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
- *2rd 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 stress.

- 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

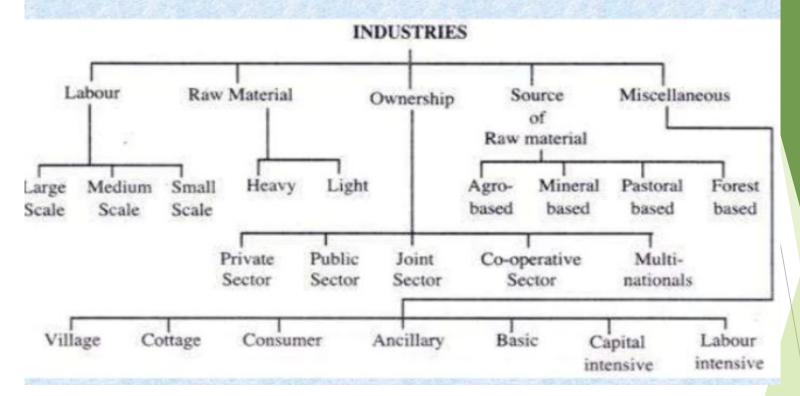
Entrepreneurship and Economic growth

- 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.
- 5. 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:

- 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

- Reasons for Developing Small Enterprises in India can be enumerated as follows:
 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:

	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
•	\Box Shy and lazy \Box Try to follow the footsteps of their predecessors \Box 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

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.
- 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

- Anförsatgenænadböminentdefferentiteishon boxibs tstantschreindinvädkalabhitpbydimtoxaserviskills. He is essentially an
- Extremente of capital, lack of political unity,
- Habatille philian of the making of the Phylogiahllo rist for Stinist Had Tendrolle in the Hole in the strip to the phylogian party to the phylogian production of the phylogian party to the phylogian production of the phylogian party to the phylogian pa
- 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.
 J N Tata gave lead in steel industry in the last quarter of 19th century.
 fanAlymedabad a second largest textile mill was started by Ranchhodlal Chhotalal belonging to a Brahmin
- Antheopresidents Wolfest Limbers of the company of
- During Second World War entrepreneurs got many incentives for setting up new industries.
- Addicipilads the decomplete confilmatica electronic metals and a decident and the decident
- Phablycassed bary indensations contributed to the maximum extent to the growth of economy and development of
- Threadeancements 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 entails 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 PESTLE analysis.
- 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:
- R&D 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 7th 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 1/3rd 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.
- ► 1. 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
- Adequacy of market Competitors and market share Export market Price profile Sales and distribution system Consumption patterns
- Reasonableness of cost Cost material inputs Labor costs Economies of scale Overheads
- - Acceptability of risk level Yulnerability 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 Dependence on firm's	0.20	x	1.0
strength Consistency with govt. policies	0.10	x	0.30
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:

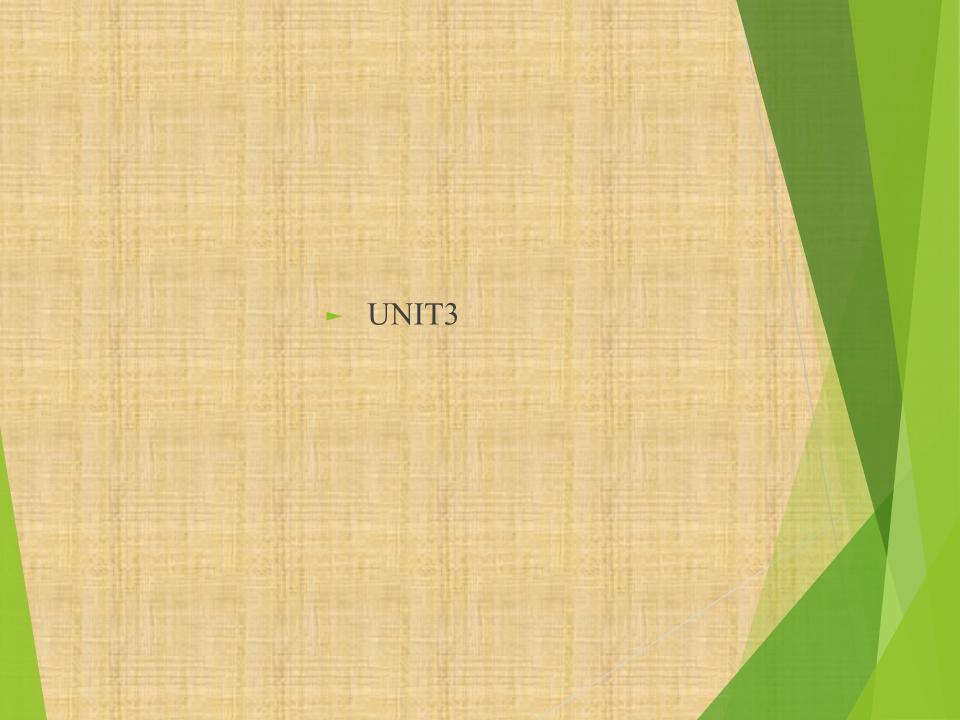
Technology may either be developed internally or acquired from others who have successfully implemented and been using profitably.

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

Elements of Project formulation

- Project formulation is an important management aid which enables the entrepreneur to decide the most effective and profitable project ideas identified by him.
- The various elements of project formulation which are highly useful for project decision making are as follows
- A) Feasibility analysis b)Techno-economic analysis c)Project design and network analysis d) input analysis e) financial analysis f) Social cost benefit analysis.
- Feasibility analysis is the process of evaluating the acceptability of project idea within the limitations of project formulation team. This analysis is to decide the desirability of investing funds in the development of project idea.
- Techno-economic analysis It is concerned with the identification of project demand potential and the selection of optimal technology suitable for achieving project objectives. An optimal size of project and technology adopted helps in deriving the economics of scale.
- c)Project design and network analysis It defines the individual activities comprising the project and the inter-relationship between those activities. The inter-relationship between various activities of a project is presented with the help of network analysis. Network analysis help in executing the project within the minimum time and ensures effective utilization of available resources.
- d) Input analysis The input analysis is related to the identification, quantification and evaluation of project inputs. It is to identify the nature and magnitude of resources the project will consume and to ensure the possibility of uninterrupted supply of inputs.
- Financial analysis This analysis involves th estimation of project costs and revenues required for the project.
- f) Social cost benefit analysis The purpose of this analysis is to ascertain all social costs and benefits with a view to find impact of project on the society

Phases in project formulation:

- 1. Conception of an idea
- 2. Analysis of related aspects
- 3. Formulation of a project
- 4. Design of project

Meaning of market

- Market is a place where goods, commodities or services provided by the sellers are swapped with the buyers or purchasers for some value combined with need, demand, supply etc
- Elements of a Market
- The key elements that make a market, without which a market is not complete, or the elements on which a market depends are as follows –
- Place The area where the swapping of goods, commodities or services takes place between the seller and the buyer. The place should be convenient to both the parties.
- **Demand** Market runs on supply and demand. A seller provides the products or services and a buyer wants to fulfill his/her requirements. A product with high demand is supplied more.
- Seller A seller is the person or the party who offers a variety of or even a single product or service to others in return of some valuable item.
- Buyer A buyer is the person or party who needs a product or service and in return is ready
 to pay some valuable item as demanded by the seller for the product.
- Price This is the cost or the amount that is to be paid for a product or service. It should be fixed; else, it may lead to conflict as well as an imbalance in the seller-buyer relationship.
- **Government Regulation** The government makes some regulations that both the buyer and seller have to abide. Everyone is treated equally in front of the law. For example, the buyer is not allowed to sell illegal products while the seller is prohibited from buying them.
- Product Specification It is very important to specify the quantity required, ingredients used and all other details of the product as everybody has different tastes and requirements. It is also not necessary that what suits one person should suit another.
 - These are the key elements that can make or deteriorate a market.

