

COURSE FILE

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SYLLABUS

ME 411

ENTREPRENEURSHIP

Instruction:	4 Periods per week
Duration of University Examination:	3 Hours
University Examination:	75 Marks
Sessionals:	25 Marks

Unit-I

Indian Industrial Environment – competence, Opportunities and Challenges. Entrepreneurship and Economic growth. Small Scale Industry in India, Objectives, Linkage among small, medium and heavy industries. Types and forms of enterprises.

Unit-II

Identification and characteristics of entrepreneurs. Emergence of First generation entrepreneurs, environmental influence and women entrepreneurs. Conception and evaluation of ideas and their sources. Choice of Technology – Collaborative interaction for Technology development.

Unit-III

Project formulation, Analysis of market demand, Financial and profitability analysis and Technical analysis. Project financing in India.

Unit-IV

Project Management during construction phase, project organization, project planning and control using CPM, PERT techniques. Human aspects of project management. Assessment of tax burden.

Unit-V

Behavioral aspects of entrepreneurs: Personality – determinants, attributes –and models. Leadership concepts and models. Values and attitudes. Motivation aspects. Change behavior. Time Management: Various approaches of time management, their strengths and weakness. The urgency addiction and time management matrix.

Suggested Reading

1. Vasant Desai, "Dynamics of Entrepreneurial Development and Management", Himalaya publishing House, 1997.
2. Prasanna Chandra, "Project-Planning, Analysis, Selection, Implementation and Review", Tata McGraw-Hill Publishing Company Ltd. 1995
3. Stephen R. Covey and A. Roger Mdrill, "First Things First", Simon and Schuster publication, 1994
4. G.S. Sudha, "Organizational Behaviour", National publishing house, 1996
5. Robert D. Hisrich, Michael P. Peters, "Entrepreneurship", Tata Mc graw Hill Publishing Company Ltd., 5th Ed., 2005

TEACHING PLAN

ENTREPRENEURSHIP

(Elective)

Class : B.E. 4/4 (ECE) Semester : II
 Teachers Name : C.Sumalatha No. of Periods : 56

Weeks	Periods	Unit	Topic to be covered
1	1	I	General introduction to Entrepreneurship
	2		Indian Industrial Environment – Competence, Opportunities and challenges.
	3		Entrepreneurship and Economic growth.
	4		
2	5		Small Scale Industry in India.
	6		Objectives, Linkage among Small, medium and heavy industries.
	7		
	8		
3	9		Types and forms of enterprises.
	10		
	11		Identification and characteristics of entrepreneurs.
	12		
4	13	II	Emergence of First generation entrepreneurs, environmental influence and women entrepreneurs.
	14		Conception and evaluation of ideas and their sources.
	15		
	16		
5	17		Choice of Technology -
	18		Collaborative interaction for Technology development.
	19		
	20		Revision of Units I & II
6	21		
	22	III	Project formulation.
	23		
	24		Analysis of market demand.
7	25		
	26		-do-
	27		Financial and profitability analysis and Technical analysis
	28		

TEACHING PLAN

ENTREPRENEURSHIP

(Elective)

Class : B.E. 4/4 (ECE) Semester : II
 Teachers Name : C.Sumalatha No. of Periods : 56

Weeks	Periods	Unit	Topic to be covered
8	29	III	Project financing in India.
	30		
	31	IV	Project Management during construction phase
	32		
9	33		Project organization, project planning and control using CPM, PERT techniques
	34		
	35		-do-
	36		Human aspects of project management
10	37		
	38		-do-
	39		Assessment of tax burden.
	40		
11	41		Revision of Units III & IV
	42		Case study – PERT
	43	V	Behavioral aspects of entrepreneurs: Personality-determinants, attributes-and models.
	44		
12	45		Leadership concepts and models.
	46		
	47		Values and attitudes. Motivation aspects. Change behavior
	48		
13	49		Time Management: Various approaches of time management, their strengths and weakness.
	50		
	51		The urgency addiction and time management matrix.
	52		
14	53		Revision of Unit V

