## Indian Industrial Policy

- The main objectives of the Industrial Policy of the Government are

   (i) to maintain a sustained growth in productivity;
- (ii) to enhance gainful employment;
- (iii) to achieve optimal utilisation of human resources; (iv) to attain international competitiveness; and (v) to transform India into a major partner and player in the global arena.
- To achieve these objectives, the Policy focus is on deregulating Indian industry; allowing freedom and flexibility to the industry in responding to market forces; and providing a policy regime that facilitates and fosters growth.
- Economic reforms initiated since 1991 envisages a significantly bigger role for private initiatives. The policy has been progressively liberalized over the years to the present condition, as would be evident in subsequent paragraphs.

### Entrepreneurial opportunities

# 1. Tourism

- India is one of the hottest destinations for the tourists with a rising no. of both domestic and international tourists every year.
  - Why this is an business opportunity?
    - India lacks in the no. of trained professionals in the tourism and hospitality industry, so a similar startup can thrive in the long run and demand contuse to grow every year.

#### 2. Automobile

### 3. Textile

- India is famous for its textiles.
- Places like Tirupur and Ludhiana are now export hubs for textiles.

#### Why?

#### In the world, India is

- The largest producer of Jute
- \*2nd largest producer of Cotton
- \*2nd largest for Silk
- \*2nd position for Cellulosic fiber/yarn, and
- \*2<sup>rd</sup> largest producer of synthetic fiber /yarn

### 4. Social Ventures

Many entrepreneurs are taking up social entrepreneurship. Helping the less privileged get into employment and make a viable business is quite a challenge. There are many who have succeeded in setting up social ventures. With a growing young population in rural areas who have the drive and enthusiasm to work, entrepreneurs can focus on this segment.

#### 5.Software

### 6. Engineering Goods

- India is growing at a rate of 30.1% in the export of engineering Goods
- A target of \$110 billion by 2014 is set by the Indian govt. for total engineering export.

#### 7. Franchising

- The franchising model is bound to success in India because fast pace of development of small towns across India.
- India is well connected with the world.
- Indian franchisors offers ample opportunities to the young entrepreneurs.

#### 8. Education and Training

Competitive education cost in India is attracting more students from abroad Unique teaching methods, educational portals and tools

### 9. Food Processing

- India's mainstay is agriculture.
- Options in the food grain cultivation and marketing segments.
- Opportunities in fast food, packaged food or organic food
- Fresh fruits and vegetables too have a good demand abroad.

#### 13. Media

 Television, advertising, print and digital media have seen a boom in business and created a lots of opportunities for young entrepreneurs.

#### 14. Packaging

- Good opportunity to make good packaging material to cater the demand of both domestic and International market.
- Huge demand of packaging materials across agriculture, consumer goods, automotive, healthcare infrastructure and packaging sectors.

# 11. Ayurveda and traditional medicine

There is a huge demand of herbal cosmetics, natural medicines and remedies in both India and abroad because of increased awareness about the ill effects of allopathic medicines

#### 12. Organic Farming

- This is one of the fastest growing sectors in India with a huge demand of organic products across foreigners.
- Promoting & implementing organic farming at a large scale in India is the best opportunity in the segment

#### 15. Floriculture

There is a lot that can be done in this sector because It is still small and unorganized.

This is a huge market to be tapped considering the rising demand for fresh flowers.

India's share in world trade is just 0.18 % but more awareness and better farming and infrastructure can boost exports.

### 16. Toys

- Toy manufacturing is an evergreen industry in India.
- India is producing the most cost effective and safe toys in the world while on the other hand Chinese toys are pulled up for toxins.

#### 17. Healthcare Sector

- Medical tourism in India is gaining more and more popularity due to the cost effective treatments.
- Private sector is playing the vital role in the development of healthcare tourism in India

#### 19. Energy Solutions

- The cost effective and power saving devices are gaining popularity in Indian consumers due to the increasing cost of energy supply.
- Indian National Solar Mission has set a target of 20,000 MW of solar generating capacity by the end of the 13th Five Year Plan.
- Industry to see the huge business opportunity

### 18. Biotechnology

- Biotechnology is another big opportunity for the entrepreneurs after software.
- Huge options with the applications of biotechnology in agriculture, horticulture, sericulture, poultry, dairy and production of fruits and vegetables.

### 20. Recycling Business

A viable opportunities for the entrepreneurs in the business of recycling and e-waste and disposal management because of increasing amount of e-waste in India.

# Problems/Challenges Faced by Entrepreneurs While Starting Business in India

An entrepreneur builds his business from scratch and works on a new company that no one has ever worked on before. Therefore, facing challenges from time to time is common. However, if you are mentally prepared to meet the challenges, it will become a little easy for you to tolerate the stress associated with entrepreneurship.

- Bureaucracy Corruption
- Labour Regional Sentiments
- Grey Market and Counterfeit Goods
- Social Capital Getting funds for your business
- The first challenge that every entrepreneur comes across is to get funds for their business venture. It is comparatively easy for an experienced business person to collect funds and to attract investors for the new business venture.

On the other hand, for a new entrepreneur, the challenge of attracting investors and collecting funds becomes challenging because of various reasons, such as

They don't have a history in the <u>market</u>.

They don't have connections with the right people.

Investors don't trust them. They might not be good at convincing investors to invest in their

#### business •

Leaving your career

- Going your well-paying job and taking up the challenge of walking into unknown territories is not everyone's teacup. This could be one of the most challenging decisions that you are required to make as an entrepreneur.
- 3. Hiring people

Hiring the right people to work for you is very crucial for the success of your business. The people that you will hire should be able to fill different roles. They should be willing to adapt to your working culture and should have the ability to work under extreme <a href="stress">stress</a>.

- Facing rejection
- Facing rejection is one of the prevalent challenges that are faced by entrepreneurs. You will be rejected for your idea, age, and experience in the business world.
- Decision-making
- Taking decisions on your own, while being aware that a wrong decision can cause you losses, is one of the common challenges entrepreneurs face. Therefore, decision-making can be classified as one of the most stressful challenges of all the challenges faced by entrepreneur.

6. Facing criticism
Staying focused
Staying focused is a challenge faced by entrepreneurs and especially young entrepreneurs. You might have invented a <u>product</u>, or your business idea is excellent, but it will all be wasted if you don't know how to <u>stay focused</u>.

