales are inevitable
- e) Delayed payment and sometimes bad debts.

#### **4) Infrastructural problems:**

Since small industries are located in different corners in the nation; naturally it has to face certain limitations related to infrastructural problems. The entrepreneurs in the study are facing the following infrastructural problems:

- a) Lack of adequate transport
- b) High cost of transport

#### **5) Financial Problems:**

A problem of finance is another major hindrance of growth of small scale entrepreneurs. It has a **inter-related effect on the other functional problems** of the entrepreneurs like marketing, raw material, transport etc. the major financial problems faced by the entrepreneurs are as follows:

- a) Limited equity base (owner find)
- b) Working capital is not adequate
- c) High rate of interest
- d) Lack of adequate security arrangements
- e) Banks sanctions much below the requirement
- f) Inordinate delay in sanctioning loan
- g) More time consuming and unnecessary formalities

#### **6) Problems with the Government:**

Although Government is trying to play a positive role but sometimes it works against the interest of the entrepreneurs. Some of the problems with the Government are as follows:

- a) Cumbersome procedures and formalities
- b) Inordinate delay in taking decisions
- c) Inefficiency

## **Steps for setting Small Scale Industries:**

**1. Selection of the Product:** A product for the manufacturing by an entrepreneur in small scale sector should be selected carefully. It should have **good market potential and profitability**. An innovative idea about a product provides good profit as compared to a product already in market and facing a tough competition.

Similarly, **adoption of modern techniques of production/new technology will also result** in good market and profitability. Avoid a project if you find a large number of people are taking it up. Relevant Factors for Selecting a Product Following factors should be considered while selecting a product of manufacturing for the first time.

- (1) Product should have no or little competition.
- (2) Idea should be new.
- (3) Entrepreneur has good experience in the line.
- (4) Raw material for the product to be manufactured is readily available.
- (5) Government Policy encourages the production of product chosen by the entrepreneurs i.e. either it is reserved for small scale sector or Government has purchase programmes of such item or the manufacture of the item is neither banned nor restricted.
- (6) Product meets the modern requirement of the society.
- (7) Easy accessibility to market
- (8) Availability of investment.



(9) Availability of power and water.

**2. Location of the Enterprise:** For any Industrial Project, selection of a suitable industrial site is very important decision and is **based upon several considerations**. Therefore, **advanced planning is required to study market potential, general business, climate** in the area etc., are detailed as under:

1. Nearness to **market** and nearness to **raw materials**.
  2. Availability of **power and water**
  3. Availability of **modern transporting system** and cost of transport for **procuring** raw materials, **dispatching** finished goods and **speedy delivery**.
  4. Availability of required skills/environmental factors affecting the industry.
  5. Availability of freight, express and parcel delivery services.
- A plot may be obtained from (a) State Government-Industrial Development Corporations, (b) Industrial Co-operatives Societies, (c) Private parties.

**3. Preparation of the Project Report:** Accordingly, the task of project report preparation encompasses information under various heads. **Necessary documents, quotations and enquiry** should be attached with the details under the given heads to form a project report.

A project report should normally cover brief introduction of the proposed project, constitution and **nature of the unit, the details of promoters and product, marketing and competitions, manufacturing process, machinery and plant capacity, raw materials availability, land and building, general management and technical staff involved, cost of the project, means of finance, working capital requirements, cost of production and profitability, project schedule, repayment schedule, security offered etc.**

**4. Registration with the authorities:** Provisional Registration enables a party to take the necessary steps to bring the unit into existence. Application for Provisional Registration is submitted to the District Industries Centre (DIC).

The **issue of provisional registration is normally automatic** and is given within **seven days on the receipt of the Application**, unless the proposed industry is one which needs raw materials which have been **declared as not available to new units because of their acute scarcity**.

The initial validity of the provisional registration is **six months**, it may be renewed for a further period of six months on submission of satisfactory proof that the party has taken effective steps to establish the unit but could not complete the same.