ENTREPRENEURSHIP (A brief notes)

by

C.Sumalatha

LIST OF BOOKS REFERRED:-

1. P.SARAVANAVEL, "ENTREPRENEURIAL DEVELOPMENT Principles, Policies and Programs", Ess Pee Kay Publishing House, Madras
(A Xerox copy of this is available in Reference Library, MVSR Engg. College)
2. S.V.S.Sharma, D.Nagagaiaya, I.Gnana Kannan, E.D.Sing Setty, Anglian Mohluddin, Chitra Sharma, Tahera Mashiuddin and E.G.Parameswaran, "Developing Entrepreneurship (Issues & Problems)", S.I.E.T. Institute, Yousufguda, Hyderabad-500 045
3. Dr.Manohar U.Deshpande, "ENTREPRENEURSHIP OF SMALL SCALE INDUSTRIES (Concept, Growth, Management)", Deep Publishers, New Delhi - 110 027
4. M.C.G. Gupta, "ENTREPRENEURSHIP IN SMALL SCALE INDUSTRIES", Annual Publications, New Delhi
(A Xerox copy of this is available in Reference Library, MVSR Engg. College)
5. Prasanna Chandra, "Projects (Planning, Analysis, Selection, Implementation & Review)", Fourth Edition, Tata McGraw-Hill Publishing Company Ltd., New Delhi
6. C.Subhash, "A PRACTICAL GUIDE TO SELF EMPLOYMENT AND ENTREPRENEURSHIP", Asia Publishers, Delhi
7. Course material, "Teachers Training Program in Entrepreneurship", Sponsored by the Department of Science & Technology, Govt. of India, New Delhi On 26.9.'94 to 1.10.'94 at Entrepreneurship Development Cell (EDC), R.E.C., Warangal.
8. G.D.Sharma, "HOW TO STSART YOUR OWN SMALL INDUSTRY", Orient Paperback, Bombay & Delhi
9. Vasant Desai, "Dynamics of Entrepreneurial Development and Management", Himalaya publishing House, 1997.
10. Prasanna Chandra, "Project-Planning, Analysis, Selection, Implementation and Review", Tata McGraw-Hill Publishing Company Ltd. 1995
11. Stephen R. Covey and A. Roger Mdrill, "First Things First", Simon and Schuster publication, 1994
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Unit-I

Indian Industrial Environment – competence, Opportunities and Challenges. Entrepreneurship and Economic growth. Small Scale Industry in India, Objectives, Linkage among small, medium and heavy industries. Types and forms of enterprises.

Definition of an Entrepreneur:

Entrepreneur is a person who isolates purchase and sales Opportunities and exercises his intelligence and overcoming spirit to utilise such opportunities to increase his economic power.

Entrepreneur provides the enterprise with resources.

According to Noah Webster, Entrepreneur is "One who assumes the risk and management of business". It does not involve wages, rent or interest, routine human efforts (i.e., labor), use of land, provision of capital.

According to Higgins 'Entrepreneurship is meant the junctions of seeking investment and production opportunities'.

"One who can manage a business, one who can organize people for ongoing work".

Entrepreneur is one who innovates, raises money, assembles inputs, chooses managers, and sets the organization going with his ability to identify them and opportunities which others are not able to identify, and is able to fulfill such economic opportunities.

- Joseph A Schumpeter

The true entrepreneur is one who is endowed with more than average capacities in the task of organizing and coordinating the various factors of production.

- Francis A Walker

Entrepreneur is one who always searches for change, responding to it and exploits it as an opportunity.

Entrepreneurs have to learn to practice systematic innovation which consists in the purposeful and organized search for changes and in the systematic analysis of the opportunities such changes might offer scope for economic or social innovation.

- Peter Drucker

Entrepreneurs and entrepreneurship

Concept:

All human beings have an urge to exercise power over other beings and objects.

Degree may vary person to person.

Entrepreneur is a person who isolates purchase and sales opportunities and exercises his intelligence and overcoming spirit to utilize such opportunities to increase his economic power. He is a person who assumes the risk and management of his business.

The representative-ness of human agencies which strive for industrial development and are responsive to the business incentives and motivation, is termed as **entrepreneurship**.

Entrepreneur is the person who provides the Fourth factor of production namely **enterprise**. The three factors are Labor, land and capital. The fifth factor is Science and technology.

Classification of entrepreneurs:

1. Innovative entrepreneurs
 - Aggressive in experimentation
 - Sees the opportunities for introducing new things
 - Clever in putting attracting possibilities in to practice
2. Adoptive or imitating entrepreneurs
 - Ready to adopt successful innovations initiated by others
 - Imitates techniques and technology
 - Much suitable to developing countries
3. Fabian entrepreneurs
 - Show great caution and skepticism in practicing any change
 - Have neither will to introduce new changes nor desire to adopt new methods
 - Shy and lazy
 - Try to follow the footsteps of their predecessors
 - Follow customs, tradition and past practices
4. Drone entrepreneurs
 - 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
5. Inheritance
6. Technologist
7. Forced

Other classification may include:

- | | | |
|---------------------|---|-------------------|
| 1. Individual | - | Institutionalized |
| 2. First generation | | Established |
| 3. Men | | Women |
| 4. Rural | | Urban |
| 5. Born | | Manmade |
| 6. Small scale | | Large scale |

Functions of an entrepreneur:-

- 1) Innovation
- 2) Risk-taking
- 3) Organization and management of business so

as to

have leadership and control over it.

In developing or in a developed country, the state has to assume the role of protection and promoter of small enterprises by way of

1) Allotment of land/factory sheds at low cost by the state 2) concessional finance 3) tax exemptions 4) priority in government purchases 5) exclusive reservation of certain products for manufacturing.

Entrepreneur distinguished from other functionaries:-

1. Inventor loses to entrepreneur in the sense that inventor invents but cannot exploit economically.
2. Entrepreneur and Speculators - Resembles but differs in organizing and introducing innovations.
3. Entrepreneur and inventor: - Entrepreneur exploits the inventions commercially into a business.
4. Entrepreneur and Manager
Entrepreneur and other factors of production such as rent of land, wages of labour and interest for capital will always be positive, but the reward of the entrepreneur are -- profit -- can sometimes be negative depending upon the degree/grade of entrepreneurial talents.

	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.	You get your fixed salary or at the most a small amount of bonus as reward for your work.
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.	Comparatively there is less responsibility.
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 hard work is needed to make self-employment a success.	There is no need of money and once 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 the unemployment problem.	It is difficult to get paid employment and there is no scope of his giving employment to others.

Qualities of Entrepreneur:-

1. Capacity to assume risks and possessing self confidence.
2. Technological knowledge, alertness to new opportunities, willingness to accept change and ability to imitate
3. Ability to marshal resources – ability to build organization is perhaps the most precious of all entrepreneurial skills.
4. Ability to build an organisation and administration.

The entrepreneur must have special quality of judgment, perseverance and knowledge of the world as well as of business. He is called upon to estimate, with tolerable accuracy the importance of specific product, the probable amount of demand and the means of its production; at another, buy or order the raw material, collect laborers, find consumer and give at all times a rigid attention to order and economy.

Definition of Business:-

Business means the state of being busy. It is a gainful human activity that one can be busy about. It is an elastic composite word covering the complex gainful activities. The principal purpose is to extract, transform and exchange the natural resources with the object of selling them at a profit. Business includes trade, commerce and industry.

Trade – domestic or internal trade,

Foreign trade or International trade

Commerce involves the distribution process consisting of buying and selling (trade) and all other activities of storing, grading, packing, financing, insurance and transporting to places of requirements. Principal function of commerce is to remove hindrances of person, place and time in connection with the distribution of commodities until they reach the customers.

Industry involves in process of extraction and production of goods which are sold either for further transformation into finished product or for ultimate consumption.

The wholesome knowledge of business system will be making an individual a successful entrepreneur.

Entrepreneur word is derived from French word entreprendre meaning "to undertake".

The "Entrepreneur" means a person who organises and manages a business undertaking assuming the risk for the sake of fulfillment of some of his needs.

The Objectives of Business or an industry:-

1. Economics 2.Social 3.Human

1. Economics:-

Profit making is one of the objectives.

Profits are the legitimate rewards for honest endeavors. Profits are also the key to efficiency, drive and initiative. Profits also serve:

- a) Providing capital for meeting the cost of

enterprise and to continue the same, b) Provide capital for future expansion, c) Provide a measure for business performance, d) Provide an indicator of efficiency.

2. Social:-

Business exists in society. Hence the survival of the industry/business rests in its dealing with society. Society provides customers. The requirements are right quality of goods in right time and at right price and these are conflicting to the view points of business/industry.

- By way of creating welfare activities, hospitals, schools, entertainment etc.

51224912. Human:-

Business or industry is an organised system of human

beings for joint performance to meet the social needs.

Building

up a high team spirit and healthy atmosphere is the essential function of an industry, to realise maximum of talents and potentials of workers or employees.

WORK: - 1) economic in nature and 2) motivational

Types of work are

- | | |
|-----------|--------------------------------|
| 1. | Extractive work |
| 51224864. | Constructive work (production) |
| 51224865. | Distributive work (trade) |
| 51224866. | Professional work |
| 51224867. | Defense and allied services |

Some people work for others while some like to work for themselves. In other words some people are employed by others, some are self-employed (Entrepreneur).

Characteristics of an enterprise:

- 1 People work together primarily for the purpose of making, selling and / or distributing a product or service
- 2 It consumes other valuable resources to produce the output.
- 3 It is a continuing entity.
- 4 It must have enough autonomy for its management to take actions considered appropriate to maintenance or enhance the firm's economic success.

SMALL SCALE UNIT: - A unit where investment in fixed assets in plant and machinery is only up to Rs. 5 Crores (in case of ancillary units the limit is up to Rs. 5 Crores and 25 Lakhs) is defined as a small scale unit, whether held on ownership terms or by lease or by hire-purchase. These should not be subsidiaries of large units.

ANCILLARY UNIT: - Small scale industries producing items for large industries needed costly machinery and equipment. These industries were producing standardized goods of high precision to suit the requirements of big and reputed large scale units and installation of costly testing equipments was also necessary, at least 50% of the annual production is meant for a large scale industry, is termed as Ancillary industry. A unit which produces parts, components sub-assemblies for supply

against known or anticipated demand of one or more large units manufacturing or assembling complete products and which not a subsidiary to or controlled by any large unit in regard to the negotiation of contracts for supply of its goods to any large unit.

Large scale industries: - Earlier all those industries which require Letter of Intent (LOI) and industrial license are termed as large scale industries. These industries had to register with Directorate General of Technical Development (DGTD). As per the latest Government definition, all industries with investment in plant and machinery more than RS. 100 crores come under large scale industries.

TINY UNIT: - Units with investment in machinery and equipment up to Rs. 25 Lakhs and situated in towns which have a population below 50 thousand is defined as a tiny unit.

Self-employment opportunities are available for tiny units, for ex-servicemen, technicians etc. Annual turn over of tiny unit will be less than Rs. 50 lakhs. Prices of the goods manufactured by a tiny unit are fixed higher than that of a small scale unit.

Export Oriented Units (EOU):-

Investment up to Rs.10 crores. Exporting a minimum of 30% of its production within 3 years of commencement of production.

Manufacturing entrepreneurship did not develop till 1850 due to lack of communication and transportation systems. Banares, Allahabad, Gaya, Puri which are on the riverbeds did business.

Small Scale Industries in India:

- The role of SSI units is significant in overall growth of the economy in our country.
- SSIs are especially important in the context to employment potentials, equitable distribution of wealth, balanced regional growth and preservation and development of ancient art and craft.
- At present in our country the small scale sector contribute nearly 55% of the total industrial output and 40% of the total exports.
- SSI has also achieved a high degree of sophistication and has been making significant progress in quality up gradation and standardization.
- Small enterprises are able to successfully adapt to the changing situations and possess creative strength.
- SSI has low capital intensity and high labor orientation.
- Although the prospects of SSI are plenty, the new industrial policy is hampering their sustained growth in the nineties. The new policy is more favorable to the multinational companies.
- The rapid and diversified growth of small-scale units has been contributing to the nation's economic development.

Objectives:

1. Expanding employment opportunities
2. Adoption of modern techniques
3. Dispersal of industries in rural areas
4. Production of consumer goods on large scale
5. Mobilization of local skills and capital
6. Equalitarian distribution of income and wealth widely in society
7. Bring out the latent potentials and skills in the entrepreneurs

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 the 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.

Various reasons for lack of development are:

1. Lack of capital
51227744. Lack of political unity
51227745. Network of custom barriers
51227746. Existence of innumerable systems of currency
51227747. Regional markets plagued by arbitrary political authority
51227748. Taxation policies
51227749. Low prestige of businessmen in the society.

Agency Houses introduced new methods of production, new sources of raw materials and new products and markets.

These houses entered business, trade, banking in Calcutta, Bombay and Madras. Parsees and Marwaries dominated the business and industry from 1st world war period and 2nd world war period.

Indian Industrial Environment

1.0 Immediately after our country became independent, Government of India felt the need for developing industries in a planned manner in the national interest. The government adopted an industrial policy 1956 with the objectives of

1. To Accelerate rate of economic growth through speedy industrialization
2. To develop heavy industries and machine building industries
3. To expand the public sector
4. To build up a large and growing cooperative sector
5. To reduce disparities in income and wealth
6. To prevent private monopolies

Main features:

1. Classification of industries in to Schedule A, B and C
2. Sectoral interdependence
3. Role of small-scale and cottage industries
4. Reduction of regional disparities
5. Assistance to private sector
6. Sound industrial relations and incentives for labor
7. Management of public undertakings

Due to the changing conditions, amendments to the industrial policies have been made during 1973, 1977, 1980, 1991, until the recent reforms of 1992-93.

In the Indian business scene, many changes have been introduced in the liberalization process of economy which began in 1990 and still continues.

The major changes are:

1. Industrial policy changes
 - Very few industries requiring licenses
 - Liberalizations in FERA
 - Almost no control under MRTP act
 - Role of PSUs getting diluted
 - Liberalizations of foreign direct investment
 - More freedom in capital market- abolition of CCI
2. International trade policy changes
 - Globalization of economy
 - Lowering down of import tariffs
 - More items under OGL
 - Emphasis on export but not through financial incentives
3. Structural adjustment
 - Phasing out of subsidies
 - Gradual dismantling of administrative price mechanism
 - Public sector disinvestment
 - Exit policy for business
 - Smother way of merger and acquisition

1.1 **The present industrial environment in India:**

Environment can be broadly classified into the following categories

1. Economic environment

- Economic system
- National income and its distribution
- Monetary policy
- Fiscal policy
- Natural resources
- Infrastructural facilities
- Raw materials and supplies
- Plant and equipment
- Financial facilities
- Man power and productivity

2. Political-legal environment

- Political stability
- Provision various incentives and support
- Rules and regulations
- Defense expenditure

3. Technological environment

- Technology developed within India
- Import of technology
- Research & Development facilities

4. Socio-cultural environment

- Expectations of society from the business
- Attitude towards business
- Customs , Traditions and conventions
- Level of education
- Life style of people

5. Competitive environment

- Industry setting
- Industry attractiveness
- Industry structure

1.2 **Competence:**

- Investment capabilities are enhanced to a great extent
- Infrastructural facilities like land, buildings, power, fuel, transport, communication network etc. are vastly improved
- Technology can be obtained easily. Various R & D laboratories are available for developing process and products
- Skilled labor, technical experts and professional managerial skills are available.
- Capability of meeting international quality standards
- Governmental support and encouragement

1.3 **Opportunities:**

- A number of institutions and organizations are engaged in the development of entrepreneurship.
(District Industries centre DIC)

Indian investment centre (IIC)
Small Industries Development Organization (SIDO)
Small Industries Service Institutes (SISI)
National research Development Corporation of India (NRDC)
National Small Industries Corporation Ltd. (NSIC)
National Alliance of Young Entrepreneurs (NAYE)
Technical Consultancy Organizations (TCO)
APITCO, KITCO etc.

- A number of financial institutions are assisting the entrepreneurs in meeting their capital requirements.
State Financial Corporations (SFCs)
IDBI, IFCI, ICICI, etc.
- Availability of highly skilled labor, Engineers, managerial experts
- Large population creating vast and diversified market
- Government support and encouragement by way of incentives and subsidies.
- Availability of research and development laboratories both in public and private sector.
CSIR, CITD, CIPET, ETDC, ERTL etc.
- Availability of Communication network and Information technology
- Availability of land, Industrial estates and infrastructural facilities

1.4 **Challenges:**

- Competing in the global market both in terms of quality and cost of production
- Concentration on promising areas ensuring high quality, attractive packaging, acceptable delivery, adequacy of supplies, strong home market
- Increasing the capacity of borrowing on commercial terms. (Increasing credit worthiness)
- Emphasis on knowledge management
- Acquiring high technology and improved processes and constant updating

2.0 **Entrepreneurship and Economic growth:**

Entrepreneurship is a creative activity or an innovative function and can be seen in the form of

1. Introduction of a new product
2. Use of new method of production
3. Opening a new market
4. Conquest of new source of supply of raw materials
5. New form of organization

All these factors are contributive to the economic growth. Entrepreneur acts as an agent of production bringing together all factors of production and providing management and control for the survival and growth of the production unit. Economic development consists of employing resources in a different way, bringing in a new combination of means of production. The entrepreneur looks for ideas and put them into effect for economic development.

Economic growth depends on the rate of innovation and the rate of technical progress in the economic field.

Entrepreneurs, with high level of achievement, accelerate the process of economic development.

Entrepreneurship is a process of creating wealth by bringing together the resources in a new way to start a venture that benefits the customers and rewards the founders.

All the developed nations have been benefited from the entrepreneurs in building the economy.

Entrepreneurship leads to industrialization which has better linkages to the other sectors of economy like generation of electricity, exploitation of natural resources, network of transport and communication systems, and expansion of markets.

Industrial development provides vast employment opportunities.

It gives the advantage in international trade.

It is an effective instrument to the growth and welfare.

Industry being an important component of national income, augments not only the taxable capacity of the people in the country, but also contributes effectively to the revenue by paying more and more direct and indirect taxes which can be used by the government for the welfare of its citizens.

Thus the entrepreneurship plays a very important role in accelerating the economic growth.

Types and Forms of enterprises

1.0 Types of enterprises:

1. Service enterprises

- Consulting agencies
- Repair shops
- Professional – doctors, lawyers, engineers, chartered accountants
- Beauty parlors
- Carpenters

2. Trading enterprises

- Provisions shop
- Medical shops
- Dealership and agencies
- Clothes merchants

3. Manufacturing enterprises

2.0 Forms of enterprises:

1. Sole proprietorship

2. Partnership

3. Joint stock companies

- Public limited
- Private limited

4. Co-operative enterprises

1. Sole Proprietorship:

Definitions:

It is the form of business organization on the head of which stands an individual as the one who is responsible, who directs its operations, who alone bears the risk of failure.

A sole trader is a person who sets up the business with his own resources, manages the business himself employing persons for his help and alone bears all the gains and risks of the business.

A sole trader is a person who carries on the business exclusively by and for himself. He is the supreme judge of all matters pertaining to his business subject only to the general laws of the land.

Characteristics of Sole Proprietorship:

- | | |
|----------------------------|--|
| 1. Individual initiative | 5. Secrecy |
| 2. Unlimited liability | 6. Proprietor and proprietorship are one |
| 3. Full managerial control | 7. Owner and business exist together |
| 4. Motivation | 8. Limited area of operations |

Advantages:

- | | |
|----------------------------------|--------------------------------------|
| 1. Easy formation | 8. Direct accessibility to consumers |
| 2. Better control | 9. Inexpensive management |
| 3. Flexibility in operations | 10. No legal restrictions |
| 4. Retention of business secrets | 11. Socially desirable |
| 5. Easy to raise finance | 12. Self employment |
| 6. Direct motivation | 13. Good relations with employees |
| 7. Promptness in decision making | 14. Benefit of inherited good will |

Disadvantages:

- | | |
|-------------------------------|--------------------------------|
| 1. Limited resources | 5. Limited scope for employees |
| 2. Limited managerial ability | 6. No large scale economies |
| 3. Unlimited liability | 7. More risk involved |
| 4. Uncertain continuity | |

Suitability:

- | | |
|---|-------------------------|
| 1. Small scale of operations | 4. Speculative business |
| 2. Local market | |
| 3. When personal contact with customers is needed | |

Examples: Retail traders, Small Engg. Firms, Repair shops

2 Partnership:

Definitions:

The relation between persons who have agreed to share profits of a business carried on by all or any of them acting for all. - As per Partnership act 1932(sec.4)

A partnership firm is a group of two or more persons who have joined capital or services for the prosecution of some enterprise.

Characteristics:

- | | |
|---------------------------------------|--------------------------------------|
| 1. Association of two or more persons | 8. Utmost good faith |
| 2. Contractual relation | 9. Restriction of transfer of shares |
| 3. Earning of profits | 10. Common management |
| 4. Existence of business | 11. Partners and partnership are one |
| 5. Implied authority | 12. Capital contribution |
| 6. Unlimited liability | 13. Protection of minority interests |
| 7. Principle and agent relationship | 14. Continuity |

Advantages:

- | | |
|---|-------------------------------------|
| 1. Easy to form | 9. Close supervision |
| 2. Moderately large resources | 10. Flexibility of operations |
| 3. Greater managerial talent | 11. Secrecy |
| 4. More credit standing | 12. Protection of minority interest |
| 5. Promptness in decision making | 13. Easy dissolution |
| 6. Sharing of risk | 14. Democratic administration |
| 7. Relationship between work and reward | 15. Less managerial expenses |
| 8. More possibility of growth and expansion | |

Disadvantages:

- | | |
|-------------------------------------|-------------------------------------|
| 1. Unlimited Liability | 6. Burdon of implied authority |
| 2. Limited resources | 7. Lack of public faith |
| 3. Instability | 8. Lack of speed in decision making |
| 4. Mutual distrust | 9. Cautious approach |
| 5. Limitation on transfer of shares | |

Suitability:

1. Small and medium scale operations
2. Higher managerial skill and capital requirement
3. Direct contact with consumers

3. Joint stock company:

Definitions:

A joint stock company is a voluntary association of individuals for profit having a capital divided into transferable shares, the ownership of which is the condition of membership.

A company is an association of many persons who contribute money or money's worth to a common stock and employs it in some trade or business and who share the profit or loss, as the case may be, arising there from.

A company means a company formed and registered under the act.

– Sec.3 of Indian companies Act-1956

Characteristics:

- | | |
|------------------------------|---|
| 1. Association of persons | 6. Separation of ownership and management |
| 2. Independent legal Entity | 7. Perpetual Existence |
| 3. Limited liability | 8. Corporate finance |
| 4. Common Seal | 9. Centralized and delegated management |
| 5. Transferability of shares | 10. Publication of Accounts |

Merits:

- | | |
|--|--|
| 1. Accumulation of Resources | 6. Transferability of shares |
| 2. Limited liability | 7. Ability to cope up with changing business environment |
| 3. Continuity of existence | 8. Diffused Risk |
| 4. Efficient management | 9. Democratic set up |
| 5. Economics of large scale production | 10. Social benefits |

Demerits:

- | | |
|---|------------------------------------|
| 1. Difficulty in formation | 6. Evils of factory system |
| 2. Separation of ownership & management | 7. Speculation in shares |
| 3. Fraudulent management | 8. Concentration in economic power |
| 4. Lack of secrecy | 9. Excessive State regulations |
| 5. Delay in decision making | |

4. Cooperative Societies:

Definitions:

The cooperative form of organization is a democratic set up run by its members for serving the interests of themselves.

- Self help through mutual help. All for each and each for all.

It is a society which has its objectives the promotion of economic interests of its members in accordance with the Cooperative Principles.

- Sec. 4 of The Indian cooperative societies Act- 1912

Principles of Cooperatives:

- | | |
|-------------------------------------|--------------------------------------|
| 1. Voluntary membership | 6. Service motive |
| 2. Political & Religious Neutrality | 7. Distribution of surplus |
| 3. Democratic management | 8. Limited interest on investment |
| 4. One man One vote | 9. State Control |
| 5. Cash trading | 10. Cooperative Education & Training |

Types:

- | | |
|----------------------------|----------------------------------|
| 1. Consumer's cooperatives | 4. Housing cooperatives |
| 2. Producer's cooperatives | 5. Credit cooperatives |
| 3. Marketing cooperatives | 6. Cooperative farming societies |

Advantages:

- | | |
|-------------------------------------|------------------------------|
| 1. Open membership | 5. Low managerial cost |
| 2. Service motto | 6. Surplus shared by members |
| 3. Supply of goods at cheaper rates | 7. Check on other businesses |

4. Democratic management

Limitations:

1. Lack of capital

2. Lack of unity among members

3. Cash trading

4. Political interference