- Missing out on life
- Being the visionary
- Facing competition
- Stress and self-doubt
- Marketing
- Health
- Facing unknown challenges

### Entrepreneurship and Economic growth

- entrepreneurship is not always spontaneous. It is very often affected by environment factors like economic, social, political, psychological, legal and cultural etc. These factors may have both positive and negative influences on the emergences and development of entrepreneurship. In most of the developed countries, the educational system is designed in such a way that it creates more jobs creators. Type of education prevailing in the country is also an important factor for entrepreneurship development.
- **Contributions of Entrepreneurship** in Economic Growth
- EMPLOYMENT: As a new business is formed and developed, the opportunity for people to have jobs increases. The formation of new businesses can decrease the list of unemployed in the country, thus, increasing the Gross National Product.
- FOREIGN EXCHANGE: Businesses that are engaged in exporting products bring dollars in industry. This is useful especially when peso-dollar exchange rate is high in favor of the dollar.
- Socio-economic Benefits of Entrepreneurship IMPROVED STANDARD OF LIVING: People are provided with new products and services that make their life easier and more enjoyable. A MAIN SOURCE OF DEVELOPMENT: If more people are engaged in entrepreneurial activities, then more job opportunities will be generated. This will eventually result to greater GNP.

SOCIAL BENEFITS: Government money which is gathered through tax from different establishments including businesses is used to improve national roads, industrial and agricultural facilities, medical services and other areas that are of society's concern

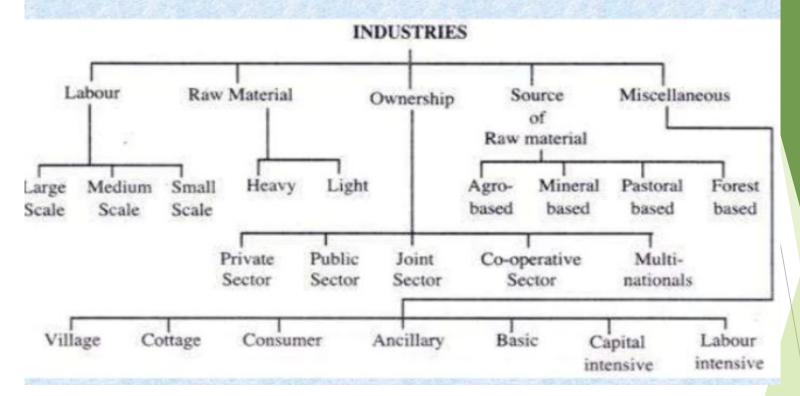
#### Entrepreneurship and Economic growth

- Employment opportunities Entrepreneurs employ labour for managing their business activities and provides employment opportunities to a large number of people. They remove unemployment problem.
- 3. Balanced Regional Development Government promotes decentralized development of industries as most of the incentives are granted for establishing industries in backward and rural areas. Thus, the entrepreneurs to avail the benefits establish industries in backward and rural areas. They remove regional disparities and bring balanced regional development. They also help to reduce the problems of congestion, slums, sanitation and pollution in cities by providing employment and income to people living in rural areas. They help in improving the standard of living of the people residing in suburban and rural areas.
- 4. Mobilization Of Local Resources Entrepreneurs help to mobilize and utilize local resources like small savings and talents of relatives and friends, which might otherwise remain idle and unutilized. Thus they help in effective utilization of resources.
- <u>5.</u> Optimization Of Capital Entrepreneurs aim to get quick return on investment. They act as a stabilizing force by providing high output capital ratio as well as high employment capital ratio.
- 6. Promotion of Exports Entrepreneurs reduce the pressure on the country's balance of payments by exporting their goods they earn valuable foreign exchange through exports.
- 7. Consumer Demands Entrepreneurs produce a wide range of products required by consumers. They meet the demand of the consumers without creating a shortage for goods.
- 8. Social Advantage Entrepreneurs help in the development of the society by providing employment to people and paves for independent living They encourage democracy and self-governance. They are adept in distributing national income in more efficient and equitable manner among the various participants of the society.

#### Entrepreneurship and Economic growth

- 9. Increase per capita income Entrepreneurs help to increase the per capita income of the country in various ways and facilitate development of backward areas and weaker sections of the society.
- of investment and production. Entrepreneurs help in channelizing their savings and savings of the public to productive resources by establishing enterprises. They promote capital formation by channelizing the savings of public to productive resources.
- 11. Growth of capital market Entrepreneurs raises money for running their business through shares and debentures. Trading of shares and debentures by the public with the help of financial services sector leads to capital market growth.
- <u>12.</u> Growth of infrastructure The infrastructure development of any country determines the economic development of a country, Entrepreneurs by establishing their enterprises in rural and backward areas influence the government to develop the infrastructure of those areas.
- 13. Development of Trader Entrepreneurs play an important role in the promotion of domestic trade and foreign trade. They avail assistance from various financial institutions in the form of cash credit, trade credit, overdraft, short term loans, secured loans and unsecured loans and lead to the development of the trade in the country.
- 14. Economic Integration Entrepreneur reduces the concentration of power in a few hands by creating employment opportunities and through equitable distribution of income. Entrepreneurs promote economic integration in the country by adopting certain economic policies and laws framed by the government. They help in removing the disparity between the rich and the poor by adopting the rules and regulation framed by the government for the effective functioning of business in the country.
- Inflow of Foreign Capital Entrepreneurs help to attract funds from individuals and institutions residing in foreign countries for their businesses

### TYPES OF INDUSTRES:



#### WHAT ARE SMALL SCALE INDUSTRIES

- Industries which are owned and run by individuals and which employ a small number of labourers are called small scale industries
- At present the Small Scale Industry (SSI) constitutes a Very Important Segment of the Indian Economy & has emerged as a Dynamic & Vibrant Sector of the Economy.
- The Small Scale Industry Sector holds the Key to Economic Prosperity of the Indian Economy, Characterized by abundant Labor Supply, Unemployment & Under Employment, Scarcity of Finance, Growing Modern Large Industries providing scope for development of Ancillary Industries & so on.
- The Small Scale Industry has grown phenomenally during the last Six Decades & has acquired a very prominent place in the Socio Economic Development in the Country.