**5. Arranging term Finance:** Business units can obtain finance for their projects under three main categories,

1. **Term Loan:** A **term loan** is a monetary **loan** that is repaid in regular payments over a set period of time. **Term loans** usually last between one and ten years, but May last as long as 30 years in some cases. A **term loan** usually involves an unfixed interest rate that will add additional balance to be repaid.
2. **Bridge Loans:** A **bridge loan** is a type of short-term **loan**, typically taken out for a period of 2 weeks to 3 years pending the arrangement of larger or longer-term **financing**. It is usually called a **bridging loan** in the United Kingdom, also known in some applications as a swing **loan**.
3. **Working Capital:** Short-term advances for working capital in the form of cash/credit/bills facility.

**6. Statutory Licenses/Clearances:** A licence from Government of India is necessary for the manufacture of any article included in the schedule to the Industry development and Regulation (IDR) Act, 1951. To mention, a few industries are: **Metallurgical industries, fuels, boilers and steam generating plants, electrical equipments, telecommunications, transportation, industrial machinery, fertilizers, chemicals etc.**

**7. Obtaining Land and Building:** If the pre-built factory shed is obtained from State Government, Industrial Estate, this activity is already completed by taking the possession of the shed. If the plot is already acquired the civil work follow. Before commencing construction activities, the entrepreneur **should obtain necessary licence from the Corporation or Municipal authorities other local authorities** and should also ensure that the plan of the building conform to the norms stipulated by the **Inspector of Factories**.

**8. Procurement of Machinery:** The orders are placed with selected suppliers. The timings of placing the order are decided on the delivery of suppliers so that the procurement of Plant and Machinery should synchronize with the completion of the building construction.

**9. Recruitment of Staff:** as per requirement in the industry the labor has to be recruited.

**10. Installation of Machinery:** The new entrepreneur should **formulate a suitable layout which would facilitate production operations in the best possible manner**.

Normally the **suppliers of Plant and Equipment provide the services of installation** and commissioning of their Plant and Equipment. However the

entrepreneur along with his technical staff should co-ordinate the installations of different Plant and Equipment for perfect machinery and synchronization.

The total installed capacity of the unit (as per plant size) would be the **total quantity of the product which could be produced in 300 working days on a single shift basis with the existing manpower.**

**11. Procurement of Raw Materials:** The new entrepreneur will have to **ensure timely flow of raw materials in anticipation** of actual requirement before launching his new product into the market. He has to keep more source of supply of the required raw materials, instead of **depending on a single source of supply.**

**12. Power connection/Water Supply:** As the application for power and water connection has already been made, the required formalities are completed and water and electrical connections are obtained.

**13. Marketing:** Marketing is the **complex process of creating customers for products and services.** It involves knowing and reaching out to customers, listening very carefully to their needs and preference and acting to service them better every time.

A very important part of marketing plan should be overall promotional objectives: **to communicate message, create an awareness of product or service, motivate customers to buy and increase sales.**

**14. Repayment of Loans:** Repayment of loan amount, normally **banks and financial institutions insist on its payment along with interest charges by the borrower as per repayment** schedule formulated in respect of the project. The moratorium period normally permitted for repayment the installment of the principal amount varies from 12 months to 24 months from the date of the first release of the loan.

**15. Profit Generation:** A successful entrepreneur should be **ever vigilant about his cost of production and profits generation.** If profits are not generated, he should find out the **reasons and try to minimize his costs and adjust his production volume.** He should also adopt cost control measures and minimize waste.

He should **maintain a profit charts per month and workout his profits by calculating total sales revenue per month –total cost per month.** At the end of year, he should also see what its profit ratios are by calculating his return on investment and his profitability ratio on sales.

**16. Avoiding Sickness:** RBI modifies the definition of **sick unit by RBI in 1989.** Accordingly “A unit should be considered as sick if it has, at the end of

any accounting year, accumulated losses \* or exceeding 50 per cent of its peak net worth in the immediately preceding five accounting years.

**17. Modernization and Upgradation of technology:** Capital Subsidy of 12 per cent for investment in technology in select sectors. An interministerial Committee of Experts will be set up to define the scope of technology upgradation and sartorial priorities.

Setting up of incubation Centres in Sunrise Industries will be supported.

Commercial Banks are being requested to develop Schemes to encourage investment in technology upgradation and harmonies the same with SIDBI.

### **Venture Capital:**

The concept of venture capital initiated in the USA and UK.

