



START-UP ENTREPRENEURSHIP

Start-up Entrepreneurship (OE 701 ME) VII sem. N. Yogi Manash Reddy, Asst. Prof., MED, MVSREC(A).

Course Code	Course Title					Core/Elective	
OE 701 ME	START-UP ENTREPRENEURSHIP					Open Elective	
Prerequisite	Contact Hours per Week				CIE	SEE	Credits
	L	T	D	P			
	3	-	-	-	30	70	3

Course Objectives:

- To motivate students to take up entrepreneurship in future.
- To learn nuances of starting an enterprise & project management.
- To understand the behavioural aspects of entrepreneurs and time management

Course Outcomes:

Student will be able to

1. Understand Indian Industrial Environment, Entrepreneurship and Economic growth, Small- and Large-Scale Industries, Types and forms of enterprises.
2. Identify the characteristics of entrepreneurs, Emergence of first-generation entrepreneurs, Conception and evaluation of ideas and their sources.
3. Practice the principles of project formulation, Analysis of market demand, Financial and profitability analysis and technical analysis.
4. Understand the concept of Intellectual Property Rights and Patents
5. Comprehend the aspects of Start-Ups.

Unit-I

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

Unit-II:

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

Unit-III

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

Unit-IV

Intellectual Property Rights: Meaning, Nature, Classification and protection of Intellectual Property, the main forms of Intellectual Property, Concept of Patent, Patent document, Invention protection, Granting of patent, Rights of a patent, Licensing, Transfer of technology.

Unit-V

Aspects of Start-Up: What is Start-Up, Start-up Policy, start-up strategy, Progress of start-ups in India, Principles of future organizations, start-up sectors, action plan for start-ups by Govt. of India.

Unit-I

Entrepreneurship:

French origin, the term 'entrepreneurship' (derived from the verb 'entreprendre' meaning 'to undertake') pertained not to economics but to undertaking of military expeditions.

So is true of many terms in management such as strategy (a course of action to beat the competition, the 'enemy') and logistics (movement of men and machines for timely availability), etc. Historically, as wars are followed by economic reconstruction, it should be no surprise that military concepts are used in economics and management. There is a tremendous pressure to continually develop new products, explore new markets, update technology and devise innovative ways of marketing and so on.

The term 'entrepreneur' was first introduced in economics by the early 18th century French economist Richard Cantillon. In his writings, he formally defined the entrepreneur as the "agent who buys means of production at certain prices in order to sell the produce at uncertain prices in the future".

Indian Industrial Environment - Competence, Opportunities and Challenges:

Immediately after our country became independent, Government of India felt the need for developing industries in a planned manner in the national interest.

The government adopted an industrial policy 1956 with the objectives of

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

Main features:

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

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

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

The major changes are:

1. Industrial policy changes
 - Very few industries requiring licenses
 - Liberalizations in FERA
 - Almost no control under MRTP act
 - Role of PSUs getting diluted
 - Liberalizations of foreign direct investment
 - More freedom in capital market- abolition of CCI
2. International trade policy changes
 - Globalization of economy

- Lowering down of import tariffs
 - More items under OGL
 - Emphasis on export but not through financial incentives
3. Structural adjustment
- Phasing out of subsidies
 - Gradual dismantling of administrative price mechanism
 - Public sector disinvestment
 - Exit policy for business
 - Smother way of merger and acquisition

The present industrial environment in India:

Environment can be broadly classified into the following categories

1. Economic environment
 - Economic system
 - National income and its distribution
 - Monetary policy
 - Fiscal policy
 - Natural resources
 - Infrastructural facilities
 - Raw materials and supplies
 - Plant and equipment
 - Financial facilities
 - Man power and productivity
2. Political-legal environment
 - Political stability
 - Provision various incentives and support
 - Rules and regulations
 - Defense expenditure
3. Technological environment
 - Technology developed within India
 - Import of technology
 - Research & Development facilities
4. Socio-cultural environment
 - Expectations of society from the business
 - Attitude towards business
 - Customs, Traditions and conventions
 - Level of education
 - Life style of people
5. Competitive environment
 - Industry setting
 - Industry attractiveness
 - Industry structure

Competence:

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

Opportunities:

- A number of institutions and organizations are engaged in the development of entrepreneurship.
 - District Industries centre (DIC)
 - Indian investment centre (IIC)
 - Small Industries Development Organization (SIDO)
 - Small Industries Service Institutes (SISI)
 - National research Development Corporation of India (NRDC)
 - National Small Industries Corporation Ltd. (NSIC)
 - National Alliance of Young Entrepreneurs (NAYE)
 - Technical Consultancy Organizations (TCO)
 - APITCO, KITCO etc.
- A number of financial institutions are assisting the entrepreneurs in meeting their capital requirements.
 - State Financial Corporations (SFCs)
 - IDBI, IFCI, ICICI, etc.
- Availability of highly skilled labour, Engineers, managerial experts
- Large population creating vast and diversified market
- Government support and encouragement by way of incentives and subsidies.
- Availability of research and development laboratories both in public and private sector.
 - CSIR, CITD, CIPET, ETDC, ERTL etc.
- Availability of Communication network and Information technology
- Availability of land, Industrial estates and infrastructural facilities

Challenges:

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

Entrepreneurship and Economic growth:

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

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

All these factors are contributive to the economic growth. Entrepreneur acts as an agent of production bringing together all factors of production and providing management and control for the survival and growth of the production unit.

Economic development consists of employing resources in a different way, bringing in a new combination of means of production. The entrepreneur looks for ideas and put them into effect for economic development.

Economic growth depends on the rate of innovation and the rate of technical progress in the economic field. Entrepreneurs, with high level of achievement, accelerate the process of economic development. Entrepreneurship is a process of creating wealth by bringing together the resources in a new way to start a venture that benefits the customers and rewards the founders.

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

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

Industrial development provides vast employment opportunities. It gives the advantage in international trade. It is an effective instrument to the growth and welfare.

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

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

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

ANCILLARY UNIT: - Small scale industries producing items for large industries needed costly machinery and equipment. These industries were producing standardized goods of high precision to suit the requirements of big and reputed large-scale units and installation of costly testing equipments was also necessary, at least 50% of the annual production is meant for a large-scale industry, is termed as Ancillary industry. A unit which produces parts, components sub-assemblies for supply against known or anticipated demand of one or more large units manufacturing or assembling complete products and which not a subsidiary to or controlled by any large unit in regard to the negotiation of contracts for supply of its goods to any large unit.

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

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

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

EXPORT ORIENTED UNITS (EOU):-

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

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

SMALL SCALE INDUSTRIES IN INDIA:

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

Objectives of Small-Scale Industries:

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

Linkage among Small, Medium and Heavy industries:

The relationship 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 within the organization. These items can be profitably outsourced to either medium or small-scale industries. Thus, many SSI or ancillary industries can be developed to meet their production requirements.

As the overheads of small-scale industries are nominal, the cost of production will be much lower compared to the cost of production in the large-scale units.

With the guidance and support rendered by the big industries, the quality of the products can be improved to the levels required.

If a number of sources are developed for a product, it is possible to increase the quantity of output as required and uninterrupted supplies can be maintained.

For the overall economic growth of a nation, the development of all the three sectors is equally essential.

Various reasons for lack of development are:

1. Lack of capital
2. Lack of political unity

3. Network of custom barriers
4. Existence of innumerable systems of currency
5. Regional markets plagued by arbitrary political authority
6. Taxation policies
7. Low prestige of businessmen in the society.

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

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

Types of enterprises:

1. Service enterprises

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

2. Trading enterprises

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

3. Manufacturing enterprises

Forms of enterprises:

1. Sole proprietorship
2. Partnership
3. Joint stock companies
 - Public limited
 - Private limited
4. Co-operative enterprises

1. Sole Proprietorship:

Definitions:

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

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

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

Characteristics of Sole Proprietorship:

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

Advantages:

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

Disadvantages:

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

Suitability:

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

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

2 Partnership:

Definitions:

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

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

Characteristics:

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

Advantages:

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

Disadvantages:

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

Suitability:

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

3. Joint stock company:

Definitions:

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

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

A company means a company formed and registered under the act. – Sec.3 of Indian companies Act-1956

Characteristics:

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

Merits:

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

Demerits:

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

4. Cooperative Societies:

Definitions:

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

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

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

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

Principles of Cooperatives:

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

Types:

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

Advantages:

- | | |
|-------------------------------------|------------------------------|
| 1. Open membership | 5. Low managerial cost |
| 2. Service motto | 6. Surplus shared by members |
| 3. Supply of goods at cheaper rates | 7. Check on other businesses |
| 4. Democratic management | |

Limitations:

- | | |
|--------------------|-----------------|
| 1. Lack of capital | 3. Cash trading |
|--------------------|-----------------|

2. Lack of unity among members

4. Political interference

UNIT-II

Characteristics of 1st generation of Entrepreneurs

(The Entrepreneurs who are entering for the first time into the business world are called 1st generation Entrepreneurs)

1. High need for achievement
2. High need for power
3. Independence
4. Propensity to take risk
5. Personal modernity
6. Sense of efficacy
7. Support
8. Business experience
9. Leadership
10. Mental ability - intelligence and creativity
11. Clear objectives
12. Maintaining business secrecy
13. Human relations ability
14. Communications ability
15. Technical knowledge
16. Emotional stability
17. Self confidence
18. Motivating skills
19. Long term involvement
20. High energy level

Identification of potential entrepreneurs

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.