# TYPES OF SMALL SCALE INDUSTRIES:

- 1. Manufacturing Industries: Those units which are producing complete articles for direct consumption and also for processing industries are called as manufacturing industries. For example: Powerlooms, engineering industries, coin industries, khadi industries, food processing industries etc.
- 2. Ancillary Industries: The industries which are producing parts and components and rendering services to large industries are called as ancillary industries. For example: gears, brakes, tubes. etc.
- 3. Service Industries: Service industries are those which are covering light repair shops necessary to maintain mechanical equipments. These industries are essentially machine- based.
- 4. Feeder Industries: Feeder industries are those which are specialising in certain types of products and services, e.g. casting, electro-plating, welding, etc. 5. Mining or Quarries.

### ROLE OF SMALL SCALE INDUSTRIES:

- 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. SSI accounts for employment of people in rural sector and unorganized sector. 4. SSI provides employment to skilled and unskilled people in India.
- 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. 6. The entrepreneurial talent is tapped in different regions and the income is also distributed instead of being concentrated in the hands of a few individuals or business families.

### ROLE OF SSI cont

- 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
- 5. SSI Paves for Optimisation of Capital: 1. SSI requires less capital per unit of output. It provides quick return on investment due to shorter gestation period. The pay back period is quite short in small scale industries.
- 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

### ROLE OF SSI cont

- \_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
- 9. SSI Ensures Social Advantage: 1. SSI helps in the development of the society by reducing concentration of income and wealth in few hands. 2. SSI provides employment to people and pave for independent living. 3. SSI helps the people living in rural and backward sector to participate in the process of development.
- 10. SSI 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

#### Objectives of Developing Small Enterprises

- 1. Reasons for Developing Small Enterprises in India can be enumerated as follows: 1)
  To generate Large Scale Employment Opportunities for the Unemployed speedily with relatively Low Investment.
- 2) To Eradicate Unemployment Problem from the Country.
- 3) To encourage dispersal of enterprises to all over the country covering Rural Areas, smaller towns & economically backward regions.
- 4) To bring Backward Regions too in the mainstream of national development.
- \_5) To promote balanced regional development in the Whole Country.
- 6) To ensure more equitable distribution of National Wealth & Income.
- 7) To encourage effective mobilization of Untapped Resources of the Country.
- 8) To improve Socio Economic Conditions & Standard of Living of the people in the Country.
- 9) To seize the Vast Opportunities created for Small Enterprises due to Liberalization & Globalization policies of the Govt of India.
- 10) To help earn Vital Foreign Exchange for the Country thro Exports of Goods / Services of Small Enterprises.
- 11) To bring more Revenue to the Central & State Govts by way of Taxes

# Linkage among small, medium and heavy industries

- The relation ship between large scale, medium scale and small scale industries should be mutually beneficial and helping each other rather than competing and conflicting.
- Large scale industries undertake the manufacture of much bigger and complex machines or systems which demand high technology involving large number of components and sub-systems. Often it may not be economical and possible to manufacture every item with in the organization. These items can be profitably outsourced to either medium or small scale industries. Thus many SSI or ancillary industries can be developed to meet their production requirements.
- As the overheads of small scale industries are nominal, the cost of production will be much lower compared to the cost of production in large scale units.
- With the guidance and support rendered by the big industries, the quality of the products can be improved to the levels required.
- If a number of sources are developed for a product, it is possible to increase the quantity of output as required and uninterrupted supplies can be maintained.
- For the over all economic growth of a nation, the development of all the three sectors is equally essential.

# Types of enterprises

- Different types of business entities Sole Proprietorship Partnership Limited Liability Partnership Private Limited Company
   Public Limited Company. Cooperatives
- 1. Sole Proprietorship Run by a single individual who bears the sole responsibility of the whole business; Business and owner is one entity, so much so that the personal property of the Proprietor may be attached to fulfill business liability; Profits earned in the business are added to the business owners income which are later subject to taxation. Same for losses Ownership not transferable though assets can be transferred; Can trade in his own name or name of the business. Some of the world's biggest companies started off as Sole Proprietorships, E.g. Mc. Donalds,

Disadvantages of Sole Proprietorships For many people, however, the sole proprietorship is not suitable. The flip side of enjoying complete control is having to supply all the different talents that may be necessary to make the business a success. And when you're gone, the business dissolves

2. Partnership Firm • Run by a minimum of 2 and a maximum 20 members; • Responsibilities and liabilities are shared equally among partners; as stated in the partnership deed; • The business maybe carried on by all or by one for all; • Sleeping partner is one who simply provides the capital, but does not take part in the management; • Loses incurred by one partner renders all the partners liable; • May or may not be registered with the Registrar of Firms; • Name must not contain words like 'Crown', 'Emperor' or any such words implying patronage by the government. Unless the State Government by consent in writing allows the firm to do so.

The Partnership Agreement The impact of disputes can be lessened if the partners have executed a well-planned partnership agreement that specifies everyone's rights and responsibilities. The agreement might provide such details as the following: 

Amount of cash and other contributions to be made by each partner 

Division of partnership income (or loss) 

Partner responsibilities—who does what 

Conditions under which a partner can sell an interest in the company 

Conditions for dissolving the partnership 

Conditions for settling disputes

# Joint stock company

- The modern corporation has its origins in the joint-stock company.
- A joint-stock company is a business owned by its investors, with each investor owning a share based on the amount of stock purchased.
- Joint-stock companies are created in order to finance endeavors that are too expensive for an individual or even a government to fund. The owners of a joint-stock company expect to share in its profits.
- Unless the company is incorporated, the shareholders of a joint-stock company have unlimited liability for company debts.
- The shares of a joint-stock company are transferable. If the joint-stock company is public, its shares are traded on registered stock exchanges. Shares of private joint-stock company stock are transferable between parties, but the transfer process is often limited by agreement, to family members, for example.

# Types of enterprises cont

3. Limited Liability Partnership • Is a mix of both partnership and an company; •Limited Partnerships The law permits business owners to form a limited partnership which has two types of partners: a single general partner who runs the business and is responsible for its liabilities, and any number of limited partners who have limited involvement in the business and whose losses are limited to the amount of their investment.