However, it became popular in India in the mid 1990's. Venture capital refers to the **capital invested by shareholders in the establishment of an SSI that invested by in new idea or product development.**

A venture capital company may be defined as any financial institute that agrees to co-promote an entrepreneur in a project and agrees to share the risks and rewards arising out of it. The development of venture capital in India may be divided into four groups i.e., Venture Capital Fund (VCF) promoted by the **central government**, VCF promoted by **public banks** and VCF promoted by **private and foreign banks.**

“A venture capital company is defined as, “a financing institution which joins an entrepreneur as a co-promoter in a project and shares the risks and rewards of the enterprise”.

Importance/Relevance of Venture Capital :

- a) Benefits to investing public
- b) Benefits to promoters
- c) Benefits in general.

**Development of Venture Capital Funds in India:** VCF's in India

can be classified into four groups as follows,

1. VCFs which are promoted by the central government controlled development finance institutions like RCTFC( Risk Capital and Technology Finance Corporation) Limited promoted by Industrial Finance Corporation of India (IFCI) and Risk Capital Fund promoted by IDBI.
2. VCFs which are promoted by the **state government** controlled development finance institutions such as GVFL( Gujarat Venture Finance Company Limited) promoted by GIIC (Gujarat industrial investment Corporation) and APVCL (Andhra Pradesh Capital Limited ) promoted by APSFC ( Andhra Pradesh State Finance Corporation).
3. VCFs promoted by the **public sector banks** such as Cafina by Canara bank and SBICAP by State Bank of India.
4. VCFs promoted by the **foreign banks , private sector companies** and financial institutions such as Indus Venture Fund, Credit Capital Venture Fund and Grindlay's India Development Fund.

The venture projects over the last few years have witnessed a great increase and the amount invested has also increased. This increase depicts the fact that the investors have started **emphasizing on hi-tech, small and medium sized ventures.**

## **OTHER VENTURE CAPITAL FIRMS IN INDIA:**

**1.IDBI Venture Capital Fund (IDBI-VCF) :** IDBI –VCF was established in the 1986 as a divisional activity of the IDBI and is under the supervision of its technology development department. IDBI-VCF aims on providing VCF **assistance to new and existing industrial units for promoting and developing business** use of indigenously developed technology and adapting imported technology to propagate domestic applications. IDBI-VCF funds the **chemicals, software, electronics, bio-technology, food products and medical equipment** whose cost ranges rs 5 lakh to 250 lakh.

**2. Risk Capital and Technology Finance Corporation Limited (RCTFC) :** RCTFC was established in the year 1988 January as a wholly owned subsidiary of IFICI(industrial finance corporation of India ltd) immediately after the transformation of Risk Capital

Foundations. The finance provided is **used for commercializing innovative technologies, supporting and establishing prototype manufacture wherever it is required.**

**3. Gujarat Venture Finance Ltd (GVFL) :** GVFL is financed and promoted by Gujarat Industries investment corporation Ltd in collaboration with Gujarat Alkalies and chemicals ltd. And Gujarat state Fertilizer Corporation Ltd. GVFL is a **fund management company and act as a trustee manager** of Gujarat Venture Capital Fund, started in 1990. the main objective of GVFL is to provide finance to bring innovations in technology, resulting in enhancement of product quality and energy conservation, for producing new products using the advanced and latest technology and also for commercialization of technology of testing plants. **4. Andhra Pradesh Industrial Development Corporation's Venture Capital Ltd:** APIDC-VCL is a wholly owned company by Andhra Pradesh Industrial Development Corporation Ltd. APIDC has planned to make it a venture fund management company. It takes care of the management of APIDC-VCF with an **investment of rp 13.5 crore sponsored by APIDC, IDBI, Andhra Bank and Indian Overseas Bank** and also few other minor financial institutions.

**5. Canara Bank Venture Capital fund(CVCF):** CVCF is sponsored by the Canara Bank along with its subsidiary, Canara Financial Services Ltd(CANFINA). CVCF was established in 1989 as a trust with rp 24 crore as a recourse base. its investment **basically lays emphasis on exploiting new technology commercially, upgrading technology and so on.**

**6. State Bank of India Capital Markets Ltd.(SBICAP):**SBICAP was established by SBI capital markets ltd. In order to provide finance to the ventures via its "bought out deals". The main objective of SBICAP is to **adopt an innovative approach to develop new capital issues, especially in a sluggish capital market.** it buys new issues with an intention of selling them off at a later stage when the market price increases. The amount funded was rs 10 crore.