The major marketing concepts

- Production concept
- Sales concept
- Marketing concept
- Production Concept
- According to the production concept, a company should focus on those items that it can produce most efficiently and also focus on creating supply of low-cost items that create the demand for the products.
- Sales Concept
- According to this concept, the companies would not only produce the items but would also try to convince customers to buy them through advertising and personal selling. Before producing a product, the key questions were –
- Can we sell the item?
- Can we account enough for it?
- Marketing Concept
- The marketing concept relies upon marketing studies to define market segments, their size, and their requirements. To satisfy those requirements, the marketing team makes decisions about the controllable parameters of the marketing mix.
- This concept was introduced after World War II as the customers could afford to be selective

Market and demand analysis

The first step in <u>project analysis</u> is to estimate the potential size of the market for the product proposed to be manufactured (or service planned to be offered) and get an idea about the market share that is likely to be captured.

An in-depth study and <u>assessment</u> of various factors like patterns of consumption growth, income and price elasticity of demand, composition of market, nature of competition, availability of substitutes, reach of distribution channels etc are included in it.

Market and demand analysis, should be carried out in an orderly and systematic manner. The key steps in such analysis are as follows:

- I. <u>Situational analysis and specification of objectives</u>
- II. <u>Collection of secondary information</u>
- III. Conduct of market survey
- IV. Characterization of the market
- V. <u>Demand forecasting</u>
- VI. Market planning

Collection of secondary information

Secondary information is information that has been gathered in some other context and is already available. Primary information, on the other hand, represents information that is collected for the first time to meet the specific purpose on hand. Secondary information provides the base and the starting point for market and demand analysis. It indicates what is known and often provides leads and cues for gathering primary information required for further analysis.

General sources of secondary information

The important sources of secondary information useful for market and demand analysis in India are mentioned below:

Census of India

A decennial publication of the government of India, it provides, inter alia, information on population, demographic characteristics, household size and composition, and maps.

dNational sample survey reports

Issued from time to time by the Cabinet Secretariat, Government of India, these repot present information on various economic and social aspects like patterns of consumption, distribution of households by the size of consumer expenditure, distribution of industries, and characteristics of the economically active population. The information presented in these reports is obtained from a nationally representative sample by the interview method.

Plan reports

Issued by the <u>planning</u> commission usually at the beginning, middle, and end of the five year plans, these reports and financial targets, actual outlays, accomplishments etc.

Statistical abstract of the Indian Union

An annual publication of the Central Statistical Organization, it provides, *inter alia*, demographic information, estimates of national income, and agricultural and industrial statistics.

India year book

An annual publication of the Ministry of Information and Broadcasting, it provides a wide range of information on economic and other aspects.

Statistical year book

An annual publication of the United Nations, it provides world statistics relating to various aspects like population, demography, gross domestic publication, industrial production, international trade, etc.

Economic survey

An annual publication of the Ministry of Finance, it provides the latest data on industrial production, wholesale prices, consumer prices, exports, agricultural production, national income, etc.

Guidelines to industries

This is an annual publication of the Ministry of Industrial Development.

Annual survey of industries

An annual publication of the central statistical organization, it contains information on various aspects of industry: number of units and state-wise distribution, average number of working days, employment, materials consumption, quantity of products, etc.

Annual reports of the development wing, ministry of commerce and industry

An annual publication, it gives a detailed review of industries under the purview of the wing. It also provides information about new items manufactured for the first time in India and the list of protected industries.

Annual bulletin of statistics of exports and imports

An annual publication of the Ministry of commerce, it provides data on imports and exports for a very large number of items and as per international classification.

Techno economic surveys

The national council of Applied Economic Research has conducted and published techno-economic surveys for various states.

Industry potential surveys

The industrial development bank of India in consortium with other financial institutions has conducted and published industrial potential surveys for several backward areas.

The stock exchange directory

This directory, published by the Bombay Stock Exchange, provides a ten-year picture of performance and financial statements for all listed companies and other important companies. It contains very valuable information for comparative analysis. It is periodically updated.

Monthly studies of production of selected industries

A monthly publication of the Central Statistical Organization, it provides all-India data on production, number of units installed, capacity, state-wise break-up, stock level, etc. for several selected industries.

Monthly bulletin of reserve bank of India

This provides information on production indices, prices, balance of payment position, exchange rates, etc.

Publication of advertising agencies

The leading advertising agencies like Clarion, McCann and Thompson have published test markers, marketing rating indices of towns of India, consumer index of markets, and other studies which throw valuable light on Indian markets.

Other publications

Among other publications, mention may be made of the following:

- i. weekly bulletin of Industrial licenses, Import licenses and export licenses (published by the government of India);
- ii. studies of the economic division of the state trading corporation;
- iii. commodity reports and other studies of the Indian Institute of Foreign Trade;
- iv. studies and reports of export promotion councils and commodity boards; and
- v. annual report on currency and finance (issued by the reserve bank of India).

Conduct of market survey

Secondary information, though useful, often does not provide a comprehensive basis for <u>market and demand analysis</u>. It needs to be supplemented with primary information gathered through a market survey, specific to the project being appraised.

The market survey may be a census survey or a sample survey. In a census survey the entire population is covered. (The word 'population' is used here in a particular sense.) It refers to the totality of all units under consideration in a specific study. Examples are: all industries using milling machines, all readers of the Economic times.) Census surveys are employed principally for intermediate goods and investment goods when such goods are used by a small number of firms. In other cases, a census survey is prohibitively costly and may also be infeasible.

Due to the above mentioned limitations of the census survey, the market survey, in practice, is typically a sample survey. In such a survey a sample of the population is contacted/observed and relevant information is gathered. On the basis of such information, inferences about the population may be drawn.

The information sought in a market survey may relate to one or more of the following:

- a. Total demand and rate of growth of demand
- b. Demand in different segments of the market
- c. Income and price elasticities of demand
- d. Motives for buying
- e. Purchasing plans and intentions
- f. Satisfaction with existing products
- g. Unsatisfied needs
- h. Attitudes toward various products
- i. Distributive trade practices and preferences
- j. Socio-economic characteristics of buyers

Demand forecasting

After gathering information about various aspects of the market and demand from primary and secondary sources, an attempt may be made to estimate future demand. A wide range of forecasting methods are available to the market analyst. These may be divided into three categories: qualitative methods, time series projection methods, and casual methods.

I. Oualitative methods

The important qualitative methods are as follows.

- i. Jury of executive opinion method: Very popular in practice, this method calls for the pooling of views of a group of executives on expected future sales and combining them into a sales estimate.
- ii. **Delphi method:** This method involves converting the views of a group of experts, who do not interact face to face, into a forecast through an iterative process.

Time series projection methods

These methods generate forecasts on the basis of an analysis of the historical time series. The important time series projection methods are as follows:

- **Trend projection method:** Very popular in practice, the trend projection method involves extrapolating the past trend onto the future.
 - *Exponential smoothing method:* In exponential smoothing, forecasts are modified in the light of observed errors.
 - iii. Moving average method: According to this method, the forecast for the next period represents a simple arithmetic average or a weighted arithmetic average of the last few observations.

I. Casual methods

More analytical than the preceding methods, causal methods seek to develop forecasts on the basis of cause – effect relationships specified in an explicit, quantitative manner. The important methods under this category are as follows:

Chain ratio method: A simple analytical approach, this method calls for applying a series of factors for developing a demand forecast.