Advantages and Disadvantages of Partnerships The partnership has several advantages over the sole proprietorship. First, it brings together a diverse group of talented individuals who share responsibility for running the business. Second, it makes financing easier: the business can draw on the financial resources of a number of individuals. The partners not only contribute funds to the business but can also use personal resources to secure bank loans. Finally, continuity needn't be an issue because partners can agree legally to allow the partnership to survive if one or more partners die Only difference from a company is that it cannot come out with its IPO and sell its shares to the general public;

- 4 Private Limited Company Is formed by registering the company name with the Appropriate Registrar of Companies; Allows people to own and subscribe to shares and become shareholders of the company; Can have 2 50 shareholders and a minimum share capital of Rs.1 lakh; Liability of shareholder limited to invested share capital; More liability than an LLP, Board to meet quarterly and have at least one annual general meeting; Change in shareholders do not affect the legal status of the company;
- 5. Public Limited Company Most difficult to establish; Minimum number of shareholders to be 7, no maximum limit; Allows shareholders to trade freely with the shares at the stock market; Is under strict scrutiny by the government as well as SEBI(Securities and Exchange Board of India); Like a private limited company, the change in shareholders do not affect the legal status of the company;

# Types of enterprises cont

6 Corporation A corporation differs from a sole proprietorship and a partnership because it's a legal entity that is entirely separate from the parties who own it. It can enter into binding contracts, buy and sell property, sue and be sued, be held responsible for its actions, and be taxed. Once businesses reach any substantial size, it is advantageous to organize as a corporation so that its owners can limit their liability.

- Ownership and Stock Corporations are owned by shareholders who invest money in the business by buying shares of stock. The portion of the corporation they own depends on the percentage of stock they hold. For example, if a corporation has issued 100 shares of stock, and you own 30 shares, you own 30 percent of the company.
- The shareholders elect a board of directors, a group of people (primarily from outside the corporation) who are legally responsible for governing the corporation.
- A **joint-stock company** is a <u>business entity</u> in which shares of the company's <u>stock</u> can be bought and sold by <u>shareholders</u>. Each shareholder owns company stock in proportion, evidenced by their <u>shares</u> (certificates of ownership). Shareholders are able to transfer their shares to others without any effects to the continued existence of the company.
- In modern-day <u>corporate law</u>, the existence of a joint-stock company is often synonymous with <u>incorporation</u> (possession of <u>legal personality</u> separate from shareholders) and <u>limited liability</u> (shareholders are liable for the company's debts only to the value of the money they have invested in the company). Therefore, joint-stock companies are commonly known as <u>corporations</u> or <u>limited companies</u>.

# Types of enterprises cont

Like sole proprietorships and partnerships, corporations have both positive and negative aspects. In sole proprietorships and partnerships, for instance, the individuals who own and manage a business are the same people. Corporate managers, however, don't necessarily own stock, and shareholders don't necessarily work for the company. This situation can be troublesome if the goals of the two groups differ significantly. Managers, for example, are often more interested in career advancement than the overall profitability of the company. Stockholders might care more about profits without regard for the well-being of employees.

7 Cooperatives A cooperative (also known as a co-op) is a business owned and controlled by those who use its services. Individuals and firms who belong to the cooperative join together to market products, purchase supplies, and provide services for its members. If run correctly, cooperatives increase profits for its producer-members and lower costs for its consumer members. Cooperatives are fairly common in the agricultural community.

# Unit -2

### Meaning of Entrepreneur

- The entrepreneur is defined as someone who has the ability and desire to establish, administer and succeed in a startup venture along with risk entitled to it, to make profits. The best example of entrepreneurship is the starting of a new business venture. The entrepreneurs are often known as a source of new ideas or innovators, and bring new ideas in the market by replacing old with a new invention.
- According to peter drucker entrepreneur is one who always searches for change, responds to it and exploits it as an opportunity

## Importance of Entrepreneur

- Entrepreneurs play a vital role in economic development. Economic development is essentially a process to increase the real per capita income of the country over a period of time. Entrepreneurs serve as catalysts in the process of industrialization and economic growth
- He puts to use capital, labour and technology and acts as a economic agent

# Classification of entrepreneurs:

<b>-</b>	1. Innovative entrepreneurs
<b>•</b>	☐ Aggressive in experimentation
-	$\square$ Sees the opportunities for introducing new things $\square$ Clever in putting attracting possibilities in to practice
<b>•</b>	2. Adoptive or imitating entrepreneurs
<b>-</b>	☐ Ready to adopt successful innovations initiated by others
<b>-</b>	☐ Imitates techniques and technology ☐ Much suitable to developing countries
<b>•</b>	3. Fabian entrepreneurs
<b>•</b>	☐ Show great caution and skepticism in practicing any change
<b>-</b>	☐ Have neither will to introduce new changes nor desire to adopt new methods
<b>&gt;</b>	$\Box$ Shy and lazy $\Box$ Try to follow the footsteps of their predecessors $\Box$ Follow customs, tradition and past practices
<b>•</b>	4. Drone entrepreneurs
<b>&gt;</b>	☐ Refusal to adopt and use opportunities to make changes in production ☐ They may suffer losses but do not change production methods
-	☐ They are likely to be pushed out of market because of their uneconomical operations
<b>-</b>	5. Inheritance 6. Technologist 7. Forced

# Characteristics of Entrepreneurs

- Professor David c McClelland of Harvard university found that entrepreneurs are likely to do well if they have the following traits
- 1. Innovation 2.Risk taking 3.Self confidence 4.Hard work 5.Goal Setting 6.Accountability 7 Technical knowledge and willingness to change 8 Organising abilities 9.Seeking and using feedback 10. Human relations 11High degree of ambition

### Identification and Characteristics of Entrepreneur

Based on the belief that potential entrepreneurs can be identified and trained, financial institutions in Gujarat have established the Entrepreneurship Development Program (EDP) to promote small enterprises by tapping this latent talent.

Effective psychological-behavior testing can identify potential entrepreneurs and careful guidance in the selection of suitable entrepreneurs and appropriate practical training can develop successful entrepreneurs.

Feature of SIET (Small Industry Extension Training Institute) selection test programmers are psychological tests like TAT, Risk-taking, Personal efficacy;

- 2) Finding out the socio-economic/educational background of the candidate and
  - 3) personal interviews .

# Techniques of identification

▶:

- Analysis of application Blank: Application comprises of the questions related to educational background, family background, previous experience, social participation and level of aspiration of the individual. Applications elicit basic information about the back-ground and experience of the candidate. At successive stages, applications are evaluated on the basis of behavioral science techniques. Testing is meant to measure candidate's motivation to achieve, the capacity to take risks and resolve problems, the extent of their positive self image and their interest in setting up business. A rigorous screening is being done on the basis of the analysis of the application blank.
- TAT (Thematic Appreciation Test): -It is a semi-projective test in which six selected pictures are shown to the individual for a short period of 30 seconds each. He is then asked to write a story about each picture within a time limit of 5 minutes. It is assumed that careful analysis of this test may give a clear indication of his need for achievement, power and motivation.