**7. 20<sup>th</sup> Century Venture Capital fund:** This was set up with an initial investment of rs.20 crore by the 20<sup>th</sup> century finance Ltd. It

provides funding specially to the sick units and the first generation entrepreneurs.

**8. SICOM venture capital fund:** This was established by the State Industrial and Investment Corporation of Maharashtra Ltd.

### **Exit Strategies:**

Exit strategies are followed by VCF as the last stage, in order to realize the investment and make profit and minimize or avoid losses. The exit strategies to be followed by the VC investments must be pre-planned at the starting time of venture capital financing. The formulation of exit strategies depends upon various factors like **ventures nature, extent and type of financial stake, the actual and potential competition condition of market, functioning style as well as the perception of VC investments** and so on.

- **Outside investors want to collect their return.** Remember that equity investments are not like loans with interest. The investor sees no return until he cashes out, or the company is sold. Even three years is a long time to wait for any pay check.
- **Entrepreneurs love the art of the start.** Assuming your startup takes off, you will probably find that the fun is gone by the time you reach 50 employees, or a few million in revenue.

- In three to five years, you will be anxious to start a new entity, with new ideas and spinoffs that have built up in your mind, and certainty that you can avoid all those potholes you hit the first time around. If your startup was less than a success, you'll definitely want to erase it from memory.
1. **Merger & Acquisition (M&A).** This normally means **merging with a similar company, or being bought by a larger company.** This is a win-win situation when bordering companies have complementary skills, and can save resources by combining. For bigger companies, it's a more efficient and quicker way to grow their revenue than creating new products organically.
  2. **Initial Public Offering (IPO).** This used to be the preferred mode, and the quick way to riches. But since the Internet bubble burst in the year 2000, the IPO rate has declined every year until 2010, and is now at about 15 percent. I don't recommend this approach to startups these days. Shareholders are demanding, and liability concerns are high.
  3. **Sell to a friendly individual.** This is not an M&A, since it is not combining two entities into one. Yet it's a great way to **"cash out" so you can pay investors, pay yourself, take some time off, and get ready to have some fun all over again.** The ideal buyer is someone who has more skills and interest on the operational side of the business, and can scale it.
  4. **Make it your cash cow.** If you are in a stable, secure marketplace, with a business that has a steady revenue stream, pay off investors, find someone you trust to run it for you, while you use the remaining cash to develop your next great idea. You retain ownership and enjoy the annuity. But cash cows seem to need constant feeding to stay healthy.
  5. **Liquidation and close.** Even lifetime entrepreneurs can decide that enough is enough. One often-overlooked exit strategy is simply to shutdown, close the business doors, and liquidate.



# MARKETING MANAGEMENT:

Marketing is the process of transferring goods and services from manufacturer to consumer. Marketing involves satisfying the needs and wants of the consumer. **Marketing is a place where buyers and sellers come together for buying or selling goods and services.**

“The marketing concept is customer orientation backed by integrated marketing aimed at generating customer satisfaction as the key to satisfy organizational goals”. ..... Philip Kotler.

According to **American marketing Association-** “Marketing is the performance of business activities that directs the flow of goods and services from producer to consumer”.

The marketing concept is a philosophy applied to the operation of a business as which customer and consumer needs will be uppermost in importance. These needs will govern the separate planning of each function of the business, as well as overall plan aimed at achieving its predetermined profit objectives. The four main distinguishing features of marketing concept are,

**1. Customer Orientation:** Marketing concept focuses on customer. marketing concept states that business process begins with identifying the needs and wants of the customers and ends with satisfying them. Business is seen from the customer’s perspective in marketing concept. Customers are **placed at the center point and the entire business is constructed around it**. The customer-orientation of marketing concept differentiates it from selling concept.

**2. Integrated Management:** In order to ensure customer orientations and customer satisfaction every activity of the business should be integrated with one another and should be linked with marketing activities.