- a. Consumption level method: Useful for a product that is directly consumed; this method estimates consumption level on the basis of elasticity coefficients, the important ones being the income elasticity of demand and the price elasticity of demand.
- b. End use method: Suitable for intermediate products, the end use method develops demand forecasts on the basis of the consumptions coefficient of the product for various uses.
- c. Leading indicator method: According to this method, observed changes in leading indicators are used to predict the changes in lagging variables.
- d. **Econometric method**: Perhaps the most sophisticated forecasting tool, the econometric method involves estimating quantitative relationship derived from economic theory.

- 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:

Financial analysis seeks to ascertain whether the proposed project will be financially viable in the sense of being able to meet the burden of servicing debts and whether the proposed project will satisfy the return expectations of those who provide the capital.

Factors to be considered in financial analysis:

- Cost of project
- Means of financing
- Estimates of sales and production
- Cost of production
- Working capital requirement and its financing
- Estimates of working results
- Break even point
- Projected cash flow statements
- Projected balance sheets

- Conceptually, the cost of project represents the total of all items of associated with a project which is supported by long term funds. It is the sum of the outlays on the following:
- i. Land and site development
- ii. Buildings and civil works
- iii. Plant and machinery
- iv. Technical know-how and engineering fees
- v. Expenses on foreign technicians and training of Indian technicians abroad
 Services of foreign technicians may be required in India for setting up the project and supervising the trial runs.
- Miscellaneous fixed assets
 Fixed assets and machinery which are not part of the direct manufacturing process may be referred to as miscellaneous fixed assets. They include items like furniture, office machinery and equipments, tools, vehicles, laboratory equipments and so on. Expenses incurred for procurement or use of patents, licenses, trademarks, copyrights, etc.
- Preliminary and capital issue expenses
 Expenses incurred for identifying the project, conducting the market survey, preparing the feasibility report, drafting the memorandum are referred to as preliminary expenses.

Pre operative expenses

Expenses of the following types incurred till the commencement of commercial production are referred to as pre-operative expenses: (i) establishment expenses, (ii) rent rates, and taxes, (iii) travelling expenses, (iv) interest and commitment charges on borrowings, (v) insurance charges, (vi) mortgage expenses, (vii) interest on differed payments, (viii) start up expenses, and (ix) miscellaneous expenses.

Margin money for working capital

Initial cash losses

Working capital requirement and its

financing

In estimating the working capital requirement and <u>planning</u> for it's financing, the following points have to be keep in <u>mind:</u>

- 1. The working capital requirement consists of the following:
 - i. raw materials and components (indigenous as well as imported),
 - ii. stocks of goods-in process (also referred to as work –in process),
 - iii. stocks of finished goods,
 - iv. debtors, and
 - v. operating expenses.
- 2. The principle sources of working capital finance are:
 - i. working capital advances provided by commercial banks,
 - ii. trade credit,
 - iii. accruals and provisions, and
 - iv. long term sources of financing

Break - even point

In addition to knowing what the projected profits would be at certain levels of capacity utilization, it is also helpful to know what the level of operation should be to avoid losses. For this purpose, the break-even point, this refers to the level of operation at which the project neither makes profit nor loss, is calculated.

Al As a first step in computing the break – even point, the costs are divided into two broad categories, fixed costs and variable costs, which may be defined as follows:

B Fixed costs

Almost every business incurs certain costs which are fixed in nature. These costs remain constant irrespective of changes in the volume of output. They may represent depreciation charge, property tax, insurance, and rent; they may consist of salaries paid to employees; they may consist of interest burden on long-term debt. Fixed costs arise as a result of capacity creation and are invariant with respect to changes in the level of activity (or the level of capacity utilization). They are essentially a function of time.

C Variable costs

Several important elements of costs vary directly with output. For example, the material cost is a function of output. Likewise, the cost of power and other utilities may vary directly with output. All such costs which vary proportionately with output are referred to as variable costs.

Once costs are segregated into fixed costs and variable costs, the break – even point is calculated as follows:

Break-even point = fixed costs / unit selling price – unit variable cost

For example, if the fixed costs are Rs 15 laks, unit selling price Rs 250 and unit variable cost Rs 150, the break – even point works out to:

Rs 15 000000/ Rs 250 - Rs 150 = 1, 50,000 units

To meet the cost of project

To meet the <u>cost of project</u> the following <u>means of finance</u> are available:

a. Share capital

There are two types of share capital – equity capital and preference capital. *Equity capital* Represents the contribution made by the owners of the business, the equity shareholders, who enjoy the rewards and bear the risks of ownership. Equity capital being risk capital carries no fixed rate of dividend. *Preference capital* represents the contribution made by preference shareholders and the dividend paid on it is generally fixed.

b. Term loans

Provided by financial institutions and commercial banks, *term loans* represent secured borrowings which are a very important source (and often the major source) for financing new projects as well as expansion, moderation, and renovation schemes of existing firms. There are two broad types of term loans available in India: *rupee term loans* and *foreign currency term loans*. While the former are given for financing land, building, civil works, indigenous plant and machinery, and so on, the latter are provided for meeting the foreign currency expenditures towards import of equipments and technical know-how.

c. Debenture capital

Debentures are instruments for raising debt capital. There are two broad types of debentures: non-convertible debentures and convertible debentures. Non-convertible debentures are straight debt instruments. Typically they carry a fixed rate of interest and have a maturity period of 5 to 9 years. Convertible debentures, as the name implies, are debentures which are convertible, wholly or partly, into equity shares. The conversion period and price are announced in advance.

d. Deferred credit

Many a time the suppliers of plant and machinery offer a deferred credit facility under which payment for the purchase of plant and machinery can be made over a period of time.

e. Incentive sources

The government and its agencies may provide financial support as incentive to certain types of promoters or for setting up industrial units in certain locations. These incentives may take the form of *seed capital assistancecapital subsidy* (to attract industries to certain locations), or *tax deferment or exemption* (particularly from sales tax) for a certain period. (provided at a nominal rate of interest to enable the promoter to meet his contribution to the project), or

f. Miscellaneous sources

A small portion of project finance may come from miscellaneous sources like unsecured loans, public deposits, and leasing and hire purchase finance. *Unsecured loans* are typically provided by the promoters to bridge the gap between the promoters' contribution (as required by the financial institutions) and the equity capital the promoters can subscribe to. *Public depositsLeasing and hire purchase finance* represent a form of borrowing different from the conventional term loans and debenture capital. represent unsecured borrowings from the public at large.

- Equity capital refers to ownership capital which do not carry any special or preferential right in respect of annual dividend or the return of capitalin the event of winding up of the company. The firm is able to procure the fixed capital without any specific charge on assessts of the company.
- Preference capital is the capital on which the preferential shareholders carry the following preferential rights over other class of shareholders 1) A preferential right in respect of fixed dividend 2) Preferential right as to repayment of capital in case of winding up of company.
- Debenture are creditorship securities representing long term indebtedness of company. It is a contractual obligation to pay a fixed amount on a specified date at stated rate of interest at regular intervals.
- Rupee term loans which represent secured barrowings are a very important source of financing for a new project. These loans are normally repayable over a period of 8 to 10 years
- Foreign currency term loans are provided to meet the foreign currency expenditure towards import of plant, machinery and equipment and also towards payment of foreign technical knowhow fees.
- Deferred credit: Suppliers of machinery provide deferred credit facility under which payment for the purchase of machinery is made over a period of time. Small industries development bank of India (SIDBI) for small scale industries and Industrial credit and infrastructure corporation of INDIA for large units offere this credit.
- Govt Subsidies Fiscal relief in the form of refund of sales tax, land for new units, subsidy on power, financial assistance in the form of term loans, supply ofraw materials, state purchases, taxholiday

Technical Analysis

- Technical analysis seeks to determine whether the pre-requisites for the successful functioning of the project have been considered and reasonably good choices have been made with respect to location, size, process etc.
- Important aspects of Technical analysis
- The choice of location is influenced by a variety of considerations: proximity to raw materials and markets, availability of infrastructure, governmental policies, environment pollution, labour situation, climatic conditions, and general living conditions.