- Ring toss game: The ring toss game is played with 3 rings and 1 peg. The distance from the peg is marked and the respondents are asked to select any distance for throwing all the 3 rings. The success is that at least 2 rings should be pegged. The risk propensity of the respondents is scored according to the distance chosen and the amount of risk perceived by the respondents from that distance.
- Eccus of control: This test gives about the Personal efficacy. The locus of control is measured by administering a questionnaire consisting of 29 pairs of statements representing external and internal locus of control. The respondents are asked to choose one from each pair. They are given scores for their choice. It is assumed that a high score on internal locus of control is indicative of entrepreneurial behavior.

- Group Planning Exercise: Stimulated exercises can be used to observe the group behavior of an individual. A task is given to the candidates and the objectives to be accomplished are explained to them. Resources available are described and a time frame is provided to perform the task. The task in the simulated exercise is so designed that its performance elicits observable behavior of the participants. While the task is performed, two observers score the observed behavior as related to leadership, team spirit, commitment to tasks, planning and organizing ability and decision-making ability.

  Personal Interview: The personal interview is conducted to assess the knowledge, interest and skill required by the potential entrepreneurs.

  There are some drawbacks in this selection process and procedure. In the actual practice has to undergo further refinement, while the principle of entrepreneur selection has found a foot-hold.
- Above training programs are conducted by SISI, TCO (Technical Consultancy Organization like APITCO (Andhra Pradesh Industrial Technical Consultancy Organization), KITCO, UPITCO etc., in collaboration with SIET Institute, SBI.
- Punjab experience: The survey revealed that 50% are motivated by their own ideas. 80% were happy with their ventures and ready to convince other persons to become entrepreneurs.

## Characteristics of entrepreneurs

- 1. Self-Discipline Self-discipline is one of the most vital attributes for success in business and life. Once you can discipline yourself to do what you need to do, even when you don't feel like doing it, you're guaranteed to succeed.
- 2. Curiosity Successful entrepreneurs are curious individuals, and this trait enables them to continuously search for new opportunities. Instead of being contented with what they think they know, curious individuals ask tough questions and explore alternate avenues.
- 3. Creativity Becoming an entrepreneur begins with an idea. You must see opportunities, create innovative ways to do things, and provide solutions to others.
- 4. Structured Experimentation Where creativity exists, there's always a need for structured experimentation. Whenever you find new opportunities, as an entrepreneur, you must first run tests to establish whether the opportunities are worth pursuing

- 5. Integrity All entrepreneurs must have integrity. The most precious and honorable trait you can ever acquire is a reputation for absolute integrity. You must be **perfectly honest** in every transaction and activity. Never fall prey to the temptation of compromising your integrity.
- 6. Planning Often, being an entrepreneur means creating things from scratch, with no previous examples to build on. Thus, it is mandatory to have <u>effective planning skills</u>. As an entrepreneur, you must be efficient in the manner in which you handle various issues, from finances to people and everything in between.
- 7. Taking Risks Successful entrepreneurs understand that it's necessary to take risks. Playing it safe as a business owner seldom leads to success. However, you must know which risks to take. One crucial part of being an entrepreneur is understanding calculated risks that have the highest probabilities of paying off.
- 8. Hard Work Although entrepreneurs are the primary source of motivation for their businesses, they also must be willing and ready to get down and do the dirty work in case they need to. They are visionaries who have a single goal and are determined to do anything to see their inventions come to life.

- 9. Optimism Successful entrepreneurs have a **positive outlook** towards circumstances. The present problems they face do not trouble them. Instead, they're optimistic about the future and believe that everything will be favorable as time goes on.
- Networking One of the greatest personal characteristics entrepreneurs need, and which is crucial for success, is the ability to connect with people and identify opportunities for partnership. Meeting new people gives you access to resources and knowledge required in your field. It gives you opportunities to learn from the success and failure of others, meet new clients, and promote your goods or services.

# Entrepreneur and Manager

	Entrepreneur (Self-employed)	Manager (Paid employee)			
1	You are completely independent and free to work according to your wishes.	You have to work according to the directions of the employer.			
2	You are entitled for the whole profit you make. Your efforts are rewarded proportionately.				
3	There is great scope of creativity. You can introduce innovation and changes to improve your earnings.	There is always lack of incentives so there is generally lack of enthusiasm.			
4	As your efforts are quickly rewarded you feel encouraged to work with enthusiasm.	There is little or almost no scope for creativity. Rather the work is generally of a monotonous nature.			
5	In self-employment there is full responsibility. Whatever happens has to be borne by the self-employed person.	1.77			
6	There are risks of less income or loss at times.	There is no risk of less income as any paid employee is paid fixed salary.			
7	In many cases self-employed persons are not qualified or even illiterate	For paid-employment, generally one has to be qualified or skilled in one or the other trade.			

8	Initiative, capital and bard work is needed to make	There is no need of money and once				
	self-employment a success.	appointed, there is no compulsion to take				
		initiative or work very hard.				
9	A self-employed person gives jobs to other people and thus helps the nation in solving	employment and there is no scope of his				
	the unemployment problem.	giving employment to others.				

#### Emergence of First Generation Entrepreneurs

- Annorsat general biominent defice energy technologies to tants dance individually be disproved by the sessentially an
- Extremente of capital, lack of political unity,
- Habstillen filiat no flewings be making of the Phylician by interesting the filiation of th
- The managing agents, the businessmen operating in the Agency houses, are the real entrepreneurs of India.
- The first cotton mill was set up by a Parsi- Cowasjee Nanabhoy Davar in Bombay. I N Tata gave lead in steel industry in the last quarter of 19th century famAlymedabad a second largest textile mill was started by Ranchhodlal Chhotalal belonging to a Brahmin
- Anthen reitsten Whislam Was mergrent harlow sugar hindus aciks the inprient seint fashe programs work strops, to filself langue
- During Second World War entrepreneurs got many incentives for setting up new industries.
- Achierpilads tetelogo aprince and achier confirming a certific of the sound of the
- Prablycascither undertakings contributed to the maximum extent to the growth of economy and development of
- Threadeness in the fields of electronics, communications and computers stimulated many first generation

### Entry barriers:

- Entry barriers are those forces limiting access to identified business opportunities and capitalization on these opportunities.
- ► These are:
- 1. A cultural bias in identifying and managing the entrepreneurial development process.
- 2. Insufficient market information and industry data
- 3. Limited effectiveness of infrastructural base
- 4. Existence of visible and invisible obstacles to entry of specific social group (ex. Women) into business.
- 5. Hostile environment
- 6. Limited access to technology
- Environmental analysis is a strategic tool. It is a process to identify all the external and internal elements, which can affect the organization's performance. The analysis entitle assessing the level of threat or opportunity the factors might present. These evaluations are later translated into the decision-making process. The analysis helps align strategies with the firm's environment.