**3. Satisfaction of Customer:** Integrated management only helps the company in satisfying the needs of the customers. If company is successful in satisfying customers’ needs, the company efforts will result in customer satisfaction. Achieving customer satisfaction is considered as very essential in marketing concept.

**4. Achievement of Organizational Objectives, Comprising Profits:** Even though, marketing concept focuses on achieving customer satisfaction. It never ignored the significance of generating profits. Actually, customers’ satisfaction will automatically increase the profit levels of the organization. Thus, the above are the four distinguishing features of marketing concept.

**Marketing Management:**

Marketing management is the management of marketing activities .**Marketing mix is the mix of seven marketing components which are used by the company in achieving its marketing objectives.** These components can be considered as ‘**marketing tools**’ because they are used as a **weapons for attaining success in marketing activities.**

The task of marketing involves developing, communicating and delivering customer value and these tasks can be accomplished successfully through four components of marketing. They are **product, price, place, and promotion.** These four components have become synonym for the term ‘marketing mix’ and additional components are **people, physical evidence, and process** was



**1. Product:** The first “P” of marketing mix is product. It deals with **producing the desired product for the target customers**. Product might include a tangible good or intangible services, installation etc. The various sub-components of the component ‘product’ are – product attributes, product quality, warranty, packing, branding, product benefits, tangible goods, intangible services, installation etc.

**Example:** Nokia is an international telecommunication company which has managed to remain the favorite of the customers in the mobile phone industry.

**The annual sales of Nokia are 30.8 dollar across 130 countries.** The first “P” of marketing mix is product. Nokia concentrates on the **customers and respond effectively to changing customer needs by creating the right products to target customers.** This product have wide range of Nokia 9i,686, 1250 1100, 7210, many more. The Nokia 7210 phone has the following enhanced features, a) Digital enhancement identification b) Stereo Audio c) Fast data connectivity d) FM Radio e) Games.

**2. Place:** A product can be made available to the target market customers through distribution channels. The various decisions to be taken pertaining to place are – **types of distribution channels to be setup, types of intermediaries, place of storage etc.** The objective is to make sure that the right products and services are accessible in right quantities, at the right time and in the right place. On the other hand, distribution channels may include wholesalers and retailers who act as intermediaries in the channel of distribution.

The phones of Nokia can be purchased directly from Nokia’s Website and the users can download software and games. Nokia deals with direct marketing which include, telemarketing and internet selling.

**3. Promotion:** The third “P” – promotion is related to communicating with the target customers and other participants of the distribution channel regarding the products offered by the company. Promotion is nothing but promoting the product in the market. The four main sub-components of promotion are – **Advertising, public relations, sales promotion and personal and personal selling.** Promotion activities in some situations aim at retaining existing customers and in some other situations aims at attracting new customers. Promotion strategy of Nokia takes into consideration political factors, economic factors, social factors and technological factors. It also takes into account the SWOT analysis which means the strength, weakness, opportunities and threats of the product before deciding about the promotion strategy. Nokia makes use of a range of advertisement of their products on television and magazines for promoting their products.

The products of Nokia are **targeted towards teenagers and young adults ranging from 15 to 27 years and the products** will be designed according to their tastes needs and preference. The slogan for Nokia products is “connecting people”

**4. Price:** Setting the right price for the product is very essential apart from producing the right product, delivering it at the right place and promoting it through the right promotional mix element. **The price is the amount paid by**

the customer as an exchange to product/service purchased by them. While deciding the price of a product, the aspects like – **type of competition prevailing in the market place and cost involved in marketing mix have to be taken into consideration.**

The cost of Nokia phones are very high but as they have great **customer loyalty**. Many customers prefer to buy the Nokia products when compared to other mobile phones. A Nokia phone follows two types of pricing strategies. They are,

a) Penetration pricing (expanding their market with introducing new product)

b) Competitor based pricing.(offering similar products at relatively low price)

The four P's of marketing represents the marketers' point of view. According to the customers, these four P's of marketing provide **four benefits to the customers**. These four benefits can be represented in the form of four C's of customer.