- 1) 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 behavioural 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.

Locus of control: - This test gives about the Personal efficacy. The locus of control is measured by administering a questionnaire consisting of 29 pairs of statements representing external and internal locus of control. The respondents are asked to choose one from each pair. They are given scores for their choice. It is assumed that a high score on internal locus of control is indicative of entrepreneurial behavior.

Group Planning Exercise

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

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

There are some drawbacks in this selection process and procedure. In the actual practice has to undergo further refinement, while the principle of entrepreneur selection has found a foot-hold.

Above training programs are conducted by SISI, TCO (Technical Consultancy Organization like APITCO (Andhra Pradesh Industrial Technical Consultancy Organization), KITCO, UPITCO etc., in collaboration with SIET Institute, SBI.

Punjab experience

The survey revealed that 50% are motivated by their own ideas. 80% were happy with their ventures and ready to convince other persons to become entrepreneurs. Gujarat experience: - In 1970 Gujarat Entrepreneurship Development Programme was started by the State government. Basic assumption was that the entrepreneurship can be induced or developed.

Potential entrepreneurs are identified by industries certain tests designed by Behavioral Sciences Centre, New Delhi. 66% were successful in setting up enterprises.

Emergence of first-generation entrepreneurs:

A first-generation entrepreneur is one who starts an individual unit by innovative skills. He is essentially an innovator combining different technologies to produce a marketable product or service.

- Entrepreneurship did not grow early in India due to various reasons like lack of capital, lack of political unity, network of custom barriers, colonial power etc.
- East India Company probably gave new stimulus to Indian business people, especially Parsis, by accelerating the export of raw materials and import of finished goods. The first ship building company was started in Surat where from 1673 onwards Parsis built vessels for East India Company. Lowjee Nushirvan belonging to Wadia family led many leading ship builders for East India Company.
- 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.
- In Ahmedabad a second largest textile mill was started by Ranchhodlal Chhotalal belonging to a Brahmin family.
- After First World War cement and sugar industries experienced fast progress. A group of self-made entrepreneurs began to emerge who by ploughing back their profits into their small workshops, built up larger industrial establishments.
- During Second World War entrepreneurs got many incentives for setting up new industries.
- After independence Government of India devised schemes for balanced and mixed economy. Under the five year plans the government laid emphasis on the growth of small-scale industries in cities, towns and villages which led to the rapid emergence of many entrepreneurs.
- Public sector undertakings contributed to the maximum extent to the growth of economy and development of many ancillary industries.
- The advancements in the fields of electronics, communications and computers stimulated many first-generation entrepreneurs.

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 influence:

Modern business is treated as a social and economic institution and is affected by the political, social and economic forces. It is the environment which regulates the entrepreneurial activities. The environment can be classified as

- | | |
|--|--|
| <ol style="list-style-type: none"> 1. Political <ul style="list-style-type: none"> • Political atmosphere • Leadership | <ol style="list-style-type: none"> 2. Economic <ul style="list-style-type: none"> Economic policies Labor Trade Tariffs Incentives Subsidies |
| <ol style="list-style-type: none"> 3. Social <ul style="list-style-type: none"> • Consumer • Labor • Attitudes • Opinions • Motives | <ol style="list-style-type: none"> 4. Technological <ul style="list-style-type: none"> Competition & risk Efficiency Productivity & profitability |
| <ol style="list-style-type: none"> 5. Legal <ul style="list-style-type: none"> Rules & regulations | <ol style="list-style-type: none"> 6. Cultural <ul style="list-style-type: none"> Structure Aspirations & values |

Factors influencing entrepreneurship:

1 Socio-demographic variables

- *Educational & technical qualifications
- *Emigration
- *Family background
- *Previous occupation

2. Economic variables

- *Ancestral property
- *Prior income
- *Initial investment
- *Level of living

3. Variables of system linkages

- *Contacts at higher social & govt. levels
- *Availability of technical advice
- *Mutual help
- *Political affiliation
- *Social participation
- *Personal training

4. Latent characteristics

- *Leadership qualities
- *Innovativeness
- *Risk bearing
- *Self reliance
- *Eagerness to evaluate enterprise & fix long & short term goals

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.
- The Govt. of Kerala provides a lot of assistance to women entrepreneurs in Kerala through agencies like KITCO, DICs. The areas of assistance include
 - Preparation of project reports
 - Meeting the cost of machinery and buildings
 - Training & hiring managerial personnel
 - Sales tax exemption for 6 years
 - Meeting 100% cost of technical expertise
- The factors encouraging women to become entrepreneurs are:
 1. Pull factors
 - Women choose a profession as a challenge and adventure
 - Urge to do something new
 - Liking for business and to have independent occupation
 2. Push factors
 - Takes up enterprise to get on financial difficulties
 - Thrusted responsibility due to family circumstances

Problems of women entrepreneurs:

1. Being a woman, she has to fulfil her responsibilities towards her family.
2. Bear the attitudes of the society towards her and work under the constraints despite the constitutional and legal equality.
3. Lack of proper training for improving or acquiring the necessary skills.
4. Difficulty in rising finances as they are dependent on men
5. Procedures, rules and regulations discourage them.
6. Difficulty in interacting with government departments
7. Difficulties in marketing and exploitation by middlemen both in purchasing raw materials and selling finished goods.
8. Psycho-social barriers
 - Poor self-image
 - Inadequate motivation
 - Discriminating treatment
 - Faulty socialism
 - Cultural values
 - Lack of courage and self confidence
 - Lack of freedom

Conceiving the Idea/Sources of Ideas

1. 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.
2. Project ideas originate from the various sources or due to different reasons like
3. The success story of a friend/relative,
4. Experience of others in manufacture/sale of product,
5. Demand for certain products,
6. Chances of producing a substitute of an article imported for which there is good demand,
7. Visits to trade fairs,
8. Study of Project profiles and industrial potential surveys,
9. Meeting government organizations
10. Review of imports and exports
11. Suggestions of financial institutions and development agencies
12. Possibilities of reviving sick units
13. Unfulfilled psychological needs of customers
14. Economic and social trends
15. Study of outlays of government expenditure
16. New technological developments etc., and of course the motivation, background and skill of the entrepreneur and his associates.

The first and foremost problem of an entrepreneur is to find out a suitable business which can give him a reasonable profit. So, entrepreneur has to first search for a sound or workable business idea and gives a practical shape to his idea of the business. He confronts number of problems and his ultimate success will depend upon his ability and foresight to tackle the various problems with which he will be faced from time to time. Therefore, problems before starting his new enterprise.

- Marketability of the product
- Its use (industrial use, domestic use, ancillary)
- Its buyers
- Demand and supply over the last few years to estimate its future demand

Demand of the product to be decided after considering of the anticipated changes in technology.

- Levels of incomes of the people

- Throughout the country
- One or two states or a particular region
- Repeat product (like soap* tooth paste etc.)
- Durable article (like watch, refrigerator etc.)
- Low priced to take advantage of large sales/ fix high price so that he can get fair margin even on a smaller volume of sales. In addition, dealers' network distribution channels to be properly planned.

The entrepreneur should probe the various consequences of giving a practical shape to his ideas with an analytical mind. He should not only draw upon his past experience but also take advice from his reliable business friends. In addition, it may even be advisable to obtain experts advice from professionals, like bank managers, dealers, commercial consultants, advertising agencies and even auditors.

- Prospective consumers
- Items reserved for small scale units
- Attending motivation campaigns
- Industrial Potential Surveys

Stimulating the flow of ideas:

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.
2. Clear articulation of objectives:
 - Cost reduction
 - Productivity improvement
 - Increase in capacity utilization
 - Improvement in contribution margin
3. Fostering a conducive climate:
 - Providing unconstrained environment
 - Introduction of suggestion schemes

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.

1. Compatibility with promoter
 - Interest
 - Personality
 - Resources
2. Consistency with government priorities
 - Consistent with national goals and priorities
 - Environmental effects
 - FE requirements
 - licenses
3. Availability of inputs
 - Capital requirements
 - Technical know-how
 - Raw materials
 - Power requirements
4. Adequacy of market

- Competitors and market share
- Export market
- Price profile
- Sales and distribution system
- Consumption patterns
- 5. Reasonableness of cost
 - Cost material inputs
 - Labour costs
 - Economies of scale
 - Overheads
- 6. Acceptability of risk level
 - Vulnerability to business cycles
 - Technological changes
 - Competition from substitutes, imports
 - Government controls over price and distribution

Choice of Technology:

Factors influencing the selection of technology:

- | | |
|--|------------------------|
| 1. Plant capacity | 5. Product mix |
| 2. Principal inputs | 6. Latest developments |
| 3. Investment out lay and product cost | 7. Ease of absorption |
| 4. Use by other units | |

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