- Businesses are greatly influenced by their environment. All the situational factors which determine day to day circumstances impact firms. So, businesses must constantly analyze the trade environment and the market. The most used detailed analysis of the environment is the <u>PESTLE analysis</u>.
- ► The letters in PESTLE, also called <u>PESTEL</u>, denote the following things:
- Political factors
- Economic factors
- Social factors
- Technological factors
- Legal factors
- Environmental factor

The political factors take the country's current political situation. It also reads the global political condition's effect on the country and business

Some political factors that you can study are:

- Government policies Taxes laws and tariff
- Stability of government
- Entry mode regulations
- Political Factor Example: A company decides to move its operations to a different state after a new government is elected on a campaign to implement policies that would adversely impact the company's core operations.

Economic factors involve all the determinants of the economy and its state. These are factors that can conclude the direction in which the economy might move

- The inflation rate The interest rate
- Disposable income of buyers
- Credit accessibility
- Unemployment rates The monetary or fiscal policies
- The foreign exchange rate
- Economic Factor Example: A company decides to refinance its debt after an interest rate decrease is announced.

Countries vary from each other. Every country has a distinctive mindset. These attitudes have an impact on the businesses. The social factors might ultimately affect the sales of products and services.

#### Social Factors

- PESTEL analysis also takes into consideration social factors, which are related to the cultural and demographic trends of society. Social norms and pressures are key to determining consumer behavior. Factors to be considered are the following:
- Cultural Aspects & Perceptions
- Health Consciousness
- Populations Growth Rates
- Age Distribution
- <u>Career</u> Attitudes
- Social Factors Example: The percentage of the American population that smokes has decreased since the 1970s, due to changes in society's perception of health and wellness.

- Technological Factors
- Technological factors are linked to innovation in the industry, as well as innovation in the overall economy. Not being up to date to the latest trends of a particular industry can be extremely harmful to operations. Technological factors include the following:
- <u>R&D</u> Activity
- Automation
- Technological Incentives
- The Rate of change in technology
- Technological Factors Example: A company decides to digitize their physical data files to allow for quicker access to company information.

#### Environmental Factors

- Environmental factors concern the ecological impacts on business. As weather extremes become more common, businesses need to plan how to adapt to these changes. Key environmental factors include the following:
- Weather Conditions
- Temperature
- Climate Change
- Pollution
- Natural disasters (tsunami, tornadoes, etc.)

**Environmental Factors Example:** An agricultural company has to adjust its harvest <u>forecasts</u> due to unexpectedly dry seasonal conditions that will prevent crop growth..

### Legal Factors

- There is often uncertainty regarding the difference between political and legal factors in the context of a PESTEL analysis. Legal factors pertain to any legal forces that define what a business can or cannot do. Political factors involve the relationship between business and the government. Political and legal factors can intersect when governmental bodies introduce legislature and policies that affect how businesses operate.
- Legal factors include the following:
- Industry Regulation
- Licenses & Permits
- Labor Laws
- Intellectual Property
- Legal Factors Example: A restaurant is forced to shut down after not meeting food safety standards set out in state law.

### Women Entrepreneurs

#### Development of women entrepreneurs:

- Women constitute about 50% of the world population.
- Women have been victims of social prejudices and assumptions.
- · In traditional societies, women had been confined to the four walls of home, children, household affairs and family rituals and customs.
- In recent years, women have been in the forefront in different walks of life and competing successfully with men despite the social, psychological and economic barriers because of education, political awakening legal safe guards, urbanization, social reforms etc.
- In the 7<sup>th</sup> five year plan, a special chapter on women's development has been included giving the plan of action for "integration of women in development".
- The new industrial policy of Govt. of India has specially highlighted the need for conducting training programs for women.
- The training programs should be reoriented to include imparting new skills in various areas rather than emphasizing only on female oriented courses like stitching, embroidery, household decoration etc.
- With the spread of education and new awareness, women entrepreneurs are entering the fields of higher levels of 3 Es Engineering, Electronics & energy. Today no field is unapproachable to women.

## Women Entrepreneurs cont

- According to Government of India, "A Woman enterprise is the one owned and controlled by a woman having minimum financial interest of 51% of the capital and giving at least minimum 51% of generated employment to women".
- World over 1/3<sup>rd</sup> of the entrepreneurial ventures are run by woman entrepreneurs. Due to economic progress, better access to education, urbanization, spread of liberal and democratic culture and recognition by society, there has been a spurt in woman entrepreneurship in India. Special incentives and drives have been created in India to bolster the growth of women entrepreneurs. Schemes like Startup India and Standup also make special case to promote entrepreneurial drive among women.
- Indian woman Entrepreneur, Kiran Muzumdar Shaw, Chairman and Managing Director of Biocon Limited, received various coveted corporate award and civilian awards like Padma Shri (1989) and Padma Bhushan (2005) for her remarkable contribution to health and medicine industry. Other famous Indian Women entrepreneurs include personalities like Vandana Luthra, Ekta Kapoor, Naina Lal Kidwai and so on.

ALEAP, WE HUB'S Suvidha

## Conception of ideas

Conceiving the Idea/Sources of Ideas:-

The entrepreneur has to first search for a sound and workable business idea and must give a practical shape to it.

He should be convinced that the idea is sound and likely to give a reasonable return on his investment.