Product ----- Customer solution

Price ----- Customer cost

Place ----- Convenience

Promotion ----- Communication

**5. People:** People involved in **service marketing are employees and customers**. Recruitment and selection, training, motivation, appraisal and team work are the various activities to be undertaken for employees. Employees have to be given proper training as employees behavior is also taken into consideration while judging service quality. Service organization must also focus on education and training service customers.

**6. Physical Evidence:** As **service is intangible**, it very difficult to market services. Some physical evidence is used to market services. **Services quality can be judged by taking into consideration this physical evidence.**

Facility design, sign boards, equipments, employee uniform and other tangible such as guarantees, reports statements and business cards come under physical evidence.

## **7. Process:**

The element **process includes decisions pertaining to flow of activities, number of steps and level of customer interest**. Either standardized or customized flow of activities may be selected. The service marketing process may include either simple steps or complicated steps.

Thus, the above are the seven P's of extended marketing mix for services.

## Human Resource Management:

Human Resource Management is a staff function. HRM managers advise line managers throughout the organization, Furthermore, the company may need more or fewer employees and managers from time to time. The HRM process is an ongoing procedure that tries to keep the organization supplied with the right people in the function is especially import given the trend toward downsizing.

The HRM process includes seven basic activities:

1. **Human Resource Planning** is designed to ensure that personnel needs will be constantly and appropriately met. It is accomplished through analysis of
  - (a) internal factors, such as current and expected skill needs, vacancies, and departmental expansion and reductions, and
  - (b) factors in the environment, such as the labor market. The use of computers to build and maintain information about all employees has enabled organizations to be much more efficient in their planning of human resources.
2. **Recruitment** is concerned with developing a pool of job candidates in line with the human resource plan. Candidates are usually located through

newspaper and professional journal advertisements, employment agencies, word of mouth, and visits to college and university campuses.

3. **Selection** involves using application forms, resumes, interviews, employment and skills tests, and reference checks to evaluate and screen job candidates for the managers who will ultimately select and hire a candidate.
4. **Orientation** is designed to help the selected individuals fit smoothly into the organization. Newcomers are introduced to their colleagues, assign their responsibilities, and informed about the organization's culture, policies, and expectations regarding employee behavior.
5. **Training and development** both aim to increase employees' abilities to contribute to organizational effectiveness. Training is designed to improve skills in the present job, development programs are designed to prepare employees for promotion.  
Ex: on the job training and off the job training..
6. **Performance appraisal** compares an individual's job performance to standards or objectives developed for the individual's position. Low performance may prompt corrective action, such as additional training, a demotion, or separation, while high performance may merit a reward, such as raise, bonus, or promotion. Although an employee's immediate supervisor performs the appraisal, the HRM department is responsible for working with upper management to establish the policies that guide all performance appraisals.
7. **Promotions, transfers, demotions, and separations** reflect an employee's value to the organization. High performers may be promoted or transferred to help them develop their skills, while low performers may be demoted, transferred to less important positions, or even separated. Any of these options will, in turn, affect human resource planning.

# INTELLECTUAL PROPERTY RIGHTS

Society values the **creative fruits of the human mind**, believing that they enrich the fabric of life for all of its members. Thus, a system of laws has been developed that confers rights on the creators of these fruits. These rights are collectively known as intellectual property rights, which is commonly abbreviated to 'IPRs' .

A category of **intangible rights protecting commercially valuable products of the human intellect** (Garner, 2009).

Intellectual property is all about the **results of human creativity**. Its subject matter is formed by new ideas generated by man. Their application to human needs and desires can be of considerable benefit to mankind.

New ideas can be embodied in familiar things such as **books, music and art, in technical machinery and processes, in designs for household objects and for commercial ventures**, and in all other sources of information (Colston, 1999).

TRIPS define intellectual property rights as, the rights given to persons over the creations of their minds. They usually give the creator an exclusive right over the use of his/her creation for a certain period of time (WTO, 2017) The subject matter of intellectual property is very wide and includes literary and artistic works, films, computer programs, inventions, designs and marks used by traders for their goods or services (Bainbridge, 2015).

