

BUREAU'S
HIGHER SECONDARY [+2]
FUNDAMENTALS OF
ENTREPRENEURSHIP

(For +2 First Year Commerce)

(Approved by the Council of Higher Secondary Education, Odisha)

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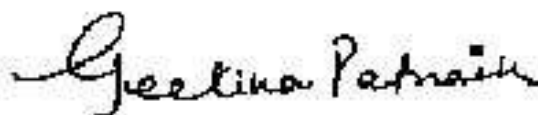
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FOREWORD

The Odisha State Bureau of Textbook Preparation and Production, Bhubaneswar has made a pioneer attempt to publish text books for +2 Commerce Stream with an excellent team of teachers in different subjects.

The present book “**Fundamentals of Entrepreneurship**” is meant for Higher Secondary Commerce students. This book has been written by a team of learned academicians namely Dr. Upendra Nath Sahu, Dr. Ajit Kumar Kar, Dr. Sunil Kumar Jena and Sri Jyoti Prakash Rath and reviewed by Prof.(Dr.) Girija Prasad Acharya. I would like to record my sincere gratitude to all of them for accomplishing this maiden venture in time. The main purpose of developing this text book is to provide a thorough exposure to the students of Commerce in this subject. The book, prepared according to the new syllabus prescribed by the CHSE, Odisha, shall cater to the needs of young students.

I believe that the students and teachers of commerce stream shall welcome and appreciate the book. I would also like to welcome constructive suggestions for further improvement of the book.



(Dr. Geetika Patnaik)

Director

Odisha State Bureau of Textbook
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P R E F A C E

Perhaps never earlier in India, the scope and dimensions of entrepreneurial opportunity had widened and deepened so much as has been the case over the past few years. With MSME sector given all focus and importance with lots of boost up packages followed by the recently launched Start-up, Stand-up and Mudra Bank initiatives, immense opportunities are being opened up for the youth for entrepreneurial ventures. But the intensity of response from the youth to take advantage of such opportunity would greatly depend primarily on their awareness and preparedness for the challenges. For this, massive efforts are needed for making the youth aware of the unfolding opportunities, creating interest and motivating them for such entrepreneurial ventures.

Educational institutions at Higher Secondary Levels can play an important role at least in creating awareness and interest in the youth about the charms of being entrepreneurs. The mission should be 'catch them young' so that the freshers would be firmly rooted and motivated for seeking careers in entrepreneurship.

Considering the emerging importance of the role of the entrepreneurs, many universities, colleges and agencies have introduced Entrepreneurship as one of the subjects in their syllabus. Following this national trend, the CHSE has very rightly decided to include this course as a part of the +2 Commerce Syllabus. Hence, this book.

This book has been written strictly as per the syllabus designed by the Council of Higher Secondary Education, Odisha. The contents have been planned in a systematic and logical sequence to make the students understand the subject with ease. It is presented in a simple and self learning style. No previous knowledge of management is required to understand the subject.

More emphasis has been given on practical aspects of entrepreneurship. At the end of each chapter, a variety of model questions like multiple choices, fill in the blanks, one word expression, very short, short and long questions have been given. Hopefully, this will facilitate self-assessment for the students.

Our sincere gratitude goes to Prof. (Dr) Girija Prasad Acharya for having taken pains to review the manuscripts thoroughly and making necessary modifications. We thank the CHSE, Odisha for giving us the opportunity to write this book. We would like to extend our thanks to Odisha State Bureau of Textbook Preparation and Production, Bhubaneswar for publishing the book.

The authors will be very grateful for any suggestions and corrections for the improvement of this book.

Board of Writers

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SYLLABUS

FUNDAMENTALS OF ENTREPRENEURSHIP

First Year 4TH Elective, Paper - 1

Objectives

- To provide students an understanding of the Concept, types, essential qualities of an entrepreneur and the factors affecting the entrepreneurial growth process
- To help the students in learning various types of business enterprises, their features, benefits, problems encountered
- To enable students to learn the process of identifying entrepreneurial opportunities and selecting enterprises
- To make the students able to know the need for institutional support and specialized institutions providing such support in the market
- To help students understand the need of developing entrepreneurial competencies
Entrepreneurship Development Programme and their objectives

Unit-I :

Entrepreneur : Meaning and definition, the charms of being an Entrepreneur, Essential Qualities of an Entrepreneur, Factors affecting Entrepreneurial Growth : Economic Factors, Non Economic Factors and Government Policy, Types of Entrepreneurs-large and small

Unit -II :

Selection of Enterprise :

- a) Types of Enterprises : Micro, Small, Medium and Large Enterprise-Meaning and Characteristics, Benefits and Problems of Micro and Small Enterprises.
- b) Entrepreneurial Opportunities and selection of Enterprise, Identification of Entrepreneurial Opportunities steps in the setting up of an Enterprise.

Unit-III

Institutional Support of Entrepreneurs :

Need for Institutional Support, Areas of Support from the following specialized Institutions : SIDBI, SIDO, SISI, NSIC, FIEO, SFCS, IPICOL, APICOL, IDCO and DIC.

Unit-IV

Developing Entrepreneurial Competencies :

Meaning of entrepreneurial Competency, Need for Developing Competencies, Entrepreneurship Development Programme, Needs and Objectives, Major Institutions conducting EDPs.

CHAPTER - 1

ENTREPRENEUR : MEANING, CHARACTERISTICS, ESSENTIAL QUALITIES AND TYPES OF ENTREPRENEURS

Structure

- 1.0. Introduction
- 1.1. Definitions
- 1.2. Characteristics
- 1.3. Evolution
- 1.4. Entrepreneur and Intraprenuer
- 1.5. Essential Qualities
- 1.6. Charm of being an entrepreneur
- 1.7. Type of Entrepreneurs
- 1.8. Questions

ENTREPRENEURS

1.0 *Introduction*

Entrepreneurs play a key role in any economy and more so in all developing economies. They are the engines or harbingers of industrial growth and economic development. If India is enjoying to-day a good place in economic growth and successfully exploring its industrial potentiality, it is because of the contributions by a large number of successful entrepreneurs. Most of these entrepreneurs are highly motivated and inspired people, gifted with innovative minds and have vision, strong will power and committed leadership qualities.

All humans are in a way entrepreneurs not because they can start enterprises but because of the fact that the will to create is encoded in human DNA. Muhammad Yunus, Nobel prize winner in Economics, rightly says that all human beings are entrepreneurs. When we were in the caves, we were all self-employed – finding our food, feeding ourselves. That was where human history began. As civilization came, we suppressed it. We became “Labour” because they stamped us “you are labour”. We forgot that we were once entrepreneurs.

1.1 *Definitions of Entrepreneur*

The term entrepreneur is viewed in different ways by different authors and thinkers. The definitions have been changing with changing features of the economy and the consequential changes in the challenging role of the entrepreneurs who are instrumental in the economic development and prosperity of a nation. Some of the important definitions of the term ‘entrepreneur’ are described as follows:

- (i) **Richard Cantillon:** “An entrepreneur is an agent who buys factors of production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future”.
- (ii) **Jean Baptiste Say:** “An entrepreneur is the economic agent who unites all means of production—land of one, the labour of another and the capital of yet another and thus produces a product. By selling the product in the market, he pays rent of land, wages to labour, interest on capital and what remains is the profit belonging to himself”.
- (iii) **Joseph A. Schumpeter:** “Entrepreneur is a person who foresees the opportunity and tries to exploit it by introducing a new product, new method of production, a new market, new sources of raw materials or a new combination of factors of production”.

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- (iv) **Peter F. Drucker:** “An entrepreneur is a person who always searches for change, responds to it, and exploits it as an opportunity”.
- (v) **James Burner:** “Entrepreneur is a person or group of persons responsible for existence of a new industrial enterprise”.
- (vi) **Gerald A. Silver:** “Entrepreneur is an individual who conceives idea for a new product or service, then finds some way of raising capital to form a business to produce the product or service”.
- (vii) **Robert D. Hisrich:** “ Entrepreneur is a person who is going to establish a successful new business venture and must also be a visionary leader- a person who dreams great dreams”.
- (viii) **David C. McClelland:** “An entrepreneur is a
- (a) Decision maker under uncertainty and
 - (b) The one who does things in a new and better way”.
- (ix) **International Labour Organisation(ILO):**
“Entrepreneurs are people who have the ability to see and evaluate business opportunities; to gather the necessary resources to take advantage of them; and to initiate appropriate action to ensure success”.
- (x) **Oxford Dictionary:** “Entrepreneur is one who undertakes an enterprise, especially a contractor acting as intermediary between capital and labour”.

A general review of the definitions: A general review of all the definitions given above gives us the impression that most of the definitions have been attempted without taking a comprehensive or holistic view of all the facets of the role and importance of entrepreneurs. In consequence, most of them appear little lopsided highlighting only one or two features. The definitions given by Joseph. A Schumpeter and Gerald A. Silver, however, appear quite comprehensive and more appropriate.

In most of the definitions given above, it can be seen that the followings have been identified and highlighted as the common characteristic features of an entrepreneur.

- He is innovative, creative and very much optimistic.
- He is an exploiter or dreamer of new business opportunities or a conceiver of new ideas, products, services, markets etc.
- He is a risk taker or a man with adventurous spirit.
- He is a good organiser/mobiliser of resources.
- He is highly motivated, achievement or goal oriented.

- He is a lover of challenges and failures make him more strong
- He is highly motivated and spirited.

Taking into consideration all these commonly agreed upon basic characteristic features, an entrepreneur can be broadly defined as a person who, on the basis of exploration & scanning of business opportunities, perceives an idea to create something new, in the form of a product or services, mobilizes required resources, organizes production and its marketing, undertaking all risks involved in the hope of getting a return on the investment of resources.

1.2 Characteristics of an entrepreneur:

Considering the different definitions and common characteristics indicated above the followings can be considered as some of the important characteristics of an entrepreneur.

- (i) **He is innovative with a creative mindset :** He is innovative having a creative mind set This ability of an entrepreneur inspires him doing things in a new and better way. Innovation may take place in the form of introduction of new products, adoption of new methods of production, creation of newmarket, discovery of new source of raw materials, making a new form of organization in the industry Ratan Tata's Nano Car is one of the best example of innovation.
- (ii) **He is a risk taker :** Risk bearing is an important characteristic of an entrepreneur. There is risk in every enterprise. The risk may arise due to natural calamities, changing fashion and technologies, Government policy, increasing competition etc. The entrepreneur has to bear all these risks and uncertainties in business. The greater is the risk involved, the greater is the chances of profit or loss.
- (iii) **He is a mobiliser of factors of production :** An entrepreneur has the capacity to combine the factors of production such as land, labour, capital and organization for starting up an enterprise. Organizing has become a difficult task in modern times.
- (iv) **He is goal-oriented and highly motivated :** An entrepreneur is goal-oriented. He has a strong desire to achieve high goals in business. He gets happiness by setting goals and striving for achieving these goals one by one. First he sets a goal to achieve i.e. to earn profit by producing goods and services, and then after reaching one goal he proceeds to another goal.
- (v) **He is action-oriented:** A real entrepreneur is always action-oriented. In fact, an enterprise always consists of action in uncertainty. Thus, an entrepreneur is both a planner and a doer, dreamer and achiever. He implements what he visualizes.
- (vi) **He is highly optimistic:** A successful entrepreneur is always optimistic. He is not disturbed by the present problems faced by him. He believes that future will be favourable and he will be able to clear all the hurdles on the way towards a bright future.

- (vii) **He is a man having foresight:** An entrepreneur is type of economic prophet and knows about future business environment. He can well foresee the likely changes to take place in market, consumer attitude, technological advancement etc and can take timely actions.
- (viii) **He is opportunity focused:** A real entrepreneur always searches for change, responds to it and exploits it as an opportunity. He converts problems into opportunities. For example, polluted water may be a problem for the general public but it brings golden opportunity for the entrepreneur to treat the water and provide packaged pure drinking water out of it.
- (ix) **He is a man of patience:** An entrepreneur is a man of patience. He is not be affected by adverse situations like temporary failure, low consumer response, labour problems etc. He continues to work hard and do not run away from the business. He is confident of achieving success after some initial period.
- (x) **He enjoys independence:** An entrepreneur always desires to be independent and likes to develop his own way of handling all matters. He does not like to be guided by others and to follow their foot prints. He likes to be independent in the matters of his business.
- (xi) **He creates value addition:** An entrepreneur makes value addition by creating a new product and adding a new service in the society. In this way he has made people more concern for leading a quality life. The entrepreneur develops the value addition quality to cater to the needs of the society.
- (xii) **He is an explorer of business opportunities:** An entrepreneur's is essentially an explorer of business opportunities for which he constantly keeps a close watch on the changing environmental factors. In changes he searches for opportunities.

1.3 Evolution of the Entrepreneur

The word entrepreneur is derived from the French Language 'Entreprendre' which means 'to undertake'. It refers to the person who undertakes the risk of new commercial expeditions. In the beginning of the 16th Century, this term was applied to the leaders of military expedition in France. In 17th century, this word was used for other courageous tasks of engineering activities like construction of roads, buildings, bridges, ports and other civil defense works. In fact, entrepreneurs in the ancient times, were soldiers, adventurers, builders and merchants.

In 1725, Richard Cantillon, an Irishman living in France, first used the term 'Entrepreneur' with reference to economic activities. He described entrepreneur as bearer of risk and uncertainties. According to him, wealth is created by entrepreneurs, who assume major risk in terms of equity, time and commitments of providing some goods and services for value.

In 1803, Jean Baptiste Say, a French economist and industrialist, described entrepreneur as organizer, who combines various factors of production to produce socially useful products and sells them in the market. He pays rent to the land owner, wages to labourer, and interest on capital and enjoys the residual as profit. In this way, an entrepreneur is associated with the function of co-ordination, organization and supervision.

In 1910, Joseph A. Schumpeter, an Australian economist, referred entrepreneur as an innovator who breaks the existing system of production through new combinations of resource allocation, new methods of production and new markets for trade.

In 1961, David McClelland, a well known management author, emphasized the need for achievement qualities of an entrepreneur. He explains, "entrepreneur is one who is driven by the need for achievement towards accomplishment of task that challenges his competence" "An entrepreneur is prepared to take personal responsibility for business decisions and possible outcome.

In 1964, Peter F. Drucker, a reputed management expert, described entrepreneur is one who always searches for change, responds to it and exploits it as an opportunity". The entrepreneur arranges and employs resources for progressive achievement of objectives with a view to further allocation of new business opportunities.

In 1985, Robert D. Hisrich, described an entrepreneur as a visionary leader. He has a vision for further growth and development, commitment to constructive change and energy to achieve results. He is a person who dreams for greater dreams.

1.4 Entrepreneur and Intrapreneur

Of late, a new breed of entrepreneurs is coming into existence in large industrial organizations. They are called intrapreneurs. Sometimes the top executives are encouraged to catch hold of new ideas and convert these ideas into new products within the framework of the existing organization. These intrapreneurs belonged to the innovative type of entrepreneurs who are very popular in developed countries like U.S.A.

Definitions: According to Gifford Pinchot (1985) "Intrapreneur is an entrepreneur within an already established organization."

According to the American Heritage Dictionary, "Intrapreneur means a person within a large organization who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation".

Intrapreneur is an employee of a large organization who uses entrepreneurial skills to develop a new product or line of business as a subsidiary of the organization.

Meaning: An intrapreneur is an employee who is given the authority and support to create a new product without having to be concerned about whether or not the product will actually become a source of revenue for the company. Unlike an entrepreneur who faces personal risk when a product fails to produce revenue, an intrapreneur will continue to receive a salary even if the product fails to generate revenue.

Thus, an intrapreneur is an inside entrepreneur or an entrepreneur within a large firm, who uses entrepreneurial skills without incurring the risks associated with those activities.

Features of an Intrapreneur:

An Intrapreneur has following important features:-

1. **New Business Venturing:** An intrapreneur creates new business within the organization. This may include redefining the company's products or services, development of new market segment or formation of new corporate venturing.
2. **Innovations:** An intrapreneur makes innovations in the form of development of new products, improvement of existing products, development of improved method of production within a large organization.
3. **Self-renewal:** An intrapreneur makes transformation of an organization through the renewal of main ideas. This includes a redefinition of a business concept, modification of the existing business system operative in an organization.
4. **Risk bearing:** An Intrapreneur has to bear calculated risk and to accept failure as a learning point. He undertakes responsibility of bearing risk to a certain extent due to unforeseen situations.
5. **Independence:** An intrapreneur requires independence to investigate every angle of the given problem he is presented with. He requires the ability to experiment along with freedom to grow.
6. **Visionary and Flexible:** An Intrapreneur is a visionary leader who dreams great achievements. He has the ability to dream great things and communicate these in such a way that other people feel themselves being a part of the dreams. An Intrapreneur is flexible because his mind is open to changes and he encourages for creating something new in the organization.

COMPARISON OF ENTREPRENEUR, INTRAPRENEUR AND MANAGER

Sl. No.	Basis of Differences	Entrepreneur	Intrapreneur	Manager
1.	Ownership Status	Entrepreneur is owner of the enterprise	Intrapreneur is an employee and works within an enterprises	Manager is an employee who serves the owners of the enterprises.
2.	Primary Objective	Primary Objective is to start a new venture.	Primary objective is to convert a new idea into a profitable venture on behalf of the entrepreneur.	Primary objective is to get promotion and reward by offering his best services.
3.	Risk Bearing	He bears all the risks associated with business enterprises.	He bears moderate risks associated with his work.	He does not bear any risk.
4.	Rewards	He gets profit or loss as a reward of his efforts.	He gets fixed reward depending on the profits earned by entrepreneur.	He gets salary for his service which is fixed.
5.	Raising of fund	He raises funds required for the enterprise.	Funds are not raised by the intrapreneur.	He is not concerned with raising of funds.
6.	Decision making	He is very much involved in decision making process.	He is moderately involved in decision making limited to his work	He is involved in decision making limited to his assignment.
7.	Innovative	He is very much innovative	He is exceptionally innovative	He need not be innovative.
8.	Operation	He operates from outside	He operates from inside the organization.	He operates within the organization to the extent of his work.
9.	Guarantee of Investment	He gives guarantee to the investors for their investment	No question of guarantee arises to the investors	No question of guarantee arises.
10.	Dependency	He is independent to start his own enterprise	He is dependent on the entrepreneur.	He is also dependent on the owner i.e. entrepreneur.
11.	Professional qualifications	He need not possess professional qualifications.	He must possess professional qualifications.	He also possess professional qualifications.

1.5 Essential Qualities of an Entrepreneur

According to a great economist Emerson, “Business is a game of skill which everybody cannot play. Like a person fulfils his dreams by self confidence values, feelings, inspirations and views, in the same way a successful entrepreneur also reaches on top in his business or profession by his mental, physical, social, character and professional qualities”.

Entrepreneurs play a great role in economic development of a country. If we study the business history of India, we find the names of great entrepreneurs like JRD Tata, G.D. Birla, J L Bajaj, H.S. Singhania, Dhiru Bhai Ambani of Reliance group. Azim Premji of Wipro, Narayan Murthy of Infosys, Kiran Mazumdar-Shaw of the Biocon India, Varghese Kurein of Amul, Deepak Parekh of HDFC and many more. In our State Odisha, we have also many bright names of successful entrepreneur like Dr. B.D. Panda of IMFA group, Subrat Bagchi of Mindtree softtech, Shrikumar Mishra of Milky moo, Jagi M Panda of Ortel' and so on.

A close and careful study and analysis of the backdrop of the successful entrepreneurs across the country, the challenges they had met and mastered over, their main source of strength etc have helped researchers to list out certain qualities which can be claimed as essential qualities for entrepreneur. They are briefly described below:

1. **Hard working:** It is rightly said that, “Success comes only with 10% inspiration and 90% perspiration”. Most of the successful entrepreneurs work hard untiredly for their enterprise. They are even ready for personal sacrifice for the success of their enterprise. Such sense of dedication for hard work set bright examples for others to work harder for the success of business.
2. **Perseverance:** It is a quality of continuously pursuing a goal till it is achieved. In the beginning businesses face many problems. It requires drive and energy to overcome these problems. Successful entrepreneurs are not diverted by failures but become more determined to pursue their efforts to succeed in the future.
3. **Achievement oriented:** Most people dream of success and achievement, but do not take required actions towards achieving these dreams. Successful entrepreneurs, on the other hand, have a strong desire to achieve a higher goal and make their dreams come true. For them winning is achievement.
4. **Innovative or creative:** Successful entrepreneurs are innovative or creative in nature. They do not invent new things but use these inventions for producing new goods and services. They introduce new combinations of means of production, new product, new market for product and new sources of material.
5. **Self-confident:** successful entrepreneurs are self-confident with the firm belief that they will make their businesses succeed. Their confidence remains unshakable even when faced with failure. They never question themselves whether they can succeed or whether they are worthy of success.

6. **Self starter:** Successful entrepreneurs are self starters. They know well when to start, where to start and how to start and never wait for someone to push them forward. They know that if something needs to be done, they would do it themselves.
7. **Flexible and open minded:** Successful entrepreneurs are persons who act with open mind and receptive mind not being unnecessarily rigid. After weighing the merits and demerits of a decision, they tend to change it, if the situation so demands. They do not hesitate in revising their decisions. They have the ability to look at everything around them and focus it towards their goals.
8. **Passion:** Passion which means deep immotional love and attachment with work is one of the most important qualities of successful entrepreneurs. They genuinely love their enterprises. The joy that his business gives goes much beyond the money return he gets from business.
9. **Interpersonal skills:** An entrepreneur is a person who during course of his business, comes across many people with whom he has to deal with for different matters. He has to make them work for him, which help him to attain the objectives. A successful entrepreneur has to be a kind of person who likes working with people and knows the art of carrying people with him.
10. **Stress taker:** His job being of a challenging nature with problems all around demanding solution, an entrepreneur has to be involved with a lot of physical and emotional stresses and strains. He has to have the capacity to work for long hours and keep cool under a lot of tension.
11. **Ability to explore opportunity:** Entrepreneurs are supposed to have the most needed quality of quickly identifying and seizing business opportunities. They show an innovative bent of mind that converts difficulties into opportunities. But they are realistic too. They plan carefully how to achieve their goals in encashing an opportunity.
12. **Disciplined:** Successful entrepreneurs are disciplined enough to take steps every day towards the achievement of goal. They are focused on making their business work and eliminate any difficulties like a disciplined soldier.
13. **Adaptability:** Successful entrepreneurs have the capacity to adapt with any kind situation that may arise in the business.
14. **Immediate feedback:** A successful entrepreneur uses immediate feedback of his performance. He likes prompt and accurate information and it does not make any difference whether they are favourable or unfavourable. In fact, they are stimulated by unfavorable facts to pour more energy for achievement of goal.
15. **Patience:** The successful entrepreneurs have a lot of patience. They are not detracted by unfavorable situations such as low customer response, labour problems, shortage of raw material, problems for funds etc. They continue to work hard and do not run away from the enterprise. They are hopeful for achieving success after some days.

- 16. Risk bearing capacity :** Risk bearing capacity is an important quality of an entrepreneur. The risk may arise due to natural calamities, change in technology, government policy, style and fashion and increasing competition etc. All business are invariably subjected to risk. The greater is the risk, the greater is the chances of profit and loss.

1.6 Charms of being an Entrepreneur

Varieties of options are available for people seeking a career to begin with. Such options may broadly be divided into two types of career options such as wage employment and self employment. In case of wage employment one has to join in a job of Government establishment or private establishment. He earns fixed wages and salary. In wage employment one works for others. He works as others want him to do. There is no scope for doing as one wishes. On the other hand, self employment is the opposite of wage employment. One works for himself and achieves a target or a goal set by himself. It is rightly said that, "if self-help is the best help, then self-employment is the best employment and thus becoming an entrepreneur is the most exciting level of self employment." In case of self employment, the scope for one's excellence is limitless and the scope for earning is also unlimited. Thus, between the two career options, one can better appreciate the career of being an entrepreneur. The major charms of being an entrepreneur are as follows:

1. **Opportunity to create own destiny:** An entrepreneur is the creator of his own destiny. Being an owner of the enterprise, he wants to make his destiny high and bright'. He is the driving force for success of his own enterprise.
2. **Opportunity to make a difference:** An entrepreneur starts his enterprise because he has an opportunity to use his innovative mind to do things in a way that would make him distinctively different from others. It may be for instance, cost effectiveness or sophistication, which can be brought into the products manufactured. Provision of low cost houses to lower income group people or setting up a recycling unit are the other best examples of making a difference by the entrepreneur.
3. **Opportunity to create employment:** Being an entrepreneur, one is not only self-employed but also becomes an employment creator for others. He is a source of livelihood for so many families. He provides jobs to a large number of unemployed persons.
4. **Opportunity to contribute to society:** An entrepreneur contributes to the society by producing new goods and providing new services, utilizing idle resources, helping development of backward regions and undertaking social responsibility (CSR) works such as promotion of educational institutions, hospitals, parks, relief works etc .
5. **Opportunity to reach full potentiality:** Being an entrepreneur having complete freedom for action and immense opportunities all around, he can feel fully empowered

to reach his full potential. He can realize his boundaries of success propelled by his own creativity, enthusiasm and vision.

6. **Opportunity of unlimited possibilities:** The best thing about being an entrepreneur is the unlimited possibilities. Everyday an entrepreneur is charmed by the promise of new challenges, new clients and new creative ideas. This empowers entrepreneurs to make decisions without fear of repercussions.
7. **Opportunity to enjoy freedom:** An entrepreneur has an opportunity to enjoy freedom like freedom to lead a life of his own choice and respecting his own values, freedom to work with people of different fields, freedom to innovate, freedom of running his own business etc.
8. **Opportunity to achieve the desired objectives:** Entrepreneurs are high achievers. They are willing to work hard to achieve the desired objectives. They set challenges for themselves. They are the key force in moving the idea from the laboratory to the market place. They are makers of markets, creators of capital, developers of opportunities and producers of new technologies.
9. **Opportunity to become a visionary leader:** With his indepth knowledge in the market trends and other emerging changes an entrepreneur has an opportunity to correctly read the future and become a visionary leader. He can instill confidence in others and inspire them with a sense of mission. He can implement what he visualizes. He can recognize the profitable opportunities and try to commercially exploit them. He can well visualize the likely changes in the market, consumer attitude and technological development etc and take timely actions for commercial gains.
10. **Opportunity to bring economic development:** Entrepreneurs are important agent of economic development. They create employment, wealth and capital in the country. They promote new products, new market, new jobs, and raise the standard of living in the society. They can bring about perceptible changes in the economic scenario of the country.
11. **Opportunity for innovation:** An entrepreneur has limitless opportunities for introducing innovations in production, production techniques, sales, marketing and advertisement etc. He can create new demands new aspirations and new methods which are different from others.
12. **Opportunity for motivating others:** An entrepreneur has an opportunity to get the work done through others. He can create a spirit of team work and motivate them to achieve a desired goal.
13. **Opportunity of being independent:** Entrepreneurs are able to make all the decisions relating to their enterprises themselves. They have full control over the process of

decision making. This allows for an entrepreneur huge degree of independence and enough chance to shape his own career.

14. **Opportunity for excitement:** Every entrepreneur considers his work highly enjoyable and exciting. Each day is filled with new opportunities to challenge his ability, skill and determination.
15. **Improved social status and recognition:** With the changing mind set of the people in the society recognizing entrepreneurs as important change agents, their social status has remarkably improved. This is another reason why young and highly educated people are being attracted to this career.

1.7 TYPE OF ENTREPRENEURS

Although all people having entrepreneurial qualities of exploring business opportunities and then turning them into operational units through mobilization of required resources are called entrepreneurs, they, however, differ from each other on the basis of nature and type of business they undertake, size and scale of operation they opt for, their place of location, the nature of technology they adopt and a host of other such considerations.

Hence, in every nation one can notice the emergence of various of types of entrepreneurs. The different grounds or basis on which they are classified are-

- (i) **Types and nature of business activities undertaken.**
- (ii) **Technology used**
- (iii) **Motivational push**
- (iv) **Stage of development**
- (v) **Traits & characteristics**
- (vi) **Coverage area**
- (vii) **Gender**
- (viii) **Ownership structure**
- (ix) **Scale of operations**

1.7.1 On the basis of nature and types of business: On the basis of nature and types of business they undertake, entrepreneurs are classified as follows:

- (a) **Business Entrepreneurs:** Business entrepreneurs are those entrepreneurs who start business units after developing ideas for new products and services. Such entrepreneurs examine the various possibilities of sources of finance, supply of labour, raw materials and finished product as the case may be. They may set up a big business unit or a small business unit. They are called small business entrepreneurs when found in small business unit such as printing press,

confectionery bakeries, readymade garments, advertisement agency etc. On the other hand, large business entrepreneurs are those who run large business houses like Tatas, Birlas, Ambanis, Godrej, Infosys, Wipro, etc. Business entrepreneur may be further sub-grouped as-

- (i) **Trading Entrepreneurs:** Trading entrepreneurs are those who undertake the business of buying and selling of goods. They are not concerned with the manufacturing work. They have to identify potential market and create demand through advertisement of their products. They have to find out the desires, tastes and choices of their customers in domestic and international trade and accordingly transact their activities.
- (ii) **Manufacturing Entrepreneurs:** Manufacturing entrepreneurs are essentially the manufacturers. They convert raw materials into finished products. They are product oriented men who set up the manufacturing units to make new products. They have the ability to transform economic resources and technology into a profitable venture. They are found in manufacturing industries like Iron & steel, aluminium, electrical and electronics industry, textile units and machine tools industries etc.
- (iii) **Servicing Entrepreneurs:** These are the entrepreneur who specialize in providing different types of services like transportation, advertisement and publicity, warehousing, tours and travels etc.
- (iv) **Agricultural Entrepreneurs:** Agricultural entrepreneurs are those who commercialize agricultural activities. They use latest technology and mechanization process to increase the agricultural productivity. Agricultural activities not only include cultivation and irrigation but also the allied activities like Dairy farming, poultry farming etc.

1.7.2 On the basis of use of technology:

The application of new technology is essential for the future growth of business. Entrepreneurs may be categorized on the basis of the use of technology as follows:

- (a) **Technical Entrepreneurs:** Technical entrepreneurs being technically qualified develop improved quality of products using their technical skill and knowledge. They concentrate more on production than marketing. They use their innovative capabilities in the production of goods and services. They possess craft-man skill which can be applied to develop the technical aspect of the product.
- (b) **Non-technical Entrepreneurs:** Non-technical entrepreneurs are those who are not technically qualified and as such they are not concerned with the technical aspects of the product in which they deal with. They are rather more concerned with developing new and innovative marketing and distribution strategies to promote their business. Their target is not to change the production technique but how to increase the demand for the product in which they are dealing.

1.7.3 On the basis of motivational drives: Motivation is a big driving force that may influence or propel some people to turn into entrepreneurs to take up business ventures. On the basis of motivational drive entrepreneurs may be classified into following types.

- (a) **Pure Entrepreneurs:** Pure entrepreneurs are those who are tempted by the psychological or monetary rewards. They are status conscious and want recognition. They undertake entrepreneurial activity for their personal satisfaction in work or satisfaction of ego or status.
- (b) **Induced Entrepreneurs:** Induced entrepreneurs are those who take up entrepreneurial activities being allured or induced by various incentives, subsidies and other similar facilities offered by the government. Most of the new age entrepreneurs who have entered into business in recent years are induced entrepreneurs as they have been mostly allured by the various kinds of financial, technical and other facilities provided by the government to promote entrepreneurship. Any person who develops himself by attending EDPs (Entrepreneurship Development Programmes) and makes a stand in the business can also be called as an induced entrepreneur.
- (c) **Self Motivated Entrepreneurs:** Such type of entrepreneurs is motivated by their intense desire for self-fulfillment. They come into existence because of the possibility of making and marketing some new products for the use of consumers. If the product is developed to a marketable stage, such entrepreneurs are further motivated by reward in terms of profit.
- (d) **Spontaneous Entrepreneurs:** Spontaneous Entrepreneurs are persons who start business out of their natural talent. They have initiative, boldness and confidence in themselves which activate them to undertake entrepreneurial task. They are creative by nature having a strong conviction and confidence.

1.7.4 On the basis of stages of development:

Entrepreneurs may also be classified on the basis of their period of entry into such career, the stages they have reached in their endeavours and the back ground with which they come on such basis, they are classified as under:

- (a) **First generation entrepreneurs:** First generation entrepreneurs do not possess any entrepreneurial back ground. They do not inherit entrepreneurship from their earlier generation. They start business by their own innovative skills. They have a strong desire of starting their own business. For example: Late Dhiru Bhai Ambani was a first generation entrepreneur. His father and forefathers had no business background.
- (b) **Second generation entrepreneurs or Entrepreneurs by inheritance:** They are entrepreneurs who inherit the family business and pass to next generation. They are born and brought up in the entrepreneurial environment. The ownership and

control of business comes to them from the earlier generation. For example Mukesh Ambani and Anil Ambani both are heirs of Late Dhiru Bhai Ambani. They are second generation entrepreneurs.

- (c) **Modern entrepreneurs:** Modern entrepreneurs are those entrepreneurs who undertake the ventures after being exposed to different E.D. Programme, workshop, seminars. They undertake those businesses which suit the current marketing needs.
- (d) **Classical entrepreneurs:** Classical entrepreneurs are those entrepreneurs who are concerned with the customers and marketing needs through the development of self supporting ventures. They are stereotype entrepreneurs whose aim is maximization of profit with or without growth of business.

1.7.5 On the basis of personal characteristics, traits or skill:

On the basis of characteristic, traits and skill, Clarence Danhof classified entrepreneurs into four categories which are as follows:

- (a) **Innovative Entrepreneurs:** Innovative entrepreneurs are motivated by the idea of doing something new. They introduce new products, inaugurate new methods of production, discover new market and re-organize the old enterprise. Such type of entrepreneurs are found in a nation which has wide industrial base, modern banking facilities, rich infrastructure, up-to-date technology and the like. The favourable environment and the increased needs of entrepreneurial people in developed countries enable such entrepreneurs to constantly improve through innovations.
- (b) **Imitative Entrepreneurs:** Imitative entrepreneurs are characterized by their preference to adopt innovations successfully introduced by innovative entrepreneurs. They do not innovate but imitate the products and techniques of innovative entrepreneurs. Such entrepreneurs are indispensable for developing and under developing countries. Innovative entrepreneurs are creative, while imitative entrepreneurs are adoptive.
- (c) **Fabian Entrepreneurs:** They are entrepreneurs who are always conservative, cautious and suspicious in experimenting any change in their businesses. Such entrepreneurs are very shy, lazy and lethargic. They conduct the business in a routine manner. They are not prepared to expand or change their business.
- (d) **Drone Entrepreneurs:** Drone entrepreneurs are those who stick up to the old values, customs and traditions. They are not willing to effect changes in their businesses. They blindly follow the traditional method even if it causes loss to them. In the long run when competition increases, they are pushed out of the market. Their traditional attitude affects the profitability, competitiveness and productivity of the business. They are like non-worker bee.

1.7.6 On the basis of location or area of operation:

On this basis, the entrepreneurs are classified into Urban Entrepreneurs and Rural Entrepreneurs as described below:

- (a) **Urban Entrepreneurs:** Urban entrepreneurs are those who set up business in urban and developed area. They are mostly found in towns and big cities. They employ skilled labour and modern technology in the process of production of goods and services. They have a large scope for starting enterprises in different fields.
- (b) **Rural Entrepreneurs:** They are the persons who set up business in rural and backward areas. They are mostly found in villages. They use locally available resources for production of goods and services. They depend more on unskilled labour force and traditional technology.

1.7.7 On the basis of gender:

Under this classification, there are two types of entrepreneurs as follows:

- (a) **Male/men Entrepreneurs:** When initiative to start an enterprise is taken up by men, they are called men or male entrepreneurs. They are found in very large numbers because of the male dominated societies across the world. The extent of mobility is high in case of male entrepreneurs. They are ready to go anywhere in the world.
- (b) **Female/women Entrepreneurs:** The enterprises explored and initiated by women are called women/female entrepreneurs. In recent years, the number of women entrepreneurs is increasing at a rapid rate. Spread of women education, increasing awareness of women's rights and family needs have contributed to the growth of women entrepreneurs.

1.7.8 On the basis of capital ownership:

The entrepreneurs classified on the basis of capital ownership are as follows:

- (a) **Private Entrepreneurs:** When an individual or a group of individuals set up an enterprise, arrange finance, bear the risk and adopt the appropriate techniques in the business with the intention to earn profits, he or the group is called as private entrepreneur/entrepreneurs.
- (b) **State Entrepreneur:** As the name indicates, when the trading or industrial venture is undertaken by the state or government, it is called as state entrepreneur.
- (c) **Joint Entrepreneur:** When both private entrepreneur and State entrepreneur join hands to set up business enterprises, it is called joint entrepreneur.

1.7.9 On the basis of scale:

On the basis of scale, the entrepreneurs are classified into following types:

- (a) **Large Entrepreneurs:** Entrepreneurs engaged in running large industrial enterprises are called large entrepreneurs. Because of large scale business operation, they can avail a number of economics on account of large scale production, marketing, finance and management. The success of the large scale enterprises is attributed

to the visions, innovations, plan of actions, managerial abilities, sense of social responsibilities and business ethics of the large entrepreneurs. Some of the bright examples of large entrepreneurs in the present business scenario of India are Ratan Tata of Tata group, Narayan murthy of Infosys, Azim Premji of Wipro, Kiran Mazumdar Shaw of Biocon etc.

- (b) **Small Entrepreneurs:** Small entrepreneurs are the persons who set up small units in rural and semi-urban areas. Such units operate with lesser financial and other physical resources. They are usually labour intensive which use more labour than machines. They are located in rural areas where cheap labour is easily available. The examples are units dealing with handicrafts, handloom, sericulture, coir based products and products reserved for Khadi and village industries etc. However, now-a-days such small units are engaging machines in producing readymade garments, plastic, rubber and leather products. These small businesses generally are operating in semi-urban and urban area.
- (c) **Micro Entrepreneurs :** These are entrepreneurs who set up the smallest sized enterprises involving minimum investment in their plant & machineries upto a ceiling of 25 lakhs for undertaking manufacturing activities and Rs. 10 lakhs engaged in servicing enterprises.

1.8 MODEL QUESTIONS

Objective Type Questions

(Group-A)

I. Multiple Choice Questions

1. An entrepreneur is a/an -
(a) Risk Bearer (b) Promoter
(c) Innovator (d) All of the above
2. Entrepreneur is basically a/an -
(a) Manager (b) Servant
(c) Owner (d) Outsider
3. An Entrepreneur is required to have ?
(a) Innovative mind (b) Foresightness
(c) Risk taking capacity (d) All of these
4. For industrial development entrepreneur is-
(a) Necessary (b) Unnecessary
(c) irrelevant (d) Wastage of money
5. For an entrepreneur innovation means-
(a) Introduction of new product (b) Adoption of new methods of production
(c) Creation of new market (d) all of these
6. A new product is brought in by ?
(a) Entrepreneur (b) Intrapreneur
(c) Both Entrepreneur & Intrapreneur (d) Manager
7. Intrapreneur is an -
(a) Independent person (b) Dependent person
(c) Semi-independent person (d) Non of these
8. Bearing of risk is the primary function of-
(a) A manager (b) An entrepreneur
(c) A consultant (d) An employee
9. A craftman when becomes an entrepreneur is called-
(a) Trading entrepreneur (b) Technical entrepreneur
(c) Non-technical entrepreneur (d) Induced entrepreneur

10. A trading entrepreneur is concerned with-
- (a) Manufacturing only
 - (b) Selling activities only
 - (c) Buying activities only
 - (d) Both buying & selling activities.
11. Innovation is considered as hallmark for an entrepreneur is the view of-
- (a) Peter F. Drucker
 - (b) Joseph A. Schumpeter
 - (c) Richard Cantillon
 - (d) David C. McClelland
12. Transformation of innovative ideas and resources into business proposition is the work of-
- (a) Inventor
 - (b) Scientist
 - (c) Entrepreneur
 - (d) Bankers
13. The word 'entrepreneur' is originated from-
- (a) France
 - (b) Germany
 - (c) USA
 - (d) England
14. David C. McClelland in his definition of an entrepreneur emphasized more on-
- (a) Innovation
 - (b) Need for achievement
 - (c) Calculated risk
 - (d) All of these

II. Filling up of the Blanks (1 mark each)

1. The innovative managers in an existing business organization are known as _____.
- (i) Executives
 - (ii) Entrepreneurs
 - (iii) Intrapreneurs
 - (iv) Non-Executive
2. Joseph Schumpeter identified entrepreneur essentially as a/an _____.
- (i) Inventor
 - (ii) Organizers
 - (iii) Innovator
 - (iv) Planner
3. Locally available raw materials are more used by _____ entrepreneurs.
- (i) Small & Micro
 - (ii) Large scale
 - (iii) Corporate
 - (iv) only Micro
4. The word entrepreneur was first used by
- (i) Richard Cantillon
 - (ii) Schumpeter
 - (iii) J.B. say
 - (iv) Peter Drucker

-
5. Imitating entrepreneurs are generally seen _____ countries.
- (i) Developed (ii) Under-developed
(iii) Capitalistic (iv) Socialistic
6. Fabian entrepreneurs are mostly _____ in nature.
- (i) Smart (ii) Active
(iii) Innovative (iv) Lazy and shy
7. _____ types of entrepreneurs are like non-worker bee.
- (i) Innovative (ii) Imitating
(iii) Fabian (iv) Drone
8. The entrepreneurs who convert raw materials to finished products and market them are known as _____ entrepreneur.
- (i) Trading (ii) Industrial
(iii) Agricultural (iv) Service
9. The owner of a beauty parlour is a _____ entrepreneur.
- (i) Trading (ii) Industrial
(iii) Service (iv) Agricultural
10. A wholesaler is a _____ entrepreneur.
- (i) Industrial (ii) Service
(iii) Trading (iv) Technical
11. Availability of subsidy from the government is considered as a kind of _____ by an entrepreneur.
- (i) risk (ii) Weakness
(iii) Opportunity (iv) threat
12. _____ entrepreneurs are the worst type of entrepreneurs.
- (i) Innovative (ii) Imitating
(iii) Fabian (iv) Drone
13. IT industries are mostly run by _____ entrepreneur.
- (i) High-tech (ii) Low-tech
(iii) Non-technical (iv) Rural

14. Rural entrepreneurs usually depend on _____ raw materials.
 (i) Imported (ii) High-tech
 (iii) Locally available (iv) Export quality
15. Technical entrepreneurs assume greater risk because _____.
 (i) Technology never changes (ii) Technology always changes
 (iii) Import restrictions (iv) Expertise not available

I. Answers.

1. (d) 2.(c) 3.(d) 4. (a) 5. (d) 6. (c) 7. (c) 8. (b) 9. (b) 10. (d)
 11.(b) 12.(c) 13.(a) 14. (b)

II. Answers.

1. (iii) 2. (iii) 3.(i) 4. (i) 5. (ii) 6. (iv) 7. (iv) 8. (ii) 9.(iii) 10. (iii)
 11. (iii) 12. (iv) 13.(i) 14.(iii) 15.(ii)

III. One word / very short answer type questions.

1. Name the Entrepreneurs mostly found in capitalistic economy ?
2. What is the other name of imitative entrepreneurs ?
3. Which types of entrepreneurs are like non-worker bee?
4. Name the entrepreneurs who convert raw materials into finished products ?
5. Which characteristics of an entrepreneur is emphasized more by Joseph Schumpeter?
6. Which characteristics of an entrepreneur is emphasized more by David Me Clelland?
7. Name the process of creating a new product or service.
8. What type of entrepreneurs use locally available raw materials?
9. What is the name of an innovative manager in an existing enterprise?
10. Name the person who transform innovative ideas into business proposition?
11. Name the country where the word 'entrepreneur' first used ?
12. "Entrepreneur is one who is driven by the need for achievement" who has said this?
13. "An entrepreneur is one who always searches for changes, responds to it and exploits it as an opportunity" who said this ?
14. Give one important characteristic of an entrepreneur?
15. Give one example of a technical entrepreneur.

III. Answer

- | | |
|-----------------------------|---|
| 1. Innovative Entrepreneurs | 2. Adoptive Entrepreneurs |
| 3. Drone entrepreneurs | 4. Manufacturing/Industrial entrepreneurs |
| 5. Innovative | 6. Need for achievement |
| 7. Innovation | 8. Small Scale entrepreneurs |
| 9. Intrapreneur | 10. Entrepreneur |
| 11. France | 12. David McClelland |
| 13. Peter F. Drucker | 14. Risk Bearing/Innovation |
| 15. Craftman | |

IV. Correct the underlined portions in the following sentences.

1. Innovative managers are called entrepreneur.
2. Intrapreneur assumes the total risk and responsibility of the business.
3. Profit is the reward of iritrpreneur.
4. Creating a new product for business purpose is called invention.
5. Peter F. Drucker was the first author who defines an entrepreneur.
6. Entrpreneur as an innovator was referred by David Me Cleland.
7. A manager acts as an innovator to maximize the profits.
8. Innovative entrepreneurs are called^adoptive entrepreneurs.
9. An entrepreneur, who set up an industrial unit is called agricultural entrepreneur.
10. Industrial entrepreneur are primarily concerned with marketing activities.
11. Imitative entrepreneurs introduce new product and new method of production.
12. Drone entrepreneurs are lazy and shy.
13. A promoter of a company is called trading entrepreneur
14. An entrepreneur is a semi-independent person.
15. A Manager bears all types of risk associated with the business.

IV. Answers

- | | | |
|----------------------------|-----------------------------|----------------------------|
| 1. Intrapreneur | 2. Entrepreneur | 3. Entrepreneur |
| 4. Innovation | 5. Richard Cantillon | 6. Joseph Schumpeter |
| 7. An Entrepreneur | 8. Imitative | 9. Industrial entrepreneur |
| 10. Trading entrepreneur | 11. Innovative entrepreneur | 12. Fabian |
| 13. Corporate entrepreneur | 14. An Intrapreneur | 15. Entrepreneur |

MODEL QUESTIONS
SHORT TYPES ANSWERS
(Group-B)

- I. Answer the following questions within two/three sentences each (2 marks each)**
1. Who is an entrepreneur?
 2. Explain innovation as a characteristic of an entrepreneur.
 3. Give two points of difference between entrepreneur and intrapreneur.
 4. Explain two points of difference between entrepreneur and manager.
 5. Explain any two characteristics of an entrepreneur.
 6. State two important qualities of an entrepreneur.
 7. State two features of an innovative entrepreneur.
 8. Give two important features of an intrapreneur.
 9. What is risk bearing characteristics of an entrepreneur?
 10. Is an entrepreneur a calculated risk taker.
 11. Define an industrial entrepreneur.
 12. Define a technical entrepreneur.
 13. Who is an agricultural entrepreneur.
 14. Name two qualities of women entrepreneurs.
- II. Answer the following questions within six sentences each (3 marks each)**
1. What do you mean by an entrepreneur?
 2. What is meant by intrapreneur?
 3. Give difference between entrepreneur and intrapreneur.
 4. What are the main characteristics of an entrepreneur?
 5. Write a brief note on evolution of 'entrepreneur'.
 6. Explain briefly important qualities of an entrepreneur. Distinguish between entrepreneur and manager.
 7. Distinguish between entrepreneur and Manager.
 8. What do you mean by high-tech entrepreneurs?
 9. Write a brief note on innovative entrepreneur.

10. Give any six examples of large scale entrepreneurs of India.
11. Give any three reasons of the charms of being an entrepreneur?
12. Who are service entrepreneurs? Give examples.
13. What do you mean by industrial entrepreneur? How he differs from a trading entrepreneur
14. Who is a trading entrepreneur? How does he differ from service entrepreneur
15. Define innovation and its several forms.
16. Differentiate between Fabian and Drone type of entrepreneur
17. What are the various types of entrepreneur from scale of production point of view?
18. Distinguish between Innovative and Imitative entrepreneur.

MODEL QUESTIONS
Long Type Question Answers
(Group-C)

- I. **Answer the following questions long type answer (7.5 marks each)**
 1. Define 'entrepreneur' and explain various characteristics of an entrepreneur.
 2. What are the qualities of a successful entrepreneur?
 3. What are the various types of entrepreneurs? Discuss.
 4. Distinguish between entrepreneur and intrapreneur.
 5. What are the charms of becoming an entrepreneur?
 6. Can entrepreneurs be made? If yes, explain how?
 7. How do you differentiate a manager from an entrepreneur?
 8. Give an outline of evolution of an entrepreneur.
 9. Discuss about various types of entrepreneurs on the basis of motivational factors.
 10. State various types of entrepreneurs as given by Danhof.



CHAPTER -2

FACTORS AFFECTING ENTREPRENEURIAL GROWTH

Structure

- 2.0 Introduction
- 2.1 Economic factors
- 2.2. Non-economic factors
 - 2.2.1 Social factors
 - 2.2.2 Psychological factors
 - 2.2.3 Political factors
- 2.3 Government policy
- 2.4 Questions

2.0 INTRODUCTION

Like every one of us, an entrepreneur is very much a part of the society. He needs to be understood with reference to the general environment in which we all live in. In any society, the environment embraces the economic, social, psychological and political aspects of life. In fact, the entrepreneurial activities depend on certain environmental forces that affect the thinking, behavior and efforts of an entrepreneur. Various environmental factors influencing the entrepreneurs can be broadly classified as A) Economic Factors B) Non-Economic Factors. The Non-economic factors may further be classified as a) Social factors b) Psychological factors c) Political factors and d) Government policy related factors. These different factors have been briefly discussed below.

2.1 ECONOMIC FACTORS:

Economic environment exercises the most direct and immediate influence on entrepreneurs. It refers to the economic system in which the entrepreneur has to operate and manage the business. Dependence of business on economic environment is total i.e from input to output and ultimately sales. The survival and success of the business enterprises is finally decided by the economic factors. The following are the most important economic factors that affect the growth of entrepreneurship.

Capital: Capital is one of the most essential requirement to set up a business enterprise. Availability of capital helps the entrepreneur to bring together the land of one, machine of another and raw material of yet another to combine them to produce goods and services. Basically, capital is the life blood of any business enterprise. If capital is available, Entrepreneurs who have innovative ideas would like to put them into reality. It is suggested that if capital supply increases, entrepreneurial activity also increases.

Labour: The quality and quantity of labour is another important factor which influences the entrepreneurial growth in the country. Availability of labour makes entrepreneurship attractive. If entrepreneurial activities are initiated near the places where sufficient labour is available, then it becomes easier to carry out business activity comfortably and profitably at less cost. That is why most of the textile units are located in Surat, Rajkot, Coimbatore and Ludhiana etc. because of the availability of skilled labour force.

Raw materials: Raw materials are required for undertaking any type of industrial activities. In the absence of raw materials, neither any enterprise can be set up nor can any entrepreneur emerge. Therefore, this is an important factor for entrepreneurial growth. Of course, in some cases, technological innovations can compensate for raw material inadequacies. The Japanese case, for example, witnessed that lack of raw material does not prevent the growth of entrepreneurship but influenced the direction of entrepreneurship. The automobile industry in Japan is most advanced in the world even though the raw materials like iron ore and alumina are imported from other countries.

Market: A readily available market is an important economic factor that influences entrepreneurial growth. Because, it is the market which fetches revenue for any business. People will naturally hesitate to do business where there is no market. In addition to present market opportunities, the future market condition is also equally important for the growth of entrepreneurial activities.

Infrastructure: Infrastructure comprises of the provision of roads and railways, electricity, communication and telecommunications etc. In fact, the responsibility of infrastructural facilities lies with the Government. The provision of infrastructure facilitates entrepreneurs to get inputs, make outputs and avail the market according to their convenience.

Economic system: The economic system operating in the country is also an important factor that affects the, growth of entrepreneurship. The economic system followed by a country may be capitalistic, socialistic or mixed. Government regulation of economic activities depends on the nature of the economic system. The production, consumption, selling and exchange transaction of a country is determined by the economic system which ultimately affects entrepreneurial activities.

Economic conditions: The general economic conditions such as national income, per capita income, gross and net national product, distribution of income and economic resources etc. are important determinants of business activities in a country. In economics, the prospect of business is brighter when the income level of people is in rising trend.

2.2 NON-ECONOMIC FACTORS:

The influence of economic factors for development of entrepreneurship largely conditioned and modulated by a host of non-economic factors. The non-economic factors include social factors, psychological factors and political factors which are described as follows:

2.2.1 Social factors:

Every business enterprise is a part of the society and therefore is obviously influenced by social norms, values, attitudes, customs and traditions of the society. In fact, it was the highly helpful society that made the industrial revolution a grand success in Europe. The following social factors influence the development of entrepreneurship in a society.

Pluralistic Society: Pluralistic society refers to that society where different ethnic, linguistic, religious, caste and community groups exist. In our country, Hindu constitutes 82%, Muslims-12%, Sikhs-2% and others 4% of the population. When Hindus are evenly distributed throughout the country, Muslims are concentrated in Jammu & Kashmir, Kerala and some parts of Bihar, West Bengal, Assam and Uttar Pradesh. Sikhs are mainly concentrated in Punjab while Christians are living in major parts of North eastern regions. These distributions have an important bearing in the entrepreneurial growth in the country.

Caste and Community: Entrepreneurial quality is found ingrained in the blood of certain castes and communities. In our country, entrepreneurs are mostly found from

certain particular castes and communities. For example: Gujaratis, Marwaris, Banias, Parsis and Sikhs in very large numbers are not only found as entrepreneurs inside the country but also in every corner of the world.

Family background: Family background is also an important factor for entrepreneurial growth. Family business passes from one generation to another just like from father to son and then to grandson on a hereditary basis. This type of entrepreneurship is innate which can also be enhanced through education, training and skill development programmes. The best examples of reputed family based business are: Tatas, Birlas, Dalmias, Ambanis, Kirloskars, Bajajs, Jindals and so on.

Business and vocational oriented educational background: Educational background with exposures to business and Vocational courses sometimes helps an individual to become an entrepreneur. The basic objective of skill development and vocational training, job oriented course and entrepreneurial development programmes is to create and promote successful entrepreneurs in the country.

Occupational background: Persons with occupational background are ready to start their business enterprises because of the skills, abilities and knowledge they have already acquired. This background encourages individuals to become successful entrepreneurs.

Personal characteristics: Personal characteristics like readiness to take risk, desire for achievement, high motivational drives, action oriented mind-set, self-confident, self-disciplined, independent life style etc. create a strong base or operate as the breeding ground for entrepreneurial development in the country. People with such behavioral qualities, emerge as role models in the society to become successful entrepreneurs.

Social recognition: The way the society looks at people opting for a career as entrepreneur matters significantly in influencing entrepreneurial growth. Till recently such people had failed to receive the social recognition they deserved. Social consciousness and belief have however undergone changes during recent times which are considered as favourable for growth of entrepreneurship. For example, the change in attitude to give daughter's marriage to self employed young entrepreneurs has encouraged the entrepreneurial growth among young generation.

Demographic factors: India is declared as a country of Youth. More than 60% of population comes with the age group of 25 and 40. This is claimed as demographic dividend. The people of this age group have high level of energy who wants to take risks to exploit certain opportunities. The growth of entrepreneurship is more possible by the young generation.

2.2.2 Psychological factors:

Many entrepreneurial experts have propagated theories of entrepreneurship that give emphasis on psychological factors. These are described as follows:

Need for achievement: The most important psychological theories of entrepreneurship was put forward by David Mc Clelland in 1961. The theory states that people with high need achievement are distinctive in many ways. They like to take risks and these risks stimulate them to greater effort. Therefore, if the average level of need achievement in a society is high, a relatively high growth rate of entrepreneurship development is expected in that society. It is said that, entrepreneurship is a link between need achievement and economic growth.

Withdrawal of status respect: There are several other authors who have tried to understand the psychological roots of entrepreneurship. One such author is Everett Hagen who stresses the psychological consequences of social change. He believes that the initial condition leading to eventual entrepreneurial behavior is the loss of status by a group. He says that the following four types of events can produce status withdrawal:

- (i) The group may be displaced by force.
- (ii) It may have its valued symbols denigrated.
- (iii) It may drift into a situation of status inconsistency and,
- (iv) It may not be accepted the expected status on migration in a new society.

He further says that withdrawal of status respect would give rise to four possible reactions and create four different personality types-

- (a) **Retreatist:** He who continues to work in a society but remains indifferent to his work and position.
- (b) **Ritualist:** He who adopts a kind of defensive behavior and acts in the way accepted and approved in his society but no hopes of improving his position.
- (c) **Reformist:** He is a person who instigates a rebellion and attempts to establish a new society, and
- (d) **Innovator:** He is a creative individual and is likely to be an entrepreneur.

Hagen maintains that once status withdrawal has occurred, the sequence of change in personality formation is set in motion. He refers that status withdrawal takes a long period of time like five or more generations to result in the growth of entrepreneurship.

Personal Values: The personal values of an entrepreneur are important factors for the growth of entrepreneurship. They are high moral values, honesty and integrity, accepting changes as a way of life, high level of self confidence, ability to inspire loyalty, equality and justice in decision making etc.

Motivation: Motivation is one of the important psychological factors that influences the growth of entrepreneurship. Earning money is an important motivation for any entrepreneur. But money is not alone that inspires an entrepreneur. The other motivating factors are broadly divided into two categories such as internal factors and external factors. Internal factors are: (a) family background (b) educational background (c) training and work

experience (d) not satisfied with present job (e) intense desire to make use of own skills (f) strong desire to change the society by adopting new methods and techniques etc. External factors comprise of (a) availability of raw materials and other inputs (b) demand of the product (c) availability of funds (d) availability of ready market (e) short supply of products (f) Government initiatives (g) ready availability of sick units at cheaper prices etc.

2.2.3 POLITICAL FACTORS:

The political factors affecting entrepreneurial growth are often given a lot of importance. These factors have the power to change the whole game. Such factors have great effect on Government policies at the local to federal level. The influence and effects of the political factors can be seen in four areas: (a) behavior of the economy (b) changes in regulation (c) political stability and (d) mitigation of risk. Some of the important political factors that affect and influence the growth of business enterprises are: style of functioning of bureaucracy, corruption level, freedom of press, Tariffs, Industrial Policy, Taxation policies, Environmental policy, Intellectual Property Rights (IPRs), Import and Export policy, Trade Union policy, Consumer Protection Policy etc.

2.3 GOVERNMENT POLICY RELATED FACTORS.

Government policies are broad statements that reflect the intent, approach and stand of the Government in relation to specific issues and matters which serve as broad guidelines for implementing agencies. The Government continuously evolves and implements varieties of policies in response to the changing needs of the time. Such policies especially those relating to industry and business may relate to the pattern of industrial growth, flow of Foreign Direct Investments (FDI), Technology transfer, exports and imports etc.

The entrepreneurial growth of a Country is greatly influenced by these policies of Government. The Government through such policy initiatives can assist the entrepreneurs by providing positive and friendly environment. In fact, both Central and State Governments have been offering various incentives, subsidies and changing the policies periodically in order to motivate the new entrepreneurs keeping in mind the need for economic growth of the country. The Government policies not only stimulate the entrepreneurial spirit of the prospective entrepreneurs but also encourage the existing entrepreneurs for modernization expansion and diversification of business enterprises for optimal use of resources. Various policies and schemes of the Government are in operation since last six decades and without those, it would have been quite impossible to develop industries in backward regions. It is also essential to modernize machineries and technology to face global competition. Some of the important policy initiatives taken by Government for entrepreneurial growth are as follows:

(A) **Industrial Policy Resolutions:** The Government, from time to time, announce certain broad statements indicating the role and importance of different types of industries, the help and assistance to be provided to different types of industries for their growth, the

pattern and direction of growth of industries in the country etc. which are called Industrial Policy Resolutions. The first such policy was announced in the year 1948 and thereafter such policy resolutions have been announced at different intervals of time according to the changed needs of the times and situations. In these industrial policy resolutions several types of incentive packages are announced for the promotion of small sized business and industries. In all successive policy announcements efforts have been made to enlarge and expand the role and importance of small scale enterprises there by creating more entrepreneurial opportunities.

(B) National Policy for Skill Development and Entrepreneurship 2015.

Introduction: The economic growth and prosperity of a nation is highly dependent on entrepreneurial activity. Entrepreneurs are the propellers of economic growth. They generate source of income and employment for themselves, create employment for others, produce new and innovative products or services, and drive greater upstream and downstream value-chain activities. Supportive environments are increasingly essential for successful entrepreneurship endeavours and these are evolving across the world. The ideal entrepreneurial environment is built around five components: Easy access to funding, presence of entrepreneurial culture, supportive regulatory and tax regimes, vocational oriented educational systems that support entrepreneurial mindsets and a co-ordinated approach that links the public, private and voluntary sectors.

National policy for Skill Development and Entrepreneurship 2015 supersedes the earlier policy of 2009. The primary objective of this policy is to meet the challenge of skilling at scale with speed, standard (Quality) and sustainability. It aims to provide an umbrella framework to all skilling activities being carried out within the country, to align them to common standards and link skilling with demand centres. In addition to laying down the objectives and expected outcomes, the policy also identifies the overall institutional framework which will act as a vehicle to reach the expected outcomes. Skills Development is the shared responsibility of the key stakeholders namely Government, Corporate Sector, Community based organizations, highly qualified and dedicated individuals who have been working in the skilling and entrepreneurship space for many years, industry and trade organizations and other stakeholders. The policy links skills development to improved employability and productivity in paving the way forward for inclusive growth in the country. The skill strategy is complemented by specific efforts to promote entrepreneurship in order to create ample opportunities for the skilled workforce.

Vision: The vision of this policy is to create an ecosystem of empowerment by skilling on a large scale at speed with high standards and to promote a culture of innovation based entrepreneurship which can generate wealth and employment so as to ensure sustainable livelihoods for all citizens of the country.

Mission: The mission is to:-

- (a) Create a demand for skilling across the country.
- (b) Correct and align skilling with required competencies.

- (c) Connect the supply of skilled human resources with sectoral demands.
- (d) Certify and assess in alignment with global and national standards, and
- (e) Catalyze an ecosystem wherein productive and innovative entrepreneurship germinates, sustains and grows leading to creation of a more dynamic entrepreneurial economy and more formal wage employment.

Objectives: The core objectives of the entrepreneurship framework is to co-ordinate and strengthen factors essential for the growth of entrepreneurship across the country. These would include.

- (i) Promoting entrepreneurship Culture and make it aspirational.
- (ii) Encouraging entrepreneurship as a viable career option through advocacy.
- (iii) Enhancing support for potential entrepreneurs through mentorship and networks.
- (iv) Integrating entrepreneurship education in the formal education system.
- (v) Fostering innovation driven and socially sensitive entrepreneurship to address the needs of the population at the bottom of the pyramid.
- (vi) Ensuring ease of doing business by reducing entry and exit barriers.
- (vii) Facilitating access to finance through credit and market linkages.
- (viii) Promoting entrepreneurship amongst women.
- (ix) Broadening the base of entrepreneurial supply by meeting specific needs of both socially and geographically, disadvantaged sections of the society including SCs, STs, OBCs, minorities and differently abled persons.

Framework for implementation of Entrepreneurship Policy:

The entrepreneurship policy framework has been developed to address the above mentioned objectives. Vibrant entrepreneurship requires support from an enabling ecosystem of culture, finance, expertise, infrastructure, skills and business friendly regulation. Many government and non-government organizations are playing enabling roles across each of these crucial supporting elements. The policy framework, cognizant of the need for the full ecosystem to be present to unlock entrepreneurial potential, proposes a nine part entrepreneurship strategy:-

1. Educate and equip potential and early stage entrepreneurs across India.
2. Connect entrepreneurs to peers, mentors and incubators.
3. Support entrepreneurs through Entrepreneurship Hubs (E-Hubs)
4. Catalyse a culture shift to encourage entrepreneurship.
5. Encourage entrepreneurship among under and unrepresented groups.
6. Promote Entrepreneurship amongst women.

7. Improve ease of doing business.
8. Improve access to finance.
9. Faster social entrepreneurship and grassroots innovations.

(C) Start-up India Scheme

Introduction: The economy of any country depends on its countrymen. Larger the number of employed or working people, better be the economy. The Central Government realized that Indian people have the potential to work hardly, all they need is a promising start-up. Many people dream of starting up their own business, but due to financial or other similar issues are unable to do so. The Prime Minister of India, Shri Narendra Modi had in his Independence Day speech on August, 15, 2015 announced the “Start-up India” initiative. This initiative aims at fostering entrepreneurship and promoting innovation by creating an eco-system that is conducive for growth of start-ups. The objective is that India must become a nation of job creators instead of being a nation of job seekers. Prime Minister suggested that one’s mindset should not be towards earning money in the initial phase, it should be rather on grabbing and using the opportunities.

“Start-up India” is a revolutionary scheme that has been started to help the people who wish to start their own business. These people have ideas and capabilities, so the Government will give them support to make sure they can implement their ideas and grow. Success of this scheme will eventually make India, a better economy and a strong nation.

Start-up India Scheme

An official Gazettee notification was made on Start-up India Scheme by the Department of Industrial policy and promotion under the Ministry of Commerce and Industry, Government of India. The notification came into force from 17th February 2016. The Government of India has announced “Start-up India” initiative for creating a conducive environment for start ups in India. The various Ministries of the Government of India have initiated a number of activities for the purpose. To bring uniformity in the identified enterprises, an entity shall be considered as a ‘Start-up’-

- (a) Up to five years from the date of its incorporation/registration.
- (b) If its turnover for any of the financial years has not exceeded Rupees 25 crore, and
- (c) It is working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.

Provided further that in order to obtain tax benefits a start-up so identified under the above definition shall be required to obtain a certificate of an eligible business from the Inter-ministerial Board of certification consisting of:

- (a) Joint Secretary, Department of Industrial policy and promotion,

- (b) Representative of Department of Science and Technology, and
- (c) Representative of Department of Bio-technology.

Explanation/Clauses:

1. An entity shall cease to be a start up on completion of five years from the date of its incorporation/registration or if its turnover for any previous year exceeds Rupees 25 Crores.
2. Entity means a private limited company (as defined in the Companies Act, 2013), or a registered partnership firm (registered under Section-59 of the partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2002).
3. Turnover is as defined under the Companies Act, 2013.
4. An entity is considered to be working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property if it aims to develop and commercialize:
 - (a) A new product or service or process, or
 - (b) A significantly improved existing product or service or process that will create or add value for customers or workflow.
Provided that a mere act of developing:
 - (i) Products or services or processes which do not have potential for commercialization, or
 - (ii) Un-differentiated products or services or processes, or
 - (iii) Products or services or processes with no or limited incremental value for customers or workflow would not be covered under this definition.
5. The process of recognition as a 'start-up' shall be through mobile app/portal of the Department of Industrial Policy and Promotion. Start-ups will be required to submit a simple application with any of the following documents.
 - (a) a recommendation (with regard to innovative nature of business), in a format specified by Department of Industrial policy and promotion from any Incubator established in a post-graduate college in India; or
 - (b) a letter of support by any incubator which is funded (in relation to the project) from Government of India or any State Government as part of any specified scheme to promote innovation; or
 - (c) a recommendation (with regard to innovative nature of business), in a format specified by Department of Industrial Policy and Promotion, from any Incubator recognized by Government of India; or

- (d) a letter of funding of not less than 20 per cent in equity by any Incubation Fund/Angel Fund/Private Equity Fund/Accelerator/Angel Network duly registered with Securities and Exchange Board of India that endorses innovative nature of the business. Department of Industrial Policy and Promotion may include any such fund in a negative list for such reasons as it may deem fit; or
- (e) a letter of funding by Government of India or any State Government as part of any specified scheme to promote innovation; or
- (f) a patent filed and published in the Journal by the Indian Patent Office in areas affiliated with the nature of business being promoted.

(D) Stand-up India scheme for SC/ST and Women Entrepreneurs.

Introduction: As a part or extension of the “Start-up India” initiative announced by the Prime Minister in his address to the nation on 15th August 2015, the union Cabinet Chaired by the Prime Minister approved the introduction of “Stand-up India Scheme” to promote entrepreneurship among SC/ST and women entrepreneurs. The Scheme is intended to facilitate at least two such projects per bank branch, on an average one for each category of entrepreneur. It is expected to benefit at least 2.5 lakh borrowers. The expected date of reaching the target of at least 2.5 lakh approvals is 36 months from the date of the Scheme is launched:-.

The Stand-up India Scheme provides for:

1. Refinance through Small Industries Development Bank of India (SIDBI) with an initial amount of Rs.10,000/-Crores.
2. Creation of a credit guarantee mechanism through the National Credit Guarantee Trustee Company (NCGTC).
3. Handholding support for borrowers both at the pre-loan stage and during operations. This would include increasing their familiarity with factoring services, registration with online platforms and e-market places as well as sessions on best practices and problem solving.
4. Focus is on handholding support for both SC/ST and women borrowers.
5. The overall intent of the approval is to leverage the institutional credit structure to reach out to these underserved sectors of the population by facilitating bank loans repayable up to seven years and between Rs.10 lakhs to Rs.100 lakhs for Greenfield enterprises in the non-farm sector set up by such SC, ST and women borrowers.
6. The loan under the Scheme would be appropriately secured and backed by a credit guarantee through a credit guarantee scheme for which Department of Financial Services would be the settler and National Credit Guarantee Trustee Company Limited.(NCGTC) would be the operating agency.
7. Margin money of the composite loan would be up to 25%. Convergence with state schemes is expected to reduce the actual requirement of margin money for a

number of borrowers. Over a period of time, it is proposed that a credit history of the borrower be built up through credit Bureaus.

Start Up India and Stand Up India Scheme- Action Plan

- ❖ E-registration will be done. The application forms for start up India will be made available in April 2016.
- ❖ A self certification system will be launched
- ❖ A dedicated web portal and mobile app will be developed
- ❖ Arrangement of self certificate based compliance
- ❖ No inspection during the first 3 years
- ❖ 80 percent reduction in the application fee of start up patent
- ❖ Easy exit policy
- ❖ Inclusion of Credit guarantee Fund
- ❖ Relaxation in Income Tax for first three year
- ❖ Special Arrangement for Female applicants
- ❖ Introduction of Atal Innovation Mission. Innovation courses will be started for the students.

2.4 MODEL QUESTIONS

OBJECTIVE TYPE QUESTIONS

(Group-A)

Q.1. Choose the correct answer from the given alternatives

1. The Input considered as 'life blood' for business is
 - (a) Capital
 - (b) Raw Materials
 - (c) Market
 - (d) Machineries
2. The surroundings which influence the growth of business is
 - (a) External Surroundings
 - (b) Internal surroundings
 - (c) Environment
 - (d) Infrastructure
3. Economic factor includes
 - (a) caste
 - (b) community
 - (c) society
 - (d) market

4. Non-economic factors include
 - (a) Labour
 - (b) Infrastructure
 - (c) Family background
 - (d) Rawmaterials
5. The community reputed for family based business is
 - (a) Gujaratis
 - (b) Marwaris
 - (c) Jindals
 - (d) all of above
6. Pluralistic society refers to
 - (a) Personal characteristics
 - (b) Values
 - (c) Family background
 - (d) different lignuistic groups
7. The stand-up India scheme is to promote
 - (a) all entrepreneurs
 - (b) SC/ST & Women Entrepreneurs
 - (c) OBC entrepreneurs
 - (d) Differently entrepreneurs
8. Demographic dividend relates to
 - (a) Senior citizen
 - (b) Youth
 - (c) Women only
 - (d) Children
9. Infrastructure comprises of the provision of
 - (a) communication
 - (b) health facilities
 - (c) electricity
 - (d) All the above
10. Motivation is a/an
 - (a) economical factor
 - (b) Social factor
 - (c) Psychological factor
 - (d) Political factor.
11. Industrial Policy Resolution are announced
 - (a) Every year
 - (b) once in every 5 years
 - (c) once in every 10 years
 - (d) As and when required
12. National Policy for Skill Development and Entrepreneurship 2015 superseded the earlier policy announced in this year
 - (a) 2005
 - (b) 2009
 - (c) 2012
 - (d) 2014

13. An enterprise after its incorporation is considered as a 'Start-up' to
 - (a) 3 years
 - (b) 4 years
 - (c) 5 years
 - (d) 6 years
14. The turn over of a start-up in a financial year should not exceed
 - (a) 10 Crore
 - (b) 15 Crore
 - (c) 20 Crore
 - (d) 25 Crore
15. Stand-up project is meant for
 - (a) all types of Entrepreneurs
 - (b) only Women entrepreneurs
 - (c) only SC/ST entrepreneurs
 - (d) Women and SC/ST entrepreneur

Answers:

1. (a) 2 (c) 3 (d) 4 (c) 5 (d) 6(d) 7(b) 8 (b) 9(d) 10(c) 11 (d) 12(b) 13(c) 14 (d) 15 (d)

II. Filling in the Blanks

1. _____ is an important psychological factor for the growth of entrepreneurship.
2. Industrial policy of the government is one of the important _____ factors that influence the growth of business enterprises.
3. _____ is the most important psychological factor for growth of entrepreneurship put-forth by David Mc Clelland.
4. Caste and community is an important _____ factor that influences growth of entrepreneurship.
5. Market is considered as an important _____ factor for growth of business enterprises.

Answers :

1. Motivation 2. Political 3. Need for Achievement 4. Social 5. Economic

III. Express in one One word / Phrase

1. Name of the scheme introduced by Government of India for growth of entrepreneurship in early 2016.
2. Name of the scheme introduced by Government of India for SC/ST and Women entrepreneurs.
3. What is SIDBI ?
4. FDI stands for

5. In which year National policy for skill Development and Entrepreneurship declared by Central Government.

Answers :

1. Start-up India 2. Stand-up India 3. Small Industries Development Bank of India
4. Foreign Direct Investment 5. 2015

IV. Correct the following sentences correcting the underlined portions

1. Political factors have direct and immediate influence on entrepreneurs
2. Labour is the life blood of any business enterprises
3. The economic system followed by a country may be capitalistic or communalistic
4. Prime Minister of India announced "Start-up India" in his independence speech on August 15,2014
5. Start-up India scheme is only meant for SC/ST and women entrepreneur

IV. Answers

- | | | |
|--------------------|--------------------------|----------------|
| 1. Economic factor | 2. Capital | 3. Socialistic |
| 4. August 15,2015 | 5. Stand-up India scheme | |

B. Short type Questions

I. Answer the following questions within two/three sentences

1. Name two factors that affect growth of entrepreneurship.
2. Explain two social factors which influence the development of entrepreneurship.
3. Give two economic factors that influence the growth of business enterprises.
4. Name two important schemes of the Government of India for entrepreneurship development.
5. State the full name of SIDBI and NCGTC

II. Answer the following questions within six sentences each

1. Explain the economic factor that affect the growth of entrepreneurship.
2. Capital is the 'life blood' of any business enterprises Explain.
3. How motivation is one of the important psychological factors that influences the growth of entrepreneurship.
4. Discuss the political factors which affect entrepreneurial growth.
5. What is start-up India ? explain.

C. Long Type Questions

1. Explain how economic factors help in developing entrepreneurship.
 2. State the contribution of social factors for growth of entrepreneurship in India.
 3. Explain briefly the recent National policy framework for entrepreneurship development declared in 2015.
 4. What is 'Start -up India" and "Stand-up India" Explain.
 5. Discuss the different clauses of "Start-up- India" scheme.
 6. Explain how political factors influence entrepreneurial growth
 7. Explain the different non-economic factors influencing entrepreneurial growth.
 8. Explain the essential features of "Stand-up India' Scheme
 9. Write short notes on
 - (a) Start-up India scheme
 - (b) Stand-up India Scheme
 10. Explain briefly Government policies in relation to entrepreneurial growth.
-

CHAPTER - 3

TYPES OF ENTERPRISES

(Micro, Small, Medium and Large Enterprises)

Structure

- 3.1. Introduction
- 3.2. Classification of Enterprises
- 3.3. Characteristics of MSME
- 3.4. Role & Importance of MSME
- 3.5. Limitations of MSME
- 3.6. Govt. Support & Assistance
- 3.7. Large Scale Enterprises.
- 3.8. Distinction between MSME & Large Enterprises.
- 3.9. Questions
- 3.10. Answers

3.1. INTRODUCTION

Small Business Enterprises in India or for that matter all over the globe have clearly demonstrated through their track records of super performance in the fields of employment generation, aggressive entry into unexplored business areas, optimal utilization of available resource that “small is beautiful and also more useful.” In terms of their role, they are recognized as strong catalysts of industrial growth and growth propellers of entire economy vis-a-vis the tall and towering giant enterprises. In fact, because of their easy accessibility, adaptability & capability of delivering results with minimal investments, they have been continuing, rather steadily expanding their role and importance as an integral and indispensable sector of the economy. They played in the pre-independence period a significant role in the socio-economic transformation of rural India but mostly on their own strengths with patronage extended by customers, royal families and some support from administration. But after independence and more specifically after the beginning of the planning era, they have been elevated to the center stage being recognized as a priority sector in the nation’s economic development. A cursory look at the Industrial Policy Resolutions announced at different time intervals starting with the Industrial Policy Resolution of 1948 till date, will indicate that in all these successive Industrial policies, the role & importance of small scale sector has not been merely focussed but more and more doses of incentives in the form of subsidies, grants, land & power at concessional rates, tax reliefs have been announced for their rapid growth & expansion. It is firmly believed that many of the rural centric, unemployment related and imbalanced growth connected problems can only be and most effectively solved only through the route of expanding of MSME Sector in the country.

3.2 CLASSIFICATION OF ENTERPRISES

All business enterprises are broadly divided on the basis of their size and scale of operation as Large, Medium, Small and Micro Enterprises. On the basis of the nature of business they are involved in, each of the above enterprises are divided into as manufacturing or servicing enterprises.

As regards classification on the basis of nature of business as manufacturing or servicing units, there is a total unanimity among all nations as far as their meaning and definitions are concerned. Universally all enterprises are defined as manufacturing units which are engaged in the activities of converting raw materials into finished products. Manufacturing sector is defined as the sector comprising of all such manufacturing units irrespective of their size and scale of operation .

However, in matters of defining units as large, medium, small and micro enterprises, there exists across the world, lots of differences and dissimilarities. Thus, there exists no universally accepted definition of such units, more specifically about MSME units. A survey covering 77 countries round the globe has revealed that while a good number of them used quantitative criteria, size and quantum of investment, many others used qualitative criteria, nature of business, productivity etc. Still others used a combination of different criterion like number of employees/ workers, value of fixed assets, turnover, value addition etc.

In India too, such enterprises have been defined differently at different points of time under different Acts and Industrial Policy announcements. The criteria used as basis of definition at early stages was size of investment., then to it was added the number of workers and then use or non-use of power was also added. The Industrial Development & Regulatory Act, 1951, for instance., provided that all business units employing not more than 50 workers and with an investment of not more than Rs.50 lakh are to be regarded as Small Scale Enterprises.

Till 2006, there were no attempts made to clearly define all these categories (large, medium , small & micro) of enterprises and clearly each defined separately. All these shortcomings on definitions front was given to rest in 2006 with the enactment of a historical Act, namely, the MICRO, SMALL & MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006.

CLASSIFICATION AS PER MSMED ACT-2006

As per the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) small size enterprises have been divided under three broad categories as given below :

1. Micro Enterprises
2. Small Enterprises
3. Medium Enterprises

Above three enterprises i.e. micro, small & medium enterprises (MSME) are studied under two broad heads;

- (i) Manufacturing Enterprises
- (ii) Service Enterprises

(i) Manufacturing Enterprises : Such enterprises are engaged in the manufacture of goods pertaining to any industry specified in the first schedule to the Industries (Development & Regulation) Act 1951 Ex : Handicraft, Khadi, sericulture, power looms etc. The manufacturing enterprise is defined in terms of investment in plant and machinery. The limits for investment in plant & machinery for manufacturing enterprises are as under:

(a) Micro Enterprise : In micro small business enterprises investment in plant & machinery does not exceed Rs 25 lakh.

(b) Small Enterprise: In small business enterprises investment in plant & machinery is more than Rs 25 lakh but less than Rs. 5 Crore.

(c) Medium Enterprise : It is an enterprise where the investment in plant & machinery is more than 5 crore but does not exceed Rs . 10 Crore.

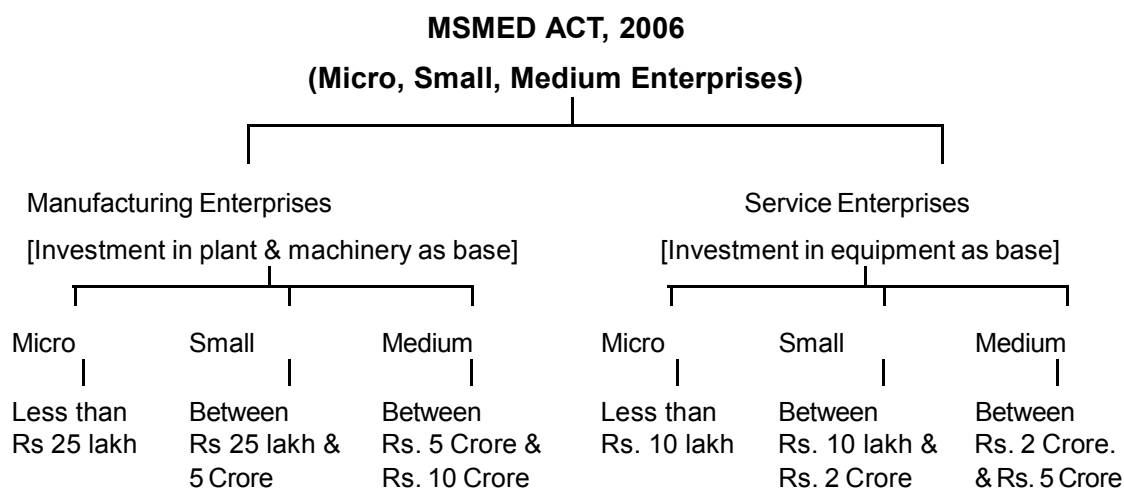
(ii) Service Enterprises: Such enterprises are engaged in providing or rendering of services. Ex : Tailoring, Photography, Laundry, Transport, Hotel etc. They are defined in terms of investment in equipment. The limits for investment in equipment for service enterprises are as under:

(a) Micro Enterprise: In micro small business enterprises investment in equipment is more than Rs.10 lakh.

(b) Small Enterprise: A small business enterprise is an enterprise where the investment in equipment is more than Rs. 10 lakh but does not exceed Rs. 2crore.

(c) Medium Enterprise: Medium business enterprises will have an investment of more than Rs. 2crore but not exceeding Rs. 5crore in equipment .

Now, the above classifications of small enterprises as per MSMED Act, 2006 are summarised as under :



3.3. CHARACTERISTICS OF SMALL SCALE ENTERPRISES

[Micro, Small, Medium Enterprises (MSME)]

There are certain distinctive features of Small Enterprises which separate them from large scale enterprises

1. Ownership : Generally small enterprise is owned by a single individual (sole proprietorship) or few individuals (Partnership). Most of the enterprises are family owned industries. Such enterprises are funded by owners' savings or short –term loans.

2. Labour Intensive : Primarily such units are labour intensive in nature. They prefer those methods of production which require more labour than machines. For this they are located in rural areas where cheap labour is easily available.

3. Investment : Small units require less amount of capital investment . As they are owned by one or few individuals, it is easier to arrange capital. So, such units avoid using heavy machinery which requires more investment.

4. Management : A small scale enterprise is managed by the owner himself. In case of partnership, the business is managed by active partners only. The other sleeping partners mainly assist in providing funds. These units do not need professional managers.

5. Gestation period : Gestation period represents the time gap between the commissioning of the plant or project and the time after which return on investment starts. Within this time, all the problems of the unit are over and the unit starts earning. Compared to large units, small scale industries always have a lesser gestation period.

6. Area Covered : The scope of operation of small scale industries is generally localized catering to the local and regional demands. Limited resources of all types – money, material and manpower force small scale units to confine its activities to the local level.

7. Balanced Development : Majority of small scale units are located in rural, semi-urban and backward areas. It enables them to use local resources like raw materials & labour. Though their area of location is limited, yet their products are available all over the globe. Thus, the development of such units in rural & backward areas promotes more balanced regional development and the influx of job seekers from rural areas to urban areas is significantly promoted.

8. Flexibility : Small scale units react to respond promptly to the changing need of the social and economic environment. When it is necessary they introduce new products, new method of production, new material, explore new markets or select new forms of organization, such units immediately get adopted to such changes. This greatly facilitates their survival despite challenges of changing time. Compared to large-scale units; small scale units are more flexible in this respect.

9. Personal Touch : Such units are formed either as sole proprietorship units or units formed on partnership basis. In both the cases, owners are the managers and financiers as well. So, they obviously remain intimately connected with every activity and give a personal touch to anything and every thing that occurs.

10. Simple Production Process : These small business units operate with small amount of capital. They are mostly labour intensive as they cannot use modern, sophisticated technology requiring huge investments. Thus, by using simple production processes, they prefer to produce light consumer goods.

11. Easy Formation : In comparison to larger units, it is easy to start small scale industries. Entrepreneurs with clear visions, firm commitment, strong will-power can easily form this type of business. Government through concerned District Industry Centres gives guidance & grants licence where required either at free of cost or at subsidised rates.

12. Promotional incentives : With a view to promote small scale units, a wide varieties of incentives in the form of subsidies, grants, rebates, reservation of items, concession in the supply of land, power etc. are given to such units.

3.4. ROLE/ IMPORTANCE OF SMALL SCALE ENTERPRISES

[Micro, Small, Medium Enterprises (MSME)]

India occupies a distinct position in the area of development of small scale industries. In our country, plenty of labour is available and not enough capital. So, small

scale industries have a vital role to play in the industrialisation and growth of economy. Generally, they have a very high potential of employment generation with low capital investment. They help encouraging entrepreneurship, providing jobs & improving economy particularly in semi-urban & rural areas. The role and importance of small business can be highlighted by the following points.

1. Generation of Employment Opportunities : In terms of employment generation, small scale sector is next only to agriculture because such units account for nearly 95% of the industrial units in India. Such enterprises are labour intensive i.e. they utilise labour in place of latest technology. Therefore, a large number of workers get employment. They also help in self-employment of technically qualified persons, artisans, professionals etc. They have a vast scope for women and handicapped workers. They provide job opportunities to the agricultural workers in rural areas during off season i.e. period between harvesting and growing of next crop. They also provide part-time jobs to already employed people if they want to earn extra income. They generate more employment opportunities per unit of capital investment than large scale industries. According to a research study its employment generating capacity is eight times than large scale industries. Thus, they solve a major issue of our country related to mass unemployment.

2. Helps in Capital Formation : Resources in general and capital in particular is always scarce. Small enterprises require lesser amount of capital in comparison to large enterprises. Gestation period of small enterprises is less. They provide early returns to the investors. Small enterprises mobilise idle and small scattered savings of the people and put them into productive use. This way, these units help in capital formation.

3. More output : According to a research study, small business has the potential to produce one unit of output with just about one third of the capital required by large scale business. Due to lower cost of labour and capital, cost of production is less in case of small enterprises. This leads to higher output in comparison to large scale enterprises. Hence, small units produce varieties of consumer goods, household furniture, electronic items, handloom & handicraft products in a big way.

4. Balanced Regional Growth : Small business units use local skills, technology and other local resources for production. Therefore, cost of production is very low. Due to these reasons, they can be started any where in the country. Thus, people in rural & backward areas get employment and income which raise standard of living of the people. This reduces regional disparities. Where as large scale units are concentrated at selected places which results in the development of only these places.

5. Development of Entrepreneurship : Entrepreneurial Development is possible with the help of small scale enterprises. Small enterprises provide wide scope for the utilisation of the entrepreneurial skills in educated unemployed youths living in rural areas. They generate the feeling of self-reliance amongst the people. Small units provide them self-employment in agro and agro based industries. These small business entrepreneurs become job providers instead of job seekers. Easy availability of finance, simple technology and absence of legal formalities help them in converting ideas into business opportunities.

6. Social Justice : Due to the following reasons, small enterprises ensure a more equitable distribution of national income and wealth :

- (a) Compared to the ownership of large scale units, the ownership pattern in small enterprises is more broad based & wide-spread.
- (b) Such units are labour intensive in nature. So, unemployed youth gets employment.
- (c) Such units are dispersed to rural & back-ward areas.
- (d) They provide self-employment to thousands of small entrepreneurs across the country who in turn provide employment to many.

Thus, small scale enterprises do not allow concentration of income & wealth in few hands and thereby promote the objective of social justice.

7. Export Promotion : Small scale enterprises use local resources, simple technology instead of depending on costly imports and produce competitive products which are marketed across the globe. Government provides consultancy services at concession, grants loans at subsidised rate of interest. All these help such units make home productions of items at a very lower cost, which were once imported at a high cost. It is interesting & encouraging to note that such sector is exporting approximately 45% of the total exports. This way small enterprises earn a good amount of foreign exchange for the country.

8. Use Of Locally Available Resources : Small enterprises are capable of mopping up latent & unutilised locally available resources like material, labour, hoarded wealth, ideal entrepreneurial ability etc. In villages, small industries like candles, detergent powder units are setup with the help of NSIC (National Small Industries Corporations) enabling optimal utilisation of such resources which would have otherwise remained idle leading to slow economic growth.

9. Complimenting Large Scale Industries : For faster growth of economy, co-ordination between small-scale and large-scale industries is vital. Small industries provide tools, equipments, spare parts, semi-finished goods at low cost to large business houses for further use & processing. Further, they also help in trading & marketing the products of large industries. Thus, both small & large units supplement & compliment each other & help in over all increase in the pace of economic development of rural sector.

3.5 LIMITATIONS OF SMALL SCALE ENTERPRISES

(Micro, Small & Medium Enterprises (MSME))

Small Scale Enterprises suffer from following limitations for which they are not in a position to play their role effectively.

1. Problem of Finance : It is the most important limitation of small scale enterprises. The problem of finance in this sector is mainly due to many reasons. Firstly, it is very difficult for them to comply with the lengthy and cumbersome process prescribed for obtaining finances. Secondly, it is partly due to weak credit-worthiness of such enterprises.

Thirdly, they do not maintain financial records so that they will get loans. Due to all these they find it difficult to take financial assistance from commercial banks and financial institutions. As such small entrepreneurs are forced to borrow from non-institutional sources at a very high rate of interest. Fourthly, they are not able to furnish the required securities. Sixthly, the financing agencies always consider lending to small unit as risky.

2. Problem of Raw materials : Small scale enterprises usually depend on locally available raw materials. This creates following problems (i) Adequate quantities of raw material is not available. (ii) Raw material may not be of required quality. (iii) Raw material may not be available regularly, thereby obstructing continuous production. (iv) When not available locally, they are forced to procure at a high cost.

All these adversely affect the smooth functioning of small enterprises.

3. Non -adoption of Latest Techonology : As has been mentioned earlier, small enterprises have a constant problem of financial constraints or scarcity of capital. Due to this, they cannot afford to use latest technology as it is always expensive. They are forced to use old, obsolete technology to produce goods. This results in less production of inferior quality goods at high cost. Thus, they cannot compete with large scale units who use better, sophisticated, modern technology.

4. Under utilisation of capacity : In small scale units, there is gross under-utilisation of installed capacities. On an average, it is seen that 40 to 50% of capacity are not utilised in small units. There are many reasons for this. The power problem faced by small enterprises is a very big problem. Power supply is not always available. Due to poor financial position, they cannot afford to go in for alternatives like installing own thermal unit. Low demand for products is a big factor for some of these industries. Thus, underutilisation of capacity results in increase in the cost of finished products.

5. Marketing problem : Poor marketing is regarded as the basic problem in the growth & development of small scale industries. These units, are not able to adopt professional marketing tool and technology. They do not get market information like competition, change of taste, temperament, requirements of the customers. So, they fail to produce those as required by the customers. Further, they cannot afford to spend much on advertising & proper distribution of goods. How better the products may be, they will not be sold unless marketed properly. Therefore, they suffer from competitive disadvantages vis-a-vis large scale units. To protect small enterprises, the government has reserved certain items for this sector.

6. Skilled Human Resources : These enterprises are usually set-up in the rural, backward and under developed, tribal areas. It becomes difficult to get skilled labourers locally. Skilled workers feel reluctant to work in these areas with low wages. Small units do not have resource as to provide good training to locally available unskilled workers. In the absence of skilled workers wastage increases, quality deteriorates, production decreases. All these have adverse impact on profitability.

7. Poor Infrastructure Facility : Small units are set-up in rural & backward areas where infrastructure problems like non-availability of better transport, shortage of power water problem, poor communication are obvious. So this operates as a road block in the expansion of small unit in rural area apart from hampering the operational efficiency of the already existing units.

8. Poor Quality of Product : In this age of competition, the customers behave like kings. They demand quality products at lesser cost. Small business finds it difficult to come upto global standards of the quality. For quality product, quality control and research is needed which small business cannot provide due to insufficient funds. Again, they do not use better technology, good material and the services of skilled workers. Due to these reasons in terms of product quality, they stand at their weakest point as compared to large scale units.

9. High Incidence of Sickness : Most of the small units are sick. There is a lack of planning. Another problem is the non availability of skilled and trained personnel . They have to sell on credit which leads to large scale bad debts. Shortage of working capital, inefficient management also make small enterprises sick.

3.6 GOVERNMENT SUPPORT AND ASSISTANCE

In India, MSME category industries constitute an important segment of the industrial sector. They play a very significant role in the process of generation of employment, income, proper utilisation of resources etc. They have thus emerged as a dynamic and vibrant sector in recent years. A business is never born big. It needs to be nurtured properly for growth. Both the central and state Governments are doing a lot in this direction. Through varieties of policies & programmes these Governments have been providing institutional support and incentives as discussed below :

(1) Institutional Arrangement : The Government has set-up a number of institutions and boards to provide assistance for the development of small scale sector

- (i) **National Small Industries Corporation (NSIC) :** It was set-up in 1955 with the following objectives :
- (a) To supply indigenous & imported machines
 - (b) To export the products
 - (c) To provide up-graded technology
 - (d) To provide consultancy service.
- (ii) **District Industries Centres (DIC) :** In 1978, Government of India set-up District Industries Centres in 460 districts of the country. The main functions assigned to these centres are to
- (a) Conduct survey of available raw materials & other resources
 - (b) Arrange raw materials for industry.

- (c) Supply machinery
 - (d) Arrange facilities for marketing of products.
 - (e) Arrange Loans.
 - (f) Ensure product quality.
 - (g) Establish research cell
- (iii) **Rural Small Business Development Centre. (RSBDC)** : It is sponsored by NABARD. It works for weaker people to provide management and technical support. It provides training programmes & workshops for rural unemployed.
- (iv) **National Bank for Agriculture & Rural Development (NABARD)** : It was set-up in 1982 to promote agriculture based small agro-industrial units, small scale cottage & village industries. It provides training & consultancy services also.
- (v) **Small Industries Development Bank of India (SIDBI)** : It was established in 1989 to provide finance and to co-ordinate with other state level institutions engaged in providing finance to small business.
- (vi) **Scheme of Fund for Regeneration of Traditional Industries (SFURTI)** : The central government has set-up a fund of Rs 100 crore in 2005 to make the traditional industries more productive and competitive.
- (vii) **Rural Woman Entrepreneurship Development (RWED)** : This programme was set-up to promote conducive environment & build institutional and personal human capacities and entrepreneurial initiative among rural women.

2. Incentives : Government of India pays attention to rural, hilly, tribal & backward areas where usually small scale industries are established. Government has suggested various schemes (e.g. Integrated Rural Development Programme) for balanced regional development. Besides, following incentives are given to them.

- (i) **Land at concession** : Land is made available to small enterprises at concessional rates.
- (ii) **Power at concession** : Small units get power at concessional rate. Further, in initial years they are exempted from paying for power.
- (iii) **Sales Tax Exemption** : Small enterprises enjoy sales tax exemption and in some states they get complete exemption.
- (iv) **Raw Material** : Quotas of scarce raw material have been allotted to small industries like steel, iron, cement etc.
- (v) **Finance at Concession** : Usual subsidy is 10%-15% to buy capital assets like buildings & machines. These are given by loans by State-Financial Institution at concessional rates of interest.

- (vi) **Industrial Estates** : Government establishes industrial estates to provide relief to small-scale industries. The land is acquired by the government and then it is developed from industries point of view. Arrangements are made for sewerage, water supply, electricity etc. The developed premises are sold to small entrepreneurs on easy instalments. At present there are about 662 Industrial Estates in India.
- (vii) **Tax Relief** : Small industries set-up in hilly & backward areas are given tax exemption for 5 to 10 years. Such exemption and reliefs help these business units to enhance their growth.
- (viii) **Marketing Options** : There are some special efforts made by the government to market the products of small enterprises. To sell their products about 190 emporia and shops are opened throughout the country. The Khadi and Village Industries commission has opened 2400 sales depots for goods produced by cottage and small industries.

3. Other Measures :

- (i) Conducting complete surveys of the existing small industries and drawing productive programmes for them.
- (ii) Developing existing technologies and adoption of modern technology.
- (iii) Imparting proper education & training to workers engaged in small scale units.
- (iv) Maintaining standards & quality of the output of small units.
- (v) Temporary protection through reservations of sphere of small scale industries.

Conclusion : Despite government support, incentive schemes, still there are some disparities and unbalanced development in our country. However, it is a long-term process. There is an urgent need to develop infrastructural facilities in backward areas.

3.7 LARGE-SCALE ENTERPRISES

Large scale being an indication of measurement of size or volume operates in a large scale. Hence, any industry that operates in a large scale in terms of heavy investment and high volume of production, huge area of operation etc shall be called a large scale industry. In India industries having capital investment of more than Rs 10 crores. are called large scale enterprises. Capital is raised by selling shares and debentures. Due to its large size, the ownership structure of such enterprises takes the company form of organisation. This industry uses power-driven machine & modern means of production. The entire production is made for sale and the markets are widely scattered within as well as outside the country. Production is done on permanent basis unlike house-hold or cottage industries where household can chose when to & when not to produce irrespective of market conditions.

3.8 DISTINCTION BETWEEN MSME AND LARGE ENTERPRISES

Basis	MSME Enterprises	Large Scale Enterprises
1. Management :	Normally it is started by young men whose hard work and ambition is important.	It is professionally managed through employed personnel.
2. Capital :	Investment limit in plant & machinery ranges between the minimum of Rs 25 Lakh to Rs 10 crore.	It needs a minimum capital investment exceeding Rs 10 crore.
3. Registration :	It is registered as SSI unit with DIC or Director of Industries.	Large scale industries included in the schedule of the Industrial Development and Regulation Act are subject to licensing and registration.
4. Nature :	Normally it is more labour intensive.	It is capital intensive in nature. It has higher input of technology and capital.
5. Ownership :	Ownership of small enterprises is usually of sole proprietorship or partnership form.	Due to vastness of its operation, company form of ownership is found.
6. Interference of Govt :	Interference of Govt is relatively less in comparison to large scale enterprises.	Interference of Govt, is frequent whenever something happens which is not justifiable.
7. Marketing :	It caters to the needs of local people.	It caters to needs of people of the globe.
8. Gestation Period :	Relatively it has a shorter gestation period.	Gestation period is comparatively long.
9. Specialisation :	Entrepreneur does everything by himself. Right from collection of material till product is sold, everything he does.	Large units believe in specialisation. Hence, considering one's skill & abilities- duties are assigned.
10. Guidelines :	There is no such strict procedures or guidelines as regards recruitment or removal of employees. It depends on the pleasure of the owner.	Large enterprises have to follow procedures & guidelines for all organisational activities.

11. Employee Education :	The educational level of employees is normally low or moderate.	There is no limit for educational level and best talents can be hired.
12. Labour Turnover :	There is frequent turnover of employees as they change jobs for small gains.	Due to better working conditions labour turnover is very less and manageable.
13. Morale :	Morale of employees is low.	The employee morale is high.
14. Life span :	Life span of small industries is directly related to the health & happiness of the owner.	The continuation of the large industries is assured due to various directors and professionally appointed executives.

3.9 MODEL QUESTIONS

Objective and Short Answer Type Questions

Q.1. Choose the Correct Answer from the Given Alternatives.

- (a) Investment in plant & machinery by small scale industries does not exceed the limit of
- (i) Rs. 1 Crore. (iii) Rs. 3 Crore.
(ii) Rs. 2 Crore. (iv) Rs. 5 Crore.
- (b) Which type of business helps in balanced regional development
- (i) Small business (iii) Govt. Companies
(ii) Large business (iv) Private companies
- (c) Gestation period for small enterprises is
- (i) Too long (iii) Medium
(ii) Long (iv) Short
- (d) Which is not a problem for a small enterprise.
- (i) Local demand (iii) Inadequate finance.
(ii) Obsolete technology (iv) Lack of skill

Q.2. Fill in the blanks.

- (a) Micro enterprises are more _____ intensive.
- (b) Micro enterprises are less _____ intensive.
- (c) Micro enterprises _____ regional imbalance.
- (d) The small enterprise whose investment in plant & machinery does not exceed Rs.25 lac is _____
- (e) _____ enterprise will have an investment of Rs. 10 lac in equipment under service enterprises.
- (f) MSME Act was passed in the year _____

Q.3. Correct the underlined portion in the following sentences.

- (a) Small enterprises have a narrow scope.
- (b) Better infrastructure is the merit of small enterprises.
- (c) Small enterprises are capital intensive.
- (d) Registration of small scale industry is compulsory.

Q.4. Answer the following within two sentences each.

- (a) What is a small scale industry ?
- (b) What is a micro enterprise ?
- (c) Write any two problems of SSI in India ?
- (d) Name any two institutions set-up by Govt, to support SSI ?
- (e) Define medium scale industries ?

Q.5. Answer the following within six sentences each.

- (a) State the features of SSI.
- (b) What are the problems faced by SSI ?

- (c) What are the incentives given by Govt. to SSI ?
- (d) What is a large scale enterprise ?

Q.6. Long Answer Type Questions

- (a) Distinguish between Small Scale Enterprise and Large Scale Enterprise.
- (b) Write a note on types of enterprises.
- (c) What are the merits of small enterprises ?
- (d) State the characteristic features of small scale enterprises.
- (e) State the role/ importance of small scale enterprises.
- (f) In which way Govt. supports SSI ?

3.10 Answers to objective questions

1. a - (i); b - (i); c - (iv); d - (i)
2. a - Labour; b - Capital; c - decrease; d - micro; e - micro, f - 2006.
3. a - vast; b - problem, c - Labour; d - optional.



CHAPTER - 4

**ENTREPRENEURIAL OPPORTUNITIES AND
SELECTION OF ENTERPRISE**

Structure

- 4.1. Introduction
- 4.2. Opportunity
- 4.3. Process of selection of an Enterprise
- 4.4. Identification & selection of project
- 4.5. Steps in setting up of an Enterprise
- 4.6. Questions

4.1. INTRODUCTION :

The word 'Entrepreneurial' has been used here to mean all types of business related activities or ventures which may be of trading, manufacturing or servicing nature undertaken for earning a return on investments made on them. The term 'opportunity' has also been used here in the sense of a situation quite favourable and advantageous to do something new with prospects and possibilities of good results. When the meaning and implications of both the words are clubbed together 'Entrepreneurial opportunities' is to be understood as a kind of situation and timing most favourable for undertaking business related activities, ventures or projects with greater possibilities of good returns on investment on them. This implies that the real test of a person as an entrepreneur lies in his ability to distinguish between business adventures where opportunities exist for better returns and business adventures which do not merit any attention altogether. So sensing, and indentifying right opportunity are pre-requisites for any forward movement in the direction of selection and establishment of an enterprise.

4.2. OPPORTUNITY

Opportunities may already exist, may also surface in different forms & shapes. For instance, let us look at our environment. Different types of opportunities exist in our environment which we fail to notice. It poses many problems that we encounter. A problem or situation poses a challenge to a special class of people known as entrepreneurs who in solving them find opportunities for commercial exploitation. We can now say-a problem or situation gives rise to an opportunity.

Business ideas and business opportunities very often are used interchangeably. But they are not the same. Idea is a thought or perception or impression which may or may not have the prospect of being converted into opportunities. Thus, opportunity is considered as a viable, achievable business idea or an idea that can be a breeding ground for the birth of a business venture. From such conceived ideas, the entrepreneur selects the ideas suited to his own capabilities and subsequently he takes it up as a good investment proposition.

4.3. PROCESS OF SELECTION OF ENTERPRISE

The process of selecting one opportunity out of many is called as the 'Zeroing in process' or process of selection of an appropriate enterprise. The process involves the following steps :

- (i) Sensing Entrepreneurial Opportunities
- (ii) Scanning Business Environment
- (iii) Identification of Business opportunity
- (iv) Finally selecting an Enterprise

4.3.1 SENSING ENTREPRENEURIAL OPPORTUNITIES

Opportunities exist in the environment but all of us are not able to perceive them. The good idea was there but it is usually a case of “Why didn’t I think of it first ?” Entrepreneurs perceive opportunities quickly, synthesize, available information and analyse emerging patterns that escape the attention of others. They are the people with vision and are capable of perceiving the unfolding changes and future prospects and possibilities.

Factors Involved In Sensing Opportunities.

Sensing Entrepreneurial opportunities is a process of perceiving the needs and problems of people and society and arriving at creative solutions. Opportunities manifest themselves in different forms— sometimes as needs and sometimes as problems. An entrepreneur sees the opportunities that other people miss. To sense an opportunity, an entrepreneur employs his sharpened skills of observation, analysis and synthesis to identify an opening. Following factors are involved in the process of sensing opportunities :

(i) Ability To Perceive :

Process of sensing an opportunity starts when a basic idea is spotted by an entrepreneur. We do not get an opportunity in every idea. Basic ideas emerge from different sources and they are as follows :

(a) Problems : When there is a problem, it gives rise to an idea to solve it. Finding a solution to a problem is a business opportunity. For example, it was a problem for men to shave quickly with sharp knife. Such problem forced entrepreneur to sense an idea that resulted in the safety razor.

(b) Unfolding Changes : Any changes of economical, social, legal & technological and demographic spheres can be good breeding grounds for new opportunities. For example banning of polythene bags. These entrepreneurs sense new business opportunities. Otherwise, they will have no place in the competitive market.

(c) Inventions : Invention means creating new things or adding value to an already existing product or service. Most of the opportunities are germinated by inventions.

(d) Competitions : To stay in the market, one has to overcome the challenges of competition. Thus, one resorts to new & improved ideas whenever he tries to beat the competition.

(ii) Ability To Gather Knowledge And Information :

Without adequate knowledge and information, one cannot sense an opportunity. If at all he does, then it may prove wrong or fatal later on. Basing on the information gathered from different sources, the entrepreneur analyses them. Then only he can utilise the knowledge to sense the right opportunity.

(iii) Ability to Think innovately :

Creativity is an essential trait of an entrepreneur. It is not necessary that he should be an inventor. He should have the capability of looking at the same thing or doing the

same thing in a different manner. Creative people or people with innovative mindset try to find solutions to problems. They are often successful in overcoming adversity and making a significant difference. The best example of a visionary and a creative genius is Ratan Tata. He vowed to build a small car with low price for the common man. It was his vision and creative pursuit that gave to the world 'NANO CAR'.

4.3.2 Opportunities and Environment Scanning :

Opportunities exist in the environment. Entrepreneur is essentially an opportunity chaser and hunter. For exploiting the possibility of establishing a new business unit, he constantly undertakes the scanning of environment. He even goes on scanning the environment until he finds the best of the opportunities out of several such opportunities for preparation of his business plan.

'Environment' represents the aggregate of all possible physical, political, socio-economical and demographical related surrounding, conditions, circumstances in which all of us and multiferous organisations & institutions on which we depend exist. In simple words, environment includes all that exist around us. Accordingly, 'business environment' refers to all its surroundings within which a business operates. It implies that a business has to adopt to the changing conditions and overcome uncertain problems to survive in the market.

Scanning Of Environmental Situations Affecting Business

The word 'scan' literally means 'to examine closely, especially in search of something'. Scanning of environment thus means a close examination of the environment to develop an understanding at the socio-cultural, economic, political, technological, competition related situations or conditions etc. They influence affecting the functioning of enterprises directly or indirectly.

Let us briefly analyse these situations / conditions and how they are affecting functioning of the business.

1. Socio-cultural situation : An analysis of socio-cultural situations involves a close study of the life styles, beliefs, customs, conventions, practices etc. Expectation of individuals, their preference on the basis of their family background, age group and education will also form a part of this study. A detailed analysis of such situation is crucial because the product or service so manufactured must satisfy the needs of these individuals. Such studies would help finding gaps between needs for goods & services and their availability.

2. Economic Situation : Economic environment plays a significant role in providing sufficient clues and tips to entrepreneurs. It consists of those economic factors that influence the business in a country. Such factors include economic system, economic planning, industrial policies, taxation, corporate profits, inflation rate, employment etc. They identify the business opportunities and help in finalising economically viable opportunities.

3. Political Situation : A conducive political climate is necessary for a business to grow. It comprises of the political stability, political ideology, personal interest of politicians etc. Government in power makes rules, laws to regulate the business activities. Thus, while taking business decisions, policies of the government are to be reckoned. A government which gives priority to growth of trade, industry & commerce will provide encouragement to entrepreneurship. For example, government advocated an open economy, deregulation & liberalisation which generated enthusiasm. Another political factor is the protection given to cottage industries. Such political factors are to be studied carefully before selecting an opportunity.

4. Technological Situations : Technology is a means of converting scientific ideas and conceptual designs into product & process realities. Its development is a continuous process targeted towards achieving perfection in aspects like cost, quality & environmental safety etc. In order to survive in today's competitive world, a business has to adopt technological changes from time to time. To create and retain customers, constant innovation is needed. In technological environment, the product or service remains the same but the method of performing the function is always new. The fast changes in technology also create problem as these render plants & products obsolete quickly. New break-through in technology open up new possibilities for new types of products/ service.

5. Legal Environment : Legal scanning of the environment demands analysing the legal requirements in the establishment of a project, its management, welfare of employees, safety etc.

6. Competitive Situation : Now-a-days entrepreneurs face numerous challenges while setting up an enterprise. The most important challenge is to produce quality products. Due to liberalisation, deregulation and globalisation, even a small scale enterprise may compete with the products supplied by multinational companies. In this context, an enterprise has to study the nature & extent of competition prevailing in the market. Thus, the entrepreneur has to select that business opportunity which can withstand competition.

4.3.3 IDENTIFICATION OF BUSINESS OPPORTUNITY

An entrepreneur goes on scanning the environment until he finds the best opportunity out of several opportunities. The process by which an opportunity is identified is described as opportunity analysis or opportunity identification.

The identification of an opportunity or idea or a product or a project is identical. Therefore, all these terms are used as synonyms. Opportunity identification and selection are very important. While identifying a suitable opportunity/ idea, the entrepreneur goes through certain process. Such processes create a conflicting situation. At one point, one entrepreneur finds one idea/product/project as an opportunity but at the other moment may dislike it and may find other product as an opportunity for him.

Identification of the business opportunity or project is not an easy task and yet it is very crucial and critical for the future of an entrepreneur. Hence, it requires utmost care and attention. It is generally done through a process of elimination beginning with (a)

generation of ideas with the preparation of an exhaustive list of all possible ideas followed by (b) shortlisting of these which appear feasible and attractive on this basis of preliminary tests and finally ending with (c) Identification of the most favourable one as the basis of rigorous testings & identification.

There are two ways to overcome such a situation :

(i) To gain some idea or how the existing entrepreneurs selected the products or projects.

or (ii) To select a suitable project by generating ideas about few products or projects.

GENERATION OF IDEAS

'Generation of Ideas' is a conscious endeavour to collect ideas from different sources for finding a creative answer to a need or problem. Business ideas may come to the mind of an entrepreneur at his own or he may depend on various sources. Whatever may be the source the idea should be sound, practicable, viable ensuring fair return on investment.

1. Sources of Ideas

A prospective entrepreneur may generate ideas for establishing his enterprise from different sources as discussed below.

(i) Consumers : A consumer knows best what he wants. As such the market revolves around the consumer habits, tastes, fashions, liking & disliking, and changing moods. A new business has to constantly update and meet the requirements of the customer because the customer is the king who keeps the business going. Interaction with customers and observation of customer reactions gives choice of ideas for new opportunities.

(ii) Market Assessment : The market assessment involves collecting information about demand, supply, the cost of production, price, competition, scope of innovation, advertisement etc. so far as a product is concerned. After conducting a study of the market, it is decided whether a product will be introduced in the market or not.

(iii) Analysis of the existing Products and Services : Detailed observation & analysis generate new business ideas in the areas like—

- (a) Products which give specific advantages to customers.
- (b) For which products customers are ready to pay more.
- (c) For which product Government gives incentives.
- (d) Products where imports are banned
- (e) Products which are being engaged for exports etc.

The entrepreneur makes a comparative analysis of the above facts to find out the weakness of the existing products. This helps him to innovate something better.

(iv) Channel of Distribution : Distribution channels are known as market intermediaries. They help a lot in generation of new ideas. Such intermediaries namely wholesalers and retailers know the pulse of the markets better than anybody. They come in direct contact with the ultimate customers and therefore, know their wants. Whether it is a new product or modification of an existing product, middlemen provide new business ideas.

(v) Government Policies : Government of India and all state Governments play an important role in the development of new ideas. Government issues guidelines from time to time which become sources for new ideas. For example, when Delhi Government put restriction on diesel driven auto-rickshaw to control pollution, it gave new ideas to manufacture of CNG driven rickshaw. The growth of small scale industries & spread of small scale industries to backward areas are examples of Govt encouragement to generate business ideas.

(vi) Research and Development : With the globalisation of market, innovations and finding new products have become important. This requires research which can be carried out in-house or outside the organisation. The business may not have expertise or experience to carry on research activities itself. In such cases, help is sought from specialised Research & Development organisations in private and government sector. A lot of new business ideas owe their origin to research studies and their findings.

(vii) Substitutions : Use of new materials, new processes, alternative use of items to new areas is called substitution. Shortage of few raw materials leads to search for substitutes. For example, use of PVC pipes in electrical and water lines in place of iron pipes. Keen competition in the market is bringing substitutions. Further, scarcity of imported materials, patented spares & components lead to substitution.

(viii) Existing Companies : New ideas are generated from the products manufactured by the existing companies. They give a broad view of the competition, volume of market, price trends and demand patterns. Study of existing company also gives the profitable line of business, the scarce areas. The analysis of the printed catalogues, annual reports give an idea of demand pattern, profitability.

4.3.4 SHORTLISTING OF IDENTIFIED BUSINESS IDEAS OR OPPORTUNITIES AND SELECTION OF AN ENTERPRISE

Generating ideas is a relatively easy exercise. However, all ideas need not necessarily become sound business opportunities. An idea has to be assessed in terms of its opportunity potential. Hence, an entrepreneur has to select one idea which he thinks the best. This is otherwise called opportunity identification. Opportunity selection starts where opportunity identification ends. Identified ideas are analysed in the light of several factors. Then the most suitable idea is finally selected to convert it into an enterprise. Selection of a suitable enterprise is a crucial decision as the ultimate fate of the enterprise depends on the selection of right type of enterprise.

Projects identification and selection constitute more than half in the process of establishing an enterprise. The process of selecting one opportunity/enterprise out of many is called as the 'Zeroing in process'.

FACTORS CONSIDERED FOR TESTING & EVALUATING SHORTLISTED BUSINESS OPPORTUNITIES

Following factors are generally taken into account before evaluating opportunity.

1. SWOT Analysis : SWOT stands for strength, weakness, opportunity and threat. The potential entrepreneur has to analyse his strengths, weakness, opportunities and threats while deciding to go for entrepreneurial ventures. In SWOT analysis, strength & weakness relate to the entrepreneur while opportunity & threat relate to environment. The former is internal & the later is external to entrepreneur. This analysis enables him to know what type and size of business would be the most suitable. This will vary from person to person.

2. Market Survey : It is always convenient to manufacture an item but difficult to sell. So, it is necessary to survey the market thoroughly before embarking upon production. Market survey implies systematic collection of data by the entrepreneur about the product for manufacture, demand-supply lag, extent of competition, frequency of demand, pattern, & design of demand, potential share in the market, pricing etc. The principle is to produce what actually people demand.

3. Feasibility Analysis : This analysis is undertaken to ascertain the desirability of investing funds in an enterprise. The viability is analysed to know the acceptability of the new project from technical, financial, marketing, managerial and other consideration. There is no fixed model for the success of business. Each venture has unique features due to the local environment, the resources inputs, the market need, the customer characteristics etc. Feasibility study identifies the bottlenecks & the risk factors involved in the project.

4. Technological Evaluation : We are concerned with selection of a small scale Enterprise. So, the technology required to develop the project should be available within the country. It makes life easier to start with. It may be difficult & costly to get technology through foreign collaboration.

5. Financial Evaluation : For financial investment, financial evaluation is needed. Wrong estimation may lead to shortage of funds in the middle or towards the end of the project. Objective of financial evaluation is to see that the proposed project is quite profitable so that the entrepreneur will be able to repay the interest & loan amount regularly.

6. Managerial Evaluation : Success of any venture depends on efficiency of management. Otherwise the best project is sure to face failures. So, before selecting an enterprise the managerial skill, commitment of workers at your disposal are to be evaluated. Besides, their experience, education, credibility, character have a bearing on selection of an enterprise.

7. Commercial Evaluation : The selected enterprise should be commercially viable. It should be healthy, strong. The enterprise should meet the prospective demand of product. For such evaluation, modern techniques may be applied.

8. Socioeconomic Evaluation : Ours is a socialistic pattern of society. Principle is to earn profit through service. Ignoring the aspect of service to the society, an enterprise cannot be selected. Thus, the proposed enterprise should contribute to employment generation, self-reliance, national welfare, enhanced standard of living, social upliftment etc.

9. Operational Evaluation : In a country like India, it is observed that the proposed project remains in a sealed file. It never gets the chance to breathe in open air. Capital investment upto this point goes wasted. It is due to not doing operational evaluation before choosing an enterprise.

10. Environmental Evaluation : The proposed enterprise should be environment friendly. The entrepreneur should assure that the proposed venture will not adversely affect the environment. Usually, we start a venture without foreseeing the future. As a result the venture dies an untimely death.

4.4 IDENTIFICATION AND SELECTION OF THE BEST OPPORTUNITY OR PROJECT

After having tested and evaluated the different shortlisted opportunity identified on the basis of the different parameter explained above, the entrepreneur prepares a comparative statement indicating the ROI in respect of each of the opportunities. This helps in identifying the best opportunity/ project in terms of highest return on investment. That takes him to the next step of initiating measures for setting up of the entrepreneur.

4.5. STEPS IN THE SETTING UP OF AN ENTERPRISE

After selecting the exact project, clearly specifying the nature of business to be undertaken, the entrepreneur now thinks in terms of giving it a functional shape through the establishment of a business unit known as 'enterprise'. The promotion of a business enterprise by a new entrepreneur is obviously a complex job. The potential entrepreneur has to pass through a number of stages in a step by step approach. He must understand the ground realities of the selected business and the sequence of steps he needs to go through. He must determine where, how, in what term and size & when the business is to be set up. In fact, deciding and motivating the self is the first bedrock upon which the super structure of the business world stands. "Well begun is half done". To ensure this maxim he has to move forward carefully and cautiously.

The various steps involved in establishment of a business enterprise through which the entrepreneur may have to pass through are the following:

1. Preparation of the Detailed Project Report : A project report is a written document pertaining to any investment proposal. It contains relevant data on which the project has been appraised and found relevant. It is a psychological document of the

entrepreneur who after having a sense of satisfaction, accords his approval to the project. It is a well planned course of action that the entrepreneur is to follow in his business. It is prepared by the expert after a detailed study and analysis of different aspects of the proposed business venture.

Project report essentially serves two functions :

(i) it serves as a road map describing the direction of the enterprise, its goals & how to achieve them.

(ii) It also serves to attract investors & lenders because on its basis they provide financial assistance.

There is no substitute to a well-prepared project report. It helps in formulating the production, marketing, financial & management plans.

Contents of Project Report :

The following are the contents of a good project report :

(i) General Information : The report should contain general information regarding the business, product profile, brand name, entrepreneur etc.

(ii) Promoter : It contains information relating to promoter such as his name, qualification, experience etc.

(iii) Location : Details like exact location of project & locational advantages are to be indicated.

(iv) Land, Building and plant, machinery : Details of area of land, built up area, cost of construction are to be included. Similarly, details of machinery required, its capacities etc are to be included.

(v) Cost of capital and working capital : It includes cost of all items. Apart from that, requisite working capital required for the business operation is also given.

(vi) Sources of Finance : It includes information regarding financial resources like term loan, owned capital, foreign capital etc.

(vii) Market : Target users, distribution channels, selling price, sales promotion & estimated sales are to be included.

(viii) Profit : It also includes the projected results and anticipated profits of the proposed business.

(ix) Project Implementation : It includes the period of implementation in its various stages and time limitations are detailed.

2. Selection of Form of Organisation :

An entrepreneur has to choose a suitable form of business out of four alternatives such as

- (i) Sole Proprietorship
- (ii) Partnership
- (iii) Company
- (iv) Co-operative Society

Selection of a suitable form of business is very important and a difficult decision. Several factors are considered while choosing a particular form of business. No single form of business possesses all the required good features of a sound form of organisation. So, some compromises on some matters have to be made while selecting a suitable form of business. But basically the following factors influence the selection of an appropriate form of organisation.

Consideration in the selection of an appropriate form of ownership

From the foregoing discussions, we know that there are four main forms of organisations as follows : (i) Sole proprietorship (ii) Partnership (iii) Joint stock company (iv) co-operative society. Each organisation has its own merits and demerits. No single form of business possesses all the required features. But a businessman has to choose a suitable form of business organisation. Before selecting a form of business, the following points should be kept in mind.

(i) Easy Formation : That business which is easy to form is an ideal one. For doing small business, the sole-proprietorship is the easiest & best form of business. Partnership comes next which can also be easily established. However, a company is established by completing a lengthy & complex legal formalities. So, a company is suitable for bigger business.

(ii) Legal formalities : Sole-proprietorship and partnership require less legal formalities in comparison to company and co-operatives. Further, sole trading & partnership operate without government control which is found in other two forms.

(iii) Capital : Investment of capital depends on resources at the disposal of investor. No business is thought of without adequate capital. In sole-trading & partnership less amount of capital is required. For company, huge amount of capital is required which is raised by issuing shares.

(iv) Liability : Liability means the extent to which a person is liable. To avoid confusion in future, the liability of members should be given importance & decided in the beginig itself. Sole-proprietorship & partnership operate on small scale. But the liability of members is unlimited. That means owners assume the total risk of repaying the business debts from their personal assets. In case of a company, usually liability is limited. Hence, where there is uncertainty, more risk, company form of organisation is preferred,

(v) Continuity : The business, which provides maximum stability and continuity, is an ideal one. No one wants his business to wind up at any time. Sole-trading & partnership are most unstable form of business hence preferred for small duration. Where as the company is the best from stability point of view.

(vi) Flexibility : When a business is capable of changing itself according to the changes in the environment- is called flexibility. In the present world, change is inevitable. It takes place from time to time. Thus, a business not adopting itself to the changes cannot be considered suitable.

(vii) Control : In case personal control is required over the business, sole trading & partnership will be better forms of organisation. Where personal direction and control is not required, company form of organisation is most suitable. In case of company, we find representative control i.e. directors nominated by shareholders exercise control on business.

(viii) Secrecy : While selecting a form of business, secrecy must be taken into consideration. In a competitive environment, the secrets should not be disclosed to the public. From secrecy point of view, sole proprietorship & partnership are better than company where it is very difficult to maintain secrecy.

(ix) Management : In case of small business, business can be managed by owners or partners. To manage, large business like companies, professional managers are required. When professionals are employed, interference in day to day policies of owners come to an end.

(x) Tax Consideration : Co-operatives enjoy tax exemptions. At a moderate level of profit, tax burden is relatively less in sole trading & partnership. For business yielding large profits, company form of organisation is preferred as it involves low burden of tax.

(xi) Size of Operation : It is another important factor for selecting the appropriate form of ownership. To do a small scale business, a sole trader can meet easily the financial and managerial requirements. With increase in the scale of business, large amount of financial & managerial resources are required. Hence, it is necessary to establish either a partnership or a joint stock company.

(xii) Nature of Business : If the business undertakes trading activities only, sole trading or partnership is preferred. Manufacturing activities are usually taken up at large scale. Therefore, in this case company form of business is more suitable form of ownership. However, manufacturing in small scale can be carried on by sole proprietorship or partnership form.

(xiii) Risk & Reward : In sole proprietorship form of ownership, both risk & reward are assumed by owner alone. In case of partnership, they are shared by partners. But in large business with corporate ownership, the risk & reward are distributed over a large number of members.

3. Environment Clearance : Environment implies everything that is external to the organisation. It is made up of tangible and intangible factors both controllable & uncontrollable. Environmental management is necessary to protect the environment from the evils of industrialisation. So, it is made legally compulsory to obtain environmental clearance. Pollution control department issues 'No objection certificate' when it is sure that the proposed business is not causing any environmental pollution.

4. Other Clearances : Besides environment, clearances from different authorities are required before setting up of an enterprise. For example clearance from Agriculture department, DIC office, Inspector of Factories, Electricity department, etc.

5. Provisional Registration : It is not compulsory for a small scale industry to get itself registered. But it is worthwhile to get the unit registered with the government. Provisional registration enables a party to take necessary steps to bring the unit into existence. The entrepreneur obtains application from DIC or Directorate of Industries. The issue of provisional registration is normally automatic and is given within seven days of receipt of application.

Initial validity of provisional registration is six months which may be renewed for a further period of six months if authority is satisfied. When all steps to establish the unit are taken, application may be made for conversion of provisional registration into permanent registration. Provisional registration enables the entrepreneur to avail various government facilities, incentives including financial assistance.

6. Finance : Finance is the life-blood of an enterprise. It is an important pre-requisite to establish an enterprise. Finance brings together labour, raw materials and other facilities to produce goods. Entrepreneur has to prepare the strategy or financial arrangement. Small scale units obtain finance under three main categories i.e.

(i) Term Loan to acquire fixed assets

(ii) Bridge loan to enable the entrepreneur to continue with the project till the term loan is disbursed by financial institutions. It is granted for a short period.

(iii) Working capital, a short term advance to meet working capital requirements.

As per government direction, financial agencies provide capital assistance, venture capital at concessional rate to start an enterprise. Under PMRY & REGP schemes financial assistance and subsidies are provided.

7. Power and water connection : The plant site should have adequate power connections or this should be arranged. Entrepreneur can calculate the total power requirement and determine the nearest pole from which power will be given as it reduces installation cost. Similarly, there should be provision for adequate water supply.

8. Acquiring of Land, Plant Location & Lay-out : Location is the place where business will be established. There are two types of errors made by some entrepreneurs in selecting the location of an enterprise. First, they are attracted by the concessions, government offers, financial incentives to establish industries at a particular location. This leads to problem like marketing, non-availability of raw material, skilled labour etc. Secondly, the entrepreneur selects a location merely because it is nearer to his place of living which may not be appropriate. Thus location decision depends on several factors like availability of raw material, labour, fuel, water, electricity, bank, transport, presence of ancillary industries etc.

Plant location, on the other hand, means planning to locate machines, processes and plant services within the factory to achieve more production at least cost. Poor layout gives rise to high material handling cost & labour cost, idle machinery, unused space etc.

9. Recruitment of manpower : Skilled, committed workers ensure success of an enterprise. Right type of workers should be selected for specific job. Employees co-operation, enthusiasm can make a difference between a mediocre and an outstanding business. Further, the workers are to be trained as untrained & unmotivated employees can cause a business to fail.

10. Procurement of Raw Materials : Cost of raw material constitutes a major part of total cost. Thus raw materials are the important ingredients for running an enterprise. Materials may be procured indigenously or may have to be imported by the entrepreneur. Entrepreneur has to identify the cheap and assured sources of supply of raw materials for running his own enterprise. Government agencies can assist when the raw materials are scarce or imported.

11. Production : Production of the proposed item should be taken up in two stages :
(i) Trial production (ii) Commercial Production

Trial production will help tackling problems confronted in production. This will reduce the chance of loss due to any mistake in project conception. Commercial production should be commenced after trial production is successful.

12. Marketing : Marketing includes aspects like how to reach the customer, distribution channels, pricing, advertising, publicity etc. Like production, marketing should also be attempted cautiously in two stages namely : (i) Test Stage (ii) Commercial Marketing Stage.

Test marketing is necessary as it will save the enterprise from going into disrepute in case the product is not accepted by customers. Accordingly entrepreneur will make modifications. When test marketing becomes successful, commercial marketing is undertaken.

13. Quality Assurance : Quality of a product ensures long-term success. Before marketing, the product quality certification from BIS (Bureau of Indian standards)/ AGMARK etc. should be obtained. If there are no quality standards specified for the products, the entrepreneur should evolve his own quality control parameters.

14. Permanent Registration : Provisional registration is initially awarded for two years. When the entrepreneur has taken all steps to establish the unit i.e. the factory building is ready, power connection is given, machinery is installed, he can apply for permanent registration which is obtained from District Industry Centre (DIC) or Directorate of Industries. On being satisfied that the unit is capable of production activity, Permanent Registration Certificate is issued.

15. Market Research : When the product is introduced in the market, continuous market research becomes inevitable. This helps to assess needs and the areas for

modification, upgradation. Initial success should not lure the entrepreneur into a sense of complacency.

16. Profit Generation and Reinvestment : Entrepreneur should be vigilant about the cost of production & profit generation. Through constant monitoring he can know where the unit actually stands. If profits are not generated, he should find out the reasons. He should adopt cost control measures & minimise waste. A successful entrepreneur can generate sufficient profit so that it can be ploughed back in the firm. New entrepreneur should enhance his credit worthiness by timely repayment of loans from banks.

CONCLUSION : The above steps are important for a new entrepreneur to start an enterprise. If proper precautions are taken, the small enterprises will be successful. It can achieve the desired goal with confidence.

4.6 MODEL QUESTIONS

Objective and Short Answer Type Questions

Q.1 Choose the correct answer from given alternatives

- (a) Project is prepared by
- | | |
|--------------|----------------------|
| (i) Promotor | (iii) Government |
| (ii) DIC | (iv) Income Tax Dept |
- (b) Money spent on preparation of project is
- | | |
|-----------------|----------------------|
| (i) Expenditure | (iii) Investment |
| (ii) Wastage | (iv) Working capital |
- (c) Initial validity of provisional registration is
- | | |
|---------------|-----------------|
| (i) 3 months | (iii) 12 months |
| (ii) 6 months | (iv) 24 months |
- (d) Permanent registration of SSI is renewed in every
- | | |
|--------------|---------------|
| (i) 2 years | (iii) 4 years |
| (ii) 3 years | (iv) 5 years |
- (e) Quality of being capable of or practical is called
- | | |
|---------------------|----------------------|
| (i) Possibility | (iii) Accountability |
| (ii) Responsibility | (iv) Feasibility |

Q.2 Fill in the blanks

- (a) _____ is defined as discovery of business opportunity

- (b) Business ideas & business _____ are used interchangeably, though different
- (c) Registration of SSI is _____
- (d) _____ creates imperfection in the market which ultimately increases the volume of sales & profit.
- (e) Study of customs & traditions comes under _____

Q.3 Answer the following questions in one word.

- (a) A dream or imagination for completion of a task, plan is called
- (b) A summary of information, analysis, facts with regard to essential element for the beginning of any project is called.
- (c) Suitability of form of organisation for small scale business is
- (d) A business relation in which two parties compete to gain customs.
- (e) Study of demand, supply, price, competition etc & its impact on the market.

Q.4 Answer the following within two sentences each

- (a) What is a project ?
- (b) Define opportunity
- (c) What is brain storming ?
- (d) What is environment clearance ?
- (e) What is a project report ?
- (f) Define identification of opportunity
- (g) State any two sources of generating business ideas.
- (h) State any two factors for selecting an enterprise.

Q.5 Answer the following within 6 sentences each.

- (a) What are the contents of project report ?
- (b) Write a brief note on sensing business opportunity.
- (c) What are the methods of generating ideas (Any three) ?

- (d) Write a note on provisional registration.
- (e) What is SWOT analysis ?
- (f) What are the contents of project report?
- (g) Explain project formulation/ Appraisal.

Q.6 Long Question

- (a) Discuss various methods of identifying entrepreneurial opportunities.
- (b) Explain the sources of business ideas.
- (c) State the factors responsible for sensing business ideas.
- (d) What are the factors responsible while scanning business environment ?
- (e) What are the factors to be considered to select an enterprise ?
- (f) State in brief the steps involved to set up of an enterprise.

4.7 Answer to objective questions

Q.1 a. i b. iii c. ii d. iv e. iv

Q.2 a. Promotion b. opportunities. c. Optional d. Innovation. e. Social Forces

Q.3 a. Project b. Project report c. Sole proprietorship d. competition
(e) market assessment.



CHAPTER - 5

**INSTITUTIONAL SUPPORT FOR ENTREPRENEURS
AND AREAS OF SUPPORT**

Structure

- 5.1. Introduction
- 5.2. Need for institutional support
- 5.3. Areas of support from institutions
 - 5.3.1. Promotional area
 - 5.3.2. Financial area
 - 5.3.3. Technical area
 - 5.3.4. Marketing area
 - 5.3.5. Training area
 - 5.3.6. Servicing area
 - 5.3.7. Association based help area
- 5.4. Conclusion

5.1. Introduction

As has already been discussed in the previous chapters, entrepreneurs play a major role in the economic development of a country. Development does not take place spontaneously as a natural consequence. Entrepreneurs play the role of catalyst and organise various factors of production. They are the persons who ignite, initiate, organise, manage, control and take risk of an enterprise. They use the factors of production and make ready goods and services for the use of the society. Development of entrepreneurship in the society, therefore, has become an important agenda of our policy. The sector representing micro and small enterprises has been recognised as a powerful sector, providing employment and income to the growing population of the country and strengthening the economy. The Government of India has also launched various schemes for the development of village and small-scale industries. It is now said that the age of big corporations playing dominant roles is over and the future rests with small, dynamic and efficient production units in the form of small and micro enterprises that could respond quickly to the customers need. This however does not suggest that the large and medium enterprises have no role to play. They are also important. What is desired is that all of them play a cohesive role in the growth of the economy, supplementing and complementing each other's efforts.

From the discussion above, three major inferences clearly emerge and they are;

i) Entrepreneurs are the catalysts of industrial growth.

ii) With the growing importance and emphasis given on massive industrial growth especially growth of the MSME industries, there would be increasing demand of people with entrepreneurial abilities.

iii) To cope with the increasing demand for entrepreneurs, the nation needs to promote the right, appropriate facilitating conditions, so that at no stage the mismatch syndrome between demand and supply of entrepreneurs becomes a hurdle or a speed breaker in the envisaged speedy industrial growth.

Creation of appropriate entrepreneur friendly supportive climate and conditions therefore, is a prerequisite for entrepreneurial growth. Infact considering the complexity and multiplicity nature of functions that entrepreneurs are commonly called upon to perform, it cannot just be believed that left to themselves alone they can successfully move forward without having access to any source of support or assistance in different forms at different stages. Different case study based researches clearly suggest that there is a positive linkage or co-relationship between success of entrepreneurs and their easy accessibility to support sources. So success is always linked with support system available.

The need for support base is just not a development of only modern times. Even in the very early ages when the first timers ventured into enterprising activities, they had also felt the need for support. But as their ventures used to be small and simple, the form and nature of support they needed also used to be very much simple in the form of occasional advice, small loans etc. and for this they always depended upon their own families, close relatives, friends etc.

But between then and now, there has been a sea of changes. Entrepreneurs have not merely emerged as distinct class of people but also the different entrepreneurial activities they are called upon to perform at different stages from promotion to management and monitoring have also become more and more complex and complicated. With the introduction of LPG (liberalisation, privatisation and globalisation) many changes are taking place in product and production process (technology), market and marketing strategies including clientele. The entrepreneurs both new and existing have to cope with that. Again, with the advent of organised retailers like Wal-Mart, Big Bazar, Bazar Kolkata, Subhiksha, Reliance Fresh, Brand Factory, Starbucks and recent trend of Online Shopping etc. the relevance of small enterprises have resurrected. These retail giants are going to source their merchandise from small enterprises. But they want the products of global standard. In order to meet their requirement, expert consultancy and supportive measures have become indispensable for entrepreneurs. In such a situation institutional support becomes absolutely necessary not merely for igniting new generation entrepreneurs but also reorienting and recharging the old and existing entrepreneurs. For that matter, strategy for promotion of entrepreneurship can be divided into three broad phases.

Phase – I – Stimulating Phase : This phase is concerned with the creation of awareness and interest about entrepreneurial opportunities.

Phase –II- Development Phase : It is the phase concerned with the development of entrepreneurial traits and management skill through implementation of continuous training programmes.

Phase –III- Supportive Phase : This phase deals with the provision of all possible infrastructural support required to establish new enterprises and to develop the existing enterprises.

The infrastructural support includes both financial infrastructure like setting up of financial institutions, banks and non-financial infrastructure which includes physical and intellectual (knowledge / technology) factors.

5.2 Need for institutional support

The need for institutional support for the speedy growth of entrepreneurship in the country stems from the following facts :

(1) Massive efforts needed for creating awareness and interest : As a strategy for solving the problem of mass un-employment the Government of India and all the state Governments need to explore all possibilities for encouraging self-employment. For this massive and intensive programmes need to be organised for motivating and alluring the youth into entrepreneurial initiatives. This can only be possible with the help, support and involvement of a wide variety of specialized institutional agencies and organizations.

(2) Huge efforts for facilitation of training : The jobs and tasks of entrepreneurs are so much challenging and complicated that people without wide and intensive exposure to a variety of inputs knowledge and skills can never turn out to be good entrepreneurs.

They require a lot of training. A lot of efforts are therefore needed for facilitating training in different areas with appropriate arrangements so that people interested in entrepreneurship careers can have easy accessibility. This cannot be possible without the involvement of varieties of institutional agencies.

(3) Limited possibilities through individual level efforts : The process of developing entrepreneurial abilities is very much complicated which needs a wide varieties of supportive inputs from various sources. At individual levels it is extremely difficult for any one to arrange all the requirements because of constraints of time, energy, resources and also access abilities to such sources. Thus, there is very little scope for people to become self-made entrepreneurs. Hence, there is the need for the intervention of institutional agencies.

(4) Single window servicing : Different types of specialised agencies are extending their specific nature of support services to the entrepreneurs. Entrepreneurs have to run from pillar to post knocking at the doors of such agencies for help, assistance and information at the cost of their precious time, energy and resources. So to relieve them of such troubles, establishment of specialised servicing agencies providing all needed assistance across the table is badly necessary as it enables the entrepreneur to get all help and assistance and solve all their problems at a single place through single window service approach.

(5) Need for massive capacity building : To start a business of any kind and nature, a lot of courage is required. To be successful and to stay in the business, one needs a combination of qualities like innovativeness, risk taking ability, hard work, skill, perseverance etc. Generally people who start their own business can be grouped into two broad categories. The first group consists of people who know exactly what they want to do and are merely looking for the opportunities or resources to do it. These people may have developed their skills necessary to succeed in their chosen field and are also likely to be familiar with industry customs and practices which can help them during the start up phase of a new business.

The second group of people constitutes a major portion those who want to start their own business but don't have any real definite ideas about what they would like to do. They have to develop the ideas, the skills to manage the business, understand the business environment, arrange finance, build their capacities, and technically upgrade their system. These categories of people need support from various specialized institutions to assist them in building their capabilities in the following areas :

- Understanding of the responsibilities of ownership
- Ability to set their goals
- Assessment of the impact of environmental forces
- Evaluation of risk factors.
- Assessing their strengths and weaknesses

- Judgement of market
- Assessment of financial needs and its sources
- Assessment of profitability
- Assessment of legal requirements and their implications

(6) Conceptualisation of project report : For the best exploration of business opportunities, the entrepreneurs have to conceptualise a project from four dimensions (4 Ps). Such conceptualization and actualization can be possible mostly in collaboration with some specialised institutions.

The four factors (4 Ps) are :

- Product (About shape, size and nature)
- Process (Kind of technology to be used to produce the product)
- Place (Issues relating to the location of enterprise)
- Promotion (The strategy to be used for promoting the product and enterprise)

These four factors are essential to start and sustain an enterprise. On individual effort and without any institutional support, it is very much difficult on the part of first generation entrepreneurs to accomplish this work. Hence, support, guidance and assistance from various institutions working for the promotion development of enterprise is very much needed.

5.3. Areas of support from Institutions

The success of entrepreneurs depends mainly on the supportive and facilitative role played by varieties of well-established institutional agencies and organisations. Both central and state Government desire the educated youth of the country to become active participants in the economic development process by becoming entrepreneurs helping the exploration and utilisation of locally available resources. For this Governments have widened and expanded the scope and coverage of institutional support. Varieties of institutions have been set up specially to promote the growth of micro, small and medium enterprises (MSME_s) in the country. In this section an attempt has been made to discuss the different important areas where support is needed from institutions along with the identification of appropriate institutions in such areas which specialise in providing such needed support.

The most common and much demanded areas where help and support from institutions are needed are in (a) Promotional areas (b) Financial areas (c) Technological areas (d) Marketing areas (e) Training and skill upgradation areas (f) Service areas and (g) Associations based help areas. The type and nature of help needed in each of these broad areas and the institutions which provide such services have been discussed below.

5.3.1. Promotional Area : The nature of help and support needed under this area may include :-

-
- Incentive packages available
 - Data and information support
 - Identification of prospective avenues for investment
 - Project report preparation and appraisal
 - Layout and commissioning of the project
 - Rules and procedures for starting enterprises.

Some of the appropriate Agencies / Institutions which specialise in providing the required support in this area are :-

1. Directorate of Industries of the State Governments
2. The Small Industries Development Organisation (SIDO)
3. State Small Industries Corporations (SSICs)
4. State Industrial and Investment Corporations (SIIC)
5. Industrial Development Corporations (IDCs)
6. National Small Industries Corporation (NSIC)
7. Small Scale Industries Board (SCIB)
8. National Productivity Council (NPC)
9. Indian Bureau of Standards (BIS)
10. The National Institute for Entrepreneurship and Small Business Development (NIESBUD)
11. Entrepreneurship Development Institute of India (EDII)
12. National Alliance of Young Entrepreneurs (NAYE)

5.3.2. Financial Area : The nature of help and support needed in this area may include :

- Estimation of investment
- Capital budgeting
- Preparation of financial plan
- Sourcing of Finance
- Financing of Project
- Procedures of sourcing finance.
- Underwriting of shares
- Guarantees for loan
- Arrangement of letter of Credit

Some of the appropriate Agencies / Institutions which specialize in providing support in this area are:

1. State Financial Corporations (SFC_s)
2. Commercial Banks
3. Life Insurance Corporation of India (LIC)
4. General Insurance Corporation of India (GIC)
5. Unit Trust of India (UTI)
6. Small Industries Development Bank of India (SIDBI)
7. National Bank for Agriculture and Rural Development (NABARD)
8. Khadi and Village Industries Commission (KVIC)
9. Regional Rural Banks (RRBs)
10. Khadi and Village Industries Board (KVIB)
11. National Small Industries Corporation (NSIC)
12. Small Industries Development Organisation (SIDO)

5.3.3. Technical Area : The nature of help and support needed under this area may include technical advice on various matters and at different phases like:

- Setting of plants
- Expansions, modernisation and diversification of production activities.
- Technical training
- Technical collaboration

Some of the appropriate Agencies / Institutions which specialise in providing support in this area are :-

1. Industrial and Technical Consultancy Organisation
2. Controller General of Patents, Designs and Trademarks
3. Pollution Control Boards.
4. Central Institute of Tool Design.
5. National Institute of Fashion Designing
6. APICOL
7. The Product and Process Development Centre

5.3.4. Marketing Area : The nature of help and support in this area may include :

- Identification of marketing prospects
- Arrangement of marketing inputs

- Participation in fairs, exhibition
- Marketing of products
- Publicity and Advertisements
- Regulations relating to marketing
- Incentive packages in Marketing
- Obtaining certificate of origin. Registration cum membership certificates (RCMC)
- Participation in buyer sellers meets and foreign trade delegation, consortia and Tender marketing.
- Help in designing of product
- Procurement of orders

Some of the appropriate Agencies / Institutions which specialise in providing support in this area are :-

1. Export Promotion Councils (EPMCs)
2. Commodity Boards
3. EXIM Banks
4. State Trading Corporations (STCs)
5. Federation of Indian Exporters Organisation (FIEO)
6. The Handicraft Export Promotion Council (HEPC)
7. The Minerals and Metals Trading Corporation of India (MMTC)
8. Jute Corporation of India

5.3.5. Training Area : The nature of help and support may be needed for

- Manpower planning
- Training
- Performance appraisal
- Performance improvement administration

Some of the appropriate Agencies / Institutions which specialise in providing support in this area are :-

1. Council for Peoples' Action and Advancement of Rural Technology (CPAART)
2. Centre for Entrepreneurship Development
3. Entrepreneurship Development Institute (EDI) of India
4. Software Parks

5. Council of Scientific and Industrial Research (CSIR)
6. Universities, I.I.Ts, I.T.Is, Polytechnics, and other Technical Institutes.
7. Indian Institute of Design
8. National Institute of Design
9. Small Industries Extension Training Institute.
10. Institutes of Management

5.3.6. Servicing Area : The nature of help and support may be needed for

- Ascertainment of cost and prices
- Credit rating
- Evaluation of Project
- Material testing
- Monitoring of Project
- Quality certification

Some of the appropriate Agencies / Institutions which specialize in providing support in this area are :-

1. Bureau of Industrial Costs and Prices
2. Credit Rating Agencies
3. OTC Exchange of India
4. Indian Council of Arbitration

5.3.7. Association Based Help Areas : The nature of help and support is available for

- Protection of interest
- Organised protests
- Representations
- Resolving of industries related difficulties and disputes

Some of the appropriate Agencies / Institutions which specialize in providing support in this area are :

1. Merchant Chambers both at state & national levels
2. Industry and Trade Associations
3. Shilpi Mahasanghas
4. Association of Small Industries Promoters
5. National Alliance of Young Entrepreneurs (NAYE)

5.4. CONCLUSION

It has been observed that there is necessity of support services for the promotion of industrial and service projects. Different commissions have also pointed out the need of institutional support for the preparation of project reports, giving advice on technology, management, quality, marketing and financial issues. Large enterprises however, avail the services of private consultants as per their needs even by paying high consultancy fees. But, small and medium enterprises are unable to avail the above advantages due to their inability to pay the exorbitant amount of consultancy charges. They require lot of guidance and support at their initial stage and even for growth and development. Different institutions extend necessary guidance and provide required inputs in all business related activities and help enterprises in different stages of growth and development.

5.5 MODEL QUESTIONS

Objective and Short Answer Type Questions

1. **Write the correct answer from the given alternative answers against each bit :**
 - (i) Creation of conducive environment for entrepreneurial growth is not possible without :
 - a) A deep sea port
 - b) An international airport
 - c) A strong support system
 - d) Support from International Agencies
 - (ii) Institutional support for the promotion of entrepreneurship is needed for :
 - a) Establishment and development of SME industries
 - b) A change in the mindset
 - c) Producing a vibrant and motivated youth population
 - d) All of these
 - (iii) Term LPG refers to :
 - a) Liberalisation, privatisation and globalisation
 - b) Low production grade

- c) Lower pay grade
- d) Less production gap
- (iv)** The entrepreneurs need support from specialised institutions because of :
 - a) Complicated nature of entrepreneurial process
 - b) Creating interest and awareness
 - c) Single window servicing
 - d) All the above
- (v)** The institute which does not extend financial support to entrepreneurs is :
 - a) State Financial Corporation
 - b) Entrepreneurship Development Institute
 - c) Regional Rural Bank
 - d) Commercial Bank
- (vi)** A country with physical and natural resources cannot develop without:
 - a) Technology
 - b) Capital
 - c) Equipment
 - d) People who can combine these resources.
- (vii)** Which of the following institute render support in training area ?
 - a) Software park
 - b) EXIM Bank
 - c) Credit rating agencies
 - d) National Alliance of Young Entrepreneurs (NAYE)
- (viii)** Federation of Indian Export Organisation (FIEO) mainly provides support in :
 - a) Training area
 - b) Marketing area
 - c) Technical area
 - d) Production area

- (ix) Industrial Estates are provided by
- a) SFCs
 - b) NSIC
 - c) DIC
 - d) SIDBI
- (x) For help in promotional area, the best national agency is
- a) NSIC
 - b) SIDBI
 - c) DIC
 - d) MSME Dev-institution

Ans. : (i) c (ii) d (iii) a (iv) d (v) b (vi) d (vii) a (viii) b
(ix) c (x) d

2. Fill in the blanks with appropriate words :

- a) The Indian exporters are helped in the International marketing by _____.
- b) _____ term finance is required for day-to-day expenses of an enterprise.
- c) Alongwith the _____ support, consultancy services are also needed for the development of SSI units.
- d) An enterprise needs _____ term finance for acquisition of land, building, plant and machinery.
- e) Product, Process, Place and _____ are the four 'P' factors to start and sustain an enterprise.
- f) Procurement of orders is a _____ area of support service provided by specialised institutions.
- g) EDI of India renders support in _____ of the entrepreneurs.
- h) Specialised institutions create interest and _____ among people towards entrepreneurial profession.

Ans. : (a) FIEO (b) Short-term (c) Financial (d) Long-term (e) Promotion
(f) Marketing (g) Training (h) Awareness.

3. Correct the underlined portions in the following sentences if necessary

- a) Institutional support is needed mainly for the large scale enterprises.
- b) Research studies suggest there is a negative co-rrrelation between success of entrepreneurs and availability of good support system.
- c) Creation of awareness and interest among the new and young entrepreneurs is coming under development phase of institutional support.
- d) SIDO provides support to SSIs in the financial area.
- e) State Trading Corporations (STCs) are providing support services in the training area.
- f) The services provided for publicity and advertisements by the institutions comes under technical area of support.
- g) Specialised institutions are set up to provide support services only to the existing enterprises.
- h) Shilpi Mahasangha helps entrepreneurs in providing support in promotional area.

4. Answer the following bit questions in one word / sentence each.

- a) Who are called the catalysts of industrial growth?
- b) Name any two broad phases of support for promotion of entrepreneurship.
- c) Why existing entrepreneurs need support from specialised institutions ?
- d) What is meant by MSME ?
- e) State the nature of support extended by the FIEO.
- f) Write the name of any one institute which renders services in association based help area.
- g) Write the full form of NABARD.
- h) Write any two important areas of support needed for the entrepreneurs.

5. Answer the following questions in not more than six sentences each :

- a) State any three needs of providing institutional support to entrepreneurs.
- b) Name any three areas of support needed for entrepreneurs.
- c) List out any three institutions which extend support in financial area.

-
- d) Discuss three broad phases of support services needed for the promotion of entrepreneurship.
 - e) Discuss why support in marketing area is required for the entrepreneurs.
 - f) Name the institutes rendering services to the entrepreneurs in training area.

Long type Questions

1. Discuss different areas of support from specialised institutions available for entrepreneurial growth.
2. Entrepreneurs are the propellers of development and for that matter the institutions play a vital role. Justify this statement.
3. What is institutional support ? Why is it necessary for entrepreneurship development ?



CHAPTER - 6

SPECIALISED INSTITUTIONS RENDERING SUPPORT TO ENTREPRENEURS

Structure

- 6.1. Introduction
- 6.2. Small Industries Development Bank of India (SIDBI)
- 6.3. Small Industries Development Organisation (SIDO)
- 6.4. Small Industries Service Institutes (SISIs) / MSME Development Institute
- 6.5. National Small Industries Corporation Ltd (NSIC)
- 6.6. Federation of Indian Export Organisations (FIEO)
- 6.7. State Financial Corporations (SFC_s)
- 6.8. Industrial Promotion and Investment Corporation of Odisha Limited (IPICOL)
- 6.9. Agricultural Promotion and Investment Corporation of Odisha Limited (APICOL)
- 6.10. Odisha Industrial Infrastructure Development Corporation (IDCO)
- 6.11. District Industries Centres (DICs)
- 6.12. Conclusion

6.1. Introduction

Industries occupy an important place in an economy. As already discussed in previous chapters, entrepreneurs are the catalysts of industrial growth. Any industry, irrespective of its size will have teething problems and uncertain situations in the initial phases of the organisation. Large scale enterprises, however, can manage the situations by engaging expert consultants because of their comfortable financial position. Small and medium scale units face the real difficulties in some important areas viz. preparation of project report, location and layout of plant, selection of men and machinery, encountering competition, various marketing issues and in obtaining financial assistances and subsidies of the Government etc. In a developing economy like India, small and medium scale industries play crucial role in creating large scale employment, equitable distribution of wealth, balanced growth of industries, effective utilisation of natural resources and development of traditional art, craft and cottage industries. Availability of the institutional support helps make the economic environment more conducive for such industrial units to get over the difficult situations. Considering the complexities and multiplicity of difficulties, both the Central and State Governments have come forward and set up various specialised institutions to render the different support services and to fulfill the financial needs of micro, small and medium enterprises. We are, therefore, presenting in this chapter an overview of various kinds of supports and facilities provided by some leading specialised institutions like SIDBI, SIDO, SISI, NSIC, FIEO, SFCs, IPICOL, APICOL, IDCO and DICs to the entrepreneurs to help them in establishing industrial units.

6.2. SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)

With a view to ensuring larger flow of financial and non-financial assistance to the small-scale sector, the Government of India set up the Small Industries Development Bank of India (SIDBI) under a special Act of the Parliament in October 1989 as wholly-owned subsidiary of the IDBI. The bank commenced its operations from April 2, 1990 with its head office at Lucknow. In 2005 it was delinked from IDBI for more operational flexibility. The SIDBI has taken over the outstanding portfolio of the IDBI relating to the improvement of SSI units which contributes to the process of economic growth, employment generation and balanced regional development..

The important **functions** of SIDBI are as follows:

- To take necessary steps for technological upgradation and modernisation of existing units.
- To expand the channels for marketing the products of SSI units in domestic and foreign markets.
- To promote employment oriented industries especially in semi-urban and rural areas to create more employment opportunities with an intention to check migration of people to urban areas.

- To sanction loans and advances to persons engaged in export business.
- To provide special incentives for setting up enterprises in backward areas.

Scope of SIDBI

Following business activities undertaken by small-scale industries come under the scope of SIDBI:

- Manufacturing, preservation or processing of goods.
- Generation and / or distribution of electricity or any other form of power.
- Maintenance and repair services
- Fishing and / or maintenance thereof
- Research and development of any process and / or product
- Hotel, mining, and shipping industry

Schemes of SIDBI

The schemes of financial assistance of SIDBI to SSIs are classified into two broad categories:

1. Refinance Scheme
2. Direct Finance Scheme

(1) Refinance Schemes : SIDBI provides refinance assistance for various purposes such as marketing, infrastructure development, technology development and modernization, quality improvement acquisition of ISO certifications, etc. Individual proprietors, partnership firms, and companies (both private and public) are eligible to avail of the refinance assistance of SIDBI. The refinance assistance is granted to SSIs for various purposes such as setting up new sales outlets, developing industrial estates to be allotted to the SSIs, purchase of equipments and machinery, expenses of consultancy, documentation, certification fee, etc.

SIDBI also grants specific refinance assistance exclusively to **women entrepreneurs in different schemes namely :**

(a) Mahila Vikas Nidhi (MVN): This scheme is offered to the well-managed NGOs with a good track record and their linkages with financial institutions. This is granted for the economic development of women, providing them avenues for training and employment opportunities. Assistance may be in the form of loans. Repayment period is usually five years. There is also an initial moratorium of one or one and half year.

(b) Mahila Udyam Nidhi (MUN): This scheme is meant for enterprising women entrepreneurs to set up new projects in the tiny and small-scale sector and for the rehabilitation of viable sick SSI units. The basic purpose of this scheme is to eliminate the gap in equity. The scheme is operated through State Financial Corporations/scheduled

commercial banks/scheduled urban co-operative banks. The maximum limit of loan is 25% of the project cost but subject to a maximum of Rs. 10 lakh per project.

The SIDBI's financial assistance to small-scale industries is channelised through the existing credit delivery system comprising State Financial Corporations, State Industrial Development Corporations, Commercial Banks, and Regional Rural Banks. The SIDBI introduced two new schemes during 1992-93; one, **Equipment Finance Scheme** for providing direct finance to existing well-run small-scale units taking up technology upgradation, modernisation, and refinance for resettlement of voluntarily retired workers of the National Textile Corporation (NTC). The *other* new scheme launched was **Venture Capital Fund** exclusively for small -scale units, with an initial corpus fund of Rs.10 crore. SIDBI also provides financial support to National Small Industrial Corporation for providing leasing, hire-purchase, and marketing support to the industrial units in the small-sector.

(2) Direct Finance Schemes : SIDBI also provides the following types of direct finance to entrepreneurs to establish and run their enterprises successfully:

(a) Project Finance: This is provided to the entrepreneurs to set up new enterprises in tourism, hotels, hospitals and nursing homes related enterprises whose project cost is more than Rs. 225 lakhs and term loan should not be less than Rs. 150 lakhs. However, preference is given to the enterprises with export orientation, import substitution, and the enterprises running with good track record. Project finance facility is also provided to the existing well-run enterprises for their modernization, technology upgradation, diversification, and expansion.

(b) Finance for Marketing of SSI Products: This facility is extended to small enterprises for various purposes relating to marketing of their products. It include marketing research, product upgradation, advertising, branding, participation in trade fairs and exhibitions undertaking promotional campaigns, establishing show rooms, retail outlets, training to personnel in marketing etc. Although the facility of loan extended under this scheme is according to the necessity but, it would not normally be below Rs. 10 lakhs per unit.

(c) Equipment Finance: The enterprises having sound financial condition and have been performing well are eligible to avail of this assistance of the SIDBI. The enterprises must have been in operation for at least three years and earning profits during the last two years preceding to the application for the assistance. Also, enterprises should not be in default in repaying loans to financial institutions or banks. Equipment to be bought by this finance is machinery or equipment or even DG sets, both indigenous and imported but not covered under any other specific project.

(d) Finance for ISO 9000 Certification: This financial scheme is provided by the SIDBI is mainly to meet the expenses involved in procuring the ISO 9000 Certification like consultancy, documentation, audit, certification fee, equipment, and calibrating instruments required for such certification. Any existing SSI units having satisfactory performance over the period and sound financial condition are eligible to take advantage of this financial

scheme. The basic purpose behind extending this facility to SSI units is to strengthen their managerial and qualitative aspects so as to make them more and more competitive and capable in marketing activities.

The enterprise should not be in default to financial institutions / banks in payment of its loan dues. The finance is also provided for the purposes like purchase of capital equipment, acquisition of technological know-how, creation of civil amenities, etc.

(e) Finance for Modernisation: This financial assistance is basically meant for existing SSI units which envisage modernization and/or technology upgradation in their operations. However, the units should have been in operation for last three years and also should not be a defaulter in payment of its dues to financial institutions/banks. The finance is provided for the purpose like purchase of capital equipment, acquisition of additional land, acquisition of technological know-how, creation of other civil amenities, etc.

(f) Finance for Integrated Infrastructural Development: This is a financial scheme meant for any Public Sector Corporation or a Corporate body or a good NGO entrusted by the State Government or Union Territory to develop industrial estates and integrated infrastructural facilities in under developed areas. The financial assistance is provided for the purposes like development of infrastructural facilities like water supply, power, telecommunication, communication, transportation facilities, etc. The rationale behind extending this facility is to strengthen the small and tiny enterprises to survive and thrive in the highly competitive business environment.

6.3. SMALL INDUSTRIES DEVELOPMENT ORGANISATION (SIDO)

Small Industries Development Organization (SIDO) is a subordinate office of the Department of Small Scale Industries (SSI) and Agro and Rural Industries (ARI) set-up in 1954 to act as a nodal agency for formulating, coordinating and monitoring the policies and programmes for promotion and development of small-scale industries. Development Commissioner of SSI Department is the head of the SIDO. This organisation is engaged in evolving and implementing various programmes for training and management, consultancy, industrial investigation, possibilities for development of different types of small-scale industries, industrial estates, etc. All small-scale industries except those coming under the specialized boards and agencies like Khadi and Village Industries Commission (KVIC), Coir Boards, Central Silk Board, etc, are coming under the purview of the SIDO.

The main **functions** of the SIDO are classified into:

(i) Co-ordination, (ii) Industrial Development, (iii) Extension, and (iv) Inspection, Supervision and Training. These functions are performed through a national network of institutions and associated agencies created for specific purposes. The main functions performed by the SIDO in each of its four categories of functions are:

(i) Functions Relating to Co-ordination

- To formulate a national policies and programmes for the development of small-scale industries
- To co-ordinate the policies and programmes of various State Governments
- To make proper liaison with the related Central Ministries, Planning Commission, State Governments, Financial Institutions etc., and
- To co-ordinate the programmes of District Industries Centres (DIC_s) for the development of industrial estates.

(ii) Functions Relating to Industrial Development

- To reserve items for production by small-scale industries,
- To collect data on consumer items imported from different countries, and to encourage small-scale industrial units to produce import substitutions by giving coordinated assistance,
- To extend required support for the development of ancillary units, and
- To encourage SSI units to actively participate in Government Stores Purchase Programme by providing necessary guidance and information about market.

(iii) Functions Relating to Extension

- To provide technical services for improvement of production planning, selection of appropriate machinery, preparation of factory lay-out, and design.
- To extend comprehensive consultancy and training services for SSI units to strengthen their competitive ability.
- To provide marketing assistance to small-scale industries for smooth selling of their products.
- To render assistance in economic investigation and supplying information to small-scale industries.

(iv) Functions relating to Inspection, Supervision and Training

- To provide a wide range of inspection and supervision services through its network of 30 SIS_s (Small Industries Services Institutes), 41 Extension Centres, 4 Regional Testing Centres, 1 Product and Process Development Centre and 5 Production Centres.
- To offer financial advice to small enterprises.
- To organise entrepreneurship development programmes (EDP_s) separately for engineers, science graduates, graduates of humanities, scheduled caste and scheduled tribes, ex-servicemen, people of backward and hilly areas etc. on regular basis.

6.4. SMALL INDUSTRIES SERVICE INSTITUTES (SISIS) / MSME DEVELOPMENT INSTITUTE

The Small Industries Services Institutes (SISIs) were set up by the Central Government in 1960 as Small Industries Service Institute of Extension Centres (SISIEC_s). Later on in 1975, they were upgraded as Small Industries Service Institutes and again renamed as MSME Development Institutes (Micro, Small and Medium Enterprise) since June, 2007. This institute is administered by SIDO and a product of merger of two Departments, SSI and ARI (Agro and Rural Industries). The basic objective of establishing such institute was to provide consultancy and training to small entrepreneurs - both existing and prospective, organising buyer seller meet, and arrangement of awareness and modernisation programmes. The activities of SISIs are co-coordinated by the Industrial Management Training Division of the Development Commissioner, SSI's office through its 30 branches set up in State capitals and other places all over the country.

The main **functions** of MSME Development Institute (formerly SISI) include:

- To identify and make reservation of the items / products for new and existing ancillary units.
- To serve as interface between Central and State Governments.
- To render technical support services by organising workshops and industrial clinics.
- To conduct Entrepreneurship Development Programmes (EDP_s) for prospective and existing entrepreneurs.
- To initiate promotional programmes and helps in development of industrial clusters.

The institute also renders **assistance** in the following areas:

- Undertaking Economic Consultancy / EDP Consultancy.
- Preparation of Project profiles and recommendation for registration.
- Organising District / State industrial potential surveys and seminars.
- Training in various trades and management development.
- Collection of trade and market information
- Assessment of production capacity of SSI units and recommendation for supply of parts / components to large scale industries.

6.5. NATIONAL SMALL INDUSTRIES CORPORATION LTD (NSIC)

The National Small Industries Corporation Ltd. (NSIC), an ISO 9001 certified company, since its establishment in 1955, has been working to fulfill its mission of promoting, aiding and fostering the growth of small-scale industries and industry related services in the country. Its basic objective is to supply machinery and equipments to SSI units on a hire-purchase basis and to assist them in procuring Government orders for various items. Over a period of six decades of transition, growth and development, NSIC

has proved its strength not only in the country but also in foreign countries by promoting modernization, upgradation of technology, quality consciousness, strengthening linkages with large and medium enterprises and enhancing export projects and products from small-scale enterprises.

In India, NSIC operates through Zonal Offices, Branch Offices, Sub- Offices, Technical Services Centres, Extension Centres and Software Technology Parks supported by a team of about 1000 professionals. For its abroad operations in Gulf and African countries, NSIC operates from its Dubai and Johannesburg offices. Specially tailored schemes are designed by NSIC to put the small enterprises in competitive and advantageous position. These schemes comprise of facilitating marketing support, credit support, technology support, and other support services.

Functions of NSIC

The main functions of NSIC are to:

- Provide SSI units with modern machineries on hire-purchase scheme.
- Provide equipment leasing facilities to small enterprises.
- Help in export marketing of the products of small-scale industries.
- Assist small scale industries to participate in stores purchase programme of the Government.
- Organise Consortiums, Trade fairs for marketing of small scale industries' products.
- Develop prototype of machines and equipments to supply those to small-scale industries for commercial production.
- Distribute basic raw material among small-scale industries through their raw material depots.
- Develop small scale industries as ancillary units to large scale industries.
- Impart training of small entrepreneurs in various industrial trades.
- Establish small-scale industries in different developing countries on turn-key basis.
- Undertake the construction of industrial estates in various potential areas.

Schemes of the NSIC

A set of specially tailored schemes are designed by the NSIC to put the small scale industries in competitive and advantageous position. The schemes comprise of facilitating marketing support, credit support, technology support, and other support services. These are discussed as follows:

(A) Marketing Support: Marketing is the most important and strategic tool for the development of a business. The survival, growth and development of small enterprises in today's intensely competitive market is very difficult. NSIC acts as a facilitator to promote small industries products and has tailored a number of schemes to support small

enterprises in marketing their products both inside and outside the country. These schemes are:

(i) Consortia and Tender Marketing: Small scale industries in their individual capacity face problems to procure and execute large orders, which restrict their growth. NSIC adopts Consortia approach and forms consortia of units manufacturing the same products. It explores the market and procures orders for bulk quantities. These orders are, then, distributed to small units in tune with their production capacity through the consortia.

(ii) Single Point Registration for Government Purchase: It is a **Single Point Registration Scheme** of NSIC under the Government Purchase Programme. According to this scheme a small scale industrial unit has to make registration in order to get preference in Government Purchase Programme. The units registered under this scheme avail the following facilities:

- Issue of tender paper sets at free of cost.
- Exemption from payment of earnest money.
- Waiver of security deposit up to the monetary limit chosen by that unit at the time of registration.
- Issue of competency certificate in case the value of an order exceeds the monetary limit, after due verification.

(iii) Exhibitions and Trade Fairs: To exhibit the competencies of Indian SSIs and to capture market opportunities, NSIC participates in selected International and National Exhibitions and Trade Fairs every year. It facilitates the SSI units for participation in these events by providing concessions in rental, etc. This participation provides the small enterprises exposure to international trade practices and enhances their business ideas.

(iv) Buyer-Seller Meets: **NSIC organises buyer-seller meets to facilitate marketing of the products of small scale industries. Buyers of bulk quantities and different** departmental buyers like Railways, Defence, Communication departments, Heavy Engineering Industries and other large companies are invited to participate in buyer-seller meets to enrich SSI units' knowledge regarding terms and conditions, quality standards, etc. required by the buyer.

(v) Export of Products and Projects: NSIC is a recognized export house for exporting products and projects of SSI units of India to other countries. The export include products like handicrafts, leather items, hand tools, pipes/ fittings, builders' hardware, other cottage industry products and supply of small industry projects.

(B) Credit Support

NSIC provides credit support to small scale industries in the following areas:

(i) Equipment Financing: The Corporation facilitates small enterprises to obtain loans for purchase of machineries and equipments .

(ii) Tie-up with Commercial Banks: NSIC ties up with commercial banks for sanction of term loans and working capital loans to meet the credit requirements of small enterprises. The accredited small enterprises under the performance and credit rating scheme of NSIC will avail the opportunity to get the credit from these commercial banks at liberal rates.

(iii) Financing for Procurement of Raw Material: NSIC provides short-term financial assistance to small-scale industries / enterprises for procurement of raw materials (both indigenous and imported) upto 90 days. Emphasis is given on purchase of basic raw materials at a competitive rate.

NSIC takes care for documentation and issue of letter of credit in case of importing scarce raw materials.

(iv) Financing of Marketing Activities: The Corporation facilitates financing of marketing activities like Internal Marketing, Exports and Bill Discounting, Finance etc. through syndication with banks. In order to ensure smooth credit flow to small enterprises, NSIC is entering into strategic alliances with commercial banks to facilitate long-term / working capital financing of the small enterprises across the country.

(v) Performance and Credit Rating Scheme: NSIC provides performance appraisal and credit rating schemes to ascertain the strength and weakness of SSI units. This scheme is operated through empanelled rating agencies like CARE, CRISIL, ICRA, ONICRA and SMERA and then suggests corrective measures to enhance their organizational strength. Small enterprises have the liberty to choose among any of the rating agencies empanelled with NSIC. Rating agencies will charge their fees according to their policies. The credit rating helps in improving the market image of the small enterprises in national as well as international markets.

(C) Technology Support

Adoption of advance technology is the key to success of an enterprise in today's competitive and dynamic information age. Small enterprises need to develop and implement a technological strategy in addition to its financial, marketing, and operational strategies. It helps a business unit in integrating its operations with environment, customers, and suppliers. Various technological support services offered by the NSIC to small enterprises through its Technical Services Centres and Extension Centres are:

- Advising SSI units for adoption of new technology.
- Provision of material testing through approved laboratories..
- Designing of different products.
- Development of prototype machines and equipments for commercial production.
- Arrangement of classroom and practical training programmes for skill upgradation.

(D) Other Support Services

Apart from the above specific services some other support services provided by the NSIC to small -scale industries are:

(i) Infomediary Services : Information plays a vital role in the success of any business. Recognizing the importance of information and its relevance to SSI units, NSIC provides Infomediary Services to SSI units through its website www.nsic.co.in and supplies information on :

- Supplier and customer database
- Market intelligence
- Technology providers
- Information providers
- Linkages with relevant institutions

(ii) Software Technology Parks: NSIC has established Software Technology Parks (STPs) to facilitate small industries in setting up 100 % export-oriented software units. These STPs provide requisite infrastructure to the small enterprises to start their business operations with a minimum lead time. The scheme is governed by Software Technology Park of India (STPI) regulations of the Ministry of Information and Technology, Government of India. NSIC established the first STP in Okhla, New Delhi in 1995 and second in Chennai in 2001. Several small-scale industries have taken advantage of this service of NSIC and contributed a lot towards export earnings for the Government.

(iii) International Cooperation: NSIC acts as a facilitator of SSI units for sustainable international partnerships. It emphasizes on sustainable business relations with the entrepreneurs of other countries rather than on one way transactions. NSIC has contributed a lot to strengthen cooperation, and sharing best practices and experiences with the entrepreneurs of other developing countries. The salient objectives of this scheme are:

- To exchange business ideas / technology with various countries.
- To explore new markets and areas of cooperation for Indian entrepreneurs
- To identify new export markets through participation in sector-specific exhibitions all over the world
- To share Indian experiences with other developing countries

6.6. FEDERATION OF INDIAN EXPORT ORGANISATIONS (FIEO)

The Federation of Indian Export Organisations (FIEO) is an apex body of Indian Export Promotion Organisations. It was set up jointly by the Ministry of Commerce, Government of India and private associations of trade and industry in October, 1965. The primary objective of FIEO is to provide the content, direction, and thrust to the expanding foreign trade of India. Accordingly, it serves as an apex body and represents the Indian entrepreneurs' spirit of enterprise in the international market. It is a nonprofit organisation

which acts as a primary service agency to provide integrated assistance to the government recognised export and trading houses. It also acts as the central nodal agency for the promotion of consultancy services and its export from India.

Functions of FIEO

The basic functions and activities carried out by FIEO are as follows:

- Establishing link with international agencies and export promotion organizations in other countries.
- Organising buyer-seller meets, trade fairs, exhibitions etc. for promotion of exports in India and abroad.
- Taking up the issues and problems of members and tries to redress the complaints.
- Issuing 'Certificate of Origin' to the exporters for clearance of custom formalities.
- Arranging seminars, workshops, interactive meetings to highlight Indian products and culture overseas.
- Rendering advisory services to its members alongwith foreign buyers in international market.
- Keeping a track of export-related policy of the government and any changes incorporated in it from time to time and act as an interface between the government and the exporters.
- Maintaining a comprehensive database of Indian exporters and the list of products exported.
- Sending Indian exporter delegates to foreign countries for promoting exports of consultancy and other services.
- Negotiating between exporters and financial institutions for financial assistance.
- Making contact with the RBI, Foreign Exchange Dealers' Association of India, and other related agencies, and to act as an interface between the exporters and those institutions.

FIEO Odisha Chapter and its Services

The FIEO, Odisha Chapter office offers the following services to the new exporters working in Odisha:

- Provides guidelines on export / import procedures, documentations and formalities under the EXIM Policy.
- Issues Registration-cum-Membership Certificate (RCMC) to avail the benefits under the Ministry of Commerce, Government of India.
- Provides Market Development Assistance (MDA) as per the guidelines of Ministry of Commerce (MoC) for visiting foreign countries.

- Issues 'Certificate of Origin' for customs formalities.
- Provides market intelligence information and overseas buyer database through FIEO website.
- Organises seminars/workshops/exhibitions and corporate training programmes.
- Arranges regular corporate training programmes in collaboration with different Universities of Odisha.
- Organises buyer and seller meets both in India and abroad for the promotion of export.
- Sends business delegations to various countries.
- Supplies regularly the highly popular monthly FIEO News Letter published from New Delhi to its members.

Export Promotion Industrial Park (EPIP), Bhubaneswar

The government of Odisha has set-up Export Promotion Industrial Park (EPIP) in Chandaka Industrial Estate, Bhubaneswar covering 205 acres of land area. The basic objective of this park is to create high quality infrastructure facilities for setting up industry for export as well as domestic market. It offers various incentives to the entrepreneurs for exporting goods/services. Various pollution free light industries with export potential are permitted to operate inside the park. These industries are:

- Textiles
- Light Engineering
- Food Canning and Packaging
- Gems and Jewellery
- Electronics and Computer
- Fishing Accessories
- Handicraft, Handloom and Jute Products

6.7. STATE FINANCIAL CORPORATIONS (SFC_s)

With the mounting importance of small and medium industries in the Indian economy, all possible measures were needed for facilitating their growth. Finance being a critical input, special attention was required to be given for easy flow of finance to such units. Keeping in view their peculiarities, an urgency was felt to set up special financial institutions at all state levels for this purpose. Accordingly, the Central Government passed the State Financial Corporation (SFC) Act in the year 1951 empowering State Governments to establish such corporations in their respective states. Following this, State Financial Corporations (SFC_s) were started in 18 states under SFC_s Act 1951. The basic objective of SFC is to provide financial assistance to small and medium scale industrial units. It encourages the existing entrepreneurs to expand and new / prospective entrepreneurs to

start industrial units in the State. The Government of Odisha has set-up Odisha State Financial Corporation (OSFC) with its head office at Cuttack.

Basic Objectives : SFC_s have been established with the following broad objectives :

- To provide finance to small, medium and cottage industries in the state.
- To ensure uniformity in establishing regional industries.
- To provide incentives to new industries.
- To enhance operational efficiency in regional industries.
- To mobilise regional financial resources.

Functions:- The SFC_s provide financial assistance and other services in the following manner:

- Sanction of long-term finance to the existing industrial units.
- Financial assistance to technically qualified entrepreneurs.
- Extension of financial support through subscription of shares and debentures.
- Providing term loans for acquisition of land, building, plant and machinery.
- Undertaking establishment / development of industrial estates.
- Provision of financial assistance for revival of sick units.
- Extension of financial support for modernization, expansion, up gradation and diversification of existing units.
- Undertaking various product development programmes for the interested entrepreneurs.
- Provide guarantee for loans taken by industrial units.

6.8. INDUSTRIAL PROMOTION AND INVESTMENT CORPORATION OF ODISHA LIMITED (IPICOL)

IPICOL was set up in 1973 with the prime objective of promoting large and medium scale industries in the State. As an investment company it provides financial assistance to the industrial sector of the State. Besides promotional and investment activities, IPICOL provides low cost consultancy services from time to time starting from conceptualisation to commissioning of the plant. It is a state Government financial institution basically established to fill up the institutional gap for rapid industrial growth.

The functions of IPICOL are divided into financial and non-financial which are discussed below;

(A) Financial Functions

- Making provisions of financial assistance to industrial units within a range of Rs.30 lakhs to 2 crores

- Providing finance for projects in the form of term loans / equity capital / equipment finance/finance for construction of building etc.
- Acting as sponsorer and underwriter for the enterprise at the time of fresh issue of shares and debentures.
- Operating the various state sponsored incentive and subsidy schemes meant for small and medium industries under the industrial policy of the Government.
- Accepting order from the government to set up and promote industries at desired areas.
- Encouraging in setting-up joint sector projects and providing financial as well as technological assistance to them.

(B) Non-Financial functions

- Identifying profitable projects and encouraging for their promotion.
- Preparing project feasibility reports and acting as single window contact point for all information related to setting up of large and medium industries.
- Preparing database of entrepreneurs and providing consultancy services for preparation of project reports and project implementation.
- Identifying and preparing a list of potential investment opportunities for the state.
- Providing managerial and administrative guidance to the entrepreneurs by organising seminars, EDP_s and investors meet in different places of the state.

Achievements of IPICOL:

- IPICOL has played a significant role not only in setting up of industries in the backward areas but also have generated direct employment (more than 37,000 persons) through industries.
- IPICOL has set up industries in Joint sector / Joint venture with TATA, NICCO, JINDAL, Dalmia, JK Group, B. K. Birla Group, Ispat Group, Thappers, Reliance, Oswal etc. within the state.
- It is also involved in the development of resource based industries in the state like Sponge Iron, Sugar, Ferro Alloys, Mini Cement Plants etc.
- It has promoted several service industries like Hotels, Printing press, Film Studios etc along with theme parks like Aluminium Park at Khurda, Food Processing Park at Khurda and Muniguda and Infocity at Bhubaneswar.

6.9. AGRICULTURAL PROMOTION AND INVESTMENT CORPORATION OF ODISHA LIMITED (APICOL)

India is an agricultural country. Nearly three-fourth of its population still depends on agriculture for their livelihood. This dependence is much more in Odisha due to the lack of employment opportunities in industrial as well as service sectors. Keeping this in view,

the Government of Odisha adopted a bold and unique initiative by formulating its Agricultural Policy in 1996 for the first time in the country. The focus of Agricultural Policy was to increase investment in agriculture for strengthening the rural economy. In pursuance to that policy, Agricultural Promotion and Investment Corporation of Odisha Ltd. (APICOL) was established in March 1996 as wholly owned Government of Odisha Corporation. The vision of APICOL was to bring in a shift from subsistence agriculture to commercial agriculture and development of agro based and food processing industries along with horticulture activities. Agriculture was also accorded the status of industry in the Policy.

Objectives of APICOL

The main objectives of APICOL are :

- Providing financial support for agricultural activities.
- Counseling and training of the farmers to increase their productivity.
- Transforming the subsistence agriculture to commercial agriculture by motivating the farmers of the state.
- Promoting industrial development in the state through agro-based and food processing industries.
- Recognising agriculture as the status of industry and strengthening the rural economy of Odisha.

Functions of APICOL

To achieve the above objectives, the APICOL performs the following functions:

- Providing funds for investment in agriculture.
- Conducting training for application of advanced technology in agriculture.
- Developing commercial agricultural in the state.
- Extending consultancy services to the farmers and developing entrepreneurial skill among them.
- Providing various incentives to the farmers as offered in the Agricultural Policy of the state.
- Promoting agri-business by linking agricultural entrepreneur with financial institutions and market.

Apart from the above functions, APICOL also acts as the nodal agency for Ministry of Food Processing Industries, Government of India, Ministry of Commerce, Government of India, to facilitate export of agricultural products and processed foods in the country. It also runs the Jute Services Centre under the Ministry of Textiles, Government of India to build awareness on various jute diversified products.

6.10. ODISHA INDUSTRIAL INFRASTRUCTURE DEVELOPMENT CORPORATION (IDCO)

A minimum-level of prior built-up infrastructural facilities are required to undertake any industrial activity. Huge amount of funds are involved for the development of infrastructure like roads, warehouses, electricity, factory sheds, etc. The prospective entrepreneurs who are generally unemployed, lack in funds to create these facilities on their own. Hence, the Government comes forward to help those prospective entrepreneurs by providing necessary infrastructural facilities. Research evidence believe that, the financial incentives and concessions cannot duly compensate the deficiency of infrastructural facilities. In fact, this is one of the major reasons why people are not coming forward to establish industries in spite of the Government's offer for several incentives and concessions. To overcome this obstacle the Government of Odisha has come forward to help the prospective entrepreneurs by providing them required infrastructural facilities. Accordingly, a statutory corporation, namely, 'Odisha Industrial Infrastructure Development Corporation" (commonly known as IDCO), was set up in 1981 to provide infrastructural facilities to entrepreneurs to establish industries in the State.

Objectives of IDCO

The primary objective of IDCO is to provide Industrial Infrastructure and set up Industrial Estates in some identified potential areas of the state. Along with industrial infrastructure development, the corporation provides other services like acquisition of land and construction of buildings etc. as per the requirement. Another important objective of the corporation is to promote industries both in public and private sectors or under joint management to accelerate the pace of industrial development in the State.

Functions of IDCO

The major functions of IDCO are:

- Development of industrial estates in some identified areas of the state..
- Construction of industrial infrastructure and provision of other amenities therein.
- Allotment of built-up sheds and developed plots to small and medium scale enterprises.
- Acquisition of land, its development, some basic constructions (boundaries etc.) and provision of other amenities to it, particularly for large industries.

Performance of IDCO

In compliance with its functions, the IDCO has so far set up 66 industrial estates in different strategic locations of the state. It provides all required infrastructural facilities and amenities for the establishment of small and medium scale industries and its ancillary units. All those industrial estates, developed plots and built-up sheds are made available to the entrepreneurs along with all amenities therein. It has the ability as well as the infrastructure to execute projects of any size or complexity. IDCO has a future plan to

develop at least one industrial estate each in all 30 districts of the state. IDCO has developed "Theme Parks" (like Ekamra Haat, IDCO Tower, Fortune Tower, Infocity, Tower 2000 etc). It runs the single window concept and acts as a nodal agency for industrial development. Presently, IDCO is showing interest to develop the required infrastructure through Private Public Partnership (PPP) model i.e. through participation of private parties.

6.11. DISTRICT INDUSTRIES CENTRES (DICS)

In pursuance of the Industrial Policy Resolution, 1977 of Govt. of India, the District Industries Centres (DIC_s) programme was started on 8th May, 1978 with a view to provide integrated administrative framework at the district level for promotion of tiny, small and micro enterprises in rural areas. The DICs are providing services and support to small entrepreneurs under a single roof. They are the implementing arm of the various schemes and programmes like SEEUY, PMRY etc of the Central and State Governments. Registration of small industries is done at the District Industries Centers. The DICs are acting as single window interacting agencies with the entrepreneurs at the district level

Objectives of DIC

The primary objective of DICs are :

- To serve as a focal point for the small, micro, tiny, village and cottage industries in the district.
- To make available all the support services under a single roof, whenever possible right from conception to commissioning of projects.
- To generate large scale employment opportunities in rural as well as semi urban areas.
- To help the entrepreneurs in documentation, registration and issue of license etc.

Functions of DIC

As a promotional and developmental agency, DIC performs the following main **functions**:

- To identify the feasible projects for setting up SSI units by conducting industrial potential surveys.
- To prepare model project profiles for the reference of prospective entrepreneurs.
- To guide entrepreneurs in matters relating to selection of most appropriate machinery and equipments, sources of its supply and procedures for procuring imported machinery, assessments of raw material requirements etc.
- To evaluate the worthiness of the various proposals received from the entrepreneurs.
- To provide marketing support to the entrepreneurs for their products.
- To implement Central and State Govt. schemes like IRDP, PMRY and other employment generation programmes in the state.

6.12. CONCLUSION

- Financial assistance in terms of incentives and concessions cannot, in any case, adequately compensate for the deficiencies of infrastructural facilities. Therefore, several institutions, both at the central and state levels, have come forward to extend support to entrepreneurs to establish their enterprises.
- The support services rendered by these institutions include project appraisals, construction of infrastructural facilities, distribution of raw materials, provision for machinery on hire-purchase system, reservation of items for production by small-scale industries, rendering consultancy and training services, conducting entrepreneurship development programmes (EDPs), conducting industrial potential surveys, etc.

MODEL QUESTIONS

Objective and Short Answer Type Questions

1. **Write the correct answer from the given alternative answers against each bit :**
 - (i) SIDO refers to
 - a) Small Industries Development Organisation
 - b) Small Scale Industrial Development Organisation
 - c) Small Industrial Development Organisation
 - d) Small Infrastructural Development Organisation
 - (ii) SIDO offers assistance in the form of
 - a) Promotion
 - b) Procurements of raw-materials and machineries
 - c) Financial support
 - d) All of these
 - (iii) National Small Industries Corporation was setup with the objective of
 - a) Advising the Government
 - b) Searching for marketing channels
 - c) Assisting the small entrepreneurs in procuring
 - d) Giving assistance for quality control
 - (iv) SIDBI originally was a wholly owned subsidiary of
 - a) ICICI
 - b) IDBI
 - c) SBI
 - d) UTI

- (v) FIEO refers to
- Federation of Industrial Entrepreneurs of Odisha
 - Federation of Industrial Entrepreneurs Organisation
 - Federation of Indian Entrepreneurs Organisation
 - Federation of Indian Export Organisation.
- (vi) The main activity of DICs is :
- to function as a single window service centres
 - to initiate training programme
 - to set up industries in every district
 - to manage industrial units in every district.
- (vii) The objective of IDCO is :
- Supplying marketing inputs to industries
 - Creating infrastructure facilities for industries
 - Providing financial assistance to industries
 - All the above
- (viii) APICOL refers to :
- Agricultural Productivity Industrial Company Ltd.
 - Agricultural Processing Industries Company Ltd.
 - Agricultural Promotion and Investment Corporation of Odisha Ltd.
 - Agro Processing land Intensive cultivation company Ltd.
- (ix) The head office of SIDBI is located at
- Mumbai
 - Lucknow
 - Kolkata
 - Delhi
- (x) The NISC was established in the year
- 1955
 - 1956
 - 1981
 - 2001
- (xi) IPICOL was established in the year
- 1949
 - 1951
 - 1971
 - 1973

Ans. : (i) a (ii) a (iii) c (iv) b (v) d (vi) a (vii) b (viii) c (ix) b (x) a (xi) d

2. Fill in the blanks with appropriate words :

- ISO 9000 certificate is a mark of _____ .
- The Government of Odisha has set up an Export Promotion Industrial Park at _____ Industrial Estate near Bhubaneswar.

- c) The first software technology park was established at _____ in the year 1995.
- d) APICOL was established in the year _____ for agricultural promotion in the state of Odisha.
- e) The primary objective of NSIC is to supply machineries and equipments to SSI units on _____ basis.
- f) According to the Industrial Policy Resolution, _____ of the Govt. of India the DICs were formed.
- g) NSIC operates from its _____ office for its abroad operations in Gulf countries.
- h) Under refinance and direct finance schemes, _____ provides financial assistance to SSIs.
- i) SISI is renamed as _____ Development Institute since June, 2007.
- j) CRISIL is an empanelled _____ agency to ascertain the strength and weakness of SSI units.

Ans. : (a) Quality (b) Chandaka (c) Okhla, New Delhi (d) 1996
(e) Hire purchase (f) 1977 (g) Dubai (h) SIDBI (i) MSME (j) Credit rating

3. Correct the following sentences if necessary.

- a) In 2005, SIDBI was delinked from IDBI for earning more profit.
- b) SIDBI provides special incentives for setting up enterprises in the most developed areas.
- c) The head of the institute SIDO is the Vice-president of India
- d) MSME Development Institute serves as an interface between State Government and district administration.
- e) Organising exhibitions and trade fairs by NSIC comes under its credit support services.
- f) The basic objective of NSIC is to supply raw-materials to SSI units on a hire-purchase basis.
- g) Various heavy industries with huge investment capacity are permitted to operate inside EPIP, Bhubaneswar.
- h) Odisha State Financial Corporation (OSFC) was established by the special Act of OSFC in 1975.
- i) APICOL Provides financial support to large and medium scale industries.
- j) DICs are the implementing arm for the various schemes and programmes of world Health organisation (WHO) and other international agencies.
- k) The basic objective of IDCO is to provide financial and training related services to enterprises.

-
- l) At the time of fresh issue of shares and debentures by an enterprise IPICOL acts as a stock broker.
4. Answer the following bit questions in one word / sentence each.
- a) Name the institute which is the nodal agency for construction of industrial infrastructure and industrial estate in Odisha.
- b) In which year Govt. of India had set up SIDBI ?
- c) From the beginning till 2005 SIDBI was a wholly-owned subsidiary of which institute ?
- d) What is the basic objective of establishing specialised institutes ?
- e) Write the name of two schemes of financial assistances by SIDBI.
- f) State the main purpose of launching the scheme-'Mahila Udyam Nidhi' by SIDBI.
- g) Who acts as the head of Small Industries Development Organisation(SIDO) ?
- h) What are the four main functions of SIDO ?
- i) Name any one major activity of SIDO coming under its functions relating to co-ordination.
- j) Keeping reservation of some items to be produced by SSI units is coming under which function of SIDO ?
- k) Write any one main function of SISI.
- l) What is the full form of NSIC ?
- m) How NSIC helps in marketing of the products of SSI units ?
- n) What is the benefit (any one) of 'single point registration for Govt. purchase' scheme of NSIC ?
- o) Where has NSIC established its second Software Technology Park ?
- p) What is the primary objective of establishing Federation of Indian Export Organisation (FIEO) ?
- q) Name the document issued by FIEO to the Indian exporters for clearance of custom formalities.
- r) Write the name of two export potential industries allowed to operate inside the Export Promotion Industrial Park (EPIP).
- s) Where is the head office of Odisha State Financial Corporation (OSFC) situated ?
- t) Write any one basic objective of SFCs.
- u) IPICOL was set up basically to promote what type of industries ?
- v) Which institute of Govt. of Odisha provides financial support for agricultural activities ?
- w) Name the Govt. owned agency which provides basic industrial infrastructure in the State of Odisha.
- x) Mention the name of the schemes and programmes of the Govt. for which DICs are acting as the implementing arm.

5. Answer the following questions in not more than six sentences each :

- a) Mention any four functions of SIDBI.
- b) What are the main objectives of IDCO?
- c) Explain any four purposes of DICs.
- d) Mention any three functions of NSIC
- e) Justify the rationale behind the establishment of SFCs.
- f) What is meant by re-finance scheme?
- g) Explain the main thrust areas of SIDBI.
- h) What are the basic purposes of establishing APICOL?
- i) Mention any three activities of FIEO.
- j) What do you mean by MSME Development Institute?
- k) State the steps taken by SIDO to organise EDPs
- l) Explain the marketing support provided by the NSIC to SSIs.

Long type Questions

- 1. Explain the support services provided by the National Small Industries Corporation Ltd. (NSIC) to small-scale industries in our country.
- 2. Give an account of different schemes of SIDBI for extending help to small- scale industries in India.
- 3. Discuss the functions performed by the Small Industries Development Organisation (SIDO) to boost the growth of small-scale industries.
- 4. What are the objectives of FIEO? Discuss the various functions performed by FIEO.
- 5. What was the rationale behind setting up APICOL? Give an account of functions performed by APICOL.
- 6. Discuss the functions and performance of IPICOL.
- 7. Write an explanatory note on the objectives, functions and performance of IDCO.
- 8. Write notes on :
 - a) MSME Development Institute
 - b) State Financial Corporation
 - c) District Industries Centre



CHAPTER - 7

ENTREPRENEURIAL COMPETENCIES AND ENTREPRENEURSHIP DEVELOPMENT PROGRAMME

Structure

7.1. Introduction

7.2. Entrepreneurial Competencies

7.3. Need for Developing Entrepreneurial Competencies

7.4. Methods or Procedures for Developing Entrepreneurial competencies

7.5. Entrepreneurship Development Programme (EDP)

7.6. Questions

7.1 INTRODUCTION

Competency used in relation to a person means his fitness in terms of required abilities, knowledge, skills and other personality traits. It means the state of being appropriately fit or suitable for a given activity or task. In fact any job or task, to be performed effectively and efficiently, requires the performer to possess certain required levels of job related knowledge and experience, skill and technical know-how along with other character based traits like motivational drives, patience and perseverance etc. His possession of each of these job related capabilities and character based qualities indicate his competency levels. Thus, when the competencies of the person completely match with the level of competencies that the job or task demands, the person shall be said to be competent for the job having all the required competencies.

Competency is always job related. It is basically the type and nature of the job or task that determines the exact types of competencies required for the specific job or task. Thus the cluster of competencies required may widely differ from job to job. It is, however, worth noting that there are certain types of competencies which are commonly required for all types of jobs irrespective of their type, nature and complexities involved. Such commonly required competencies are called as **“threshold competencies”**. In addition to such ‘threshold’ competencies, certain types of jobs or tasks may also require the performer to have certain kinds of special or specialized or critical types of competencies for the performance of the tasks they are to perform which are called as **‘Core competencies’**.

7.2 ENTREPRENEURIAL COMPETENCIES

Entrepreneurial Competencies, simply stated, means the cluster of competencies in different areas that a person needs to develop and possess to function as a successful entrepreneur. Entrepreneurs, as already explained, represent a special class of people who perform a number of special types of functions which many others can seldom perform. Although they are also a type of professionals, who distinctly differ from all other types of professionals on two main grounds, namely

- (a) The adventurous nature of functions they perform and
- (b) The special types of qualities and capabilities they are supposed to possess.

The functions they perform are considered adventurous because they move in uncharted paths, explore new opportunities and avenues for investments, take huge risks in trying their luck in new investments, steer their venture amidst uncertainties and challenges. To perform such wide varieties of complex functions, they obviously need to possess varieties of special types of behavior based qualities as well as job related basic knowledge, skill and above all motivational drives. Several studies and researches on linkage of entrepreneurial success with entrepreneurial competency have found that there exists a positive co-relationship between this two which implies that much of the success of an entrepreneur in transforming his dream into a reality depends upon his competencies matching with the competencies needed for entrepreneurial jobs. The competency of

entrepreneurs therefore is regarded as a critical factor for the success of his business. It is mostly agreed that all entrepreneurs are required to develop and possess all 'threshold' competencies that behaviorally make them fit for the task and core competencies to properly understand and scan the environment, to explore new business opportunities with proper innovative mindset, to rightly evaluate the risk factors and to get the opportunities identified properly and concretized through the preparation of feasibility and project report to get things moving on. Thus all entrepreneurs are expected to develop and possess (a) Threshold Competencies. and (b) Core Competencies.

(a) Threshold Competencies :

The following personal traits help the entrepreneurs to develop their **threshold competencies**.

Initiative

Entrepreneurs should have the ability to think ahead of others. They should initiate prompt actions. Such initiative should not be restricted only up to establishment but should go beyond that in the form of an effective and smooth operation of business enterprise. Entrepreneurs have to take several initiatives for the development of the business at different times as per situations demand.

Passion

Entrepreneurs should be passionate about their business. It motivates them to develop several tools and techniques for facing various obstacles and adversities occurring during the course of business. Passion for business and work ethics enables entrepreneurs to succeed in their business in comparison with their counter parts. Business should be at the core of their heart and they should be dedicated and committed towards the work. Such personal involvement and bonding with business may lead entrepreneurs towards success is termed as 'passion'.

Persistency and Consistency

Entrepreneurs need to be persistent in their approach and action in order to face various adverse situations occurring during the course of business. Success and failure are the integral part of any business. In case of failure, entrepreneurs must be persistent and show their consistency level in their performance. They learn from their mistakes and later those become learning experience. It is clear from the examples of some of the great entrepreneurs like Azim Premji, Henry Ford etc.

Self Confidence

Self confidence is the major strength of successful entrepreneurs. They should be confident about their capabilities towards attainment of their objectives or goal. Such qualities may get improved with the passage of time inside entrepreneurs. The self belief in themselves motivate them to become successful.

Strong Determination

Successful entrepreneurs must possess strong determination and commitment towards achievement of goal. They have a strong belief in action rather than on fate. Such people can explore innovative ways for being successful in the field of business. They are always determined to complete the task in time perfectly. This quality may be regarded as internal focus of control.

Creative and Innovative Mindset

Creativity and innovative ideas of entrepreneurs help them to become successful. Their creativity may result in growth and development of his business. Creative entrepreneurs can easily identify the opportunities better than other people. They can develop various methods of performing their work. Henry ford is regarded as one of the most innovative entrepreneurs over the time.

Adaptability with changes

It is a quality of all successful entrepreneurs to accept the changes as and when they take place in the business easily and immediately. Many of the people resist making change in their approach. But successful entrepreneurs do not hesitate to accept changes and treat those as normal and necessary. They search for change and convert those into new opportunities by innovative ideas. In the field of economics, change is regarded as a necessary requisite for growth and development of the business.

Ambitious aims

It has been concluded from many research studies that successful entrepreneurs are ambitious towards achievement of their desired objectives. Such ambitions should be considered as crucial element for being successful entrepreneurs. In order to accomplish the desired objectives, entrepreneurs may develop various innovative ways.

Risk bearing capacity

Generally, entrepreneurs who are successful in their fields, take more risks than others. They are the high risk takers in business. These attitudes of high risk taking lead them to achieve better returns and rewards. A moderate investment policy adopted by a conservative entrepreneur may not yield much better return in comparison with risk taking entrepreneurs.

Team Spirit

Entrepreneurs getting success in their work generally believe in the concept of team work. In other words, successful entrepreneurs work with group of individuals for attaining a common objective. In this process, responsibility and accountability are shared equally among all the team members and not entrusted exclusively on the shoulder of the entrepreneur. So team spirit is regarded as an important characteristic of a successful entrepreneur.

(b) Core Competencies.

For developing **core competencies**, they need to have job related basic knowledge, skill and motivational drives.

Knowledge of Basics

Knowledge represents clear understanding and assimilation of basics or fundamentals as related to understanding of one's own area or field of specialization. It is used for the better and developed performance in the actual field of work. It can be illustrated easily with the example of one of the most popular sports in our country known as 'Cricket'. A player possessing basic knowledge of cricket can easily establish himself as an effective player. But, without knowing the basics and merely following the instructions of the coach, one cannot play better cricket. Knowledge provides basic ideas about a particular work but it cannot result in perfection as it is not supplemented by implicational or applicational ability known as skill. Skill is required to convert the knowledge into action and motivational drive to do the best leads to perfection and super performance.

Skill Factor

Skill may be defined as the ability to use and apply knowledge in action in attaining a certain objective which can be observable. A person having knowledge without skill may fail in the completion of a given task with perfection. Skill works as an important factor in bringing perfection in the process of carrying out this work. It can be easily illustrated with the previous example of the cricket player. Knowledge of cricket can be acquired by reading, listening, talking to experts whereas skill of playing cricket can only be acquired by practice i.e. practice in the nets with support staff or bowling machine for long hours. So, it becomes necessary for a person to have both knowledge and skill about his area of interest to get specialized.

Motivational Drive

Motive may be defined as a driving force that prompts a person to act in a particular way. Determination of a person to complete a particular task may be regarded as his motive. Such factor motivates him to put his rigorous efforts for attainment of objectives. In the same example cited above, determination and urge of a cricket player to play quality cricket and to become the best in the said field can help him to reach the goal. This motive to become the best forced him to improve his way of playing cricket and to develop new techniques to perform better than his contemporaries.

From the above, it may easily be concluded that a person requires knowledge, skill and solid motivational drive to achieve the desired objectives. This is applicable to all the areas in the society. In case of incorporating and operating a new business enterprise, a person need to possess all these three basic attributes namely knowledge, skill and motivation which lead him to get the competency level.

In addition to the above, they also need to develop the following abilities.

- Ability to scan environment with the use of appropriate tools and techniques and identifying entrepreneurial opportunities
- Ability to prepare feasibility report and final project report
- Ability to mobilize resources.
- Ability to manage and monitor operations
- Ability to carry forward the ventures etc.

7.3 NEED FOR DEVELOPING ENTREPRENEURIAL COMPETENCIES

As discussed earlier, entrepreneurs are called upon to perform a great variety of difficult and complicated tasks at various stages for which they not only need to possess threshold competencies but also core competencies. The reasons why they need these types of competencies are explained below:

Need for 'Threshold' competencies:-

Such competencies help in developing their

- a) Self confidence
- b) Love and Passion for the job
- c) Persistency and Consistency
- d) Strong determination
- e) Innovative ideas
- f) Tolerance and patience

Need for Core Competencies"

Such competencies enable them in

- a) Correctly understanding and scanning the environment
- b) Exploring appropriate business opportunity
- c) Understand the risk factors
- d) Getting ideas translated into projects
- e) Manning and monitoring business
- f) Ensuring quick growth and development

7.4 METHODS OR PROCEDURES OF DEVELOPING ENTREPRENEURIAL COMPETENCIES

There are several methods or procedures suggested and adopted to develop and sharpen the entrepreneurial competencies which are discussed below:

i. Acquiring Knowledge and understanding:

The first step towards gaining a developed pattern of behavior is to acquire knowledge and understanding what a particular competency means. Competencies cannot be utilized without having a proper knowledge and understanding of their meaning, importance and relevance. Therefore, it is very crucial to understand the various competencies required for the efficient performance of a given task.

ii. Recognizing competency:

Competency recognition is considered as the second step in the process of developing entrepreneurial competency. In this process, an effort is made to recognize the level of competency. Recognizing the competency level helps an entrepreneur to know the requirement for performing a given task in a specific manner.

iii. Self-assessment:

Once a particular competency is understood and recognized, the next step is to identify where one stands with respect to a given competency. In other words, does one possess the given competency and if so how frequently one exhibits the same in one's day-to-day activities for achieving his desired goal. This step requires self introspection as regards the level of a particular competency.

iv. Application in real life situation:

Any new behavior acquired by one person would become an integral part of his personality only when one applies the same on a continuous basis in various activities. Rigorous practice of an activity brings perfection in the field. Therefore, there is a need to make an effort towards exhibiting all the competencies deliberately and consciously all the time even in the simplest activities that one performs.

v. Comparison of competencies:

The next step is to compare the individual competencies developed through regular practice with the competencies required for the desired performance. During the process of comparison, if any deficiency is observed between the two, then an earnest attempt may be made to identify reasons thereof. It helps in taking corrective measures.

vi. Feedback:

After understanding the value of competency and having practised the same in a given situation one needs to introspect to find out how one's new behavior or act of exhibiting a competency has been rewarding. This is termed as 'Feedback'. This means, to find out the strengths and weaknesses of one's new competency. It helps in learning the rewards of new competency. Greater is the benefit, more will be one's determination to continue exhibiting the competency in a number of situations. It is through continuous application that one can ensure that the desired competency becomes part of his habit or personality.

7.5 ENTREPRENEURSHIP DEVELOPMENT PROGRAMME (EDP)

'The old myth that Entrepreneurs are born and not made' has long since lost its relevance. Over the past few years, it has been successfully demonstrated that entrepreneurs are not born but are grown and developed. Now the field is wide open and anybody who has interest can take training and develop the level of their entrepreneurial competence to become successful entrepreneur. Entrepreneurship development programme works as an important and effective mechanism for developing entrepreneurial competencies in human resources in our country. This leads to generation of employment, promotion of small scale enterprises, industrialization and overall economic development of the country. EDP is required for providing special training to the first generation entrepreneurs for being successful. It may be regarded as a continuous motivational force for the entrepreneurs. A successful entrepreneurship programme can be made by providing perfect training to the entrepreneurs. It helps them to solve many problems by getting proper knowledge and training. Entrepreneurship development programme enables an entrepreneur to face various adversities of business. Entrepreneurship development programme provides motivation, knowledge and skill to the entrepreneurs. This may lead to reform in entrepreneurial behavior and their business operation. So it can be concluded that EDP is an integral part of the overall economic development of any country.

7.5.1 Few Definitions of EDP

Entrepreneurship programmes have been viewed and defined by different authors and agencies in different ways. Some of the commonly referred definitions are:

According to **J.E. Steparek**, intelligence, motivation, knowledge and opportunity are the prerequisites of entrepreneurial development.

In the words of **Gupta and Srinivasan**, entrepreneurship development means inculcating entrepreneurial traits into a person, imparting the required knowledge, developing the technical, financial, marketing and managerial skills and building the entrepreneurial attitude. It is a tool of industrialization and a solution to unemployment.

According to **N.P.Singh**, Entrepreneurship Development Programme is designed to help an individual in strengthening his entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively.

According to **NISIET, Hyderabad**, Entrepreneurship development programme is an attempt to develop persons as entrepreneurs through structural training. The main purpose of such entrepreneurship development programme is to widen the base of entrepreneurship by development, achievement, motivation and entrepreneurial skills among the less privileged sections of the society.

Thus, keeping in view all the above definitions, Entrepreneurial development programme may be defined as a carefully planned and designed programme that helps persons in improving their entrepreneurial competency, skills, motives and capabilities required for being a successful entrepreneur.

7.5.2 Objectives of EDP

The primary objective of EDP has been to promote in the country a right kind of entrepreneurial culture and climate so that, there would be a gradual change in the mind set of the youth in the choice of their future careers as job creators than job seekers. For achieving these primary objectives, the following have been set as the actionable objectives of EDP.

- Creation of mass awareness and interest about the charm of being entrepreneur
- Motivating and alluring the youths with all possible incentives to join in the EDP programme in large numbers
- Familiarizing the prospective entrepreneurs with the industrial environment and industrial policy and programmes of the country including special packages of subsidies, incentives and concessions available under different schemes and programmes for small business
- Educating the prospective entrepreneur about the tools and techniques needed for scanning the environment, identification of business opportunities, selection of products, formulation of project reports and budgets etc.
- Making them familiar with the process and procedures of setting up of enterprises, imparting them the technical skill and knowhow for the day to day handling of operational facilities of the enterprise
- Giving them required inputs for the successful management and monitoring of the business activities
- Making them familiar with the basics of financial and human resource management
- Giving them necessary exposures on marketing processes, techniques including customer relationship management
- Making them aware of their social responsibilities

Dr. M.M.P. Akhouri, one of the former Executive Directors of NIESBUD has rightly capsuled the various objectives of EDP under four broad categories of objectives or roles as (a) **stimulating objectives** or role, implying activities meant for providing encouragement for the growth of entrepreneurship (b) **supportive objective** or role which includes providing all possible support for facilitating speedy growth of entrepreneurs, (c) **sustaining objectives** or role which includes activities for ensuring the continuity of the programme and (d) **socio-economic objectives** or role which includes activities meant for making entrepreneurs feel as effective partners in the socio-economic upliftment of the people in general.

7.5.3 Need and Relevance of EDP

Perhaps never before in the past, the nation had attached so much of importance and urgency for the development of the entrepreneurs as it has been attaching in recent

years. The following are the reasons which explain why the nation needs entrepreneurship development programme to be aggressively expanded covering as much of people and areas as possible.

Avoiding Mismatches

To avoid mismatches between the demand for and supply of entrepreneurial manpower, such programmes have become an indispensable need of the time. With the growing importance given to the growth of MSME sector, there would be mounting demand for entrepreneurial people to promote such sector. Unless, we prepare speedily, such manpower with entrepreneurial ability through EDPs, there would be a shortage of such people. So, supply needs to be kept up to keep pace with the increasing demand and that justifies the urgent need of EDP.

Employment Generation:

There is already massive unemployment especially among the rural youth in the country. All cannot be provided with jobs either by the private sector or the public sector agencies. Hence, by training youths as entrepreneurs and inducing them with all possible backups to set up their own ventures they would not only be self employed but also would facilitate creation of more employment for others. This will absorb lot of youths in employment.

Balanced Regional Growth :

Entrepreneurship Development Programme helps in accelerating the process of industrialization in the underdeveloped areas and reduces the concentration of economic power in the hands of a few people. Because of EDP, Small scale industries can be easily established in remote locations with minimum financial resources which lead to achievement of balanced regional development. This may not happen with medium and large scale industries that may not decrease the disparities in income and wealth of the people. For this, small scale industries are preferred over medium and large scale industries.

Optimum utilization of available Resources:

Locally available resources can be better utilized by the entrepreneurs to create a healthy base for economic development and enhancing the process of industrialization. An effective programme of entrepreneurship development may elevate industrial slums by introducing several schemes in the form of incentives, subsidies and infrastructural facilities to establish new units in remote areas. EDP plays an important role in the proper use of local resources by providing guidance, assistance, education and training to the prospective entrepreneurs.

Increased per capita income

Entrepreneurs can easily explore and utilize various business opportunities effectively. They consider several factors of production while setting up of new enterprises. This may result in enhancing productivity and per capita income in the country.

Entrepreneurship development programme works as a guide to the entrepreneurs in setting of new business units and in generation of more employment and income.

Improvement in standard of living:-

A successful entrepreneur can make proper utilization of available resources. It helps in growth and development of the business. Customers may get better quality products at economical price. As a result of this, standard of living of the people increases. Entrepreneurship development programme provide all the required support to entrepreneurs by educating them about the latest innovations and market trends.

Boosting the earning of Foreign Exchange

It is required to produce wide variety of quality products and services at reasonable prices in a country to maintain equilibrium in demand and supply. An entrepreneur deals in international trade helps in earning foreign exchange required for economic development of the country. Export promotion and import substitution thus helps in promoting economic independence of the economy. EDP helps in promoting foreign trade which leads to economic independence of a country.

Removal of Industrial Slums:-

Industrial slums are generally located in urban areas. It demands for decentralization of industries for relocating such slums. Entrepreneurship development programme may help in removal of industrial slums by providing various incentives, subsidies and infrastructural support to entrepreneurs for setting up their enterprises in industrially backward areas.

Minimizing Social Tension:-

In a growing economy, employment opportunities play a key role. Unemployment in the society creates social tensions among the people specially youth. Entrepreneurship Development Programmes help in utilizing the talent of this section of society in the right direction through guidance, training and support for setting up their business units. This results in generation of employment and defusing social tension and unrest among youth.

Facilitating innovative changes in Business

Entrepreneurship Development Programme enables entrepreneurs to make various changes in the existing pattern of business system which may sometime results in chain reaction. A successful entrepreneur helps in developing various innovating modes of operating a venture becomes example for others to follow. They build an environment of enthusiasm and develop a sense of purpose or intent. This may result in the overall development of that particular area.

Prevention of exodus of rural people

With entrepreneurs setting up business units in rural areas, employment opportunities for the rural people will be expanded so that they would be absorbed in jobs in their own areas. This will prevent exodus.

Accelerating economic growth

With more and more entrepreneurs joining the race, the nation would get more of growth catalysts. With the collective efforts of these entrepreneurs as powerful engines of growth or growth propellers, the pace and speed of overall economic growth would be greatly accelerated.

7.5.4 Problems in implementing Entrepreneurship Development

The following are various problems faced at the time of implementing EDP in India.

1. Absence of National policy

In India, there are no specific policies framed by the central government for entrepreneurship development and its promotion. Hence, it is highly required to formulate and enforce a national policy for entrepreneurship with an objective to promote balanced regional development of various areas.

2. Issues during pre-training phase:

Identification of business opportunities, finding and locating target group, selection of trainee and trainers etc. are basic problems faced at entrepreneurial pre-training phase.

3. Wrong assessment of skill of trainees:

Sometime, agencies providing EDP wrongly assess the skills and capabilities of the educated youth to become entrepreneur.

4. Limited duration of EDPs:

Duration of most of the EDPs generally varies between 4 to 6 weeks. Such period is very short for developing entrepreneurial skills in the participants i.e. potential entrepreneurs.

5. Lack of infrastructural facilities:

EDPs organized in under developed areas face various problems due to non availability of adequate infrastructural facilities like training rooms, boarding and lodging for guest speakers etc.

6. No standardized procedure:

Entrepreneurship Development Programmes are not maintaining standardized procedure and course inputs. The agencies providing EDP do not possess a clear idea about their goal and the process adopted for attainment of that.

7. No standard selection Process:

In EDP, no uniform processes are adopted by agencies in the process of selecting the prospective entrepreneurs. There are a number of service providing organizations conducting EDPs who usually give preference to individuals equipped with own project ideas.

8. Shortage of competent Trainers:

EDPs provided by several organizations may get affected by the absence of qualified professional and experienced trainers. It is very important to have well experience and versatile faculty members to train the prospective entrepreneurs.

9. Inadequate support of Financial Institutions:

It is not always possible and easy for an entrepreneur to give collateral security against loan taken from the bank. Banks generally do not want to go for risky investment in newly set up business units. As a result, they grant loans in favour of the new entrants in the market as entrepreneurs with several conditions. In this situation, all the entrepreneurs may not be able to fulfill the conditions imposed by banks. This discourages many young people to join such programmes as they do not feel sure of moving forward. So, strong support from the financial intermediaries is necessary for promoting entrepreneurship and industrialization in the country.

7.5.5 Phases in Entrepreneurial Development Programme

There are three different stages involved in the process of EDP which is discussed below:

1. Pre-training phase
2. Training phase
3. Follow-up phase

1. Pre-training phase:

Pre-training phase is the first phase of EDP. This involves various activities and preparations to launch the required training programme for the prospective entrepreneurs. Pre-training phase of EDP includes the following activities:

- Preparing the course curriculum and time table.
- Selecting the place for providing training.
- Finalizing the list of guest faculty for the programme from education, industry and banks.
- Making all arrangements for publicity and campaigning for the programme.
- Formation of a selection committee to select trainees from the programme.
- Selection of prospective entrepreneurs for the training programme.
- Taking required steps for the inaugural function of programme.

2. Training Phase:

The main objective of training programme is to allure and motivate the youth to take up entrepreneurship as a career and to develop in them the required skill or competency.

In this process optimum care should be taken for imparting both theoretical and practical knowledge to various trainees. The training phase of EDP includes the following points:

- Making all required facilities ready
- Ensuring classes held as per routine
- Making available all training aids
- Ensuring discipline among the trainees
- Maintaining all required documents and records
- Arranging all required practical trainings, field visits
- Arranging group discussions and other close interactive sessions

3. Follow-up Phase:

Follow up phase of EDP is otherwise regarded as post-training phase. The ultimate objective is to assess the effectiveness of the programme in helping trainees to develop entrepreneurial competencies which will help them to start up new project. Post-training phase or follow up phase is treated as a review phase of training programme. It consists of reviewing of work in the following respects:

- Review of pre-training phase
- Review of effectiveness of the training programme undertaken
- Review of post training programme to evaluate the cost effectiveness of the current programme.
- Review of follow on action by the trainees

7.5.6 MAJOR INSTITUTIONS CONDUCTING EDP IN INDIA

•With a view to cater to the increasing needs of various types of support for entrepreneurs a number of organizations and institutions have been developed for helping and facilitating entrepreneurship development in India. The following are some of the leading organizations promoting entrepreneurship development programmes. Such institutions can be broadly categorized (a) National Level Institutions and (b) State Level Institutions.

National Level Institutions

Under this category can be included the following institutions

1. The Centre of Entrepreneurship Development (CED)
2. Entrepreneurial Development Institute of India (EDII)
3. Institute for Entrepreneurship Development (IED)
4. The National Institute for Entrepreneurship and Small Business Development (NIESBUD)

5. Small Industries Service Institutes (SISIs)
6. National Skill Development Agency (NSDA)
7. National Skill Development Corporation (NSDC)
6. Sector Skill Councils (SSC)

1. The Centre of Entrepreneurship Development (CED)

In the year 1979, Indian government established Centre for Entrepreneurship Development (CED) in Gujarat. This centre is basically assisting the new entrepreneurs. Trainings are provided to the selected prospects from different fields. Such development programme made for the entrepreneurs are economical and qualitative. CED provides the following services to the prospective and existing entrepreneurs.

- a. Helps the entrepreneur in learning the required skills for getting success
- b. Updated information are given to the entrepreneur about financial institutions
- c. Assisting in completion of several project work and presentations.
- d. Communicating with successful people in the field of entrepreneurship
- e. Ensures imparting practical knowledge to the trainee through plant visits
- f. Extending support to the entrepreneur in the post training phase

Such services provided help emerging entrepreneurs to reach their target in a quick time.

2. Entrepreneurial Development Institute of India (EDII)

The Industrial Development Bank of India, one of the apex financial institutions joined hands with Industrial Credit and Investment Corporation of India (ICICI), Industrial Finance Corporation of India (IFCI), State Bank of India (SBI) and decided to sponsor this national-level institution. With the consent and cooperation of State Government of Gujarat, the Entrepreneurship Development Institute of India (EDI) came into existence in the year 1983. Entrepreneurship Development Institute of India was set up as an autonomous body under the Societies Registration Act on April 20, 1983.

The EDII has been selected as a member of the Economic and Social Commission for Asia and the Pacific (ESCAP) network of Centres of Excellence for providing Research and Training for human resources development. EDII has interactive access to information on other 123 member institutions through Internet. EDII has been spearheading entrepreneurship movement all over the country with a belief that entrepreneurs need not necessarily be born, but can be developed through well-conceived and directed activities.

In consonance with this belief, EDII aims at:

- building opportunities for self-employment,
- ensures flow of competent entrepreneurs through proper training,

- augmenting the supply of competent faculty member to motivate the entrepreneurs,
- putting sincere efforts in the process of institution building,
- inculcating the spirit of 'Entrepreneurship' in youth,
- promoting micro and small scale enterprises at rural or remote areas,
- developing and spreading knowledge and insights into entrepreneurial practice,
- achieving corporate excellence through creating entrepreneurial managers in the society termed as intrapreneurs,
- improving managerial skills and capabilities of entrepreneurs dealing in small scale industries,
- providing adequate support system to potential entrepreneurs to establish and manage their enterprises,

3. The National Institute for Entrepreneurship and Small Business Development (NIESBUD)

The National Institute for Entrepreneurship and Small Business Development was established in the year 1983. NIESBUD is an apex body operated under the administrative control of the Ministry of Skill Development and Entrepreneurship, Government of India. The Objectives of this institute are as follows:-

- To use standardized materials and processes for selection, training, support and sustenance of entrepreneurs
- To provide adequate support and affiliate organizations in carrying out training and other entrepreneurship development programmes.
- To work as a resource institute for encouraging the process of entrepreneurship development across the country
- To provide training by the expert training professionals to promoters and consultants in various areas of entrepreneurship development
- To offer consultancy services at national and international level for promotion of entrepreneurship and small business development.
- To create a national/international platform for interaction and exchange of experiences helpful for policy formulation and modification at various levels.
- To share international experience and expertise in entrepreneurship development
- To share experience and expertise in entrepreneurship development across national frontiers

The Institute has provided training facilities to more than 7.30 lakh trainees including 3,800 persons from more than 135 countries till date. The Institute has obtained ISO 9001: 2008 certifications in March, 2014.

4. Small Industries Service Institutes (SISIs)

The Small Industries Service Institutes (SISIs) are set-up one in each state to provide consultancy and training to small and prospective entrepreneurs. The activities of SISIs are coordinated by the industrial management training division of the DC, SSI office (New Delhi). In all, there are 28 SISI's and 30 Branch SISI's set up in state capitals and other places all over the country.

SISI performs a wide spectrum of technological, management and administrative tasks as discussed below:

Functions of SISI

1. To assist existing and prospective entrepreneurs through technical and managerial counseling such as help in selecting the appropriate machinery and equipment, adoption of recognized standards of testing, quality performance etc;
2. To conduct EDPs all over the country;
3. To advise the Central and State governments on policy matters relating to small industry development;
4. To assist in testing of raw materials and products of SSIs, their inspection and quality control;
5. To provide market information
6. To recommend for financial assistance from financial institutions;
7. To enlist entrepreneurs for participation in Government stores purchase programme;
8. To conduct economic and technical surveys and prepare techno-economic feasible reports for selected areas and industries.
9. To identify the potential for ancillary development through sub-contract exchanges;
10. To organize seminars, Workshops and Industries Clinics for the benefit of entrepreneurs.

The Small Industries Service Institutes have been generally organizing the different types of EDPs on specialized courses for different target groups. General EDP is made for educated unemployed youth, ex-service personnel etc. for a duration of four weeks. In these programmes, classroom lectures and discussions are held on issues such as facilities and assistance available from State and Central government agencies, banks, financial institutions and National Small Industries Corporation. Apart from this, exposure is given on information regarding market survey, product identification and selection, technologies involved, management of small enterprises, particularly in matters relating

to financial management, marketing, packaging and exports. The participants also interact with successful small scale entrepreneurs as a part of their experience sharing. Information on quality; possibilities of diversification and expansion are also given. The entrepreneurs are helped to prepare Project Reports based on their own observations and studies for obtaining financial assistance as may be required. Such courses have benefitted many entrepreneurs to set up units of their own choice.

5. National Skill Development Agency (NSDA)

The National Skill Development Agency (NSDA), an autonomous body that was created with the mandate to co-ordinate and harmonize the skill development activities in the country, has also been made a part of the Ministry of Skill Development and Entrepreneurship, along with the National Skill Development Corporation and the National Skill Development Trust.

The NSDA is an autonomous body which will coordinate and harmonize the skill development efforts of the Government and the private sector to achieve the skilling targets of the 12th Plan and beyond and endeavor to bridge the social, regional, gender and economic disparities.

(i) by ensuring that the skilling needs of the disadvantaged and marginalized groups like SCs, STs, OBCs, minorities, women and differently able persons are taken care of through the various skill development programmes and (ii) by taking affirmative actions as part of advocacy by the NSDA. The Central Ministries and NSDC will continue to implement schemes in their limit. The NSDA will anchor the National Skills Qualifications Framework (NSQF) and facilitate the setting up of professional certifying bodies in addition to the existing ones.

The NSDA will discharge the following functions:

- Take all possible steps to meet skilling targets as envisaged in the 12th Five Year Plan and beyond;
- Coordinate and harmonize the approach to skill development among various Central Ministries/Departments, State Governments, the NSDC and the private sector;
- Anchor and operationalize the NSQF to ensure that quality and standards meet sector specific requirements;
- Be the nodal agency for State Skill Development Missions;
- Raise extra-budgetary resources for skill development from various sources such as international agencies, including multi-lateral agencies, and the private sector;
- Evaluate existing skill development schemes with a view to assessing their efficacy and suggest corrective action to make them more effective;
- Create and maintain a national data base related to skill development including development of a dynamic Labour Market Information System (LMIS);

- Take affirmative action for advocacy;
- Ensure that the skilling needs of the disadvantaged and the marginalized groups like SCs, STs, OBCs, minorities, women and differently abled persons are taken care of; and
- Discharge any other function as may be assigned to it by the Government of India.

6. National Skill Development Corporation (NSDC)

The National Skill Development Corporation is a non-profit company under the Companies Act 1956 set up for coordinating and stimulating private sector initiatives in skill development. Since the NSDC is to be private sector led, 51% of its equity is held by the private sector and 49% equity by the Government. NSDC is managed by a Board of Directors, whose number shall not be less than three and not more than 15. It is stipulated that the Government shall not nominate more than six directors (including the Chairman) and the private sector shall not nominate more than nine Directors.

The key objectives of the NSDC are as under:

- To involve the private sector and create capacity for skill development in various sectors including the high growth sectors, through appropriate mechanisms.
- To play the role of “market maker” correlating and bridging demand -supply asymmetries, and creating a viable skill development chain, including in sectors where the market mechanism is ineffective or missing such as, domestic service, construction, facility management etc in the unorganized sector.
- To perform the role of a “multiplier” organization, by engaging with the best and most innovative entities on the ground as source of both innovation and practice enablement and dissemination.
- To incubate and facilitate the setting up Sector Skill Councils

7. Sector Skill Councils:

In order to ensure that the skill development efforts being made by all the stakeholders in the system are in accordance with the actual needs of industry, Sector Skill Councils (SSCs) are being set up, and NSDC has been facilitating the same. Sector Skills Councils are industry-led bodies and industry-governed bodies, and will complement the existing vocational education system for the Industry Sector in meeting the entire value chain’s requirements of appropriately trained manpower in quantity and quality across all levels on a sustained and evolving basis.

SSCs will discharge the following functions:

- a) Identification of skill development needs including preparing a catalogue of types of skills, range and depth of skills to facilitate individuals to choose from them.
- b) Development of a sector skill development plan and maintain skill inventory.

- c) Determining skills/competency standards and qualifications and getting them notified as per the NSQF.
- d) Standardization of affiliation, accreditation, examination and certification process in accordance with the NSQF as determined by the NSDA.
- e) Participation in the setting up of Affiliation, accreditation, examination and certification norms for their respective sectors.
- f) Plan and facilitate the execution of Training of Trainers.
- g) Promotion of academies of excellence.
- h) Sector Skill Councils pertaining to sectors that are relevant for ST/SC and minority populations will take concrete steps to bridge the gap between general population and these socially disadvantaged groups in the fields of employment and employability, including by ensuring availability of trainers for the same.

As industry-led bodies, who have been empowered to determine the qualitative and quantitative aspects of the skills required for each level, as well as the training and certification norms, the SSCs shall ensure that the persons trained and skilled in accordance with the norms laid down by them are assured of the necessary outcomes in terms of percentage of persons finding employment at decent wages.

STATE LEVEL INSTITUTIONS

Considering the growing demand for people with entrepreneurial ability at state levels for carrying forward their ambitious programmes of industrial development, different agencies and institutions have initiated different types of programmes for developing entrepreneurial manpower. The most important agencies and organizations who are engaged in such initiatives at the state levels are :

- State level Institutes of Entrepreneurship Development
- Different universities, Educational Institutions and IITs undertaking Entrepreneurship Development Programme as a part of their regular academic programmes

DICs, DRDAs and such other district level agencies are also regularly conducting need based short duration EDP programmes as per need and demand.

7.6 MODEL QUESTIONS

GROUP-A

Objective and Short Answer Type Questions

I. Choose the most appropriate answer from the following alternatives

1. Requirements for developing competency includes
 - a. Realism
 - b. Managing Time
 - c. Creativity
 - d. None of the above
2. Major competency includes
 - a. Feedback
 - b. Strong desire
 - c. Awareness
 - d. None of the above
3. Developing competency requires
 - a. Self assessment
 - b. Self starting ability
 - c. Coordination
 - d. All of the above
4. Need for developing competency is based on
 - a. Awareness
 - b. Superintendence

- c. Self Assessment
 - d. None of the above
5. One of the major competencies is
- a. Entrepreneurial Skill
 - b. Effective decision making
 - c. Post training assistance
 - d. All of the above
6. The success of any enterprise is attributed to the success of:
- a. Promoter
 - b. Manager
 - c. Entrepreneur
 - d. Employees
7. The superior performance of a job basically depends on three aspects viz knowledge, skill and.....
- a. Motivation
 - b. Innovation
 - c. Self-Confidence
 - d. Initiative
8. Entrepreneurial Development is the act of
- a. HRD
 - b. Training
 - c. Promotion
 - d. Placement

9. Entrepreneurial Development is tool of industrialization and a solution to
- Financial Skills
 - Technical Skills
 - Marketing Skills
 - Unemployment
10. Entrepreneurship Development programme is required for the
- Business executives
 - Unemployed youth
 - Non-technical groups
 - Business Administrators

Answer: 1. (b), 2. (b), 3. (a), 4. (b), 5. (a), 6. (c), 7. (a), 8. (a), 9. (d), 10. (a)

II. Answer the following questions as per instructions:

(a) Answer the following questions within One Word/Term each:

- The state of being fit or suitable for a given activity or task is termed as
- A driving force that prompts a person to act in a particular way is
- A programme that helps persons in improving their entrepreneurial competency, skills, motives and capabilities required for being a successful entrepreneur is called
- The ability to convince and make people to do is

Answers: (i) Competency, (ii) Motive,

(iii) Entrepreneurship Development Programme, (iv) Competency

(b) Answer the following questions within one Sentence each:

- Define the concept of Competency.

- (ii) What is meant by Entrepreneurial Competency?
- (iii) Explain EDP.
- (iv) What is the full form of the term EDP?
- (v) Explain the time limit factor of EDP.
- (vi) How many stages are there in the process of EDP?
- (vii) Mention the full form of SISI.
- (viii) Write the complete name of NIESBUD.

(c) Correct the underlined portion of the following sentences:

- (i) There are Five different stages involved in the process of EDP.
- (ii) Management Development Institute was set up as an autonomous body under the Societies Registration Act on April 20, 1983.
- (iii) The full form of IED is International Entrepreneurship Development.
- (iv) The National Institute for Entrepreneurship and Small Business Development was established in the year 1995.

Answers: (i) Three, (ii) Entrepreneurship Development Institute of India,

(iii) Institute for Entrepreneurship Development, (iv) 1983

(d) Fill up the blanks of the following sentences:

1. Entrepreneurial competency is also called as entrepreneurial _____
2. The basic entrepreneurial competencies are knowledge _____ and motivation.
3. Skills are acquired by _____ only.
4. _____ is an urge to achieve one's goal.
5. Entrepreneurs are born and cannot be developed is disapproved by the experiment of _____

6. The steps in developing competencies are competency recognition, _____ competency application and feedback.
7. Preparing a personality for the entrepreneurial venture, making him competent to assess the environment is known _____ objective of EDP.
8. Equipping the entrepreneurs with all the skills required for running of business venture is known as _____ objective of EDP.
9. Khadi and Village industries commission was established to promote _____ industries.
10. Intelligence, motivation, knowledge and opportunity are prerequisites of.....
11. NIESBUD is set up to provide a sound _____ programme for the selected entrepreneur.

Answers: 1. Traits, 2. Skill, 3. Practice, 4. Motive, 5. David C. Me Clelland,
6. Self Assessment, 7. Short-term, 8. Long term, 9. Village, 10. E.D., 11. Training

Group - B

Very Short Questions (Answer the questions within 30 words)

- a. Define competency.
- b. Define the concept of self assessment.
- c. What is competency recognition?
- d. Explain the concept of EDP.
- e. Write any two objectives of EDP.
- f. Define Balanced Regional Development.

Short Questions (Answer the questions within 50 words)

- a) What is entrepreneurial competency?
- b) Define the concept of entrepreneurial skill.
- c) What is self driven?
- d) What is competency recognition?

- e) Explain competency application.
- f) Discuss about awareness of self competency.
- g) Explain about major traits of entrepreneurs.
- h) Explain need for developing competencies.
- i) How innovation helps for competency.
- j) What are the requirements for developing competency?
- k) What are the objectives of EDP?
- l) What are the various stages of EDP?
- m) What are the functions of SIDO?
- n) What are the objectives of EDI?
- o) What are the objectives of CED?
- p) What do you know about Xavier Institute of Social Services?
- q) What type of assistance is provided by SISIs?

Group - C

Essay Type Questions

1. What do you mean by entrepreneurial competency? Can they be acquired?
2. Define competency. Discuss major competencies.
3. Explain how to develop competencies. Discuss awareness of self competency.
4. Define competency. Discuss various major traits of entrepreneurs.
5. What is the need for developing competencies?
6. Define EDP. Discuss various objectives of EDP.
7. Explain the relevance of EDPs.
8. Discuss the contents and curriculum of EDP.
9. Explain the different phases of EDP.
10. Explain the role of Government in developing entrepreneurship.
11. Explain the need for institutions for the entrepreneurship development.
12. What are the major financial institutions assisting the small industries?