- Project ideas originate from the various sources or due to different reasons like
- ► 1. The success story of a friend/relative,
- Experience of others in manufacture/sale of product, 3 Demand for certain products,
- 4. Chances of producing a substitute of an article imported for which there is good demand,
- 5. Visits to trade fairs, 6. Study of Project profiles and industrial potential surveys,
- 7. Meeting government organizations 8. Review of imports and exports
- 9. Suggestions of financial institutions and development agencies 10. Possibilities of reviving sick units
- ► 11. Unfulfilled psychological needs of customers 12. Economic and social trends
- ► 13. Study of outlays of government expenditure
- ► 14. New technological developments etc., and of course the motivation, background and skill of the entrepreneur and his associates.
- Stimulating the flow of ideas:
- ► 15 Going through certain professional magazines
- To help conception of ideas which can be turned into a profitable product, the following steps may be useful.
- SWOT analysis:
- The introspection into the organization's Strengths, Weaknesses, Opportunities and Threats facilitates the generation of new ideas.
- First two is related to internal and later two related external Environment
  - 2. Clear articulation of objectives:
  - Cost reduction Productivity improvement Increase in capacity utilization

## Evaluation of ideas

- Evaluation and preliminary screening are needed to eliminate ideas which prima facie are not promising. The following aspects will be helpful in evaluating the ideas in the initial stages.
- Compatibility with promoter
  - Interest
  - Personality
  - Resources
- Consistency with government priorities
- Consistent with national goals and priorities
- Environmental effects
- FE requirements
- Licenses
- 3. Availability of inputs
  Capital requirements
  Technical know-how
  Raw materials
  Power requirements
- 4. Adequacy of market
  Competitors and market share
  Export market
  Price profile
  Sales and distribution system
  Consumption patterns
- 5. Reasonableness of cost
  Cost material inputs
  Labor costs
  Economies of scale
  Overheads

  - 6. Acceptability of risk level
    Vulnerability to business cycles
    Technological changes
    Competition from substitutes, imports
    Government controls over price and distribution

## **Project rating index**

- Preliminary evaluation may be streamlined by a rating index which can be worked out as follows.
- Steps:
- 1. Identify factors relevant for project rating
- 2. Assign weights to these factors reflecting the relative importance
- 3. Rate the project proposal on various factors using a suitable scale say 5 point scale
- 4. For each factor multiply the factor rating with factor weight to get the factor score
- Add all the factor scores to get the over all project rating index

#### Construction of rating index

Factors	Factor	Rating					Factor
	weight	VG	G	A	P	VP	score
		5	4	3	2	1	
Input availability	0.25			X			0.75
Technical know-how	0.10		X				0.40
Reasonableness of	0.05		X				0.20
cost	0.15	X					0.75
Adequacy of market							
Complimentary							
relationship with	0.05		X				0.20
other products	0.10		X				0.40

Stability	0.00	v	1.0
Dependence on firm's strength	0.20	X	1.0
Consistency with govt.	0.10	X	0.30
policies			
Total	1.0		4.00

## **Choice of Technology for Economic Growth**

- (1) Scarcity of Capital: Modern technology is an expensive technology. They require heavy doses of capital and skilled manpower. In underdeveloped countries there is the scarcity of both capital and skilled manpower. So the adoption of new technology becomes difficult.
- (2) Problem of Utilization: Technological development has been a very slow process in developed countries. Accordingly, their social, political and economic institutions have great difficulty in adopting the changing technological scenario in the country. However, in underdeveloped countries traditions and conventions still have a strong hold in the institutional set up of these countries. The adoption of such a new technology is therefore not a smooth -sailing process.
- (3) Illiteracy: Majority of the population in underdeveloped countries is uneducated. It is difficult to acquaint them with new technology. Thus for the first task of the Govt. in underdeveloped countries is to generate enthusiasm among the common masses regarding new ways of doing things. This should be adopted specially in agricultural sector.
- (4) Different Conditions: Technology has been developed in developed countries to suit their needs and means. But, needs and means of underdeveloped countries differ as in developed countries. Accordingly many types of technology developed in advanced nations may not suit the underdeveloped world. Therefore, different conditions prevailing in both countries create many obstacles for the adoption of new technology.
- (5) Problem of Obsolescence: It has been observed that technology has developed very fast in developed countries that the existing techniques very soon become obsolete. When the new technology reaches the underdeveloped world, it is declared as of vintage variety in the developed countries. The result is that the underdeveloped are never able to reap full benefits of the so called new technology. It is therefore desired that underdeveloped should develop their own technology themselves and avoid to import new technology.
- ► (6) Lack of Able Innovators: There is not only the dearth of capital but also of the able innovators and entrepreneurs in underdeveloped countries.
- (7) Capital Intensive In developed countries, technology is most capital intensive. Scarcity of labour results in high wage rate in these countries. In contrast with the abundance of their man-power, underdeveloped countries need labour intensive technology. Capital intensive technology would not be much suitable for them.

Acquiring Technology:

Technology may either be developed internally or acquired from others who have successfully implemented and been using profitably.

The various methods of acquiring technology are

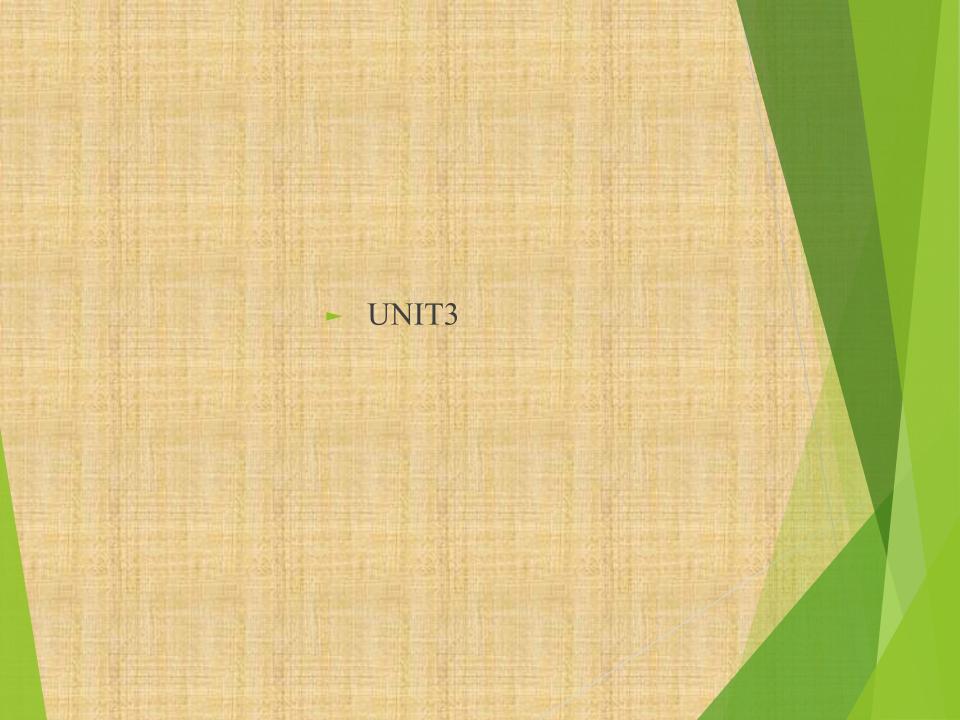
- 1) Technology licensing
- License to use the patented technology on mutually agreed basis
- Package has to be disaggregated into its components
- Clear terms and conditions like extent of technology, cost, guarantees provided, duration of license, purchase of intermediate products, components and other inputs, use of trade name etc.