## TRIPS Agreement

TRIPS (Trade-Related Aspects of Intellectual Property Rights) Agreement is a multilateral agreement on intellectual property, which came into force on 1 January, 1995. TRIPS Agreement is administered by WTO (World Trade Organization). It is an attempt to narrow the gaps in the way these



rights are protected around the world, and to bring them under common international rules (WTO,2017)The types of intellectual property covered by the TRIPS Agreement are copyright and related rights, trademarks, including service marks, geographical indications, industrial designs, patents, layout designs of integrated circuits and undisclosed information, including trade secrets. It establishes minimum levels of protection that each government has to give to the intellectual property of fellow WTO members (WTO, 2017).

### **World Intellectual Property Organization (WIPO):**

WIPO is the global forum for intellectual property services, policy, information and cooperation, which was established in the year 1967. Mission of the WIPO is to lead the development of a balanced and effective international intellectual property (IP) system that enables innovation and creativity for the benefit of all. WIPO has 191 member states and headquarters is at Geneva, Switzerland. According to WIPO, **Intellectual property is divided into two categories** that is, **Industrial Property and Copyright**.

Industrial property includes patents for inventions, trademarks, industrial designs and geographical indications.

Copyright covers literary works (such as novels, poems and plays), films, music, artistic works (e.g., drawings, paintings, photographs and sculptures) and architectural design.

Rights related to copyright include those of performing artists in their performances, producers of phonograms in their performances, producers of phonogram their recordings, and broadcasters in their radio and television programs

#### **1.Patents**

Patents are **granted in respect of inventions, i.e. technological improvements, great and small, which contain at least some scintilla of inventiveness** over what is previously known (Cornish, et.al.,2010). As per WIPO, A Patent is an exclusive right granted for an invention, which is a product or a process that provides, in general, **anew way of doing something, or offers a new technical solution to a problem**. Patent is a **monopoly right** conferred by Patent Office on an inventor to exploit his invention subject to the provisions of Patents Act for a limited period of time.

Invention means a new product or process involving an inventive step and capable of industrial application (The Patents Act of 1970). The term of validity for every patent under Intellectual Property Rights (Amendment) Act, 2002, shall be **twenty years** from the date of filing of the application for the patent.

## **2.Trademarks:**

According to WIPO, a trademark is a **sign capable of distinguishing the goods or services of one enterprise from those of other enterprises**. A product can be copied by a competitor and can become outdated by the introduction of new products, but a trade mark is unique. A successful trade mark is timeless and the most important source of market power and enables its owner to diversify in products and geographical markets. Duration of International registration of **trademark is valid for ten years and it can be renewed for ten years from the expiry of preceding period**.

Trademark is a mark which includes a **device, brand, heading, label, ticket, name, signature, word, letter, numeral, shape of goods, packaging or combination of colours or any combination thereof** (The Trade Marks Act of 1999).

## **3.Industrial Designs :**

According to WIPO, an industrial design may consist of three dimensional features, such as the **shape of an article**, or two dimensional features, **such as patterns**, Intellectual Property Rights lines or colour. In a legal sense, an industrial design constitutes the ornamental or aesthetic aspect of an article. In India industrial designs are governed under Designs Act, 2000. "Design" means only the features of shape, configuration, pattern, ornament or composition of lines.

## **4.Geographical Indications:**

"Geographical indication", in relation to goods, means an indication which identifies such **goods as agricultural goods, natural goods or manufactured goods as originating, or manufactured** in the territory of a country, or a region or locality in that territory, where a given quality, reputation or other characteristic of such goods is essentially attributable to its geographical origin and in case where such goods are manufactured

goods one of the activities of either the production or of processing or preparation of the goods concerned takes place in such territory, region or locality (The Geographical Indications of Goods (Registration and Protection) Act).

## **5. Copyright:**

Copyright was recognized only after invention of printing in the 15th century, which enabled the reproduction of books in large numbers. Before that, **creative writers, musicians, artists wrote, composed or made their works** for fame and recognition rather than to earn a living and question of copyright never arose because copying was a laborious and expensive process. Works commonly protected by copyright throughout the world include:

- literary works such as novels, poems, plays, reference works, newspaper articles;
- computer programs, databases;
- films, musical compositions, and choreography;
- artistic works such as paintings, drawings, photographs, and sculpture;
- architecture; and advertisements, maps, and technical drawings (WIPO, 2017)