Machineries and equipments

The requirement of machineries and equipments is dependent on production technology and plant capacity. It is also influenced by the type of project.

The equipments required for the project may be classified into the following types:

- plant (process) equipments,
- mechanical equipments, electrical equipments,
- instruments, controls,
- internal transportation system, and others.
- Structures and civil works
- Project charts and layouts
- Once data is available on the principle dimensions of the project market size, plant capacity, production technology, machineries and equipments, buildings and civil works, conditions obtaining at plant site, and supply of inputs to the project then project charts and layouts may be prepared. These define the scope of the project and provide the basis for detailed project engineering and estimation of investment and production costs.
- Work schedule
- The work schedule reflects the plan of work concerning installation as well as initial operation. The purpose of the work schedule is:
- To anticipate problems likely to arise during the installation phase and suggest possible means for coping with them.
- To establish the phasing of investments taking into account the availability of finances.
- ► To develop a plan of operation covering the initial period (the running in period).

Manufacturing process / technology

- For manufacturing a product / service often two or more alternative technologies are available. Example: Soda can be made by the electrolysis method or the chemical method.
- Choice of technology

The choice of technology is influenced by a variety of considerations:

Plant capacity

Often, there is a close relationship between <u>plant capacity</u> and production technology. To meet a given capacity requirements perhaps only a certain production technology may be viable.

a. Principal inputs

The choice of technology depends on the principle inputs available for the project. In some cases, the raw materials available influence the technology chosen.

b. Investment outlay and production cost

The effect of alternative technologies on investment outlay and production cost over a period of time should be carefully assessed.

c. Use by other units

The technology adopted must be proven by successful use by other units, preferably in India.

- **d. Product mix:** The technology must be judged in terms of the total product mix generated by it, including saleable by products.
- e. Latest developments

The technology adopted must be based on latest developments in order to ensure that the likelihood of technological obsolescence in the near future, at least, is minimized.

f. Ease of absorption

The ease with which a particular technology can be absorbed can influence the choice of technology. Sometimes a high – level technology may be beyond the absorptive capacity of a developing country which may lack trained personnel to handle that technology.

Acquiring technology

The acquisition of technology from some other enterprise may be by way of technology licensing, Purchase of technology, and joint venture arrangement.

Technology licensing

A popular method of acquiring technology, the technology license gives the licensee the right to use patented technology and get related know-how on a mutually agreed basis.

Purchase of technologyIt is appropriate when (i) there is no possibility of significant improvement in technology in the foreseeable future, and (ii) there is hardly any need for technology supplier to transfer improvements promptly.

Joint venture arrangements

The supplier of technology may participate technically as well as financially in the project.

П. **Appropriateness of technology**

Appropriate technology refers to those methods of production which are suitable to local economic, social, and cultural conditions.

Material inputs and utilities

- An important aspect of technical analysis is concerned with defining the materials and utilities required, specifying their properties in some detail, and setting up their supply programme.
- Material inputs and utilities may be classified into four broad categories:
- . Raw materials

Raw materials (processed and / or semi – processed) may be classified into four types: (i) agricultural products, (ii) mineral products, (iii) livestock and forest products, and (iv) marine products

II. Processed industrial materials and components

Processed industrial materials and components (base metals, semi-processed materials, manufactured parts, components, and sub-assemblies) represent important inputs for a number of industries.

III. Auxiliary materials and factory supplies

In addition to the basic raw materials and processed industrial materials and components, a manufacturing project requires various auxiliary materials and factory supplies like chemicals, additives, packaging materials, paints, varnishes, oils, grease, cleaning materials etc.

IV. Utilities

A broad <u>assessment</u> of utilities (power, water, steam, fuel, etc) may be made at the time of input study though a detailed <u>assessment</u> can be made only after formulating the project with respect to location, technology, and <u>plant capacity</u>.

- Plant capacity also referred to as production capacity refers to the volume or number of units that can be manufactured during a given period. Several factors have a bearing on the capacity decision. They are
- Technological requirement, Input constraints. Investment cost, Market conditions, Resources of the firm, Government policy.
- Key project inter linkages While evaluating various alternatives, the inter-linkages among key facets of the project like product, demand, <u>plant capacity</u>, production technology, location, investment outlay, financial resources, production costs, selling price and profitability must be borne in mind.

- What is profitability analysis?
- When a company is incepted, one of the sole purposes of it is to make profits. Basically, to earn more than you spend is what every business owner wants for his company. Thus, to assess the growth of your business, careful study on profit is important, and that is pretty obvious. However, the nuances that secretly lie under various financial statements, will give you the real picture of your company's profits.
- Analysing of the profits which is basically the money remaining from the capital after subtracting all the overhead costs, will help you keep a track of your business' performance. Profitability analysis allows companies to maximise their profit. Thus, resulting in maximising the opportunities that business can take advantage of, in order to continue growing in an extremely dynamic, competitive, and vibrant market. Profitability analysis helps businesses identify growth opportunities, fast/slow-moving stock items, market trends, etc, ultimately helping decision-makers see a more concrete picture of the company as a whole.

- Importance of profitability analysis
- While profitability analysis gives business owners a 360° view of your company's profits, different ratios that derive profitability ratios have different roles to play. Let's take a look at the importance of these ratios:
- Gross profit margin
- It is a measure of the profit earned on sales which denotes the profit part of the total revenue earned, after deducting the costs of goods sold (COGS). This report is extremely important as it covers the admin and office costs and also includes the dividends which are to be distributed to respective shareholders of the company. Higher the gross profit, the company will be more profitable. Gross profit margin is also used to assess the efficiency of cost management. So, if the ratio is low, the business owner can then identify these pain points and improve purchasing and production in terms of economy and effectiveness.

Profitability analysis

- Profitability analysis is a branch of financial analysis that consists in putting measures of profit into perspective. As for example: a company that has made a profit of \$1m in year 2011 doesn't tell us much about how good its performance was, which effort was deployed to achieve this performance or what level of capital the company operates with to attain such a profit level. Profitability analysis shed some lights on those aspects. An analysis of cost and revenue of the firm which determines whether or not the firm is profiting is known as profitability analysis
- Also due to the need for a relative measure of profit rather than absolute profitability analysis is essential. At a fundamental level investors need a sound measure of how good an investment is compared to another one. The concept of internal rate of return or IRR is such a measure.
- One of the influencing factors of profitability is costs. Costs impact profit directly and for this reason, a good understanding of costs structures can help to increase profitability. Profitability of a particular project is usually a fairly objective measure. When a company already has several projects on its business, the profitability of a new project can result from synergies and diversification with existing projects. This is called relative profitability. Few of the major factors that come within profitability analysis are stated as below.
- The Internal Rate of Return (IRR)
- Comparing the profitability of different projects
- Analysis of costs
- Fixed costs versus variable costs
- Break-even analysis
- Opportunity cost
- Relative project profitability
- Modeling competitors
- Various measures of profitability
- Cash-flows patterns and uncertaint

Net profit margin

Returns on equity

Returns on equity is the percentage of the earnings, which shareholders get in return for the investments made towards the company. Higher the ROE, higher will be the dividends shareholders will receive. This triggers more investors for your company ultimately aiding in keeping your company afloat in the market.

Profitability Ratios

Margin Ratios

EBITDA

Return on Assets

Return on Invested Capital

Operating Profit

Gross Profit

Net Profit

Return on Equity

Return Ratios

Project financing

- Project Finance is one of the key focus areas in today's world because of continuous growth and expansion of the industries at a rapid rate. Project finance is a centuries-old form of financing high-risk, development-oriented projects.
- **Methods of Project Financing**
- A survey said that 90% of respondents identified money as the greatest obstacle to implementation of any project.
- The various sources of <u>finance</u> can be broadly divided into two categories, viz. equity capital and debt capital (borrowed capital). The combination of equity and debt should be judiciously chosen, and it will vary according to the nature of the project. The project manager can choose any one or a combination of two or more of these methods to finance the project.
- Share capital equity capital and preference capital.
- Term loan (Rupee and foreign currency term loans)
- Debenture capital
- Commercial banks
- Bills discounting Deferred credit
- 7. Seed capital assistance8. Government subsidies

- 9. Sales tax deferment and exemptions10. Leasing and hire purchase finance
- 11. Short term Sources
 - 1)Own funds are equity 2)Sundry creditors 3)Accural accounts 4) Indigenous bankers 6) Bank borrowings 7Advances from customers

Types of Sponsors in Project Financing

- In order to determine the objective of the project and the risks related to it, it is important to know the type of sponsor associated with the project. Broadly categorised, there are four types of project sponsors involved in a Project Financing venture:
- Industrial sponsor These type of sponsors are usually aligned to an upstream or downstream business in some way.
- **Public sponsor** The main motive of these sponsors is public service and are usually associated with the government or a municipal corporation.
- Contractual sponsor The sponsors who are a key player in the development and running of plants are Contractual sponsors.
- Financial sponsor These type of sponsors often partake in project finance initiatives and invest in deals with a sizeable amount of return.

Margin Ratios

To understand your company's financial status during a specific period, it is imperative to understand your company's ability to convert sales into profits. That is what margin ratio represents at various degrees of measurement. Some of the examples are gross profit margin, operating profit margin, net profit margin, cash flow margin, EBIT, EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization), NOPAT (Net Operating Profit After Tax), operating expense ratio, and overhead ratio.

Return Ratios

As the name suggests, return ratio us nothing but the company's ability to generate returns to its shareholders. Examples include return on assets, return on equity, cash return on assets, return on debt, return on retained earnings, return on revenue, risk-adjusted return, return on invested capital, and return on capital employed.

UNITIV

Intellectual property rights

Intellectual property rights are the rights given to persons over the creations of their minds. They usually give the creator an exclusive right over the use of his/her creation for a certain period of time.

Intellectual property rights meaning

- To safeguard the interest of the creators, intellectual property rights are introduced which give them the right over their property and prevents others from using it without the permission of the owner
- The main purpose of intellectual property law is to encourage the creation of a wide variety of intellectual goods. To achieve this, the law gives people and businesses property rights to the information and intellectual goods they create, usually for a limited period of time. This gives economic incentive for their creation, because it allows people to profit from the information and intellectual goods they create. These economic incentives are expected to stimulate innovation and contribute to the technological progress of countries, which depends on the extent of protection granted to innovators.

Clasification

Intellectual property (IP) refers to creations of the mind, such as inventions, literary and artistic works; designs; and symbols, names and images used in commerce. This definition is from the point of view of rights. IP is legal protection accorded to works of the mind in distinction from manual work (result of physical labour). It is a legal protection accorded to incorporeal ownership.

- intellectual property shall include rights relating to:
- ► 1) literary, artistic and scientific works:
- 2) performances of performing artists, phonograms and broadcasts;
- 3) inventions in all fields of human behaviour;
- 4) scientific discoveries;
- 5) industrial designs;
- 6) trademarks, service marks, and commercial names and designations;
- > 7) protection against unfair competition and all other rights resulting from intellectual activity in industrial scientific, literary or artistic fields".
- IP is protected in law by, for example, <u>patents</u>, <u>copyright</u> and <u>trademarks</u>, which enable people to earn recognition or financial benefit from what they invent or create. By striking the right balance between the interests of innovators and the wider public interest, the IP system aims to foster an environment in which creativity and innovation can flourish.

Nature of Intellectual Property

Intellectual properties have their own peculiar features. These features of intellectual properties may serve to identify intellectual properties from other types of properties. Thus, we will discuss them in brief.

1. Territorial

Any intellectual property issued should be resolved by national laws. Why is it an issue? Because intellectual property rights have one characteristic which other national rights do not have. In ownership of intellectual property of immovable properties, issues of cross borders are not probable. But in intellectual properties, it is common. A film made in Hollywood can be seen in other countries. The market is not only the local one but also international. If a design in China is imitated by another person in France which law would be applicable?

2. Giving an exclusive right to the owner

It means others, who are not owners, are prohibited from using the right. Most intellectual property rights cannot be implemented in practice as soon as the owner got exclusive rights. Most of them need to be tested by some public laws. The creator of author of an intellectual property enjoys rights inherent in his work to the exclusion of anybody else.

3. Assignable

Since they are rights, they can obviously be assigned (licensed). It is possible to put a dichotomy between intellectual property rights and the material object in which the work is embodied. Intellectual property can be bought, sold, or licensed or hired or attached.

4. Independence

Different intellectual property rights subsist in the same kind of object. Most intellectual property rights are likely to be embodied in objects.

5. Subject to Public Policy

They are vulnerable to the deep embodiment of public policy. Intellectual property attempts to preserve and find adequate reconcilia of between two competing interests. On the one hand, the intellectual property rights holders require adequate remuneration and on the other hand, consumers try to consume works without much inconvenience. Is limitation unique for intellectual property?

► 6. Divisible (Fragmentation)

Several persons may have legally protected interests evolved from a single original work without affecting the interest of other right holders on that same item. Because of the nature of indivisibility, intellectual property is an inexhaustible resource. This nature of intellectual property derives from intellectual property's territorial nature. For example, an inventor who registered his invention in Ethiopia can use the patent himself in Ethiopia and License it in Germany and assign it in France. Also, copyright is made up of different rights. Those rights may be divided into different persons: publishers, adaptors, translators, etc.

Benefits of IPR & Protection of IP

- There are many benefits of acquiring intellectual property rights. For example, protecting your IP may result in:
- 1. The increased market value of your business IP can generate income for your business through licensing, selling or commercializing protected products or services. This, in turn, can improve your stock market or increase your profit. In the case of a sale, merger or acquisition, registered and protected IP assets can increase the value of your business.
- 2. Convert ideas into profitable assets IP can help to convert creative ideas into commercially successful products and services. For example, licensing your patent or copyright can result in a steady stream of royalties and additional income that can result in profitable assets.
- 3. Market the products and services of the business IP is necessary to create an image for your business like trademark, logo, or design of your product. So, it will help in differentiating the product and advertise and promote it to the customers.
- 4. Increase export opportunities for the business IP can increase the competition in export markets. One can use their brands and design for marketing foreign goods and are looking for franchising agreements with foreign companies or to export your patented products. Consumers won't be confident buying means without products or reliable services, international trademark protection and enforcement machinery to discourage counterfeiting and piracy.

Concept of patent

- Patent: Patent is the protection provided to the inventor for their creation which can be a device or a process. It is a government license, which confers exclusive rights to the inventor, for a specified period, to debar others from creating, using or selling it.
- A patent under the act is a grant from the government to inventors, for a limited period of time, the exclusive right to make, use, exercise and vend the invention. The period of patent is 20 years from date of filing of application. At the end of patent period, the government publishes the invention and it becomes part of public domain. Patents as ones exclusive rights can be sold, transferred, willed or licensed. As an example coca-cola formula was developed by a compounder. Due to lack of required resources he sold it to a doctor who commercialised the formula.
- Patent process: 1) Document disclosure 2)Patent search 3)Patent application4) Patent examination 5) Patent grant

Patent document

- Most patent documents include:
- A document number
- Title of the invention
- Priority date
- Inventor's name and address
- Assignee's (organisation's) name and address
- Patent attorneys handling the information
- Abstract
- Claims
- Cross references to related applications
- Local and international patent classification codes
- Background of the invention
- Drawings

Invention Protection

- As an inventor, one of the best ways to make money is to license your invention to other individuals or business entities. By shopping your invention around, however, you may be putting your rights to that invention in jeopardy. The more you reveal about your invention, the more likely it is that it will be stolen or copied. So what's the best way to protect your invention?
- If your invention is <u>patentable</u>, you need to file for a <u>provisional</u> <u>patent</u> right away.
- If your invention is not patentable, make sure you have potential customers sign a Nondisclosure Agreement (NDA).
- If your invention is not patentable and customers won't sign an NDA, then be very careful what you disclose and establish a confidential relationship with the customer.

Copyright: Copyright implies the exclusive rights assigned to the creator or composer of artistic and literary works, for a definite period, to stop others from copying the work. It covers a wide variety of literary works such as novels, poems and plays, films, drama and musical work and artistic creations, e.g. paintings, sculptures, photographs and many more. A copyright protects the intellectual property for the life of the originator plus 50 years. In the recent times ,with the rapid advance of technology,copyright infringement in the form of piracy has become a serious problem of international in character. Sales through piracy in India account for nearly 30% of total sales .The Berne convention for the protection of literary and artistic works is the result of such joint effort

Trademark: Trademark refers to an ascertainable sign, symbol or a word determining the source of a particular product. It is used to afford protection to the mark owner, by facilitating restricted rights to use it. When it identifies the service provider, it is called as a service mark. Once registered, the trademark is protected for a definite period, after which it can be renewed by



- Examples of trademarks are coke as a name used by coca-cola corporation and apple with bite in the side as a symbol trademarked by Apple computer corporation. Trade mark performs four basic functions
 - 1. Identifies the product and its origin 2. Guarantees its unchanged quality
 - 3. Advertises the product 4. Creates an image for the product
 - Registration of trademark involves a process consisting three stages as follows
 - 1 Written Application 2Drawing Preparation 3. Specimen Preparation

- Design: Otherwise called industrial design, is primarily related to the aesthetic features of a product or system, which makes it more appealing and thus increases its commercial value. Some of the most famous examples are Coca Cola's contour bottle, the contours of the iPhone/iPad/iPod,REEbok,Nike.
- Trade Secrets: As it is evident from the name, it is the sensitive business information which provides a competitive edge to the firm. Trade secrets are manufacturing industrial or commercial secrets and include sales methods, distribution methods, consumer profiles and advertising strategies, list of suppliers and clients and manufacturing processes.

Integrated Circuits

- Integrated circuit means a product having transistors and other circuitry elements which are inseperably formed on a semiconductor material or an insulating material and designed to perform an electronic circuitry function. Integrated circuits are also thus an element of IPR and protected under Semiconductor Integrated circuits layout design (SICLD) Act 2000. The main focus of SCILD act is to provide for routes and mechanism for protection of IPR in chip layout design and matters related to design.
- Protection of New plant variety: with an objective to recognize the role of farmers as cultivators and conservers to countrys agro biodiversity, the plant variety protection and farmers rights Act2001 was enacted to reward them for their contribution and stimulate the growth of seed industry in the country. The act has come into force on 30-10-2005 through 'Protection of plant varieties and farmers rights authority. Initially 12 crop species have been identified for registration i.e. rice, wheat ,Maize, sorghu, Pearl millt, Chickpea, Green gram, Black gram, Lentil, Kidney beans etc. Registration and other matters relating to protection of new plant variety are looked after by Department of agriculture and cooperation

- Geographical indication
- It is a name or sign used on certain products which corresponds to a geographic location or origin of the product, the use of geographical location may act as a certification that the product possesses certain qualities as per the traditional method. Darjeeling tea and basmati rice are a common example of geographical indication. The relationship between objects and place becomes so well known that any reference to that place is reminiscent of goods originating there and vice versa.
- of a particular region; Secondly, they suggest to consumers that goods come from a region where a given quality, reputation, or other characteristics of the goods are essentially attributed to their geographic origin, and third, they promote the goods of producers of a particular region. They suggest the consumer that the goods come from this area where a given quality, reputation or other characteristics of goods are essentially attributable to the geographic region.

How to Apply for a Patent

- Before making a formal application, an applicant should research the Patent and Trademark Office's database to see if another person or institution has claimed a patent for a similar invention. The invention must be different from or an improvement upon a previous design to be considered for a patent. Applicants need to take care to maintain accurate records of the design process and the steps taken to create the invention. Enforcing the patent is up to the person or entity that applied for the patent. Examples of Patents
- One of the most notable patents in the past 40 years was the personal computer <u>filed</u> in 1980 by Steve Jobs and three other employees of Apple Inc.
- King C. Gillette patented the razor in 1904 and was dubbed a "safety razor." Garrett Morgan was granted a patent for the traffic light in 1923. The patent for the television was issued in 1930 to Philo Taylor Farnsworth for the "first television system."

Granting of patent

- Filing: applicants choose a submission category i.e., national, regional or international and file an application. The initial filing is considered the "priority filing" from which further successive national, regional or international filings may be made within the 'priority period' of one year, in accordance with the Paris Convention for the Protection of Industrial Property.
- Formal examination: the patent office ensures that all administrative formalities have been met, that the relevant documentation has been included in the application, and that all associated fees have been paid.
- Prior art search: in many countries the patent office carries out a search of the prior art all relevant technological information publicly known at the time of filing the application. Using extensive databases and expert examiners in the specific technical field of the application, a 'search report' is drafted that compares the technical merits of the claimed invention with that of the known prior art.
- Publication: in most countries, the patent application is published 18 months after the priority date; i.e., after the date of first filing.
- Substantive examination: if a prior art search report is available, the examiner checks that the application satisfies the requirements of patentability that the invention is novel, inventive and susceptible to industrial application, compared to the prior art as listed in the search report.
- Grant/refusal: the examiner may either grant the patent application without amendments, change the scope of the claims to reflect the known prior art, or reject the application.
- Opposition: many patent offices allow third parties to oppose the granted patent within a specified period on the grounds that it does not satisfy patentability requirements.
- Appeal: many offices provide the opportunity for an appeal after the substantive examination or after the opposition procedure.

Rights of a patent

Rights of a patentee

- Right to exploit the patent.
- ✓ The patentee has a right to prevent 3rd parties, from exploiting the patented invention.
- Right to grant license.
- ✓ The patentee has a power to assign rights or grant license.
- Right to surrender.
- The patentee is given the right to surrender the patent by giving notice in prescribed manner to the controller.
- Right to sue for infringement.
- ✓ A patentee is given the right to institute proceeding for infringement of the patent in a district court.

Licensing, Transfer of technolog

- Technology Transfer Agreement is the transfer of intellectual property from one organization to the other. Whereas a Licensing Agreement can be defined as the permission granted by the property owner (being the Licensor) to the party making requests for such a permission (being the Licensee) for a specific period of time. The term "property" mentioned above generally includes real estate holdings or personal possession but in Licensing Agreement it usually means Intellectual Property such as Patent, Copyrights and Trademarks.
- Technology Transfer Agreement pertains to a specific method of transfer of technology along with its use under particular terms & conditions. The word 'Transfer' does not purports to mean the actual transfer or delivery of technology but is rather a process through which a technology is developed for one specific purpose and used by individuals on a large scale.
- On the other hand, Licensing Agreements is nothing but a deal amongst owner's (Licensor) patent, trademark or brand and the person (Licensee) who shall be granted permission for the usage of Licensor's patent, trademark or brand subject to a monetary prearrangement, which the Licensee shall be obliged to pay to the Licensor as a result of the usage such patent, trademark or brand by the Licensee.

Essential Elements of Technology Transfer Agreement & Licensing Agreements

- At times when parties to a contract are discussing the nature of their business with respect to the contract, there might be a possibility of every transaction contrasting from the concerned agreement. To avoid the said contrast, the following elements mentioned below should remain present in a technology transfer agreement.
- The sale, vending or grant of license by the owner of technology with respect to its proprietary rights;
- 2. An obligation to transfer confidential information;
- Process know how;
- Application know how;
- Engineering know how;
- Manufacturing know how;
- 7. Management know how; and
- 8. Design Know how.

Licensing Agreement Pros & Cons

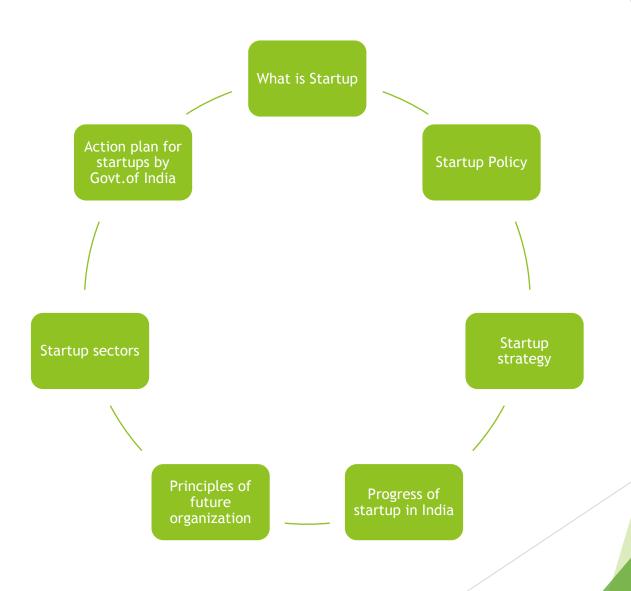
Pros:

- Utilization of the Licensed technology thereby entering into new geographical, technological dimensions, areas and various markets around the globe.
- Generation of revenue due to the usage of the licensed technology.
- Acquiring access to the developed technology.
- Licensor's ability to acquire revenues through royalty.
- Forming a unique business approach.

Cons:

- Loss of control of the licensed technology.
- Increasing chances of Technology theft.
- Acceptance of higher risk by the licensee at the time of entering into a licensing agreement thereby resulting to over reliance over the licensor.
- Control over technology for a limited time.
- Royalty Litigation.

Unit-V Aspects of Startup



What is Start-Up

- Startups are companies or ventures that are focused on a single product or service that the founders want to bring to market.
- These companies typically don't have a fully developed business model and, more crucially, lack adequate capital to move onto the next phase of business. Most of these companies are initially funded by their founders.
- Many startups turn to others for more funding, including family, friends, and venture capitalists. Silicon Valley is known for its strong venture capitalist community and is a popular destination for startups, but is also widely considered the most demanding arena.
- Pros
- More opportunities to learn
 - Increased responsibility
 - Flexibility
 - Workplace benefits
 - Innovation is encouraged
 - Flexible hours

Cons

- Risk of failure
- Having to raise capital
- High stress
- Competitive business environment

- The first step in starting a startup is having a great idea. From there, market research is the next step to determine how feasible the idea is and what the current marketplace looks like for your idea. After the market research, creating a business plan that outlines your company structure, goals, mission, values, and objectives, is the next step.
- One of the most important steps is obtaining funding. This can come from savings, friends, family, investors, or a loan. After raising funding, make sure you've done all the correct legal and paperwork. This means registering your business and obtaining any required licenses or permits. After this, establish a business location. From there, create an advertising plan to attract customers, establish a customer base, and adapt as your business grows.

Start up policy

- The Startup India Scheme is an initiative of the Government of India in 2016. The primary objective of Startup India is the **promotion of startups**, **generation of employment**, **and wealth creation**.
- Entrepreneurship and Start-up Policies play a vital role in the economic and social development of a nation. In fast developing economics like India, these polices are critical and very important for innovators, entrepreneurs and startups in overcoming barriers while trying to market their innovation and growth of startups from scratch to scale. Higher Educational institutes in general and technical institutes in particular, play an imperative role in shaping the startup movement for a country like India where the large section of young talents are in their academics.
- Startup India is an initiative of the Government of India. The campaign was first announced by Indian Prime Minister, Narendra Modi during his speech in 15 August 2015.[1]
- The action plan of this initiative is focussing on three areas:
- Simplification and Handholding.
- 2. Funding Support and Incentives.
- 3. Industry-Academia Partnership and Incubation.
- The 'National Innovation and Start-up Policy 2019 for students and faculty in HEIs was launched by Hon'ble Minister of Education, Shri Ramesh Pokhriyal 'Nishank' on 11th September 2019 at AICTE, New Delhi.
- This policy intends to guide HEIs for promoting students' driven innovations & start-ups and to engage the students and faculty in innovation and start up activities in campus. The policy aims at enabling HEIs to build, streamline and strengthen the innovation and entrepreneurial ecosystem in campus and will be instrumental in leveraging the potential of student's creative problem solving and entrepreneurial mind-set, and promoting a strong intra and interinstitutional partnerships with ecosystem enablers and different stakeholders at regional, national and international level. The policy is being implemented by MoE's Innovation Cell and in coordination AICTE, UGC, state/ UT governments and universities. Implementation of policy has been undertaken for quick adoption by HEIs. The present policy is a way forward to the earlier version of AICTE's Start-up Policy which was launched in the year 2016 to complement the Startup Action Plan under the Startup India and Stand-up India Program launched by Hon'ble Prime Minster of India.

Start up strategy

1) Define Your Business and Vision

- Defining your vision is important. It will become the driving force of your business. Here are questions that will help you clarify your vision:
- Who is the customer?
- What business are you in?
- What do you sell (product/service)?
- What is your plan for growth?
- What is your primary competitive advantage?

2) Write Down Your Goals

- Create a list of goals with a brief description of action items. If your business is a start up, you will want to put more effort into your short-term goals. Often a new business concept must go through a period of research and development before the outcome can be accurately predicted for longer time frames.
- Create two sets of goals:
- 1. Short term: range from six to 12 months.
- 2. Long term: can be two to five years.
- Explain, as specifically as possible, what you want to achieve. Start with your personal goals. Then list your business goals. Answer these questions:
- As the owner of this business, what do you want to achieve?
- How large or small do you want this business to be?
- Do you want to include family in your business?
- Staff: do you desire to provide employment, or perhaps, you have a strong opinion on not wanting to manage people.
- Is there some cause that you want the business to address?
- Describe the quality, quantity and/or service and customer satisfaction levels.
- How would you describe your primary competitive advantage?
- How do you see the business making a difference in the lives of your customers?

Startup Strategy

3) Understand Your Customer

- It is not realistic to expect you can meet the needs of everyone, no business can. Choose your target market carefully. Overlook this area, and I guarantee you will be disappointed with the performance of your business. Get this right and you will be more than pleased with the results.
- Needs: what unmet needs do your prospective customers have? How does your business meet those needs? It is usually something the customer does not have or a need that is not currently being met. Identify those unmet needs.
- Wants: think of this as your customer's desire or wish. It can also be a deficiency. Problems: remember people buy things to solve a specific problem. What problems does your product or service solve?
- Perceptions: what are the negative and positive perceptions that customers have about you, your profession and its products or services? Identify both the negative and positive consequences. You will be able to use what you learn when you start marketing and promoting your business.

4) Learn From Your Competition

- You can learn a lot about your business and customers by looking at how your competitors do business. Here are some questions to help you learn from your competition and focus on your customer:
- What do you know about your target market?
- What competitors do you have?
- How are competitors approaching the market?
- What are the competitor's weaknesses and strengths?
- How can you improve upon the competition's approach?
- What are the lifestyles, demographics and psychographics of your ideal customer?

Start up strategy

5) Financial Matters

- How will you make money? What is your break-even point? How much profit potential does your business have? Take the time to invest in preparing financial projections.
- These projections should take into account the collection period for your accounts receivables (outstanding customer accounts) as well as the payment terms for your suppliers. For example, you may pay your bills in 30 days, but have to wait 45-60 days to get paid from your customers.
- A cash flow projection will show you how much working capital you will need during those "gaps" in your cash position.
 - ► I recommend thinking about these six key areas:
- 1) Start up Investment
- 2) Assumptions
- 3) Running Monthly Overhead
- 4) Streamlined Sales Forecast
- 5) Cumulative Cash
- 6) Break-even

Action plan for Startup by Govt.of.Ind

- The action plan of Startup India is based on the following factors:
- 1. Simplification of Work
- This <u>initiative</u> simplifies the work for the new entrants in order to motivate them. This includes following steps taken by the government:
- Firstly, the government has set-up Startup India hubs where all the works related to incorporation, registration, grievance handling, etc.
- Secondly, an application and an online portal is set-up by the government to facilitate registration from anywhere and anytime.
- Thirdly, the patent acquisition and registration is now fast for the startups.
- Lastly, according to the Insolvency and Bankruptcy Bill, 2015 facilitates fast winding up of the startups. A new startup can wind-up itself within 90 days of the incorporation.

Finance Support

- In order to motivate the startups, the government provides various financial supports. These steps taken by the government are as follows:
- The government has set up a corpus of Rs.10,000 crores for 4 years (Rs.2500 crore each year). From such fund, the government invests in various startups.
- Special funds are provided, investment in which leads to exemption from the income tax on the Capital Gain. Income tax exemption is available for the startups for the first 3 years after the incorporation.
- Under The Income Tax Act, where a Startup (company) receives any consideration for <u>issue of shares</u> which exceeds the Fair Market Value of the shares, such excess consideration is taxable in the hands of the recipient as Income from Other Sources.
- Investment by venture capital funds in Startups is exempted from the application of this provision. The same extends to the investment made by incubators in the Startups.

Benefits of Startup India

- Financial Benefits
- Income Tax Benefits
- Registration Benefits
- Government Tenders
- Huge Networking Opportunities

1. Financial Benefits

Most of the startups are patent based. It means they produce or provide unique goods or services. In order to register their patents, they have to incur a heavy cost which is known as the Patent Cost. Under this scheme, the government provides 80% rebate on the patent costs. Moreover, the process of patent registration and related is faster for them. Also, the government pays the fees of the facilitator to obtain the patent.

2. Income Tax Benefits

Startups enjoy a good amount of benefits under the Income Tax head. The government exempts their 3 years income tax post the incorporation year. But they can avail it only after getting a certificate from the Inter-Ministerial Board. Also, they can claim exemption from tax on Capital Gains if they invest money in specified funds.

3. Registration Benefits

Everyone believes that incorporation and registration of business are far more difficult than running it. It is because of the long and complex steps of registration. Under the Startup India scheme, an application is there to facilitate registration. A single meeting is arranged to at the Start-up India hub. Also, there is a single doubt and problem-solving window for them.

4. Government Tenders

Everyone seeks to acquire Government tenders because of high payments and large projects. But it is not easy to acquire the government tenders. Under this scheme, the startups get priority in getting government tenders. Also, they are not required to have any prior experience.

5. Huge Networking Opportunities

Networking Opportunities means the opportunity to meet with various startup stakeholders at a particular place and time. The government provides this opportunity by conducting 2 startups fests annually (both at domestic as well as the international level). Startup India scheme also provides Intellectual Property awareness workshop and awareness.

Progress of startup in India

India has **about 50,000 startups** in India in 2018; around 8,900 – 9,300 of these are technology led startups 1300 new tech startups were born in 2019 alone implying there are 2-3 tech startups born every day. Significantly, the number of women entrepreneurs stood at 14%, up from 10% and 11% in the previous two years. India has the **3rd largest startup ecosystem in the world**; expected to witness YoY growth of a consistent annual growth of 12-15%.

Startups in the country have been able to create an estimated 40,000 new jobs over the year, taking the total jobs in the start-up ecosystem to 1.6-1.7 lake

Bangalore has been listed within the world's 20 leading startup cities in the 2019 Startup Genome Project ranking. It is also ranked as one of the world's five fastest growing startup cities.

Over the years, the growth of startups has brought in more international investors and boosted their confidence towards India. Fundraising reported by SEBI-registered (Category 1) venture capital funds grew from INR 326 Cr in 2014 to over INR 2,703 Cr in 2019 — an 8x surge in five years

Principles of future organization

- Globally distributed with smaller teams
- Connected workforce
- Intrapreneurial
- Operates like a small company
- Focuses on "want" instead of "need"
- Adapts to change faster
- Innovation everywhere
- Runs in the cloud
- More women in senior management roles
- Flatter structure
- Shifts from profits to prosperity

Startup sector

- ED-TECH
- HEALTH & WELLNESS
- FINANCIAL SERVICES & NBFCs
- E-COMMERCE & DELIVERY BASED SERVICES
- OTT PLATFORMS & ONLINE GAMING
- PHARMA, LIFE SCIENCES & LABS/PATHOLOGY

Action plan

- The Venture Capital Assistance SchemeMinistry of Agriculture and Farmers Welfare
- Support for International Patent Protection in Electronics and & Information Technology (SIP-EIT)
- Stand-Up India for Financing SC/ST and/or Women EntrepreneursSmall Industries Development Bank of India (SIDBI).
- ExtraMural Research or Core Research GrantScience and Engineering Research Board (SERB) under Ministry of Science & Technology.
- Dairy Entrepreneurship Development SchemeNational Bank for Agriculture and Rural Development (NABARD)
- ► Biotechnology Ignition Grant (BIG)Biotechnology Industry Research Assistance Council (BIRAC).
- Pradhan Mantri Mudra Yojana Govt. Of India Micro Units Development and Refinance Agency Ltd.
- Promoting Innovations in Individuals, Start-ups and MSMEs (PRISM) Department Of Science & Industrial Research.
- Aspire A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship.
- Self Employement Lending Schemes- byThe National Minorities Development & Finance Corporation (NMDFC)
- Self Employment and Talent Utilisation (SETU) Niti Aayog
- The Samridhi Fund Target sectors includes, but are not be limited to:Water & Sanitation
- Affordable Healthcare ,Agriculture & Allied services
- Startup India Seed Fund Scheme (SISFS) aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry and commercialization. This would enable these startups to graduate to a level where they will be able to raise investments from angel investors or venture capitalists or seek loans from commercial banks or financial institutions.