2) Purchase of technology (Transfer of technology)

- Suitable where technology is stable in the future
- No further assistance is needed from the seller of technology
- Capability to absorb technology and maintain study growth.

3) Joint venture arrangement (Collaboration)

- Technical collaboration
- •Technical and Financial collaboration
- •Buy back arrangements
- •Equity holding motivates the supplier in transferring the improvements promptly
- **Collaborative interaction for Technology Development:**
- Sharing investment costs
- Exchanging expertise and technological knowledge
- Joint Research and development efforts for mutual benefit Expanding market share and competitive advantage



## Project formulation

- Project formulation refers to step-by step investigation of resources and development of project idea. It provides a controlled mechanism for restricting expenditure on project development
- It is a process involving the joint efforts of a team of experts belonging to different areas of specialization. The members of the team are expected to possess the required knowledge of project strategies, objectives and other ingredients of the project
- Normally project formulation team comprise the following members
- Industrial economist 2) Market analyst 3)Technologist 4)Industrial Engineer 4) Civil engineer 5) Government official.
- A well formulated feasibility report prepared by the team provides an opportunity to cut across scientific, social and positional prejudices and helps in successful implementation of project

# Need for project formulation

New project idea comes to reality only when the entrepreneur examines the

Various problems associated with it such as selection of appropriate technology,

Non-availability of external economies, dearth of qualified and skilled personnel, difficulties in mobilizing the capital and insufficient knowledge of government rules and regulations.

Every project involves risk. There are certain ways and means to reduce risk nvolved in it. Project appraisal is one of them. It is a cost -benefit analysis of different aspects of proposed project with an objective to judge its viability.

A project involves employment of scarce resources. An entrepreneur needs to appraise various alternative projects before allocating scares resources for the best project. For appraising a project its economic, financial, technical, market

Managerial and social aspects are analysed. Financial institutions do project appraisal to assess its credit worthiness before extending finance to project

## Analysis of market demand

- Pefore the production actually starts, the entrepreneur needs to anticipate the possible market for the product. He/she has to anticipate who will be the possible customers for his product and where and when his product will be sold.production has no value for the producer unless it is sold. It is said that if the proof of pudding lies in eating, the proof of all production lies in marketing/ consumption. In fact, the potential of the market constitutes the determinant of probable rewards from entrepreneurial career.
- The commonly used methods to estimate the demand for a product are as follows:
- 1. Opinion Polling Method:
- In this method, the opinions of the ultimate users, i.e. customers of the product are estimated. This may be attempted with the help of either a complete survey of all customers (called, complete enumeration) or by selecting a few consuming units out of the relevant population (called, sample survey).

#### **(a) Complete Enumeration Survey:**

- In this survey, all the probable customers of the product are approached and their probable demands for the product are estimated and then summed. Estimating sales under this method is very simple. It is obtained by simply adding the probable demands of all customers. An example should make it clear.
- Suppose, there are total N customers of X product and everybody will demand for D numbers of it. Then, the total anticipated demand will be:
- $\sim$  N  $\sum$  i=1 D<sub>i</sub>N
- Though the principle merit of this method is that it obtains the first-hand and unbiased information, yet it is beset with some disadvantages also. For example, to approach a large number of customers scattered all over market becomes tedious, costly and cumbersome. Added to this, the consumers themselves may not divulge their purchase plans due to the reasons like their personal as well commercial/business privacies

- (b) Sample Survey:
- Under this method, only some number of consumers out of their total population
- is approached and data on their probable demands for the product during the forecast
- period are collected and summed. The total demand of sample customers is finally blown
- up to generate the total demand for the product.
- Let this also be explained with an example.
- Imagine, there are 1000 customers of a product spread over the Faridabad market. Out of
- these, 50 are selected for survey using stratified method. Now, if the estimated demand of
- these sample customers is Di, i.e., it refers to 1 2 3....50, the total demand for the entire
- group of customers will be
- 50 Σ ni Di = n1 D1 +n2D2 + n3 D3...... n50 D50
- Where n, is the number of customers in group i, and n1 + n2 + n3....n50 = 1000.
- But, if all the 1000 customers of the group are alike, then the selection may be done on a
- random basis and total demand for the group will be:
- (D1 D2 + D3 +D4...D5) 1000 /50
- No doubt, survey method is less costly and tedious than the complete enumeration method

#### **(c) Sales Experience Method:**

- Under this method, a sample market is surveyed before the new product is offered for sale. The results of the market surveyed are then projected to the universe in order to anticipate the total demand for the product.
- In principle, the survey market should be the true representative of the national market which is not always true. Suppose, if Delhi is selected as a sample market, it may not be a true representative of a small place, say Silchar in Assam simply because the characteristic features of Delhi are altogether different from those of a small town like Silchar.
- Again, if we select Agra as a sample market, sales in Agra would be influenced by the size of the floating tourist's population throughout the year. But this feature is not experienced by many other places again like Silchar in Assam.

### (d) Vicarious Method:

not approached directly but indirectly through some dealers who have a feel of their customers. The dealers' opinions about the customers' opinion are elicited. Being based on dealers' opinions, the method is bound to suffer from the bias on the part of the dealers. Then, the results derived are likely to be unrealistic. However, these hang-ups are not avoidable also.

- Life Cycle Segmentation Analysis:
- It is well established that like a man, every product has its own life span.
- In practice, a product sells slowly in the beginning. Backed by sales promotion
- strategies over period, its sales pick up. In the due course of time, the peak sale
- is reached. After that point, the sales begin to decline. After, some time, the product
- loses its demand and dies. This is natural death of a product. Thus, every product passes
- through its 'life cycle'. This is precisely the reason why firms go for new products one
- after another to keep themselves alive.
- Based on above, the product life cycle has been divided into the following five stages:
- 1. Introduction
- 2. Growth
- 3. Maturity
- 4. Saturation
- 5. Decline
- The sales of the product vary from stage to stage and follows S-shaped curve as shown in Figure 16.1: