e-READING MANUAL

BS-3108

ENTREPRENEURSHIP DEVELOPMENT AND BUSINESS MANAGEMENT

2(1+1)

B.Sc. (Hons.) Forestry

Prepared by

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e-Reading Manual on

Entrepreneurship Development and Business Management

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FOREWORD

I am pleased to learn that the Department of Agricultural Extension is bringing out the e-reading manual of BS-3108: Entrepreneurship Development and Business Management for the students of B.Sc. (Hons.) Forestry. The university has always been supportive for providing all sorts of help in facilitating the best teaching and learning environment. This e-reading manual will be helpful to improve students' understanding of the subject and easily accessible all the time. With this e-reading manual, the students will be able to develop their skills for better performance in academics and in the professional field as well.

I appreciate the tireless efforts of the faculty members of the Department of Agricultural Extension in developing and designing this manual. I am sure that this reading manual will be very useful to the students registered for the course of 'Fundamentals of Agricultural Extension Education'. This manual will work as a ready reckoner for the students to help them in preparation of competitive examination for higher studies.

With best wishes,

(G.S. Panwar)
Dean
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PREFACE

Agricultural extension is a key to sustainable agricultural development. The global change in economic policies and advancement in technologies have brought a complete shift in extension approaches worldwide. It has introduced new trends such as market led extension, cyber extension and private extension to the discipline. In view of this, ICAR nominated the 5th Dean's Committee to suggest relevant modification and changes in the course curricula of all disciplines at UG level.

This e-reading manual on BS-3108: Entrepreneurship Development and Business Management are designed as per the revised curricula of B.Sc. (Hons.) Forestry programme recommended by the 5th Dean's Committee of ICAR. The new chapters were added as per the revision and incorporated in such a way that made it easily understandable to the students to make it more clear and attractive. Pictures, graphs, figures, etc. are used at appropriate places. This manual is a combined effort of all the faculty members of the Department of Agricultural Extension, for which I am thankful for my teammates.

On behalf of authors and as a Head of Department of Agricultural Extension, I acknowledge with thanks to Dr. N.P. Singh, Hon'ble Vice Chancellor, BUAT, Banda and Dr. G.S. Panwar, Dean, College of Agriculture, BUAT, Banda for encouraging us to bring out this e-reading manual.

With best wishes,

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DECLARATION

The E-Compendium on **“Entrepreneurship Development and Business Management”** is prepared according to the syllabus recommended by the fifth dean committee report and offered in Under Graduate Programme of B.Sc. (Hons.) Forestry, CoF, BUAT, Banda. This study material is prepared with the help of various textbook, online sources such as University websites, e-documents, e- books, e-data and other offline sources. The authors do not claim for originality of work. The purpose of this E-Course is only to provide the study material to students of B.Sc. (Hons.) Forestry, CoF, BUAT, Banda as reference material for understanding of the course. This is not made for the commercial purpose. The multiplication and use of this compendium for commercial activity is prohibited.

AUTHORS

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CHAPTER- 1

CONCEPT OF ENTREPRENEUR, ENTREPRENEURSHIP, AGRIPRENEUR OR AGRIENTREPRENEURSHIP, BUSINESS, BUSINESSMAN AND NTREPRENEURSHIP DEVELOPMENT

INTRODUCTION

An entrepreneur is an individual who creates a new business, bearing most of the risks and enjoying most of the rewards as an economic agent. The entrepreneur is commonly known as an innovator, as an creator, a source of new ideas, goods, services, and business/or procedures. As an economic agent entrepreneur plays a key role in the economic development of a country. The economic development of a country refers to sustained growth in the income levels. Entrepreneurs using the skills and initiative necessary to anticipate needs and bringing good new ideas in to market.

An Entrepreneur is an individual with knowledge, skills, initiative, drive and spirit of innovation who aims at achieving goals. An entrepreneur identifies opportunities and seizes opportunities for economic benefits. The process of setting up a business is known as entrepreneurship. Entrepreneurship is a dynamic activity which helps the entrepreneur to bring changes in the process of production, innovation in production, new usage of materials, creator of market etc. It is a mental attitude to foresee risk and uncertainty with a view to achieve certain strong motive. It also means doing something in a new and effective manner.

CONCEPT OF ENTREPRENEUR

- An Entrepreneur is an individual with knowledge, skills, initiative, drive and spirit of innovation who aims at achieving goals.
- An entrepreneur identifies opportunities and seizes opportunities for economic benefits.
- Entrepreneurs being an economic man aim to optimize his business profits through innovative means.
- According to Encyclopedia Britannica entrepreneur means an individual response for the operation of the business.
- An entrepreneur is someone who practice initiative by organizing a venture to take benefit of an opportunity and, as the decision maker, decides **what and how venture to be create, and what, how and how much** of a goods or service will be produced. An entrepreneur provides risk capital (venture capital) as a risk taker, and observes and controls the business activities

which give profits.

The entrepreneur is usually a sole proprietor, or a partner, or the one who owns the majority of shares in an incorporated venture. If one desires to be an entrepreneur, the given equation is what describes, what an entrepreneur actually is.

Entrepreneur + Capital = Products + Customers = Business.

History of the term 'Entrepreneur

Around 1700 A.D. the term was used for architects and contractor of public works. In many countries, the term entrepreneur is often associated with a person who starts his/her own new business.

The word **"Entrepreneur"** is derived from the **French** verb **'entrepredre'** and **German** word **'unternehman'** both means 'to undertake'. In the early 16th century the Frenchmen who organized and led military expeditions were referred as 'Entrepreneurs'. In the early 18th century French economist Richard Cantillon used the term entrepreneur to business. Since that time the word entrepreneur means one who takes the risk of starting a new organization or introducing a newidea, product or service to society. French economist Richard Cantillon was known as Father of Entrepreneurs world.

Definitions

Some of the **definitions** given by scientists to understand who an entrepreneur is;

According to **Oxford Dictionary** "An entrepreneur is a person who sets up a business or businesses, taking on financial risks in the hope of profit".

According to the **International Encyclopedia**, an entrepreneur is "An individual who bears the risk of operating a business in the face of uncertainty about the future conditions".

According to **J.B. 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 producesa product. By selling the product in the market the pays rent of land, wages to labour, intereston capital and what remains is his profit". Thus an Entrepreneur is an organizer who combines various factors of production to produce a socially viable product.

According to **Joseph Schumepeter**, "An entrepreneur in an advanced economy is an individual who introduces something new in the economy, a method of production not yet tested by experience in the branch of manufacture concerned, a product with which consumersare not yet familiar, a new source of raw material or of new market and the like”.

According to **Richard Cantillon** “An entrepreneur is the 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”. To conclude an entrepreneur is the person who bears risk, unites various factors of production, to exploit the perceived opportunities in order to evoke demand, create wealth and employment.

According to **Anita Jhamtani (1996)** “ Entrepreneurship refers to identify/ innovating ideas, products and services, mobilizing resources, organizing production/ services and finally marketing those covering the risk with constant strive for growth and excellence”

Entrepreneur as a person who has the ability to manage the resources and described him as a dynamic agent of change or the catalyst who transformed increasingly physical, natural and human resources into corresponding production possibilities.

CONCEPT OF ENTREPRENEURSHIP

The term ‘entrepreneurship’ is often used synonymously with the term ’Entrepreneur’ though, they are two sides of the same coin, conceptually they are different. After realize the term and about the Entrepreneurs, now we understand the meaning of entrepreneurship. Entrepreneurship is the dynamic process of creating gradual wealth. This wealth is created by individuals who assume the major risks in terms of wealth, equity, time, and/or career commitment of providing value/ identity for some product or service in the market. In very short it can be said that entrepreneurship is kind of activities done by the individual as an entrepreneur. The product or service identify by them may or may not be new or unique but value must somehow be permeate by the entrepreneur by securing and allocating the necessary skills and resources.

Many of them have used innovation and creativity to build huge enterprises. Entrepreneurship is now regarded as “**Pioneer ship**” of business. The history of the early industrial development and trade and subsequent innovation in any country is largely the history of its entrepreneurs**. It describes people with the pioneering spirit, intuitive and inspiration and a willingness to work hard and take risks.** They are the energetic self-starters who make it their mission to meet business challenges, independently and are restless in working for someone else, for a salary. Whatever the specific activity they engage in, entrepreneurs in the twenty-first century are considered the heroes of free enterprise.

In short, the concept of entrepreneurship can be easily understood as under**:**

(i) Entrepreneurship involves decision making, innovation, implementation, forecasting of the future, independency, and success.

(ii) Entrepreneurship is a dynamic and risky process.

(iv) It involves a fusion **of capital, technology and human talent**.

(iii) Entrepreneurship is a process. It is not a combination of some stray incidents.

(iv) Entrepreneurship is equally **applicable to big and small businesses**, to economic and non-economic activities.

(v) Different entrepreneurs might have some **common traits** but all of them will have some different and unique qualities.

(vi) It is the **purposeful and organized activities for** change, conducted after systematic analysis of opportunities in the environment.

(vii) Entrepreneurship is a **creative activity**.

(viii) It is the **ability to create and build something** from practically nothing.

(ix) It is a **knack of sensing opportunity** where others see chaos and confusion.

(x) Entrepreneurship is the **attitude of mind to seek opportunities**, take calculated risks and derive benefits by setting up a venture.

(xi) It is made up of **activities to conceive, create and run** an enterprise.

(xii) Entrepreneurship is a **dynamic process of vision, change and creation**.

With these concepts of entrepreneurship it can be concluded that the-

Entrepreneurship is the indivisible process flourishes, when the interlinked dimensions of individual psychological entrepreneurship, entrepreneur traits, social encouragement, business opportunities, Government policies, availability of plenty of resources and opportunities coverage towards the common good, development of the society and economy.

Entrepreneurship is the process of identifying opportunities in the market place, arranging the resources required to pursue these opportunities and investing the resources to exploit the opportunities for long term gains. It involves creating wealth by bringing together resources in new ways to start and operate an enterprise.

Definitions

According to **Cole** “Entrepreneurship is the purposeful activity of an individual or a group of associated individuals undertaken to initiate, maintain and aggrandize profit by production or distribution of economic goods and services”.

According to **Higgins** “Entrepreneurship is meant the function of foreseeing investment and production opportunities, organizing an enterprise to undertake a new production process, raising capital, hiring labour, arranging the supply of raw materials, finding site, introducing a new technique, discovering new resources or raw materials and selecting top managers for day to day operations of the enterprise”.

According to Peter F. Drucker “Entrepreneurship is defined as a systematic innovation, which consists in the purposeful and organized search for changes, and it is the systematic analysis of the opportunities such changes might offer for economic and social innovation”.

According to Richard Cantillon “Entrepreneurship entails bearing the risk of buying at a certain price and selling at uncertain prices.”

According to Joseph A. Schumpeter “Entrepreneurship is any kind of innovative function that could have a bearing on the welfare of an entrepreneur.”

According to Robert K. Lamb “Entrepreneurship is that form of social decision making performed by economic innovators.”

The concept of Entrepreneurship has also been defined as “a special skill or ability to mobilize the factors of production – **Land, labour & capital** and use them to produce new goods and services”.

“Entrepreneurship is a purposeful activity in which the individual or a group of individuals with their own efforts utilizes the opportunity available through innovative ideas”

The above definitions highlights risk bearing, innovating and resource organizing aspects and an individual or group of people achieve goal through production or distribution of products or services. To conclude entrepreneurship is set of activities performed by an entrepreneur thus, entrepreneur proceeds entrepreneurship.

CONCEPTS OF AGRIPRENEURS OR AGRIENTREPRENEURS-

Agrientrepreneurs or Agripreneurship is the **entrepreneurial process proceeds in agriculture or in allied sectors**. It is the process of adopting new ideas, methods, processes, techniques in agriculture or in allied sectors of agriculture for better output and profit earnings.

This specialization will develop agri-preneurs with distinct traits and skills to exploit opportunities galore in the field of agriculture. Among the various strategies to promote planned growth in this sector, focus on promoting viable enterprises will certainly help exploit its operational efficiency to the hilt. Agriculture is the mainstay of the Indian economy because of its high share in employment and livelihood creation. It supports more than half a billion people providing employment to 52 per cent of the workforce. India has been considered an agrarian economy till today (Misra & Puri, 2005). There are several mechanisms worked in the Agripreneurship like forward and backward linkages with secondary and tertiary sectors i.e. manufacturing and service sectors. Amidst the changing paradigms and demanding global structure, India, In orderto remain a front-runner needs to primarily focus on the agriculture sector, the backboneof the economy.

Opportunities in agriculture and allied sectors can be identified at different phases of agricultural process. Basically, the agripreneurial opportunities are at Input stage, Farming stage, Value chain, output processing and marketing stage and related services. Presently the scope and potential of Agripreneurial opportunities is increasing as a result of globalization and more interconnected world market. There are many potential opportunities for entrepreneurs. Agriculture process needs so many kinds of inputs like seeds, fertilizers, pesticides and innovative and localized farm technology. So above mentioned areas create agripreneurial opportunities in the areas of developing and producing these inputs.

It is also an important source of raw material and demand for many industrial products, particularly fertilizers, pesticides, agricultural implements and a variety of consumer goods.

Definition of Agripreneurship-

It is defined as generally sustainable, community oriented, directly marketed agriculture. Sustainable agriculture denotes a holistic, systems oriented approach to farming that focuses on the interrelationships of social, economic and environmental process.

CONCEPTS OF BUSINESS AND BUSINESSMAN-

Business is derived from the word ‘busyness’ meaning engaged in an activity. In simplest terms, business means to get or purchase something at low cost and sell it at a higher cost, meanwhile, the margin produced between that is the profit. Business’s only purpose is profit, it is driven by it. Business necessarily has to be economic activities. In a business if we plan on bringing and selling a product, it has to either manufacture that product or purchase it and add a profit margin to it and sell it further.

In other term we can say that *“Business is any occupation which includes all activities which are connected with production or procurement of goods for sale and adding a profit margin to those costs for further selling it to the customer for the satisfaction of their needs.”* Most importantly, the business aims at a profit but only through the satisfaction of the needs of the customers. The business includes every occupation in which people are busy in earning the income by the means of producing, purchasing, selling or exchanging goods or services to fulfill needs of other people with the objective of making a profit.

A business man is an individual who operate or start a business for his personal needs. The sole purpose of businessman is to earn money and maximization of profit from business. It steps into the market with the main objective of earning a profit. For the survival of business in a market, getting profit is extremely necessary. If a business can't produce profit, it is expected of it to go downhill financially. Therefore the businessman does all the possible tricks to maximize its profits by increasing the volume of sales or decreasing the costs.

CHAPTER- 2

CHARACTERISTICS OF ENTREPRENEURS, TYPES OF ENTREPRENEURS AND FUNCTIONS OF ENTREPRENEURS:

CHARACTERISTICS OF ENTREPRENEUR

Entrepreneurs have many of the same character traits as leaders, similar to the **Great Man Theory of Leadership**. Entrepreneur is a key figure in economic progress. He is the person whointroduces new things in the economy. He is considered as the business leader and notas simple owner of capital. He is a person with telescopic faculty, drive and talent who perceives business opportunities and promptly seizes them for exploitation. Entrepreneurs possess several qualities; but to be a successful an entrepreneur should have the following characteristic features some of those have been listed below.

1. **Achiever or willing to achieve:** Entrepreneurs have got strong desire to achieve higher goals. Their inner self motivates their behaviour towards high achievement: most of the peopledream of success but do not take any action towards achieving these dreams. Entrepreneurs with high n-Ach factor act continuously to achieve the goal and maketheir dreams come true. For them, winning is achievement.
2. **Risk taker:** Entrepreneurs are the persons who take decisions under uncertainty and thus they are willing to take risk, but they never gamble with the results. They choose moderate risk rather than play wild gamble. They, therefore, undertake calculated risk which is high enough to be exciting, but with a fairly reasonable chance to win.
3. **Independent and self-confident:** Most of the entrepreneurs start on their own because they dislike towork for others. They prefer to be their own boss and want to be responsible for their own decisions. Entrepreneurs must have self-confidence to accomplish the task effectively and efficiently. They must take decisions on their own in uncertain and risky situation and should stick to it confidently even if there occurs initial setbacks.
4. **Opportunity grabber:** Entrepreneurs are always alert to opportunities. They are very much quick to see and grab opportunities. They exhibit an innovative turn of mind and convert the problems into viable opportunities. They plan intellectually and anticipate carefully how to achieve their goals in realizing an opportunity.
5. **Innovators:** Successful entrepreneurs are innovators. They constantly put their efforts in introducing new products, new method of production, opening new markets and recognizing the

enterprise.

6. **Locus of control:** According to Rotter's locus of control theory, an individual perceives the outcome of an event as being either within or beyond his personal control. Entrepreneurs believe in their own ability to control the consequences of their endeavour by influencing their socio-economic environment rather than leave everything to luck.

7. **Perseverance:** Entrepreneur has got the quality of sticking to job he decides to undertake. Once committed to a specific goal and course of action, entrepreneurs become absorbed to it. They personally solve the problems that come across their way while setting up the project. They also work sincerely until the whole project is successfully implemented.

8. **Positive self-concept:** Entrepreneurs are always positive in their action. Being an achiever, he directs his fantasies and dreams towards achievement of worthwhile goals and sets extraordinary standard of excellence in what he is doing. This is based upon his awareness of SWOT analysis, i.e. his strengths, weaknesses, opportunities and threats. He utilizes his positive knowledge to support his thinking. He never exhibits any negative attitude.

9. **Hope of success:** Hope of success is a significant quality of entrepreneurial personality. Entrepreneurs set their goals with a hope of success rather than fear of failure. This is because they set their goals on the basis of facts and their ability to maneuver them to their advantage.

10. **Flexibility:** Most of the successful entrepreneurs measure the pros and cons of a decision and tend to change if the situation demands. They never feel reluctant to revise their decisions. They are the persons with open mind without rigidity.

11. **Analytical ability of mind:** Entrepreneurs are unaffected by personal likes and dislikes. They stand beyond these types of prejudices as they are realistic in their approach. At the time of their need they select experts rather than friends and relatives to assist them. They usually avoid emotional and sensitive attitude towards their business or problem.

12. **Sense of efficacy:** Entrepreneurs are always oriented towards action for accomplishment of their goals. Being confident of their abilities, they find themselves as problem solvers rather than problem avoiders. They chalk out their goals for future and make planning to achieve them.

13. **Learning from experience:** Successful entrepreneurs like to have immediate feedback of their performance. They modify their plans on the basis of the feedback they receive from the environment around them. They learn from their experience and never get discouraged having received unfavorable information. On the contrary, they are stimulated by unfavorable

information to involve themselves sincerely in their own tasks to reach their desired goals.

14. **Optimistic:** Successful entrepreneurs are always optimistic and take every odd as the opportunity. They maneuver their environment in such a way that the works get accomplished rationally. Thus, they win by the application of theirextraordinary insight and skill.
15. **Interpersonal skills:** Entrepreneurs are always comfortable while dealing with people at all levels. They interact with raw material suppliers, customers, bankers, etc.. for different activities. As successful entrepreneurs, they should be persons who like working with others possessing the much needed quality of interpersonal skill to deal with people.
16. **Need to influence others:** Once the entrepreneurs set their goals, they have to play the roles of manager too. For influencing others (n Power), a low need to establish emotional relationship (low n Affiliation), and a high need to discipline one's own self (to inhibit over expression of their personality) are essential.
17. **Stress takers:** Entrepreneurs are capable of working for long hours and solving different complexities at the same time. As the captain of an industry or an enterprise, an entrepreneur faces a number of problems and in right moment he takes right decisions which may involve physical as well as mental stress. He can face these challenges if he has the capability to work for long hours and keep himself cool under monotony.
18. **Time orientation:** Entrepreneurs anticipate future trends basing upon their past experience and exposure. They stick to the time pragmatically while doing their jobs.
19. **Business communication skill:** In order to motivate others in the business entrepreneurs must possess good communication skill. Both written and oralcommunication skills are necessary for the entrepreneurs for running enterprise efficiently.
20. **Dynamic and visionary:** Successful entrepreneurs always tend to think ahead. They have got telescopic faculties which make them think for the future. Future orientation makes them quite alert to the changing conditions of the time and they tend to produce goods and commodities as per the changing demands.
21. **Leadership:** Entrepreneurs should possess the quality of leadership. Leadership is the ability to exert interpersonal influence by means of communication towards the achievement of goals. Entrepreneurs as the leaders should provide the necessary spark to motivation by guiding, inspiring, assisting and directing the members of the group for achievement of unity of action, efforts and purpose. Hence, entrepreneurs by their own leadership styles and behaviour reduce

the problems by proper handling of situations. Good administrative work depends upon effective leadership of the entrepreneur.

22. **Systematic Business planner:** Planning implies deciding in advance what, when and how to do a thing. Entrepreneurs should be equipped with skill and knowledge to prepare their business plan. A successful entrepreneur always follows the principles of management while planning for his business. The planning can act as a bridge between the present position and expected future shape of the enterprise. It provides a sense of vision to the entrepreneurs to cope with risky and uncertain situation.
23. **Decision making:** Decision-making skill is a fundamental characteristic of an entrepreneur. This implies the function of choosing a particular course of action at every stage of creation of an enterprise out of several alternative courses for the purpose of achieving specified goals. Hence, decision making is necessary at all times and mostly at conditions of uncertainty and risk.
24. **Ability to mobilize resources:** Entrepreneurs must have the ability to marshal all the inputs to obtain the end product. They have to mobilize 6Ms, i.e. Man, Money, Material, Machinery, Market and Method effectively to realize the final product as entrepreneurship is a function of gap filling and input completing.

TYPES OF ENTREPRENEURS

Depending upon the level of willingness to create innovative ideas and adopt the plan, there can be the following types of entrepreneurs on the basis of common characteristics.

A. Clarence Danhof Classification:

Clarence Danhof classifies entrepreneurs into four types.

1. **Innovative:** Innovative entrepreneur is one who assembles and synthesis information and introduces new combinations of factors of production. They are characterized by the smell of innovativeness. These entrepreneurs sense the opportunities for introduction new ideas new technology, new markets and creating new organizations. Innovative entrepreneurs are very much helpful for their country because they bring about a transformation in life style.
2. **Imitative/ Adoptive:** Imitative entrepreneur is also known as adoptive entrepreneur. He simply adopts successful innovation introduced by other innovators. These entrepreneurs imitate the existing entrepreneurs and setup their enterprise in the same manner. Instead of innovating, they just imitate the technology and methods innovated by others. These entrepreneurs are very helpful in less developed countries as they contribute significantly in

the growth of enterprise and entrepreneurial culture in these countries. Further by adopting the technology, which is already tested, they generate ample employment avenues for the youth and therefore they are treated as agent of economic development.

3. **Fabian:** The Fabian entrepreneur is timid and cautious. He imitates other innovations only if he is certain that failure to do so may damage his business. They are very much skeptical in their approach in adopting or innovating new technology in their enterprise. They are not adaptable to the changing environment. They love to remain in the existing business with the age-old techniques of production. They only adopt the new technology when they realize that failure to adopt will lead to loss or collapse of the enterprise.

4. **Drone:** These entrepreneurs are conservative or orthodox in outlook. They never like to get rid of their traditional business and traditional machinery or systems of the business. They always feel comfortable with their old fashioned technology of production even though the environment as well as the society have undergone considerable changes. Thus, drone entrepreneurs refuse to adopt the changes. They are laggards as they continue to operate in their traditional way and resist changes. His entrepreneurial activity may be restricted to just one or two innovations. They refuse to adopt changes in production even at the risk of reduced returns.

B. Arthur H. Cole Classification:

Arthur H. Cole classifies entrepreneurs as

1. **Empirical:** He is an entrepreneur hardly introduces anything revolutionary and follows the principle of rule of thumb.
2. **Rational:** The rational entrepreneur is well informed about the general economic conditions and introduces changes which look more revolutionary.
3. **Cognitive:** Cognitive entrepreneur is well informed, draws upon the advice and services of experts and introduces changes that reflect complete break from the existing scheme of enterprise.

C. Classification on the Basis of Ownership:

1. **Private:** In this category the entrepreneurs is motivated by profit they mainly focused on economical aspects of the activities and it would not enter those sectors of the economy in which possibility of monetary rewards are not very bright.

2. **Public:** In this category the entrepreneurs are motivated through the offers given by the

government department to develop the venture. In the underdeveloped countries government will take the initiative to share enterprises.

Classification Based on the Scale of Enterprise:

1. **1.Small scale:** This classification is especially popular in the underdeveloped countries. Small entrepreneurs do not posses the necessary talents and resources to initiate large scale production and introduce revolutionary technological changes.
2. **2.Large scale:** In the developed countries most entrepreneurs deal with large scale enterprises. They posses the financial and necessary enterprise to initiate and introduce new technical changes. The result is the developed countries are able to sustain and develop a high level of technical progress.

E. Classification Based on the outcome of Entrepreneurial Venture

In recent years, some new classifications have been made regarding entrepreneurs, which are based on the outcome of entrepreneurial venture discussed further.

1- Mobile Entrepreneurs- They are the person who leave the venture as soon as new venture is created. They are the true Schumpenterian Entrepreneurs as according to Schmpenter (1934). In this the entrepreneurial activity ends as soon as the venture is created.

Example- Mohan Enginears of Good Nigh,

Vikram Sarabhai (Father of Indian Space programme)

2- Managerial Entrepreneurs- They are the persons who prefer to continue in the same venture by transferring themselves to fit the changing demands.

Example- Mr. Henry Ford- Ford Motors USA

Pierre S.DuPont-

George Eastman- Kodak Film

KFC- Colonel Sanders, USA

3- Innovative Entrepreneurs- They are the persone who create the organization and remain engaged in their pursuits of innovation and creation of novel products and technology.

Example- 1-Walt Disney-

2- Ibuka and Akio Morita of Sony corporation.

3- Bill Gates of Microsoft.

4- **Empire Builders-** They are the person engaged in creating chain of new ventures having an ownership. They have quality of vast vision flair of innovation and managerial capacity to build an empire for them selves.

Example- J.N.Tata – TATA Group

2- Ghanshyam Birla – Birla Group

3- Ambani – Ambani family

4- Jhon D. Rockfeller of USA

5- Chung Ju Yung of Hyundai – South Koria

6- Kim Woo Chong- Daewoo motors

FUNCTIONS OF ENTREPRENEURS

The various functions of entrepreneurship are innovation and creativity, risk taking and achievement and organization and management, catalyst of economic development, overcoming resistance to change and research. These have been depicted, at a glance, with the help of the given Figure and are being discussed, in brief, below.

According to Bill Bernbach, co-founder of Doyle Dane Bernbach – "an idea can turn to dust or magic, depending on the talent that rubs against it''.

(*i*) Innovation and Creativity – Innovation generally refers to changing processes or creating more effective processes, products and ideas. For businesses, this could mean implementing new ideas, creating dynamic products or improving your existing services. **Creativity** is defined as "the tendency to generate or recognize ideas, alternatives, or possibilities that may be useful in solving problems, communicating with others. Creativity and innovation have always been recognized as a sure path to success. Entrepreneurs think **outside of the box** and explore new areas for cost-effective business solutions.

(*ii*) Risk taking and Achievement – Entrepreneurship is a process in which the entrepreneur establishes new jobs and firms, new Creative and growing organization which is associated with **risk,** new opportunities and achievement. It results in introducing a new product or service to society. In general, entrepreneurs accept four types of risks namely Financial Risk, Job Risk, Social & Family Risk & Mental & Health Risk, which are as follows:

(*a*) Financial Risk – Most of entrepreneurs begin by using their own savings and personal effects and if they fail, they have the fear of losing it. They take risk of failure.

(*b*) Job Risk – Entrepreneurs, not only follow the ideas as working situations, but also consider the current risks of giving up the job & starting a venture. Several entrepreneurs have the history of having a good job, but gave it up, as they thought that they were not cut out for a job.

(*c*) Social and Family Risk – The beginning of entrepreneurial job needs a high energy which is time consuming. Because of these undertakings, he/she may confront some social and family damages like family and marital problems resulting on account of absence from home and not being able to give adequate time to family.

(*d*) Mental Health Risk – Perhaps the biggest risk that an entrepreneur takes it is, the risk of mental health. The risk of money, home, spouse, child, and friends could be adjusted but mental tensions, stress, anxiety and the other mental factors have many destructive influences because of the beginning and continuing of entrepreneurial activity. This can even lead to depression, when faced with failure.

(*iii*) Organization and Management – The entrepreneurial organization is a simple organizational form that includes, one large operational unit, with one or a few individuals in top management. Entrepreneurial management means the skills necessary to successfully develop and manage a business enterprise. A small business start-up under an owner-manager is an example of an **entrepreneurial organization.** Here, the owner-manager generally maintains strict control over business operations. This includes directing the enterprise's core management functions. **According to Mintzberg,** these include the **interpersonal roles, informational roles and decision-making roles**. The smaller the organization, the more concentrated these roles are in the hands of the owner-manager. The entrepreneurial organization is generally unstructured.

(*iv*) Research – An entrepreneur is a practical dreamer and does a lot of ground-work before taking a leap in his/her ventures. In other words, an entrepreneur finalizes an idea only after considering a variety of options, analysing their strengths and weaknesses by applying analytical techniques, testing their applicability, supplementing them with empirical findings, and then choosing the best alternative. It is then that he/she applies the ideas in practice. The selection of an idea, thus, involves the application of research methodology.

(*v*) Overcoming Resistance to Change – New innovations are generally opposed by people because it makes them change their existing behaviour patterns. An entrepreneur always first tries new ideas at his/her level. It is only after the successful implementation of these ideas that an entrepreneur makes these ideas available to others for their benefit. His/her will power, enthusiasm and energy help him/her in overcoming the society's resistance to change.

(*vi*) Catalyst of Economic Development – An entrepreneur plays an important role in accelerating the pace of economic development of a country, by discovering new uses of available resources and maximizing their utilization. Today, when India is a fast developing economy, the contribution of entrepreneurs has increased multi-fold.

CHAPTER- 3

ASSESSING OVERALL BUSINESS ENVIRONMENT IN INDIAN ECONOMY, GLOBALIZATION, IMPLICATIONS OF SOCIAL, POLITICAL AND ECONOMIC SYSTEMS ON ENTREPRENEURSHIP

ASSESSING OVERALL BUSINESS ENVIRONMENT IN INDIAN ECONOMY

India's business environment has improved considerably after the initiation of economic reforms in early 1990s. Domestic and foreign investors are finding it easier to do business after the reforms, which are aimed at reorientation of the centrally- controlled economy to a market-oriented one in order to foster greater efficiency and growth. This is being done by introducing greater competition in the economy through progressive internal deregulation accompanied by foreign direct investment and trade liberalization. However, the turmoil which surfaced in the US financial system has also adversely hit the Indian economy. Compared to other emerging economies, India has several strengths that can help mitigate the adverse effects of the global economiccrisis. In spite of the global meltdown, Indian economy offers ample opportunities for business, both to the domestic and foreign entrepreneurs. This work contains 21 research papers dealing with various aspects of current business scenario in India, and it examines the economic policies of India's government.

In 1947 after gaining independence, India initiated a path of industrialization to achieve economic prosperity. India focused on developing the manufacturing base. Much of the countries development was done through the five year plans. Industries like iron and steel, oil refineries, cement and fertilizer were brought under the gamut of public sector enterprises. The decision makers then encouraged the development of small scale industries. They perceived that Indian small scale industries would play a vital role in the economic progress of the country and had immense potential for employment generation. Developing small scale sector would also result in decentralized industrial expansion, better distribution of wealth and to encourage investment and entrepreneurial talent.

The government has initiated several policies for the growth and development of small scale industries. They included reservation of certain items to be manufactured only by the small scale sector. Other measures include credit marketing, technology, and entrepreneurship development, fiscal, financial and infrastructural support. In 1999, the government established the Ministry of Small Scale Industries and Agro and Rural industries to make policy decisions for the development and well being of the smallscale industries.

Initially the small scale sector was characterized as traditional labor intensive units with outdated machineries and inefficient production techniques. But in the recent past the condition of the small scale units has improved. Today they have installed modern machines, applied better management techniques and are much more productive than before.

Small Scale Industries are located throughout the country, though predominantly in the rural areas. The small scale industries in the rural areas are skill based, wherein the skill for manufacturing is passed on from one generation to another. Some of the goods manufactured in these units are textile handicrafts, woodcarving, stone carving, metal ware etc. Small scale industrial factories are also present in urban areas and usually they account for the maximum volume of production for that particular good in the country. For e.g. Ludhiana in the state of Punjab is the main center in the country for producing woolen hosiery, sewing machine parts, bicycles and its parts, similarly Tiruppur in Tamil Nadu accounts for small scale firms that are involved in spinning, weaving and dying of cotton garments.

Post Liberalization

Post liberalization economic conditions has created immense growth prospect for the small scale industries. The government has also supported the small scale industries by the way of implementing policies like investment ceiling for the SSI sector and priority lending. The formation of WTO in 1995 resulted in a major challenge to the well being of the SSI. The protection given to the SSI in the form of reservation and quantitative restrictions has been withdrawn. More than 160 items reserved under the SSI category have been de reserved. It has been found that if the SSI upgrades the technology, adopt better management practices, reengineer the factories to improve productivity and provide qualitative product, they would be competitive in the post WTO scenario. The advancement in computer and telecommunication technology, increase ine commerce, opening up of markets due to WTO, mergers and acquisitions, improved infrastructure and outsourcing noncore area of business have all contributed to the growth of SSI.

The New Economic Policy initiated in early 1990s in India had five main components.

These are

Devaluation of the Indian rupee in order to increase exports,

Deregulation or dismantling of government controls over domestic industry,

Privatization, including formation of jointly owned public private enterprises andsale of public sector enterprises.

Liberalization or opening up of monopoly markets to increase foreign and domesticcompetition.

Globalization by opening the Indian economy to foreign investment.

Essentially, the new economic policy was a massive and radical change in India's political economy toward free market forces in which the invisible hand of business competition' would determine prices, the volume f sales, and other economic factors in the Indian economy.

Under the new economic policy, infrastructural sectors such as power, telecommunications, roads, ports, harbours, and civil aviation were especially targeted for liberalization, de-monopolization, direct foreign investment, and privatization.

Competent and well trained manpower is essential for economic development. This is being provided by the Institutes of Technology, Institutes of Management, Business Schools, Institutes of Information Technology and many other important institutions in India.

The massive increase in the middle income class with high purchasing power is supporting rapid expansion of consumer economy, and economy of the country as a whole. It has been stated that implementation of the National Rural Employment Guarantee Act (NREGA), is increasing the purchasing power of the people at the bottom. These are also contributing to fight economic recession.

The problem of wastage of grains, milk, fruits, vegetables etc. can be solved through processing and retailing. These two sectors are being strengthened and are showing positive results.

Factors Conducive to India's Economic Growth

Sri Mukesh Ambani, RIL Chairman* and Managing Director, has identified several factors that will strengthen India's economic growth. Following The Statesman dated 9 March, 2009, these are

Demographic advantage. India has a predominantly young population. Forty four percent of India's population was less than 19 years of age. In the next twenty years, India will have more than 400 million under the age of 35 and in a decade from now, only 10 percent of Indians will be above 60 years of age,

Aspiring youth. This young generation that is growing up, is aspiring, that produces and consumes at the same time, creating internal markets.

Culture of innovation and knowledge. Relative to most other countries, India has embraced technology better. India has a mindset and a gene pool, where the young people can do very well in technology.

Growth momentum. The country has got an underlying growth momentum, and the country has the ability to reinvent its growth model.

In this context, the 'entrepreneurship development' will have an important role to play in sustaining ever increasing economic growth of the country. Corporate sector, comprising trade, commerce, industry, marketing and allied fields, have the potential to energize and hasten the process of rural development by creating enterprises for which there is unlimited scope. Though the involvement of corporate sector with the rural system is somewhat visible in India, it should be done in a big way,so that the synergistic effect helps in the development of both the corporate sector and the rural sector. However, care should be taken to see that commercial interests do not override livelihood concerns of the farmers and the rural people.

BUSINESS ENVIRONMENT IN INDIAN ECONOMY

1. **Strong growth momentum**

- Sustained process of liberalization since 1991
- Average GDP growth is 6% in last six years
- Increased openness to foreign trade and investment
- Rapid growth in export oriented IT and BPO industries
- Strong balance of payments (rapid buildup of reserves)

2. **Opportunity**

- Large, rapidly growing domestic market
- Large, low cost labour force
- Engineering/IT/English language skills
- Abundant availability of raw material
- Political stability, consensus on economic policies

3. **High potential sectors**

- Software
- BPO (Business Process Outsourcing)
- Autos + Components
- Engineering based manufacturing
- Steel

- Textiles/RMG (Ready Made Garments)
- Pharmaceuticals
- Alternative to china for companies looking to source merchandise globally

Growth constraints

- High fiscal deficits crowd out public and private investment
- Severe infrastructure bottlenecks
- Rigidities in labour and land markets
- Widespread govt. ownership of business, dominance in banking
- Import tariffs, complex tax regimes
- Restrictions on FDI (Foreign Direct Investment) in some sectors
- Excessive regulation increases cost of doing business
- Private investment is only 15% of GDP
- Industry contributes less than 25% of GDP
- Only 7% of total employment in organized sector

GLOBALIZATION AND EMERGING BUSINESS / ENTREPRENEURIAL ISSUES

Globalization is a process associated with increasing economic openness, growing economic interdependence among the nations, and deepening economic integration globally. In other words, it means expansion of economic activities across national boundaries. The key features of globalization are:

Economic features: Growth in trade, foreign direct investment and capital flows; globalproduction and consumption; global competition; trade and investment liberalization policies.

Non-economic features: Loss of national sovereignty; standardization of values and cultures.

Entrepreneurs must know the opportunities and threats which arise from globalization inthe developing countries. Some of them are as follows.

Opportunities

Opportunity to produce new and better quality products and services and exportingthem to other countries.

Generating buoyant market for expansion of industry and services.

Threats

Domination of seed market by multinational companies (MNCS) and adverse effect on farmers' traditional rights to save and sell seeds.

Reduction/ elimination of input subsidy, resulting in their rising cost and less use by small and marginal farmers.

Import and dumping of low cost agriculture and industrial products from outside countries, adversely affecting indigenous production.

Benefits mostly accrue to large and rich farmers, as small farmers can not go in forexport oriented production.

Resource poor farmers may be further marginalized.

Rise in the price of food grains.

ENTREPRENEURSHIP IN GLOBAL ENVIRONMENT ECONOMIC SOCIAL,CULTURAL AND FINANCIAL IMPLICATIONS

- The economic social, cultural, financial and regulatory environment in a country affects the nature and growth of entrepreneurship.
- Accenture survey conducted during 2000-2002 in 26 countries reveled that United States was considered as the most entrepreneurial followed by Japan asa distant second.
- It suggested nations companies should emulate US in this regard.
- Survey indicated that a country can foster entrepreneurial behaviour if they make serious effort to adapt their corporate culture.
- **The prerequisites of entrepreneurship:**
- Access to capital
- Right regulatory and tax environment
- High personal and tax rates can significantly reduce/ discourage risk taking ability of entrepreneurs.
- The social and cultural environment is the most important prerequisite In which achievement and wealth creation are held in high regard.

- Accenture survey revealed that only handful of nations where society as a whole appears to embrace an entrepreneurial culture.
- In contrast other countries where the motives of entrepreneurs are viewed as suspect or the legitimacy of their financial gain is questioned.
- In some other countries the failure of an entrepreneur can all but end an individual's career.
- Yet other countries exhibit a societal preference for the underdog, gallant runnerup or person who is poor but noble.

These deep rooted social and cultural realities can not be changed in short term. How ever successful companies may find ways to motivate and reward entrepreneurial behaviour in consistent with social norms.

Working models for entrepreneurship worldwide: Based on government involvement in economy and the way society values individual and collective action Accenture developed 3 illustrative models for conditions under which entrepreneurship can flourish.

The free market model: Ex: United States and Canada

- Role of govt. is limited.
- Public policy can create basic conditions required for Entrepreneurial Culture
- But the rest is up to the pvt. Sector/ entrepreneur
- This model thrives in such culture where entrepreneurial success is celebrated rather than denigrated
- The tax structure rewards initiative & financial gain
- Degree of social protection is less.

Guided individualism model: Ex: Singapore & Taiwan

- It is based on encouragement of individual enterprise
- Public policy determines broad sweep of entrepreneurial activity by signaling sectors / industries in which entrepreneurial energies can be directed.

Social Democrat model: ex: Sweden & Germany

- It combines encouragement of enterprise with emphasis on social protection

- Countries create a sort of social partnership with agreed up on economic and social frame work by all partners.

Characterizing countries entrepreneurial style/ Culture:

While determining the Govt. involvement in the economy Entrepreneurship in any country one should consider

- How high is the taxation rate
- To what extent is state ownership seen as appropriate
- How country manage economy through regulations
- Willingness to protect, promote trade & foreign investments.
- Labour laws, terms & conditions
- While determining the social respect for individual Vs collective action one should consider
- Does the country have a fairly homogeneous culture?
- Extent of wealth distribution-equal or unequal
- How does a society react to success or failure?
- Do people generally play active role in their community?

India- the mixed economy model

- Marked preference to state owned enterprise
- Entry in to big industries was possible through licensing
- Small scale industries were encouraged.- 40% contribution to national industrialout put with 80% share in industrial employment.
- System created grate disparities in wealth
- Success in business was looked upon with suspicion.
- Creating wealth was not considered a virtue.

Implications:

- Socially entrepreneurs were not a highly regarded lot

- Small industries grew but did not flourish to the extent desired
- Sectors left to big industries became uncompetitive
- During 90’s entrepreneurs started gaining respect

CHAPTER- 4

MANAGING AN ENTERPRISE; MOTIVATION AND ENTREPRENEURSHIP DEVELOPMENT

MANAGING AN ENTERPRISE:

The basics of management of an enterprise are as follows

Planning the enterprise involves selecting objectives and strategies, policies, programmes and procedures for achieving them. Planning also includes decision making on production, pricing and marketing of products. Market survey is essential to get an idea of the market. Market survey may be conducted with reference to the availability of raw materials equipments, marketing and distribution, and consumer bahaviour etc.

Organizing involves establishing an international structure of roles through determination of activities required to achieve the goals, grouping of activities, delegation of authority and coordination etc.

Staffing demands defining the workforce, utilization of manpower, appointment, promotion and remuneration is including downsizing and organization unity.

Leading the entrepreneurial unit in terms of addressing the desire, attitude and behaviour of individual and groups amidst challenges towards opportunities.

Controlling is the measuring and correcting the activities of staff to assure that events conform to plan. It measures the performance against goals.

Finance is most crucial that warrants the personal influence and rapport with thefinancial institutions to get it materialized. The entrepreneur has to show the required faith and credibility, and strength of the enterprise to get the required credit.

Quality control determines the future of one's inspirational climb up. Quality products create wide market, thus making the entrepreneur's task of intervention easy amidst stiffchallenges.

Marketing linkage should be diligently built up by making the products cost competitive, unique and indispensable before the consumers.

Alternative opportunity refers to the next best option that could be explored or employed on the face of parallel enterprises and challenge to ones entrepreneurship venture.

MOTIVATION- The word motivation is derived from the Latin term '*movere*', which means 'to move'. Motivation is the process of initiating a conscious and purposeful action. Motive means an urge (drive or force) or combination of urges, to induce conscious or purposeful action. Motivation means movement or motion, an inner state that energizes, activates or moves and directs human behaviour towards goals. It is a need satisfying and goal seeking behaviour of human being.

Motivation can be defined as stimulating, inspiring, and inducing the employees to perform to theirbest capacity. It explains why people do the things they do. It influences a person to do a thing in a certain way. Motive is something (a need or desire) that causes a person to act. Motivation is a process of making subordinates to act in a desired manner to achieveorganizational goal.

Definitions:

Motivation may be defined as goal seeking or goal directed behaviour or activity of the human being. Behaviour isa function of the person, which is interaction within a situation

Motivation is also defined as a stage of the organism in which bodily energy is mobilized and selectively directed towards parts of the environment

There are two types of motivation, Intrinsic and Extrinsic motivation.

A. Intrinsic Motivation

The act of being motivated by internal factors to perform certain actions and behaviour is called *Intrinsic Motivation.* Intrinsic motivation means that the individual's motivational stimuli are coming from within. The individual has the desire to perform a specific task, because its results are in accordance with his belief system or fulfils a desire and therefore importance is attached to it.

Our deep-rooted desires have the highest motivational power. Below are some examples:

1- **Acceptance:** We all need to feel that we, as well as our decisions, are accepted by our co-workers.
2- **Curiosity:** We all have the desire to be in the know.
3- **Honors:** We all need to respect the rules and to be ethical.
4- **Independence:** We all need to feel we are unique.
5- **Order:** We all need to be organized.
6- **Power:** We all have the desire to be able to have influence.
7- **Social contact:** We all need to have some social interactions.
8- **Social Status:** We all have the desire to feel important.

B. Extrinsic Motivation

Extrinsic motivation means that the individual's motivational stimuli are coming from outside.In other words, our desires to perform a task are controlled by an outside source. Note that eventhough the stimuli are coming from outside, the result of performing the task will still be rewarding for the individual performing the task.

Extrinsic motivation is external in nature. The most well-known and the most debatedmotivation is money. Below are some other examples:

1- Employee of the month award

2- Benefit package

3- Bonuses

4- Organized activities

Importance of motivation

Motivation is an important factor in determining the efficiency of an organization; it develops a desire in the minds of the employees to achieve successfully the objectives of the enterprise. An enterprise may have the best of material, machines and other means of production but all these resources are meaningless so long as they are not utilized by properly motivated people. There was a time when the human resource of production was treated likeother non- human resources and was not given any special importance. The old concept has lost all importance in this competitive age. Motivation leads to high enthusiasm among employees. Enthusiastic worker's productivity is miraculously increased.

The importance or need of motivation is stressed as;

1- High level of performance.

2- Organizational changes.

3- High employee's turnover and reduction in absenteeism.

4- Good image of organization.

5- Good human relations.

6- Increase in morale.

7- Proper use of human resources.

8- Helpful in achieving goals.

The above review makes it clear that motivation is an important tool for the attainment of objectives of the economically and effectively. Motivation qualities of subordinates and control on wastages

Process of motivation

The study of motivation primarily means an attempt to know from where it starts andwhere it ends. Koontz and O'Donnell have shown the process of motivation as 'Needs-Gap-

Satisfaction' chain in the followingway:

- **1-** Need
- **2-** Desire
- **3-** Tension
- **4-** Action
- **5-** Satisfaction

In the first stage a man feels the need of something; a desire is born in his mind.When a need becomes powerful it gets changed into a want which means that he starts feeling that it should be satisfied.

When thoughts come to his mind, tension is created which makes him dissatisfied. The only way to get rid of tension is to do some work. Hence, the situation of action is created. When a man acts to remove the tension created by his needs, he feels satisfaction.

Employees are made to realize their needs through motivation and a feeling to achievethem is born in their mind. The managers make available all the facilities for work performance and, finally, the employees achieve their objective by satisfying their needs. After one need is satisfied, the other is born and the chain continues. It must be made clear that the objective of motivation is not only to satisfy the needs of the employees but to achieve successfully the objectives of the organization.

A state if need is a motive, the action initiated or the drive behavior is known as motivated and attainment of needs and reduction of drive by the achievement of goal is known, as the 'process of motivation'. Motivation in general is an important determinant for entrepreneurial growth and development in society. However, under the broad spectrum of motivation, certain social motives have been found to be significantly related to entrepreneurial behavior such as the need for achievement, power, affiliation, dependency, extension, personal achievement, social achievement, influence etc. Among all these motives, three categories of social motives seem to be extensively explored. These are the need for (a) achievement, (c) power and (c) affiliation.

These categories of social motives differ with each other in terms of satisfaction derived in undertaking activities as well as in terms of thoughts, feelings and actions of the individual.

Entrepreneurial motivation therefore, may be viewed in terms of a set of motives of varying strength such as a high need to achieve, moderate need for power and low affiliation motive. Apart from the motivational profile, other behavioral dimensions like tolerance to ambiguity, problem solving, creativity, etc., adds in buildingentrepreneurial motivation in a larger perspective. Among these motives, the achievement motive acquiresa strategic and important position, and for this reason it is often equated with entrepreneurial motivation which is quite close but is not the same.

People create enterprises in order to grow and fulfill themselves *i.e.*, for self fulfillment. Abraham Maslow has referred to this need as 'self-actualization', a need to maximize one's potential, whatever it may be. It is a desire to become what one is capable of becoming. A person normally does not become an entrepreneur for affiliation or recognition, but to achieve what he thinks he is capable of. This urge to self- actualization is common to all human beings.

Maslow went further and distinguished between 'special talent creativenesses' and 'self-actualizing creativeness’s'. While special talent creativeness might be focused on,say, musical or artistic activities, self-actualizing creativeness can just as easily be displayed in innovative and entrepreneurial pursuits. Human beings are naturally creative and innovative. However, all successful innovators have to learn to overcome the emotional, perceptual and cultural barriers, which prevent them from testing and implementing their ideas.

Achievement motivation-

Achievement refers to competence (a condition or quality of effectiveness, ability, sufficiency, or success). Motivation refers to the energization (instigation) and direction (aim) of behavior.

Thus, achievement motivation may be defined as the energization and direction of competence-relevant behavior or why and how people strive toward competence (success) and away from incompetence (failure).

McClelland identified several motivating needs which are basic to entrepreneurship development.

- Need for achievement

- Need for independence
- Need for power

Need for achievement: The need to excel, known as achievement, is a critical factor in the personality of an entrepreneur. People with high need for achievement have desire for success in competition with others, or with a self-imposed standard of excellence. They try to accomplish challenging tasks. Entrepreneurs have been found tobe people with a high drive, high activity level and goal orientation. They take external help whenever needed and feel happy on accomplishment of the task.

Need for independence: Studies conducted on entrepreneurs indicate that their need for independence is the prime characteristic that has driven them to start their own business. The entrepreneurs do not conform to routine jobs and practices. They set their own challenging goals and make efforts to achieve these goals. The entrepreneurs do not wait for directions from others and choose their own course of action. They are masters of their own activities and take full responsibility for the outcome of their actions. The independence provides opportunity for trying out new ideas and helping them to achieve their life goals.

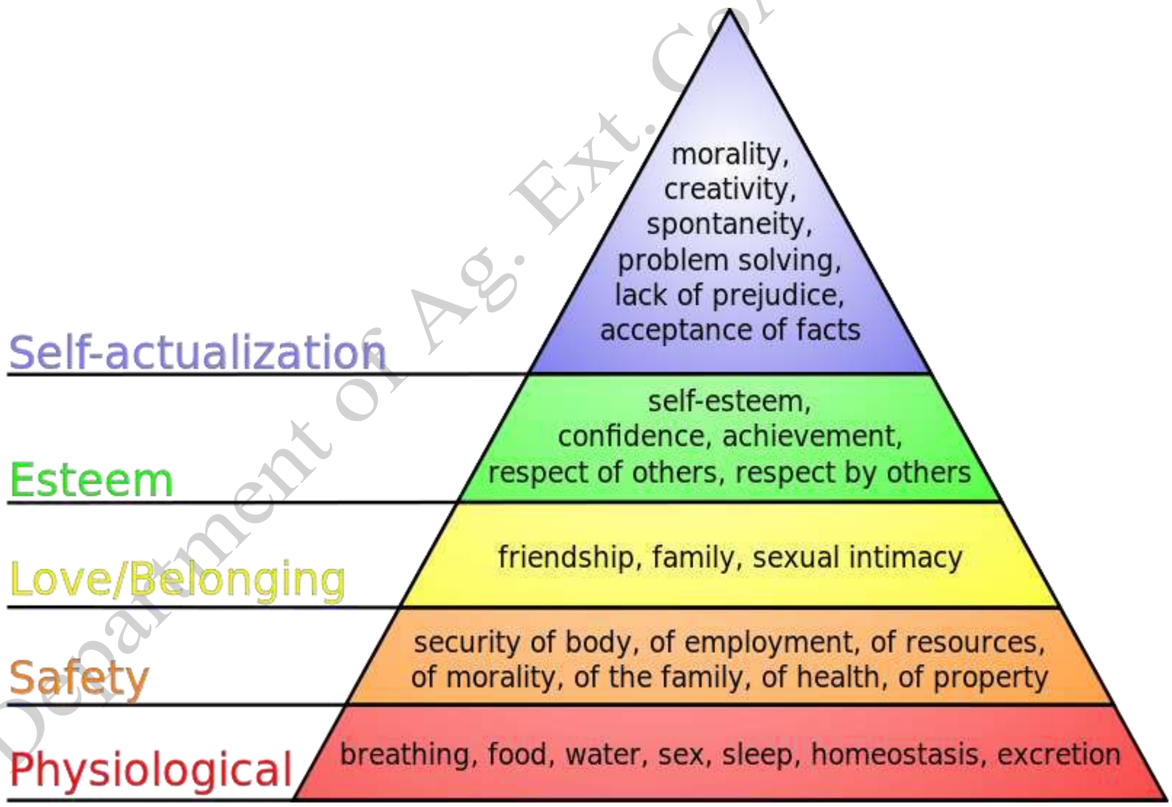
Need for power: High need for achievement leads one into launching an enterprisebut it may not be adequate to contribute to its success. Once an entrepreneur starts an enterprise and wants to manage successfully, he/she also needs to influence people, a drive which sells them his/her ideas and leads them in the process of establishing and expanding the organization. Ideas drive to influence people and to lead them to implement his/herideas may be called as need for power. It implies controlling the actions and activities of other people. The entrepreneurs, especially in the initial stages, reflect moderate need for power. This helps them to become successful enterprise builders. However, they do not develop emotional bonds with people they work with; and their need for affiliation is low.

MASLOW'S' CLASSIFICATION OF NEEDS:

According to the famous psychologist Abraham Maslow (1954), the needs in orderof importance to individuals i.e. the fulfillment of needs starts from the first order and if first order needs are fulfilled the individual thinks of second order and so on as given below

1. **Physiological needs:** These are called first order needs. These needs are necessary for survival of the individual e.g. food, clothing, shelter, etc. these are most important, if these needs are fulfilled then only the individual steps in to second orderneeds

2. **Safety needs:** These are second order needs. These needs are for the security of the individual from physical, physiological, economic and social viewpoints e.g. protection from danger, threatening etc.
3. **Social needs:** These are third order needs. Man is a social animal and has an inherent desire to be with others in some form e.g. friendship, company etc. These are also called response needs.
4. **Esteem needs:** These are fourth order needs. The individual likes to get appreciation and recognition from others in the society e.g. power, status, prestige etc.
5. **Self-actualization:** These are called last order or fifth order or highest order needs. It is self-realization and knowing self or the ultimate purpose of human being e.g. what is human being, how he should live, what is his purpose of living etc.



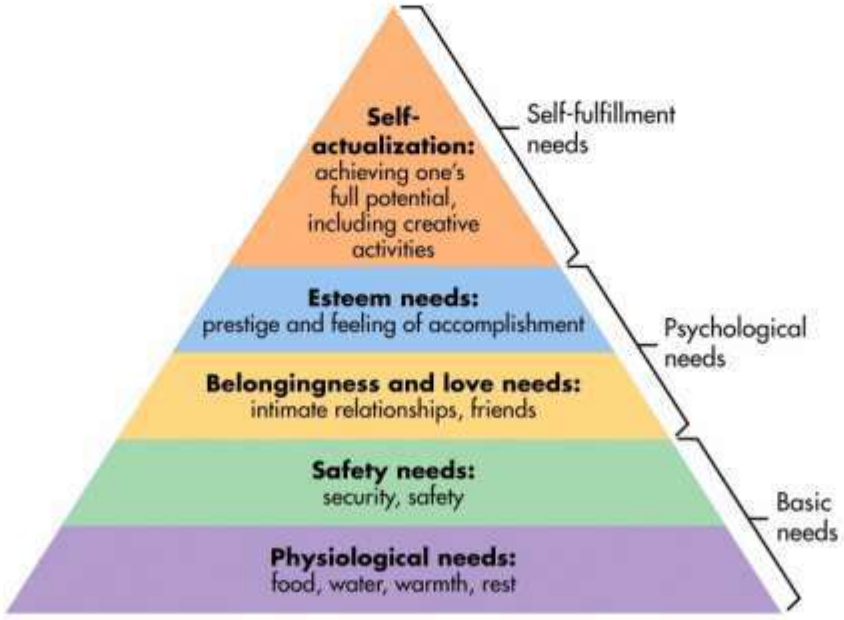


Fig- Maslow's' Classification of Needs

Motivating factors for entrepreneurship development

The common man thinks that people go into business and become entrepreneurs solely to make money. The desire to earn money is no doubt an important motivating force. But entrepreneurs are not moved by profits alone. Many other factors inspire entrepreneurs to perform their job successfully. Several research studies have been conducted in India to identify the motivating factors that inspire entrepreneurs. Sharma (1987) identified thefollowing internal and external motivating factors.

1. **Educational background:** Education equips an individual for solving problems of life. The educational background helps him in understandingthe problems and finding solution to it. Education helps in doing thing in better way.
2. **Occupational experience:** Experiences help an individual by going through the situation. It provides him the learning experience.
3. **Desire to work independently:** This helps an individual in taking independent decisions and gain control over the situation. Success gives him confidence in performing the job in future**.**
4. **Desire to branch out to manufacturing:** The desire to do something new makes an individual to think differently. He may start a branch or section which is altogether different from the main firm. But mostly a complimentary branch is helpful to the main branch. Out of experience and study one can take such steps.

5. **Family background:** An entrepreneur born in an industrialist family inherits certain social and cultural background which is conducive to his work.
6. **Assistance from government**: There are a large number of schemes to help the entrepreneurs in developing their enterprise. These helps motivate him to expand or start new business.
7. **Assistance from financial institutions**: The banks and other financial agencies provide assistance for the enterprise. These institutions give fund as per the project proposal submitted by the entrepreneur, which itself acts as a motivating force.
8. **Availability of technology and raw material:** The new technology is being evolved every day. Sometimes the raw material is available for the enterprise but there is no one to take advantage of this situation. The entrepreneur should organize the things in such a way that it will develop his enterprise. He is motivated by the opportunities in front of him.
9. **Other factors of production:** There may be many other factors of productionlike heavy demand for particular product, utilization of excess money earned from contractual estate business, started manufacturing to facilitate trading
10. /distribution business, no chance for further promotion of present enterprise which may motivate an individual to start new enterprise.

The above nine factors are grouped into two major categories internal and external. The first five factors are termed as internal and the last four factors as external. The internal motivating factors like education, occupational experience, family background, the desire to do something independently together make the personality ofthe entrepreneur. These factors generate an inclination to start entrepreneurial activities.

The internal factors are important but they need to be supported by external factors like favorable governmental policies, financial assistance, technology and raw material and infrastructural facilities These facilities or assistance are the external motivating factors and serve as a spark in the lightening of the entrepreneurial idea. These factors also provide a momentum to the entrepreneurial activities.

CHAPTER- 5

IMPORTANCE OF PLANNING, BUDGETING, MONITORING, EVALUATION AND FOLLOW UP IN RUNNING AN ENTERPRISE, RESEARCHING/ MANAGING COMPETITION:

Planning is an initiatory function in the sense that it is initiated in the first place to formulate a systematic programme in detail for doing or achieving a mission still unformed or undeveloped. It is a function which implies a comprehensive and extensive task of devising and laying out in distinguished sections a detailed programme ofactions to be carried out to convert an idea into a safe and sound business entity. Planning for an enterprise, as generally observed, is the groundwork in preparation for making a proposed venture start and grows smoothly.

Planning-Importance

Many business ideas end up in complete failure as they are unable to produce the desired results despite long and hard efforts. Of course, there is not a single practice model which would guide through numerous critical situations and help translate ideas into well grounded realities.

Recent studies, however, suggest that there are noticeable similarities amongthe key preliminary preparations that most successful entrepreneurs accomplish before they are ready to launch their new ventures. These commonly observable facts serve to trace, in general, the way aspiring entrepreneurs may make preparations so that they cannot only get off to a good start but also transform their dreams into gainful business enterprises.

Many researchers, therefore, have a message that what every ambitious individual should note about the right approach to make hard work result challenging business environment; secondly, examine own abilities and limitations; thirdly, make an advance realization of problems that will or may come; fourthly, determine whether a proposed venture can be expected to succeed and grow in the long run; and, finally, if assured or prospects, carefully plan the course of conduct of related activities essential to sustainable progress. Thus, business or project planning is regarded as fundamentalto a good start in entrepreneurial career.

Project Plan – A Basic Document

In simple words, a project plan is a basic document which gives an explicit but precise account of what one has in mind to achieve and, in that context, it defines: What will have to be done? When will be done? How will be done? Who will do? Howmuch will it cost?

A project plan spells out the principal features and the future prospects of a proposed business.

Besides, it provides analyses of and insights into vital issues that are to be attended to and sorted out with an eye to achieving the ultimate goal. Many prefer to call it an orderly presentation of a detailed programme of actions for doing, making or achieving something proposed for consideration and acceptance. Others suggest that a project plan is a well defined written argument, based on relevant facts, figures and estimates. It portrays an overall picture of a business proposal, attempts to justify its technical feasibility as well as commercial success and makes clear suggested course of actions in distinguished sections. Some authors are of the view that the phrases project plan, business plan, business schemes, feasibility plan and feasibility plan and feasibility report are alike in meaning or significance. Accordingly, these expressions are frequently used interchangeably.

Project Plan-Benefits and Utilities:

A project plan serves as a useful tool to bring greater success in attaining objectives of a business. That being the case, some of the major benefits and utilities derivable from this document are:

- **Highlights basic elements.** Regardless of size, nature, main objective and location of a venture, as also investment, risk and uncertainty involved in it, a project plan lays stress on the basic elements common to almost every business. The basic elements include ownership; business location; objective; policies and strategies; resource requirements; budget estimates; and anticipated ways and means to accomplish goals.
- **Deals with decisive issues.** Before everything else, a decision has to be reached as to whether or not to go for any investment in the proposed venture. More importantly, a project plan justifies the individual capacity to mobilize resources entrepreneurial ability of the would-be entrepreneur.
- **Assists in evaluation.** A project plan assists in evaluating overall merit of a new business idea.
- **Serves to gain support.** A project plan serves as a means to look for and acquire requisite financial and material assistance from external sources.
- **Helps timely implementation.** A project plan document serves as a handbook to be followed in the process of organizing, directing, coordinating and controlling planned activities aimed at ensuring timely implementation of objectives.
- **Facilitates registration.** A project plan, of course, is essential for seeking from a competent authority permission to engage in a business. Both permission and registration by respective authorities are essentially necessary to commence and carry out any business activity and to

seek financial assistance from commercial banks as also specialized financial institutions.

- **Prepares groundwork.** It aids to prepare the ground for a new unit. Said simply, project planning is one of the vital elementary tasks necessary to make ready the groundwork for primarily a new venture, large or small, and seldom for expansion, diversification or modernization of an existing unit.

IMPORTANCE OF BUDGETING

A budget is a statement of anticipated results during a designated time period expressed in financial terms – as revenue, expense and capital budgets or non financialterms – as in budgets of direct labour hours, materials, physical sales volume or units ofproduction. Budgeting is a key managerial process because it together constitutes functions of planning, controlling and coordinating. **Budgeting is a process of preparing budgets.** The primary objective of budget is to ensure the optimum utilization of available funds for the purpose of producing at minimum cost and selling in a competitive market at maximum profit. George R. Terry has described budget as "an estimate of future needs, arranged according to an orderly basis, covering some or all the activities of an enterprise for a definite period of time." In broad sense, a budget constitutes a statement of planned or expected results in quantitative terms for a specified future period. It may be expressed either in financial or physical terms like machine hrs, units or products or in any other numerically measurable terms. In simple words budget is a statement of expected results expressed in numerical terms.

The purpose or importance of budgeting:

- To plan for the efficient and smooth running of project/ business/ an enterprise.
- To keep up the production schedule,
- To coordinate the various activities of project/ business/ an enterprise.
- To effect control on various departments.
- To help in decentralization
- To help in delegation of authority
- To plan and control receipts and payments.
- To control the development.
- To arrange the capital.
- To control the research projects

- To establish standards of evaluation.
- To help the management in its corrective action.

On the basis of purpose for which budgets are prepared, they are classified as revenue and expense budgets, sales budget, production budget, production cost budget, and selling and distribution cost budget, capital expenditure budget, cash budget and master budget. The budget coordinates production, sales and finance. It compels small entrepreneurs to think on a continuing basis to maximize profits.

Budgetary control:

Budgetary control is a tool of management used to plan, carryout and controls the operations of the business. The entrepreneur finds it quite handy in planning the growth of his business or enterprise. "Budgetary control is a device or technique of managerial control through budgets." George R. Terry has described budgetary control as 'a process of finding out what is being done and comparing the actual results with the corresponding budget data in order to approve accomplishments or to remedy differences by either adjusting the budget estimates or correcting the cause of difference. The process of budgetary control involves planning, coordination, recording, control, appraisal and follow up various activities planned and implemented based on budgets. Budgetary control provides basis for administrative control, direction of sales effort, production planning and control over stocks.

MONITORING AND EVALUATION OF AN ENTERPRISE

Monitoring and evaluation provides with better means for learning from past experience, improving service delivery, planning and allocating resources anddemonstrating results as part of accountability to key stakeholders. Although evaluation is distinguished from monitoring, they are in fact interdependent. Monitoring presents what has been delivered and evaluation answers the question "what has happened as a result of the intervention?" Impact evaluation is a particular aspect of evaluation, focusing on the ultimate benefits of an intervention.

Monitoring: It is regular systematic collection and analysis of information to track the progress of programme implementation against pre-set targets and objectives. It meansto keep a careful check of project activities over a period of time. To work to its full potential, any kind of project needs to set out proposals and objectives. Then a monitoring system should be worked out to keep a check on all the various activities, including finances. This will help project staff to know how things are going, as well as giving early warning of possible problems and difficulties. It is performed while a project is being implemented, with the aim of improving the project design and functioning while in action.

Monitoring gives information on where a policy, program or project is at any given time (or over time) relative to respective targets and outcomes. Monitoring focuses in particular on efficiency, and the use of resources.

Monitoring

- Clarifies program objectives
- Links activities and their resources to objectives
- Translates objectives into performance indicators and sets targets
- Routinely collects data on these indicators, compares actual results with targets
- Reports progress to managers and alerts them to problems

Evaluation: It is an objective assessment of an ongoing or recently completed project, program or policy, its design, implementation and results. Evaluation deals with questions of cause and effect. It is assessing or estimating the value, worth or impact of an intervention and is typically done on a periodic basis –perhaps annually or at the end of a phase of a project or program. An evaluation studies the outcome of a project (changes in income, housing quality, benefits distribution, cost-effectiveness, etc.) with the aim of informing the design of future projects. Evaluation looks at the relevance, effectiveness, efficiency and sustainability of an intervention. It will provide evidence of why targets and outcomes are or are not being achieved and addresses issues of causality.

Evaluation

- Analyzes why intended results were or were not achieved
- Assesses specific casual contributions of activities to results
- Examines implementation process
- Explores unintended results
- Provides lessons, highlights significant accomplishments or program potential and offers recommendations for improvement

Impact assessment: Assesses what has happened as a result of the intervention and what may have happened without it - from a future point in time. Impact Assessment is an aspect of evaluation that focuses on ultimate benefits. It sets out to assess what has happened as a result of the intervention and what may have happened without it. Where possible impact assessment tries to differentiate between changes that can be attributed to the program from other external factors that may have contributed as well as examining unintended changes alongside those intended.

Impact assessment

- Seeks to capture and isolate the outcomes that are attributable (or caused by)the program
- Will review all fore-going M&E activities, processes, reports and analysis
- Provides an in-depth understanding of the various causal relationships and themechanisms through which they operate
- May seek to synthesize, compare, contrast a range of interventions in a region,timeframe, sector or reform area

Why should we undertake M&E?

Monitoring and evaluating program performance enables the improved management of the outputs and outcomes while encouraging the allocation of effort and resources in the direction where it will have the greatest impact. M&E can play a crucial role in keeping projects on track, create the basis for reassessing priorities and create an evidence base for current and future projects through the systematic collection and analysis of information on the implementation of a project. M&E during project implementation perform two main functions

- M&E as a legitimization function - **PROVING**

Are we achieving the desired benefits for the right target groups?

Are we achieving these benefits as efficiently and effectively as we can?

- M&E as a learning function **- IMPROVING**

Are we doing things right? Are we doing the right things?Could we do things better?

Could we do better things?

IMPORTANCE OF MONITORING AND EVALUATION

1. Provide constant feedback on the extent to which the projects are achieving theirgoals.
2. Identify potential problems at an early stage and propose possible solutions.
3. Monitor the accessibility of the project to all sectors of the target population.
4. Monitor the efficiency with which the different components of the project are being implemented and suggest improvements.
5. Evaluate the extent to which the project is able to achieve its general objectives.

6. Provide guidelines for the planning of future projects.
7. Influence sector assistance strategy. Relevant analysis from project and policy evaluation can highlight the outcomes of previous interventions, and the strengths and weaknesses of their implementation.
8. Improve project design. Use of project design tools such as the log frame (logical framework) results in systematic selection of indicators for monitoring project performance.
9. Incorporate views of stakeholders. Awareness is growing that participation by project beneficiaries in design and implementation brings greater "ownership" of project objectives and encourages the sustainability of project benefits.Ownership brings accountability. The emergence of recorded benefits early on helps reinforce ownership, and early warning of emerging problems allows actionto be taken before costs rise.
10. Show need for mid-course corrections. A reliable flow of information duringimplementation enables managers to keep track of progress and adjust operations to take account of experience.

FOLLOW UP

Follow-up need not be expensive and can be easily achieved through phone and email. Follow-up refers to responding to business queries, inquiries, and complaints if your business is relative new. Many businesses fail soon after they are launched only because they didn't offer good customer support along with their products and services.

Every customer has unique needs and as a smart entrepreneur, it's your job to find out what customers expect from your products as well as your company. While quality is by far the most motivating factor for buying a particular product for many customers, they also want more in terms of customer support, flexible payment options, free product replacement and repair, and extended warranties or product guarantees.

To keep your customers happy and enjoy a long-term relationship built on trust and confidence, you must address all of these needs. Happy and satisfied customers are your biggest asset - and often they are also the ones that promote your business in incredible ways by referring your products and services to others in their social circle. Not only do they come back to you for more business, but also provide useful feedback that you can share with other prospective customers.

Your customers are the ones who can make or break your reputation in the market. This is why you need to go out of your way, if needed, to ensure that their needs are attended to and all their grievances are duly addressed

RESEARCHING / MANAGING COMPETITION

Competition is everywhere. Very few industries or markets haven't experienced some form and degree of competitiveness. Researching competition through competitor intelligence can be a powerful tool for entrepreneurs. **Competitor intelligence** is a process of gathering information on who competitors are, what they are doing, and how their actions will affect your organization

Competition is defined as organizations battling with each other for some desired outcome, it may be customers, market share, survey ranking, or needed resources.

WAYS OF DEFINING POSSIBLE COMPETETORS

There are three ways to define possible competitors. The first approach, the **industry perspective,** identifies competitors as organizations making the same product or providing the same service. For instance, there's the oil industry, the seed industry, the fertilizer industry etc. The competitors in each of these industries are producing the same or similar types of products or services. Using this approach, an entrepreneur can assess the intensity of competition by looking at how many organizations are in the industry and how they differ from each other. Competition would be highest when there are numerous, similar competitors. In other words, these competitors are all using the same approaches in fighting for the same desired outcome- for example, getting a customer to purchase their product or service, and not another organizations.

Another approach to defining competitors is the **marketing perspective,** which says that competitors are organizations that satisfy the same customer need. For example, if the customer need is technical information, potential competitors might range all the way from R&D, Scientists, Print and electronic media, Development agencies etc. These are different industries that are attempting to satisfy the same customer need. Under this perspective, the intensity of competition depends on how well the customer's needs are understood or defined and how well_ different organizations are able to meet that need.

The final approach to defining competitors is the **strategic groups' perspective**. Strategic groups are groups of competitors following essentially the same strategy in a particular market or industry. Within a single industry, you might find a few or several strategic groups, depending on what strategic factors are important to different groups of customers- that is, What factors customers use in making purchase decisions. For instance, two strategic factors often used in grouping competitors are price (low to high) and quality (low to high). Competitors would then be "grouped" according to their price quality strategies, with those following the same or similar approaches in the same strategic group. Keep in mind that the important strategic factors used to determine an organization's competitors are different for every industry and can be different even for various industry groups. The possible dimensions for identifying strategic groups are price, quality, geographic scope, product line, market share, profits and product uniqueness.

This approach suggests that strategic groups are important to understand who your competitors are because your most relevant competitors are those in your particular strategic group. Although competition might come from organizations in other strategic groups, your main competitive concerns are the organizations in your own strategic group. The intensity - of competition according to this perspective depends on

how effectively each competitor has been able to develop a competitive advantage and on the specific competitive actions being used. by each competitor to capture thedesired outcome be it customers, resources, or whatever.

No matter how we define our potential competitors, the fact remains that there will be other organizations working hard to secure the same customers, resources, and other desired outcomes that you also want. Now that wef know how to define "who" our competitors are, we need to look at what type of competitive information to get and where to get that information about what our' competitors are doing.

COMPETITOR INFORMATION

Type of Competitive Information to be collected:

What you want to do is get a good feel for what your potential competitors are doing. Here are some possible areas you might use to guide your research:

- Types of products or services are competitors offering.
- Major characteristics of these products or services.
- Their products' strengths and weaknesses.
- The way of handling, marketing, pricing, and distributing.
- Attempts to do the activities differently from other competitors and their successpercentage.
- competitive advantage(s) of their activities
- profitability percentage of their activities

- mode of reaction of the competitors when something (or someone) new comes into the
- Then, you want to assess how your proposed entrepreneurial venture is going to "fit"into this competitive mix. Once you've decided what type of competitive information you'd like to have, you're ready to find it. Now, where can you find this type of information?

Sources of getting Competitive Information:

Published financial sources, former employees; dealers, representatives, and distributors; suppliers; professional meetings; market surveys; trade fairs and exhibits; competitors' brochures; competitors' Web-pages; technical analysis of competitors' products (called reserve engineering); comparison shopping; news stories found in newspapers or other printed publications and on broadcast media news programs; competitive intelligence firms; interviews with consultants; and so forth. One thing you should be concerned with as you gather competitive information, however, is whether ornot your information gathering is ethical.

Once you've gathered information on your competitors, you might want to organize it in some type of competitor analysis matrix. List the competitors along the horizontal axis and the type of competitive information along the vertical axis. Fill in the actual information for each competitor in the appropriate cell. In this way, you would be able to compare your potential competitors easily. Also, this type of competitor analysis becomes an important part of your feasibility study and your business plan.

COMPETITOR ANALYSIS MATRIX				
Competitive Information	Business 1	Business 2	Business 3	Business 4
Products or services offered				
Product strengths				
Product weaknesses				
Competitive advantage				
Competitive disadvantage				
other Competitive Information				

The rivalry between business organizations having similar interest is a common phenomenon. For the business to survive in the face of stiff challenge and to ensure its sustained growth in that environment, the entrepreneur has to adopt certain **principles of managing competition**. Some of them are

- Spot early opportunities
- Develop a deeper understanding of the customer - national and international
- Keep track of the competitors
- Identify current trends which would shape the future.

CHAPTER- 6

ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES (EDPs) - OBJECTIVES, PHASES, PROBLEMS OF EDPs, CRITERIA FOR ASSESSMENT OR EVALUATION OF EDPs

Entrepreneurs play a predominant role in accelerating the socio-economic development of a country. They are regarded as the nation builders and wealthcreators. They are the change agents who initiate economic activities to create wealth. They undertake the business initiative, employ themselves in that business and open up employment avenues for others. Therefore, the role of entrepreneur is of fundamental importance to a country like India where the twin problems of poverty and unemployment coexist.

During early sixties, the small scale sector was considered as exclusively an employment-generating sector, but gradually this sector began to be recognized as the crucial tool for tapping latent entrepreneurial talent and now in the post-liberalization period, there seems to be ample opportunities for entrepreneurship and entrepreneurial growth.

Considering the importance of small scale industries in employment creation and economic development, the Government of India envisaged promotional packages to facilitate setting up of new enterprises. In order to bring about entrepreneurial growth, the policy mailers and financial institutions started thinking in terms of imbibing entrepreneurship culture through training interventions. Thus, Entrepreneurship Development Programmes (EDPs) Corporation (GIIC) and other agencies who have organized a three-month entrepreneurship development programme in late sixties. The programme was conducted for a selective group of energetic and potential entrepreneurs who had the willingness and desire to achieve the goal set by them. The objectives laid down for the above programmes were as follows:

- **i)** To set up small scale ventures
- **ii)** To manage them effectively
- **iii)** To earn adequate profit from these ventures
- **iv)** To undertake personal responsibility of the business

It has been found out that **'n Ach'** factor developed by **David McClelland,** the renewed behavioural scientist, is the most important quality for entrepreneurial development. In order to prove that the need for achievement could be induced, he conducted an experiment in collaboration with the erstwhile Small Industries Extension and Training Institute (SIET) of Hyderabad at Kakinada, Andhra Pradesh. Youngpersons were selected and put through rigorous training for a period of three months to guide them to set new goals. The achievement motivation has a positive impact upon their task performance. The Kakinada experiment could be treated as an important basis for the present-day EDP inputs on behavioral aspects.

In later stage, **Achievement Motivation Training (AMT)** has become an integralpart of EDP course curriculum. Institutes like SISI, NISIET, SIDO and TCOs came forward conduct EDPs and national level organizations like Entrepreneurship Development Institute (EDI) of India, Ahmedabad and National Institute for Entrepreneurship and Small Business programmes. According to a study conducted by NIESBUD, at present, as many as 686 odd organizations, including the state level organizations like IEDs/CEDs, are organizing EDPs in the country.

Objectives of EDPs:

The important objectives of Entrepreneurship Development Programmes (EDPs) can be stated as follows:

a) Accelerating industrial development by enlarging the supply of entrepreneurs

b) Developing entrepreneurial qualities and motivating the prospective entrepreneurs to achieve the goal

c) Enhancing the growth of small-and medium-scale enterprise sectors which offer better potential for employment generation and dispersal of industrial unit

d) Providing productive self-employment avenues to a large number of educated and low educated young men and women coming out of schools and colleges

e) Improving performance of small-and medium-scale industries by the supply of carefully-selected and trained entrepreneurs and diversifying sources of entrepreneurship

f) Enterprise development in rural and no-industry areas where local entrepreneurship is not really available and entrepreneurs from nearby towns arenot easily lured

THE INDIAN EDP MODEL

There is a saying that entrepreneurs are the products of nature, nature and culture. Of course, this is very much true in Indian context. Apart from the nature and the culture, the role of nurture is very much significant for human resource development. The myth that entrepreneurs are born and not made has no longer been accepted. Ordinary persons can be turned into successful entrepreneurs though well-designed training programmes conducted by the Entrepreneurship Development institutes. The term nurture here implies the training intervention which is a real endeavor towards human resource development, especially entrepreneurial development. The Entrepreneurial Development Programmes, therefore, are based upon well-designed and integrated modular packages to but to the needs of the budding entrepreneurs. The training level follow more or less the same principle in organizing Entrepreneurial Development Programmes. In the present context, EDPs are usually conducted for four to six weeks and the curriculum adopted by the above institutes for imparting training is also apparently uniform.

PHASES OF EDPs

The EDPs normally pass through following three important phases:

- Pre-training phase
- Training phase
- Post-training or follow-up phase

Pre-training phase:

This phase is the preparatory phase for launching the programmes. It includes a number of activities, which are as follows:

Identification of operationally-promising area, normally a district

Selection of a project leader/course coordinator to coordinate the programme

Arrangement of infrastructural facilities for the programme

Undertaking potential industrial survey/environmental scanning for identification of good business opportunities

Planning the programmes on various fronts such as:

a) Promotional campaigns through either with the help of print or electric media, leaflets, posters, etc.
b) Establishing contacts with business personalities, NGOs and related agencies which can contribute to the programme both directly and indirectly
c) Getting the application forms printed and making them available at different centers along with instructions.
d) Forming selection committee for selecting the trainees
e) Preparing the budget, obtaining administrative sanctions and organizing other activities which

from a part of EDP

f) Preparing and finalizing the need-based inputs in training syllabus and to tie u with guest faculties to impart training

Contacting the support agencies like DICs, SFCs, SISI, banks, NSIC, District Magistrate, etc. to receive support in implementing the programme

Organizing industrial motivational campaigns to mobilize as many number of applications as possible.

Training phase: Training potential entrepreneurs are providing them proper guidance for setting up enterprise constitutes the cornerstone of EDP. Most of the Entrepreneurship Development institutes generally conduct training programmes of 4-6 weeks duration on full time basis. The programmes design in terms of objectives, training inputs and their focus is described.

Training Phase: Programme Design

Objectives	**Focus**	**Inputs**
Motivation and reinforcement of entrepreneurial traits, confidence building	Entrepreneur	Behavioural inputs
Facilitating decision-making process to set up a new venture	Enterprise establishment	Business opportunity guidance, information and project planning inputs, technical inputs
Successful and profitable operation of enterprise. Industrial exposure	Enterprise management, first-hand knowledge of factory layout, business sites, etc.	Management inputs, plant visit/in-plant training

Post-training phase: Post-training phase is otherwise known as the phase of follow-up support. During this phase, post-training support services are rendered to the participants who have successfully completed the Entrepreneurship Development Programme (EDP). This is because of the fact that, very often, the potential entrepreneur after undergoing the training confronts a number of problems while implementing the action plan for grounding the project. So during this phase, the training organization helps the entrepreneur in sorting out the problems through counseling support.

A committee is formed consisting of members generally drafted from the leading bank of the district, State Financial Corporation, training organization and above all, the District Industries Centre to help the entrepreneurs with the following objectives during the follow-up:

- **i)** To provide a meaningful direction to the trainees in grounding their enterprise
- **ii)** To review the progress made by the trainees in implementation of the project
- **iii)** To review the post-training approach
- **iv)** To provide escort services to the trainees by involving financial institutions and promotional agencies.

Usually, follow-up action meetings are organized thrice a year after the completion of training and the following methods are generally used for follow-up:

a) Postal questionnaire
b) Telephonic follow-up
c) Personal contact by the trainer
d) Group meetings

Problems of EDPs: The low level of performance is usually attributed to the following problems involved in organizing and conducting EDP trainings:

a) Shortage of adequate number of specialized and committed organizations
b) Insufficient trainer motivators to motivate people for undergoing EDPs and to impart training
c) Identification and selection of wrong projects
d) Lack of entrepreneurial and culture
e) Apathetic attitude of the support agencies like banks and financial institutions to support entrepreneurs
f) Lack of forward and backward linkages
g) Selection of wrong person for training
h) Improper identification of projects
i) Inadequate counseling support after training
j) Lack of continuous follow-up action or post-training support services for grounding the

project

Criteria for assessment or evaluation of EDPs: Following criteria are being used by the behavioral scientists to assess the effectiveness of EDPs in the country.

i) New enterprise creation

Employment generation in quantifiable term

Creation of job opportunities both directly and indirectly

Increase in sales and profit

Enterprise expansion

Enterprise transformation

Improvement in quality of product or services

Repayment of loans

CHAPTER- 7

SWOT ANALYSIS-CONCEPT, MEANING AND ADVANTAGES, GENERATION, INCUBATION AND COMMERCIALIZATION OF BUSINESS IDEAS:

SWOT Analysis is the most renowned tool for audit and analysis of the overall strategicposition of the business and its environment. Its key purpose is to identify the strategies that will create a firm specific business model that will best align an organization's resources and capabilities to the requirements of the environment in which the firm operates.

To innovate, an entrepreneur has to make a diagnosis of the current situation of market, firm, organization and so on. The diagnosis of the current situation is done by conducting an Internal and External Analysis.

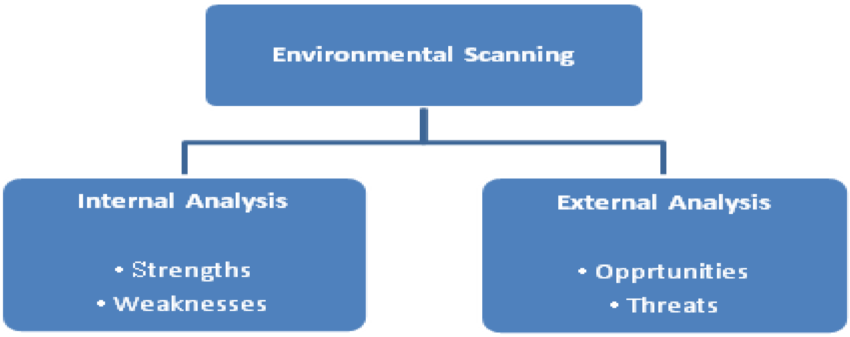
SWOT Analysis is a tool, often used by organizations in planning its future. Analysis of Internal and External Environment together is called SWOT Analysis. This tool can be explained in a simplified manner as follows S- strengths, W- weaknesses, O- opportunities and T- threats of an organization.

In other words, it is the foundation for evaluating the internal potential and limitations and the probable/likely opportunities and threats from the external environment. It views all positive and negative factors inside and outside the firm that affect the success. A consistent study of the environment in which the firm operates helps in forecasting/predicting thechanging trends and also helps in including them in the decision-making process of the organization.

Internal Analysis- The Internal Analysis of the organization will cover the organizational position with respect to different functional areas like production, finance, marketing, R & Distribution and so on. More specifically, this may look into a company's sales volume, market share, profitability and so on. Strengths (S) and Weaknesses (W) are considered to be internal factors over whichyou have **some measure of control.**

External Analysis- The External Analysis will do the necessary scanning of the business environment to identify any threat and opportunities posed on the company, its products or services. More specifically, this will include the industry performance, competitive activity and a review of the growth and decline of the user industries. Opportunities (O) and Threats (T) are considered to be external factors over which you have **essentially no control.**

SWOT ANALYSIS FRAMEWORK



An overview of the four factors (Strengths, Weaknesses, Opportunities and Threats) is givenbelow-

1. Strengths - Strengths are the qualities that enable us to accomplish the organization's mission. These are the basis on which continued success can be made and continued/sustained.

Strengths can be either tangible or intangible. These are what you are well-versed in orwhat you have expertise in, the traits and qualities your employees possess (individually and as a team) and the distinct features that give your organization its consistency.

Strengths are the beneficial aspects of the organization or the capabilities of anorganization, which includes human competencies, process capabilities, financial resources, products and services, customer goodwill and brand loyalty. huge financial resources, broad product line, no debt, committed employees, etc.

Examples of organizational strengths are:

a) Availability of necessary infrastructure

b) Adequate production capacity

c) Skilled manpower

d) Good manufacturing practices, quality assurance and quality control

e) Low cost of manufacture

f) Facilities for product and process development

g) Good location

h) Wide distribution network

i) Motivated staff

j) Liquidity position

k) Brand image

l) Consistency in earning profits

m) Good corporate image

n) Efficient management

o) Philosophy and human resource development

2. Weaknesses - Weaknesses are the qualities that prevent us from accomplishing our mission and achieving our full potential. These weaknesses deteriorate influences on the organizational success and growth. Weaknesses are the factors which do not meet the standards we feel they should meet.

Weaknesses are controllable. They must be minimized and eliminated. For instance - to overcome obsolete machinery, new machinery can be purchased.

Examples of organizational weaknesses are:

a) Rising cost of operations

b) Growing union pressures

c) Low level of motivation of staff

d) Non-availability of raw material

e) Scarcity of capital

f) Weak credit worthiness

g) Problem of under utilization of capacity

h) Outdated technology

i) Poor project planning

j) Inadequate infrastructure

k) Shortage of trained technicians

l) Insufficient managerial expertise

m) Unorganized nature of operations

n) Lack of effective co-ordination

o) Inadequate training in skills

p) Feeble structure/poor organization

q) Problems of delegation of authority

3. Opportunities - Opportunities are presented by the environment within which our organization operates. These arise when an organization can take benefit of conditions in its environment to plan and execute strategies that enable it to become more profitable. Organizations can gain competitive advantage by making use ofopportunities.

Organization should be careful and recognize the opportunities and grasp them whenever they arise. Selecting the targets that will best serve the clients while getting desired results is a difficult task. Opportunities may arise from market, competition, industry/government and technology. Increasing demand for telecommunications accompanied by deregulation is a great opportunity for new firms to enter telecom sector and compete with existing firms for revenue.

Examples of organizational opportunities are:

a) Growing population

b) Increase in disposable income

c) Good monsoon

d) Easy availability of money

e) Availability of appropriate technology

f) Favorable government policies

g) Availability of different task environment like market information, distribution outlets and media.

h) Presence of favorable cultural environment.

4. Threats - Threats arise when conditions in external environment jeopardize the reliability and profitability of the organization's business. They compound the vulnerability when they relate to the weaknesses. Threats are uncontrollable. When a threat comes, the stability and survival can be at stake. Examples of threats are - unrest among employees; ever changing technology; increasing competition leading to excesscapacity, price wars and reducing industry profits; etc.

Examples of organizational threats are:

a) Shortage of power, water, fuel
b) Rejection by the market
c) Recession
d) Tough competition
e) Political instability
f) Fiscal policy resulting into increased taxes, duties, imports reservations, licensing
g) Technological obsolescence
h) Tight money market
i) High cost of raising finance and cost of finance
j) Resource crunch
k) Difficulty in retaining technical experts
l) Climatic changes
m) Changing customer tastes and preferences
n) Prolonged economic depressions

Advantages of SWOT Analysis

SWOT Analysis is instrumental in strategy formulation and selection. It is a strong tool, but it involves a great subjective element. It is best when used as a guide, and not as a prescription. Successful businesses build on their strengths, correct their weakness and protect against internal weaknesses and external threats. They also keep a watch on their overall business environment and recognize and exploit new opportunities faster than its competitors.

SWOT Analysis helps in strategic planning in following manner-

1. It is a source of information for strategic planning.
2. Builds organization's strengths.
3. Reverse its weaknesses.
4. Maximize its response to opportunities.
5. Overcome organization's threats.

6. It helps in identifying core competencies of the firm.
7. It helps in setting of objectives for strategic planning.
8. It helps in knowing past, present and future so that by using past and current data, future plans can be chalked out.

SWOT Analysis provide information that helps in synchronizing the firm's resources and capabilities with the competitive environment in which the firm operates.

Limitations of SWOT Analysis

SWOT Analysis is not free from its limitations. It may cause organizations to view circumstances as very simple because of which the organizations might overlook certain key strategic contact which may occur. Moreover, categorizing aspects as strengths, weaknesses, opportunities and threats might be very subjective as there is great degree of uncertainty in market. SWOT Analysis does stress upon the significance of these four aspects, but it does not tell how an organization can identify these aspects for itself.

There are certain limitations of SWOT Analysis which are not in control of management. These include-

1. Price increase;
2. Inputs/raw materials;
3. Government legislation;
4. Economic environment;
5. Searching a new market for the product which is not having overseas market due to import restrictions; etc.
6. Internal limitations may include-
7. Insufficient research and development facilities;
8. Faulty products due to poor quality control;
9. Poor industrial relations;
10. Lack of skilled and efficient labour; etc.

GENERATION, INCUBATION AND COMMERCIALIZATION OF BUSINESS IDEAS

The process of establishing a business and further sustenance is a complex process and it involves several activities and techniques to be adopted for running the business. Primarily the process starts with idea generation followed by idea incubation and finally leading to commercialization of business ideas. All these three steps are interlinked and the entrepreneurs need to be cautious in handling all these steps.

IDEA GENERATION

Entrepreneurs need ideas to start and to grow their entrepreneurial ventures. Generating ideas is an innovative, creative process.

Where Ideas Come From. Various entrepreneurship researchers have looked at the source of an entrepreneur's ideas. These studies have shown that the sources of their ideas are unique and varied.

Common sources:

Personal interests or hobbies

Entrepreneur's work experiences, knowledge, and skills. Look at products and services currently available, External environment.

Potential Sources of Entrepreneurial Ideas		
Sources • Personal interests orhobbies • Work experiences, skills, abilities • Products and services familiar ones unfamiliarones • External environmental opportunities in these sectors: Technological, societal, cultural, demographic, economic, legal, political	Ideas for Entrepreneurial Venture	**What to Look For** ☐ Limitations of what's currently available ☐ New and different Approaches ☐ Advances andBreakthroughs ☐ Unfilled nich ☐ Trends and change

WAYS TO GENERATE IDEAS.

Environmental scanning One technique that entrepreneurs can use to generate ideas is environmental scanning**,** the screening of large amounts of information to detect emerging trends. Here are some “ideas” to stimulate your own idea creation by scanning the world around you: Read your local and other major metropolitan newspapers. Read popular consumer and news magazines; review the fiction and nonfiction best-seller lists; review government and consumer publications; subscribe to relevant trade publications; pay attention to commercials; watch and review top prime- time television shows; browse through the magazine section of a bookstore; walk through a local shopping mall to see what’s there; and so forth. The challenge of this method is not having too little information to scan; it’s having too much. It may seem like a lot of effort and work, but if you’re serious about being a successful entrepreneurin action, it’s energy well spent.

Creativity and creative problem solving: Creativity is defined it as the ability to combine ideas in a unique way or to make unusual associations between ideas. Whereas traditional logical thinking is like parallel railroad tracks – going on forever, but never crossing –creative thinking means linking new concepts in unusual ways. A

number of specific creativity approaches can be used. For instance, here are a few specific techniques: the checklist method, in which an entrepreneur uses a list ofquestions or statements to develop new ideas; free association, whereby an entrepreneur develops a new idea through a chain of word associations; attribute listing, in which an entrepreneur develops a new idea by looking at the positive and negative attributes of a product or service; and so on. Using any of these structured creative problem-solving approaches can help you unlock your creativity and generate potential entrepreneurial ideas.

Brainstorming: One of the most familiar and widely used approaches to generating ideas is **brainstorming,** an idea-generating process for developing active solutions that encourages as many alternatives as possible while withholding criticism. Brainstorming is a relatively simple technique that is typically one with a group of people. (You could do this with friends or colleagues.) In a brainstorming session, a group of people gets together in a room, preferably one with a relaxed environment, where everyone wouldbe free to stretch their minds and think beyond the ordinary. A group leader states the issue or problem to be addressed and ensures that all participants understand it. Then members contribute as many ideas as they can in a given time by describing them verbally (often shouting them out). Participants are encouraged to come up with as many ideas possible and to build on each others’ ideas. In brainstorming sessions, talking is often nonstop as participants suggest ideas. No criticism of ideas is allowed during the brainstorming session. Instead, all ideas, no matter how illogical or crazy, are recorded for later discussion and analysis. The purpose of brainstorming is to be an idea-generating process that opens up as many alternatives as possible as otherpeople's remarks act to stimulate others in a sort of chain reaction of ideas. It can be a frenzied, yet productive way to generate numerous ideas.

Focus groups: These groups of individuals provide information about proposed products or services in a structured setting. In a typical focus group, a moderator focuses the group discussion on whatever issues are being examined. For instance, a focus group might look at a proposed product and answer specific questions asked by the moderator. In other instances, the focus group might be given a moral general issue to discuss and the moderator simply leads the discussion based on comments made by the group. Either way, a focus group can provide an excellent way to generate new ideas and to screen proposed ideas and concepts.

The Role of Intuition: Intuition is a cognitive process whereby we subconsciously make decisions based on our accumulated knowledge and experience. It's been called that "'Aha' feeling you get when your internal search engine hits its mark." You may have neared it called "gut feeling." Although structured, methodical approaches to generating ideas are important, intuition also can play an important role. Intuition can be a powerful source of new ideas if you learn to use it. Maybe the best approach of all would be to combine the structured with the intuitive. After all, the two complement each other. Listen to that "inner voice" and then use more structured approaches to fine-tune your ideas.

IDEA INCUBATION

Idea incubation is a process for bringing ideas into reality. It starts on a very fundamental level, often with a single individual who comes up with a concept he or she thinks should be further explored. This individual brings others in on the idea incubation process, making the idea stronger and more viable. Ultimately, the idea may be turned into a product, assuming that funding can be secured and that the idea is commercially viable.

Many companies foster idea incubation by clustering workers together in collaborative environments. Cooperative groups work best for idea incubation because other members of the group can identify strengths and weaknesses of the idea, resulting in a stronger finished product. Some companies offer their services as professional idea incubators. These companies use a staff of individuals who are trained to think innovatively. Idea incubation firms often provide support for product development all the way through the process from the initial vague concept to commercial production.

Successful idea incubation can result in products ranging from clothespins to computers. Ultimately, strong leadership and executive skills are required along with an entrepreneurial spirit. Once an idea has been incubated, it needs to be developed, prototyped, and commercially presented. Appointing a team leader can encourage this, along with creating a work environment in which all employees are encouraged to makecontributions.

Business incubators are programs designed to accelerate the successful development of entrepreneurial companies through an array of business support resources and services, developed and orchestrated by incubator management and offered both in the incubator and through its network of contacts. Incubators vary in the way they deliver their services, in their organizational structure, and in the types of clients they serve. Successful completion of a business incubation program increases the likelihood that a start-up company will stay in business for the long term: Historically, 87% of incubator graduates stay in business.

The incubation process (Most common incubator services):

- Help with business basics
- Networking activities
- Marketing assistance
- High-speed Internet access
- Help with accounting/financial management
- Access to bank loans, loan funds and guarantee programs
- Help with presentation skills
- Links to higher education resources
- Links to strategic partners
- Access to angel investors or venture capital
- Comprehensive business training programs
- Advisory boards and mentors
- Management team identification
- Help with business etiquette

- Technology commercialization assistance
- Help with regulatory compliance
- Intellectual property management

Entrepreneurs who wish to enter a business incubation program must apply for admission. Acceptance criteria vary from program to program, but in general only those with feasible business ideas and a workable business plan are admitted. It is this factor that makes it difficult to compare the success rates of incubated companies against general business survival statistics. Although most incubators offer their clients office space and shared administrative services, the heart of a true business incubationprogram is the services it provides to start-up companies.

The amount of time a company spends in an incubation program can vary widely depending on a number of factors, including the type of business and the entrepreneur's level of business expertise. Life science and other firms with long research and development cycles require more time in an incubation program than manufacturing or service companies that can immediately produce and bring a product or service to market.

COMMERCIALIZATION

It is the process or cycle of introducing a new product into the market. The actual launch of a new product is the final stage of new product development, and the one where the most money will have to be spent for advertising, sales promotion, and other marketing efforts.

The Commercialization Process: Commercialization of a product will only take place, if the following three questions can be answered:

When the company has to decide on the introduction timing. When facing the danger of cannibalizing the sales of the company's other products, if the product canbe improved further, or if the economy is down, the launch should be delayed.

Where the company has to decide where to launch its products. It can be in a single location, one or several regions, a national or the international market. This decision will be strongly influenced by the company's resources, in terms of capital, managerial confidence and operational capacities. Smaller companies usually launch in attractive cities or regions, while larger companies enter a national market at once. Global roll outs are generally only undertaken by multinational

conglomerates, since they have the necessary size and make use of international distribution systems (e.g., Unilever, Procter & Gamble). Other multinationals use the "lead-country" strategy: introducing the new product in one country/region at a time (e.g. Colgate-Palmolive).

To whom the primary target consumer group will have been identified earlier by research and test marketing. This primary consumer group should consist of innovators, early adopters, heavy users and/or opinion leaders. This will ensure adoption by other buyers in the market place during the product growth period.

How the company has to decide on an action plan for introducing the product by implementing the above decisions. It has to develop a viable marketing mix and createa respective marketing budget.

CHAPTER- 8

GOVERNMENT SCHEMES AND INCENTIVES FOR PROMOTION OF ENTREPRENEURSHIP AND GOVERNMENT POLICY ON MICRO SMALL AND MEDIUM ENTERPRISES (MSMES) / SSIS:

Government plays a very important role in developing entrepreneurship. Government develops industries in rural and backward areas by giving various facilities with the objective of balances regional development. The government set programmes to help entrepreneurs in the field of knowledge, technique, finance, market and entrepreneurial development so that they help to accelerate and adopt the changes in industrial development.

Government schemes of entrepreneurship

World over, micro and small enterprises (MSEs) are recognized as an important constituent of the national economies, contributing significantly to employment expansion and poverty alleviation. Recognizing the importance of micro and small enterprises, which constitute an important segment of Indian economy in terms of their contribution to country's industrial production, exports, employment and creation of entrepreneurial base, the Central and State Governments have been implementing several schemes and programmes for promotion and development of these enterprises.

1. PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP)

Government of India has approved the introduction of a new credit linked subsidy programme called Prime Minister's Employment Generation Programme (PMEGP) by merging the two schemes that were in operation till 31.03.2008 namely Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) for generation of employment opportunities through establishment of micro enterprises in rural as well as urban areas. PMEGP will be a central sector scheme to be administered by the Ministry of Micro, Small and Medium Enterprises (MoMSME). The Scheme will be implemented by Khadi and Village Industries Commission (KVIC), a statutory organization under the administrative control of the Ministry of MSME as the single nodal agency at the National level. At the State level, the Scheme will be implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) andbanks. The Government subsidy under the Scheme will be routed by KVIC through the identified Banks for eventual distribution to the beneficiaries / entrepreneurs in their Bank accounts.

2. MARKET DEVELOPMENT ASSISTANCE SCHEME FOR MICRO/ SMALL MANUFACTURING ENTERPRISES/ SMALL & MICRO EXPORTERS

The scheme offers funding for:

1. Participation by manufacturing Small & Micro Enterprises in International Trade Fairs/ Exhibitions under MSME India stall.
2. Sector specific market studies by Industry Associations/ Export Promotion Councils/ Federation of Indian Export Organisation.
3. Initiating/ contesting anti-dumping cases by SSI Associations and
4. Reimbursement of 75% of one-time registration fee (w.e.f. Ist January 2002) and 75% of annual fees (recurring) (w.e.f. Ist June 2007) paid to GSI (Formerly EAN India) by Small & Micro units for the first three years for bar code.

SCHEME FOR ASSISTANCE TO TRAINING INSTITUTIONS

The Scheme envisages financial assistance for establishment of new institutions (EDIs), strengthening the infrastructure of the existing EDIs and for supporting entrepreneurship and skill development activities. The main objectives of the scheme are development of indigenousentrepreneurship from all walks of life for developing new micro and small enterprises, enlarging the entrepreneurial base and encouraging self-employment in rural as well as urban areas, by providing training to first generation entrepreneurs and assisting them in setting up of enterprises. The assistance shall be provided to these training institutes in the form of capitalgrant for creation/strengthening of infrastructure.

RAJIV GANDHI UDYAMI MITRA YOJANA

A Scheme of "Promotion and Handholding of Micro and Small Enterprises" There are still wide spread variations in the success rate, in terms of actual setting up and successful running of enterprises, by the EDP/SDP/ESDP trained entrepreneurs. It has been observed thatnew entrepreneurs generally face difficulties in – availing full benefits under available schemes of the Governments / financial institutions, completing and complying with various formalitiesand legal requirements under various laws/regulations, in selection of appropriate technology, tie-up with buyers and sellers etc. In order to bridge the gap between the aspirations of the potential entrepreneurs and the ground realties, there is a need to support and nurture the potential first generation entrepreneurs by giving them handholding support during the initial stages of setting up and managing their enterprises.

CREDIT LINK CAPITAL SUBSIDY SCHEME FOR TECHNOLOGY UPGRADATION

The Scheme was launched in October, 2000 and revised w.e.f. 29.09.2005. The revisedscheme aims at facilitating Technology Upgradation of Micro and Small Enterprises by providing 15% capital subsidy (12% prior to 2005) on institutional finance availed by them forinduction of well-established and improved technology in approved sub-sectors/products. The admissible capital subsidy under the revised scheme is calculated with reference to purchase price of Plant and Machinery. Maximum limit of eligible loan for calculation of subsidy under the revised scheme is also been raised Rs. 40 lakhs to Rs. 100 lakhs w.e.f. 29-09.2005. The scheme has been continues 10th five-year plan to 11th five year plan. Under the scheme approximately 7396 units have availed subsidy of Rs. 315.21 crore upto August, 2009.

1. MICRO&SMALL ENTERPRISES-CLUSTER DEVELOPMENT PROGRAMME (MSE-CDP)

Office of the Development Commissioner(MSME) launched Micro and Small Enterprises Cluster Development Programme (MSE-CDP) for holistic development for selected MSEs Clusters through value chain and supply chain management on cooperative

basis. Designed on need assessment, the major component of the scheme are Technology Upgradation, Quality Upgradation and Certification, Credit Facilitation, Marketing Support, including exposure to the global markets and Collective Capacity Building of the cluster units with a view to enabling them to ultimately operate as collectives of their own. Establishment and operation of Common Facility Centres (CFCs), organized procurement and marketing continuous skill and technology upgradation are the deliverables of any intervention under MSE-CDP. Recently, support for infrastructural upgradation for resurgence of the clusters hasalso been included in the MSE-CDP.

Institutions set up by Central Government

2. Small industries development organization (SIDO)

SIDO was established in October 1973 now under Ministry of Trade, Industry and Marketing. SIDO is an apex body at Central level for formulating policy for the development of Small Scale Industries in the country, headed by the Additional Secretary & Development Commissioner (Small Scale Industries) under Ministry of Small Scale Industries Govt. of India. SIDO is playing a very constructive role for strengthening this vital sector, which has proved to be one of the strong pillars of the economy of the country. SIDO also provides extended support through Comprehensive plan for promotion of rural entrepreneurship.

3. Management development Institute(MDI)

MDI is located at Gurgaon(Haryana). It was established in 1973 and is sponsored by Industrial Finance Corporation of India with objectives of improving managerial effectivenessin the industry. It conducts management development programs in various fields. In also includes the programmes for the officers of IAS, IES, BHEL, ONGC and many other leading PSU's.

4. Entrepreneurship development institute of India (EDI)

Entrepreneurship Development Institute of India (EDI), an autonomous and not-for- profit institute, set up in 1983, is sponsored by apex financial institutions – the IDBI Bank Ltd.,IFCI Ltd., ICICI Bank Ltd. and the State Bank of India (SBI). EDI has helped set up twelve state-level exclusive entrepreneurship development centres and institutes. One of the satisfying achievements, however, was taking entrepreneurship to a large number of schools, colleges, science and technology institutions and management schools in several states by including entrepreneurship inputs in their curricula. In the international arena, efforts to develop entrepreneurship by way of sharing resources and organizing training programmes, have helped EDI earn accolades and support from the World Bank, Commonwealth Secretariat, UNIDO, ILO, British Council, Ford Foundation, European Union, ASEAN Secretariat and several other renowned agencies. EDI has also set up Entrepreneurship Development Centre atCambodia, Lao PDR, Myanmar and Vietnam and is in the process of setting up such centres atUzbekistan and five African countries.

5. All India Small Scale Industries Board(AISSIB)

The Small Scale Industries Board (SSI Board) is the apex advisory body constituted torender advise to the Government on all issues pertaining to the small scale sector. It determinesthe policies and programmes for the development of small industries with a Central Government Minister as its president and the representatives of various organization i.e. Central Government, State Government, National Small Industries Corporations, State Financial Corporation, Reserve Bank of India, State Bank of India, Indian Small Industries Board, Non-government members such as Public Service Commission, Trade and Industries Members.

6. National Institution of Entrepreneurship and Small Business Development(NIESBUD), New Delhi

It was established in 1983 by the Government of India. It is an apex body to supervisethe activities of various agencies in the entrepreneurial development programmes. It is a societyunder Government of India Society Act of 1860.The major activities of institute are:

i) To make effective strategies and methods

ii) To standardize model syllabus for training

iii) To develop training aids, tools and manuals

iv) To conduct workshops, seminars and conferences.

v) To evaluate the benefits of EDPs and promote the process of Entrepreneurialdevelopment.

vi) To help support government and other agencies in executing entrepreneur development programmes.

vii) To undertake research and development in the field of EDPs.

7. National Institute of Small Industries Extension Training

It was established in 1960 with its headquarters at Hyderabad. The main objectives of national Institute of Small Industries Extension Training are:

i) Directing and Coordinating syllabi for training of small entrepreneurs.

ii) Advising managerial and technical aspects.

iii) Organizing seminars for small entrepreneurs and managers.

iv) Providing services regarding research and documentation.

8. National Small Industries Corporation Ltd. (NSIC)

The NSIC was established in 1995 by the Central Government with the objective of assisting the small industries in the Government purchase programmes. The corporation provides a vast-market for the products of small industries through its marketing network. It also assists the small units in exporting their products in foreign countries.

9. Risk Capital and Technology Finance Corporation Ltd. (RCTFC)

RCTFC was established in 1988 with an authorized capital of 15 crores rupees. The main objectives of RCTFC are provision of risk capital for the extension and expansion of entrepreneurial development and venture capital for the projects with high techniques for technology development and transfer.

10. National Research and development corporation (NRDC)

NRDC was established in 1953 under Department of Science and Industrial Research under Government of India. Its main objectives are:

i) Providing assistance in technology transfer

ii) Transfer of technology

iii) Establishing relations with various technology institutions and collecting various indigenous techniques developed by them.

11. Indian Investment Centre

This is an autonomous organization established by Central Government. Its main objective is to assist in promoting foreign cooperation with Indian entrepreneurs and providing necessary information to foreign entrepreneurs.

12. Khadi and village industries Commission(KVIC)

Khadi and Village Industries Commission established by an Act of Parliament in 1956.It is a service organization engaged in promotion and development of Khadi and Village Industries in rural areas. Its main objectives are:

- **i)** Providing employment in rural areas.
- **ii)** Improvement of skills
- **iii)** Rural Industrialisation
- **iv)** Transfer of Technology
- **v)** Building strong rural community base and self-reliance among rural people.

13. Indian Institute of Entrepreneurship(IIE)

It was established by the Department of Small Scale Industries and Agro and Rural Industries in 1953.It is autonomous organization with its headquarters at Guwahati. Its main objective is to undertake research, training and consultancy activities in the field of small industry and entrepreneurship.

GOVERNMENT POLICIES ON ENTREPRENEURSHIP

From the announcement of first Industrial Policy Resolution (IPR) step by step approach was followed & various policies were implemented during past 5 decades.

1. **IPR 1948** –Aimed at Post independent national reconstruction through industrialization. Envisaged the importance of cottage & small enterprises for employment creation and utilization of local resources and skills. The main thrust in small scale sector was centred round Protection.
2. **IPR 1956** – Provided a clear emphatic policy and incentive support to small scale & cottage industries. It aimed at Protection plus Development of smallindustrial sector.
3. **IPR 1977** – Establishment of DICs focusing on regional growth ofindustries & utilization of

local resources and skill. IDBI & KVIB are established & small scale sector was given priority. This policy focused on promotion. Thus Protection, Development plus promotion became its focus.

4. **IPR 1980** - Thrust areas were Industrial infrastructure, higher productivity promotion of agro based industries, consumer protection & quality control. For generation of wage employment & development of entrepreneurial spirit among people small scale sector was again treated most important.
5. **IPR1990** - Policy of economic liberalization & Introduce simpleprocedures, formalities, rules & regulations. More emphasis to women & youth was given under entrepreneurship. SIDBI was established to assist entrepreneurs in the small scale sector.

NEW SMALL ENTERPRISE POLICY (NESP):

This was made to provide adequate support to tiny and micro enterprises. Thrust areas are

- **i)** Inclusion of industry- Business & service related enterprises irrespective their location as small scale industries
- **ii)** Widen scope of National Equity Fund, enlarge Single window scheme and associate commercial banks with provision of composite loan scheme
- **iii)** Financial support to entrepreneurs by allowing equity participation up to24% of share
- **iv)** Setting up of technology development cell in SIDO
- **v)** Setting up of Export development centre in SIDO
- **vi)** Liberalization by limited partnership act
- **vii)** Integrated infrastructure development system
- **viii)** Technology development and equitable distribution of local & imported rawmaterial on a priority to small & tiny sector
- **ix)** Improvement in incentive delivery system.
- **x)** Marketing, market promotion and export support modernization.
- **xi)** Quality up gradation and procedural simplification.
- **xii)** Increase in investment limit from 2 to 5 lakhs for plant & machineries and tiny industrial units.

CHAPTER- 9

EXPORT AND IMPORT POLICIES RELEVANT TO FORESTRY SECTOR:

Export Import Policy or better known as Exim **Policy** is a set of guidelines and instructions related to the import and **export** of goods. The Government of **India** notifies the **Exim Policy** for a period of five years under the **Foreign Trade (Development and Regulation Act), 1992.**

Revision of Indian Forest Policy: The revising the Indian Forest Policy **to boost domestic production.**

- The conservation policies must focus on **maintaining ecological balance and improving biodiversity** through protected area management.
- The restoration policies must target **reclamation, rehabilitation and regeneration** of degraded landscapes and wastelands.

Background

- India's forests are currently governed by the **National Forest Policy, 1988**
- It has environmental balance and livelihood at its centre.

Salient Features and Goals:

- Maintenance of environmental stability through preservation and restoration of ecological balance.
- Conservation of Natural Heritage (existing).
- Checking Soil Erosion and Denudation in catchment areas of rivers, lakes, and reservoirs.
- Checking extension of sand dunes in desert areas of Rajasthan and along coastal tracts.
- Substantially increasing Forest/Tree Cover through Afforestation and Social Forestry.
- Taking steps to meet requirements of fuel, wood, fodder, minor forest produces, soil and timber of Rural and Tribal Population.
- Increasing the productivity of Forests to meet National Needs.
- Encouraging efficient utilization of Forest Produce and Optimum Use of Wood (Timber).
- Generation of Work Opportunities, the involvement of Women.

The Commerce Ministry has released a product specific draft export policy.

Updated draft comprises of all existing policy conditions; all notifications and public notices issued after January 2018 and also include non-tariff regulations imposed by different government agencies.

Draft export policy, aimed at consolidating export norms for each product, has accorded eight digit HS codes to every product.

ITC (HS) codes are better known as Indian Trade Clarification (ITC) and are based on Harmonized System (HS) of Coding. It was adopted in India for import-export operations. Indian custom uses an eight digit ITC (HS) code to suit the national trade requirements. ITC-HS codes are divided into two schedules.

Schedule I describes the rules and exim guidelines related to import policies.

Export Policy Schedule II describes the rules and regulation related to export policies.

This schedule will help an exporter know all the applicable norms pertaining to a particular product, helping them understand policy conditions for that item.

About Export Import Policy of India

1. Exim Policy or Foreign Trade Policy is a set of guidelines and instructions established by the DGFT in matters related to the import and export of goods in India.
2. Foreign trade in India is guided by the EXIM Policy of the Indian Government and is regulated by the Foreign Trade Development and Regulation Act, 1992.

DGFT (Directorate General of Foreign Trade) is the main governing body in matters related to Exim Policy. The main objective of the Foreign Trade (Development and Regulation) Act is to provide the development and regulation of foreign trade by facilitating imports into, and augmenting exports from India. Foreign Trade Act has replaced the earlier law known as the Imports and Exports (Control) Act 1947.

Objectives-

Exim policy or Foreign Trade Policy for the years 2015-20, aims at doubling the overseas sales to $900 billion by 2019-20 and making India global,while integrating the foreign trade with “Make in India” and “Digital India Programme”.

Features

MEIS scheme: Five existing schemes to promote merchandize exports have been merged into a single Merchandise Exports from India Scheme (MEIS). The incentives are to be provided in the form of duty scrips as % of FOB (free on board) value of exports.

Service Exports from India Scheme (SEIS) will be only for India based service providers and will be based on net foreign exchange earned.

Both SEIS and MEIS schemes are applicable to SEZ units.

Paperless Trade and Online filling of forms will ensure trade facilitation and ease of doing business.

E-commerce export is applicable to items of worth upto 25,000. Provision for Export oriented units, Export hardware Technology Park and software Technology Park.

The Duty free scrips (form of credit) are provided to the exporters under various exports promotion schemes of the government. The scrips may be transferable or nontransferable.

CHAPTER- 10

FORMS OF BUSINESS- VENTURE CAPITAL, CONTRACT FARMING, JOINT VENTURES, AND PUBLIC-PRIVATE PARTNERSHIPS:

VENTURE CAPITAL

Origin and Evolution

The concept of venture capital is a relatively new phenomenon in the Indian industrial scenario. It is a new financial service which facilitated the development of new breed of entrepreneurs to start high-risk and high-technology projects for higher returns. As the name suggests, it implies capital provided to start a new venture.

The origin of venture capital may be traced back to General Doritos who set up the American Research and Development Fund (AR and D) at Massachusetts Institute of Technology in 1946 to finance the commercial exploitation of new technologies developed in universities in USA. This organization financed about 100 companies nearly for 11 long years and made its investment 35 times.

Allured by the performance of the AR and D, large companies in the USA like Xerox, 3m and General Electric entered into the field of venture capital. The Japanese suddenly followed the Americans and started venture capital division in their country.

The beginning of 1950 marked the growth of venture capital companies in different countries. The origin of venture capital in UK is also traceable during the 19th century when European Merchant Bankers helped the growth of industry in their dominions like South Africa, India and USA. Inspired by the success of venture capital abroad, many companies in India came forward to promote venture capital. The TATA Group's Investment Corporation of India successfully developed a number of companies like Associated Bearings, CEAT Types during the Independence period. In the post-Independence period, venture capital financing was first started by IFCI which sponsored The Risk Capital Foundation In 1975.

Concept, Aims and Features of Venture Capital

Venture capital is a form of equity financing especially designed for funding high- risk, high-technology and high-reward projects. It is equity finance based upon the fact that a partnership can be formed between the entrepreneur and the venture capitalist or the investors and thus, represents an attempt to innovative entrepreneurship which goes beyond the conventional projects and project financing. Venture capital implies investment in such types of enterprise where the uncertainties have yet to be reduced to risks. This type of capital is provided to the entrepreneurs who have conceived good business ideas have sound knowledge of the particular business but lack financial resources to implement them. Venture capital can open new avenues for such entrepreneurs.

Thus, venture capital can be defined as equity support to fund new concepts that involve a high risk and at the same time, have high growth and profit potential. Venture capital is important enough to help the small and medium entrepreneurs to launch innovative enterprises. It is closely linked with creativity, innovation, high growth and high profit. It is regarded as the launching pad to innovative entrepreneurship by which adequate boost is given to convert novel business ideas to commercially-viable ventures.

Aims of venture capital: Venture capital aims at the following things:

a) It fulfils the ambition of entrepreneurs.
b) It breathes life into promising business initiative.
c) It provides telescopic faculty with a free sense of direction.
d) It helps in building enterprise vision.
e) It partners enterprises on to thrilling success.

Features of venture capital: The following are the salient features of venture capital arrangement:

a) It assumes a high degree of risks in the expectation of earning a high return.
b) It finances high-technology projects.
c) It takes active interest in guiding the assisted enterprise.
d) The gestation period is usually high. It takes generally 4 to 5 years to yield the desired level of profit.
e) It is basically long-term investment and the returns are in the form of capital gains.
f) Venture capitalists normally liquidate their investment in the assisted company when it reaches a certain stage of profitability.
g) It has provisions to have conditional financial assistance, which, unlike the traditional loans, does not carry interest charges. Instead, it carries a royalty linked to sales generated by the company after commercialization.

VENTURE CAPITAL: FINANCING STEPS

First step-Speed money finance: Small amount of financing needed to prove a concept or to create a product. Marketing is not included in this stage.

Second step-Start-up: Financing for a firm that started up in the past one year. Funds are utilized to pay for marketing and product development.

Third step-First round financing: Additional money to start sales and manufacturing after a firm has spent its start-up capital.

Fourth step-Second round financing: Finance kept for working capital for a firm that is selling its product, but is still losing money.

Fifth step-Third round financing: Financing for a firm that reaches breakeven point and is contemplating an expansion project.

Sixth step-Fourth round financing: Money provided for firms that are likely to go public soon. This is also known as bridge finance.

SOURCES OF VENTURE CAPITAL

Venture capital is a transitory start up financing in the form of equity capital or loans, with return linked to profits and managerial control measures. For starting a high-risk and high-return project, venture capital is instrumental and thus, entrepreneurs search for the sources from which venture capital can be obtained. Due to liberalization and privatization in the economy, a number of companies have established venture capital divisions to assist the entrepreneurs. Though initially the major players in this field were financial institutions all over India, subsequently others also have followed them. The important funds and the schemes by which the venture capitalists in our country provide financial assistance can be deputed as follows:

1. **Programme for Advancement of Commercial Technology (PACT):** The first venture capital funding in India was US AID's Programme for Advancement of Commercial Technology which started in 1995 to provide finance to Indian firms in commercializing the innovative technologies by Indo-US joint ventures.
2. **Technology Development and Investment Corporation of India (TDICI):** This was the first venture capital company of India and was promoted by ICICI in 1986.
3. **Risk Capital and Technology Finance Corporation (RCTFC):** This institution is an independent body launched by Industrial Finance Corporation of India (IFCI) to enhance the purview of venture-capital operations. It assists the entrepreneurs especially those who engage themselves in technological development.

Venture capital scheme of IDBI: IDBI's venture capital fund has been set up with an initial corpus of Rs 10 crores. This scheme of IDBI has been emerging as major source of venture-capital funding. It is designed especially to assist projects which promote new and untested technologies in Indian conditions.

Apart from the above organizations, the following are some of the players in the venture capital finance in the country:

- **a)** ANZ Grindlays Bank
- **b)** Credit Capital Venture Fund (India) Ltd
- **c)** 20th Century Venture Capital Corporation
- **d)** APIDC Venture Capital Ltd
- **e)** Canbank Venture Capital Fund
- **f)** Gujarat Venture Finance Ltd
- **g)** Industrial Development Bank of India
- **h)** IL and FS Venture Corporation
- **i)** SBI Capital Venture Fund
- **j)** Pardeshiya Industrial and Investment Corporation of Uttar Pradesh Ltd (PICUP)

CRITERIA ADOPTED BY VENTURE CAPITALISTS TO PROVIDE VENTURE CAPITAL FINANCE:

The following criteria are adhered to by the venture capitalists while making investment decisions:

- **a)** The integrity, business acumen and the entrepreneurial spirit of the management team as the most important factors.
- **b)** The track record of the entrepreneur and his management team
- **c)** The technical feasibility and commercial viability of the project, process or service
- **d)** Large and rapidly-growing market opportunity
- **e)** Competitive advantage in terms of price or cost
- **f)** Potential for adequate profitability and attractive returns over a period of four to seven years.

Merits of venture capital:

The following are the merits of venture capital:

a) Venture capital helps in accelerating the pace of industrialization in the country.

b) It helps in developing new technologies and new methods of production.

c) It helps the first-generation entrepreneurs both small and medium scale to translate their ideas into reality.

d) It generates employment opportunities.

e) It promises entrepreneurship in the country.

Organizing decision that an entrepreneur makes is most crucial and critical one. It is the form of legal ownership for the venture. The choice of the form of legal organization helps you in fulfilling the goals of venture. Primary factors that influence the choice of ownership are taxes and legal liability. There are three basic ways of organizing entrepreneurial venture or legal ownership form of venture.

Sole proprietorship

Partnership

Limited liability partnership (LLP) and

Corporation

Sole proprietor ship: It is a form of organization where owner maintains sole and complete control over business and is personally liable for debts. There are no legal requirements for establishing that business except obtaining licenses, permits & registration. The biggest disadvantage of this form is unlimited liability.

Partnership: Here two or more business owners share the management and risk of the business. Legally a written partnership agreement is highly recommended, according to rules of Uniform Partnership Act (UPA). Here pooling of talent & resources is there. Continuing partnership & transfer of ownership is a problem. One partner is also held liable for other partner's negligence. Here also unlimited liability.

Limited liability partnership (LLP): Forms of organization where general partners & limited liability partners exist. General partners operate & manage the venture with unlimited liability. At least one general partner should be there and many limited liability partners who are passive investors. The main advantage is that it is a good way for an entrepreneur to raise capital.

Disadvantage is the cost and complexity of forming LLP.

Corporation: It is most complex to form and operate. It is a business entity that is separate from its owners and managers. Many entrepreneurial ventures are organized as closely held corporations. Corporation is owned by limited group of people who do not trade the stock publicly. Major advantage is limited liability and ownership is transferable and enjoys continuous existence. Disadvantages are it is expensive to set up and there is double taxation problem. (Income is taxed at both corporate & shareholder level)

Limited Liability Company is new form of organization and ownership – a hybrid between partnership & corporation. The LLC enjoys liability protection of corporation and tax benefits of partnership. It is highly flexible.

CONTRACT FARMING

Contract farming can be defined as an agreement between farmers and processing and/or marketing firms for the production and supply of agricultural products under forward agreements, frequently at predetermined prices.

The arrangement also invariably involves the purchaser in providing a degree of production support through, for example, the supply of inputs and the provision of technical advice. The basis of such arrangements is a commitment on the part of the farmer to provide a specific commodity in qualities and at quality standards determined by the purchaser and a commitment on the part of the company to support the farmer's production and to purchase the commodity. Contract farming is thus a means of allocating the distribution risk between processor and grower. The latter assumes risk associated with production while the former assumes the risks of marketing the final produce.

An FAO guide "contract farming: partnerships for growth" argues that well managed contract farming has proven effective in linking small farm sector to sources of extension advice, mechanization, seeds, fertilizer and credit, and to guaranteed and profitable markets for produce. "It is an approach that can contribute to both increased income for farmers and higher profitability for sponsors." When efficiently organized and managed, contract farming reduces risk and uncertainty for both parties and provides the producer the opportunity to add value to his production.

With effective management, contract farming can be a means to develop markets and to bring about the transfer of technical skills in a way that is profitable for both the sponsors and farmers. The approach is widely used, not only for tree and other cash crops but, increasingly, for fruits and vegetables, poultry, pigs, dairy produce and even prawns and fish. Indeed, contract farming is characterized by its "enormous diversity" not only with regard to the products contracted but also in relation to the many different ways in which it can be carried out. The contract farming system should be seen as a partnership between agribusiness and farmers. Exploitative arrangements by managers are likely to have only a limited duration and can jeopardize agribusiness investments. Similarly, farmers need to consider that honouring contractual arrangements is likely to be to their long-term benefit.

Merits and problems of Contract farming:

FARMERS-

Advantages for farmers

1. Inputs and production services are often supplied by the sponsor – This is usually done on credit through advances from the sponsor
2. Contract farming often introduces new technology and also enables farmers to learn new skills
3. Farmers' price risk is often reduced as many contracts specify prices in advance
4. Contract farming can open up new markets which would otherwise be unavaible to small farmers

Problems faced by farmers

1. Particularly when growing new crops, farmers face the risks of both market failure and production problems
2. Inefficient management or marketing problems can mean that quotas are manipulated so that not all contracted production is purchased
3. Sponsoring companies may be unreliable or exploit a monopoly position
4. The staff of sponsoring organizations may be corrupt, particularly in the allocation of quotas
5. Farmers may become indebted because of production problems and excessive advances

SPONSORS

Advantages for sponsors

1. Contract farming with small farmers is more politically acceptable than, for example, production on estates
2. Working with small farmers overcomes land constraints

3. Production is more reliable than open-market purchases and the sponsoring company faces less risk by not being responsible for production
4. More consistent quality can be obtained than if purchases were made on the open market

Problems faced by sponsors

1. Contracted farmers may face land constraints due to a lack of security of tenure, thus jeopardizing sustainable long-term operations
2. Social and cultural constraints may affect farmers' ability to produce to managers' specifications
3. Poor management and lack of consultation with farmers may lead to farmer discontent
4. Farmers may sell outside the contract (extra-contractual marketing) thereby reducing processing factory throughput
5. Farmers may divert inputs supplied on credit to other purposes, there by reducing yields

TYPES OF CONTRACT FARMING:

Contract farming agreements can be classified into three, not mutually exclusive categories: i) market–specification, ii) resource providing, and iii) production management.

Market specification contracts are pre-harvest agreements that bind the firm and grower to a particular set of conditions governing the sale of the crop. These conditions often specify price, quality and timing.

Resource providing contracts oblige the processor to supply crop inputs, extension, or credit, in exchange for a marketing agreement.

Production management contracts bind the farmer to follow a particular production method or input regime, usually in exchange for a marketing agreement or resource provision. In various combinations, these contract forms permit firms to influence the production technology and respond to missing markets without having to operate their own plantations.

Eaton and shepherd have presented five organizational models for contract farming.

a) **Centralized Model:** The sponsor purchases crops from farmers for processing, and markets the product. Quotas are distributed at the beginning of each growing season and quality is tightly controlled. This model is generally associated with tobacco, cotton, sugarcane, bananas, coffee, tea, cocoa and rubber crops.

b) **Nucleus estate Model**: The sponsor owns and manages – plantation, usually close to a processing plant, and introduces technology and management techniques to farmers (sometimes called "satellite" growers). Mainly used for tree crops, but has also been applied to dairy production.

c) **Multipartite Model:** Usually involves statutory bodies and private companies jointly participating with farmers. Common in china, where government departments, township committees and foreign companies have entered into contracts with villages and individual farmers.

d) **Informal or Individual developed Model:** Individual entrepreneurs or small companies make simple, informal production contracts with farmers on seasonal basis, particularly for fresh vegetables and tropical fruits. Super markets frequently purchase fresh produce through individual developers.

e) **Intermediary Model:** Formal subcontracting of crop production to intermediaries is common in Southeast Asia. In Thailand, large food processing companies purchase crops from individual "collectors" or farmer committees, who make their own informal arrangements with farmers.

SUCCESSFUL VENTURES IN INDIA:

1. Pepsi Foods Ltd. In Punjab having contract with farmers for Tomato crop, Basmati rice, groundnut
2. Appachi's Integrated Cotton Cultivation
3. Ugar Sugar's experience with Barley
4. Kerala Ayurveda Pharmacy

PUBLIC PRIVATE PARTNERSHIP IN AGRICULTURE

PPP is a risk-sharing relationship between the public and private sectors which is developed to bring about a desired public policy outcome. Private sector entrepreneurs having the necessary skill, finance and risk taking ability are selected by the public sector as partners. Trust & cooperation are essential for the success of such venture. The concept of PPP may be utilized in diverse areas such as setting up of big input industry, to multilane highways to field level activities like Joint Forest Management etc.

Kinds of partnerships:-

Permanent - Temporary

Long term - Need based

Bilateral - Indo-swiss, Indo-dutch etc. Multilateral - world Bank, EU and other countries

Foreign donor - External donor + Govt + NGO MNCs + Industry-De-Nocil, Kesoram, Nagarjuna.

NGO - Adarsh gaon (AnnaHazare), BAIF, Myrada, RDT etc. Professional bodies Univ. & Res. Institutes – ICAR, SAU, IVRI other universities.

The public & private sectors in agriculture and allied sectors can come together and work in partnership mode in providing supply & services to farmers in following areas.

1. Input production & distribution
2. Human resource sharing
3. Marketing.
4. Extension delivery system
5. Enterprise establishment & management
6. Institutional

IMPRTANCE OF PUBLIC PRIVATE PARTNERSHIP

Public sector capital resources are getting scarce Hence it becomes necessary to utilize funds available with private sector.

Climate change, natural resource management, etc. are some important areas where concept of PPP can be used or employed.

PPP can enhance the process of development because of higher investment by two sectors.

General resistance by people towards privatization can be greatly reduced by resorting to PPP mode.

Expertise available with private sector may be properly used to build required infrastructure.

Public sector organizations are generally under funded, Hierarchical and follow standard packages.

While private sector is characterized by flexibility, decentralization being more innovative and demand driven.

Growing commercial and specialized nature of agriculture demands sound R & D, quick and technically sound advice with appropriate market information. Neither private sector nor public sector can fully shoulder this. A PPP mode is appropriate to take this challenge.

PARTNERSHIP SUCCESS FACTORS:

Need & demand based partnerships with common interest and objective are successful.

There must be compatibility among partners in the areas of their functioning.

Team spirit, Trust and Credibility sustain the partnerships longer.

All partners should have role clarity

Activity / project should be cost effective and must meet requirements of national & global policies.

Partners should be constantly innovative & dynamic to face emerging challenges.

JOINT VENTURE

A joint venture is a new enterprise owned by two or more participants. It represents a combination of subsets of assets contributed by two (or more) business entities for a specific business purpose and a limited duration. It is essentially a medium to long-term contract which is specific and flexible. Though, the joint venture represents a newly created business enterprise, its participants continue to exist as separate firms. A joint venture can be organized as a partnership firm, a corporation or any other form of business organization which the participating firms choose to select. It is a restricted or a temporary partnership between two or more firms to undertake jointly complete specific venture. It is a type of external growth strategy adopted by business firms.

A joint venture (often abbreviated JV) is an entity formed between two or more parties to undertake economic activity together. The parties agree to create a new entity by both contributing equity, and they then share in the revenues, expenses, and control of the enterprise. The venture can be for one specific project only, or a continuing business relationship. This is in contrast to a strategic alliance, which involves no equity stake by the participants, and is a much less rigid arrangement. The phrase generally refers to the purpose of the entity and not to a type of entity. Therefore, a joint venture may be a corporation, limited liability company, partnership or other legal structure, depending on a number of considerations such as tax and liability. Business structure formed by two or more parties for a specific purpose. Joint ventures are similar to partnerships, but are usually limited to one or two projects.

Characteristics:

- Contribution by partners of money, property, effort, knowledge, skill or other assets to the common undertaking.

- Joint property interest in the subject matter of the venture.
- Right of mutual control or management of the enterprise.
- Right to share in the property.

Thus, joint ventures are of limited scope and duration. They involve only a small fraction of each participant's total activities. Each partner must have something unique and important to offer the venture and simultaneously provide a source of gain to the other participants. However, the participants' competitive relationship need not be affected by the joint venture arrangement.

It is also known that joint ventures in low-developed countries show a greater instability, and that JVs involving government partners have higher incidence of failure (private firms seem to be better equipped to supply key skills, marketing networks etc.) Furthermore, JVs have shown to fail miserably under highly volatile demand and rapid changes in product technology.

Reasons for forming a joint venture:

- Build on company's strengths
- Spreading costs and risks
- Improving access to financial resources
- Economies of scale and advantage of size
- Access to new technologies and customers
- Access to innovative managerial practices

Few examples of joint ventures in agriculture:

Avesthagen forms global Joint Venture with Limagrain in Atash Seeds Private Limited.

Novel seeds for the challenges of the changing environment. October 27, 2009: Today, India's leading life sciences company, Avesthagen Limited announced the formation of a joint venture (JV) “Atash Seeds Private Limited” with Limagrain, an international cooperative group.

The JV brings together strong expertise of Limagrain research and global marketing strengths combined with licensing of Avesthagen’s EAC (Environment Adjusted CropsTM) patents and technologies to build a strong agri-biotech business model for Field Crops. Avesthagen will license its patented technologies to Atash Seeds to develop, produce and market seeds nationally and internationally by leveraging Limagrain’s domain expertise, knowledge and marketing strengths.

Atash Seeds will be the first company in India to have brought together the strength of Indian science with Multinational reach and will contribute significantly to the Indian and global agricultural market in the years to come. The new entity Atash Seeds thus born, from this JV, will be based in Hyderabad and headed by an International CEO from Limagrain. Dr. Villoo Morawala-Patell will be the Chairman of the company

NAFED joint venture with cooperative federations/marketing societies

During the year 2008-2009, NAFED handled various commodities valuing Rs.1016.55 lakhs in joint venture with cooperative federations/marketing societies to promote cooperation among cooperatives and to strengthen cooperative marketing. Commodities handled in join venture were 1894 MTs like Paddy, Gram, Mustard seed, Soybean (Yellow), Potato, cotton and Apples valuing.

KRIBHCO Reliance Kisan Limited Joint Venture

KRIBHCO Reliance Kisan Limited, the Joint Venture Company, would synergize the respective strengths of KRIBHCO and Reliance ADA Group to catalyze tele-density growth and provision of state-of-the-art products and services to the rural people in India.

Benefits of Joint Venture:

- Joint ventures perform a useful role in assisting companies in the process of restructuring.
- It can enable a firm to achieve market penetration into new areas overtime, enter and develop new product markets, expand into new geographic areas and participate in new technology driven value activities.
- They can also be used by smaller firms protectively as an element of long-range strategic planning. Thus, a small firm in a highly concentrated industry can negotiate joint ventures with several of the industry's dominant firms to form a self-protective network of counterbalancing forces.
- Joint ventures are formed with several motives:-
- It reduces the risks in a number of ways as the activities can be expanded with smaller investment outlays than if financed independently.
- It helps to increase the competitive strength of the business.
- The expressed purpose of most of the joint ventures is knowledge acquisition. Advanced technology, new knowledge that is not available with the firm can be better utilized.
- It provides the benefit of scale of economy by reducing production & marketing costs and increase

A small firm with a new product idea that involves high risk and requires relatively large amounts of investment capital may form a joint venture with a large firm. The larger firm might be able to carry the financial risks and be interested in becoming involved in a new business activity that promises growth and profitability. In addition, the larger firm might thereby gain experience in the new area of activity that may represent the opportunity for a major new business thrust in the future. Tax advantage is a significant factor in many joint ventures. It also helps in expanding the firm's operations into foreign countries. The local partners contribute in the form of specialized knowledge about local conditions, which are essential to the success of the venture.

A joint venture may be subjected to several difficulties. As circumstances change, the contract might be too inflexible to permit the required adjustments to be made.

A joint venture is, in effect, a form of partnership that is limited to a particular purpose." Joint ventures have grown in popularity in recent years, despite the relatively high failure rate of such efforts for one reason or another. Creative small business owners have been able to use this business strategy to good advantage over the years, although the practice remains one primarily associated with larger corporations.

CHAPTER- 11

SOCIAL RESPONSIBILITY OF BUSINESS:

Introduction and meaning of social responsibility

Business depends on the society for the needed inputs like men, material and labour. They also depend on the society for selling their products. Thus, business depends on the society for existence, sustenance and encouragement. Hence, business being so much depended on society has definite responsibility towards the society.

A businessman should keep his social obligation in mind before contemplating any action. Social responsibility is understood as the obligation of decision – makers to take actions which protect and improve the welfare of society as a whole along with their own interests. Every decision a businessman takes and every action he contemplates like decision on expansion, opening a new branch, closure of a branch or appointment of new employees, will have an effect on the society in one way or the other. Hence, he has to keep the society in mind before making any decision.

Definition of social responsibility

According to Koontz and O'Donnell "social responsibility is the personal obligation of every one, as he acts in his own interest, to assure that the rights and legitimate interests of all others are not infringed"

In the words of Adolph Berle "social responsibility is the business's responsiveness to public consensus, i.e., the obligation of the business to meet those demands and aspirations of the society about which there is public consensus".

H.E. Bownen defines as "social responsibility is the obligation to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of objectives and values of our society."

Evolution of social responsibility

"A Healthy Business and a Sick Society are hardly compatible".

The social responsibility has evolved over a period of time. In the Eighteenth century, businesses were small and few. Even then the businessmen made contributions to schools, institutions and to poor.

During the nineteenth century, businesses charitable contributions increased as great fortunes were made in business.

During the latter part of the 19th century and 20th vigorous industrial growth had many negative social impacts. Due to new rigid governmental rules and regulations many businessmen started manipulating the accounts. By 1920's, government brought about rules that large scale organizations have to compulsorily contribute towards the welfare of the society or donate to governmental funds which will be exempted from tax. Gradually, many new rich business families started setting up trusts or contribute towards schools, colleges, hospitals, orphanages, art galleries, museums etc. During the freedom movement period, business contributed to many of the social and culturalcauses associated with the movement. Many of Indian leading businessmen-GD Birla,

Jamnalal Bajaj, Lala Shri Ram, Ambalal Sarabhai and others came under the influence of Mahatma Gandhi and contributed liberally to his programmes for the removal of untouchability, rural reconstruction, etc. They have started many scientific and technical research and art academies. For eg-Tata Institute of Fundamental Research, the Birla Institutes of Technology at Pilani and Ranchi, the Calico Textile Museum in Ahmedabad, etc.

Now-a-days, big businessmen or companies are also contributing towards the welfare of the society. They are providing bus stop's shades, sign boards, directions to various places, road-side warnings (such as drive slowly, don't drink and drive, over- take from the right, etc). Many companies are opening schools, colleges, hospitals and public toilets.

SOCIAL RESPONSIBILITY

Entrepreneurial development is the key to achieve all-round economic development through acceleration of industrial and entrepreneurial activities. Entrepreneurship, therefore, will flourish in an atmosphere which is favourable for enterprise building—politically, economically and socially. In the context of new economic scenario where liberalization, privatization and globalization are glorified, the responsibilities of business have undergone radical changes. Ethical discipline plays a great role in the changing environmental conditions. Entrepreneurs have to follow the ethical norms of the business in the society. As such, social responsibility implies responsibility of the entrepreneur towards smooth operation of the society by efficient utilization of national resources for greater interest of the people.

To remain in business on a sustainable basis, an entrepreneur has to exercise his responsibilities to the society in the following ways:

Responsibility of the entrepreneur towards conservation of national resources: The first and foremost social responsibility of an entrepreneur is to efficiently conserve and utilize national resources for the public good.

Responsibility towards owners/shareholders: An entrepreneur is responsible to safeguard the capital invested by the shareholders and the owners of the enterprise. He should ensure that they get adequate dividend from their investment.

Responsibility towards customers: An entrepreneur has to satisfy his customersby the following two ways:

i) Providing quality products to the customers

ii) Charging reasonable and affordable price for the product

5. Responsibility towards employees: Social responsibility of an entrepreneur is to provide adequate measures to make the employees contented in all respects so as to encourage them to contribute their best. The responsibility of an entrepreneur towards the employees may include the following:

a) Providing at least minimum wages to the employees

b) Providing conducive working environment for good work culture

c) Provision of social security measures

d) Granting weekly holidays

e) Settling employees grievances

(a) Giving opportunity to employees participation and management

1. **Responsibility towards creditor/banker:** One of the most important social responsibilities of an entrepreneur is responsibility towards creditors and bankers who provide financial assistance. This responsibility includes the following:

- Regular repayment of principal and interest

Effective utilization of funds

Adhering to the repayment schedule without any default.

- Restricting diversion of loans to the uses other than the specific purpose for which it has been advanced

Responsibility towards community: An entrepreneur should have the concern for the community where the enterprise is located. The following are the responsibilities of the entrepreneur towards the community:

Generation of employment opportunities for local youth

Prevention of environmental pollution

Restricting the problem of congestion housing and crime in the community where the enterprise is located

Creating awareness about population pressure and the family welfare measures

- Reducing the deleterious effects of industrial products on human health and environmental balance
- Reduction of illiteracy among the people, both for men and women.

2. **Responsibility towards government**: India is considered the largest democracy in the world. Its policies aim at public welfare. In the country, the responsibility of the entrepreneur towards the government includes the following:

To pay taxes, duties in time and discourage tax evasion

To comply with the government rules, procedures and legal requirements

To support the socio-economic development policies of the government

To work in close association with the government for social welfare.

3. **Responsibility to uphold general values and philosophy of the country:** In Indian context, this includes:

Respect towards ideologies of the society like democracy, freedom and tolerance

Fair play in marketing and establishing enterprises

Due respect towards secularism

Emancipation of weaker sections of the society

- Empowerment of women in the society
- Highlighting technological dynamism

The following are the arguments cited against social responsibility:

- The concept of social responsibility is vague. It is difficult to distinguish it from economic responsibility.
- Entrepreneurs and business managers are familiar with economic aspects of the activities. They are not social scientists and, therefore, lack social skills.

- It would be unjust to overburden the businessmen since they have several economic responsibilities like payment of tax, payment of tariff, etc.
- A social responsibility approach may not always be viable and hence be suicidalin the long run.
- Business enterprises have hardly any social power. No responsibility can be accepted without the necessary power.
- Private entrepreneurs are essentially responsible only to their shareholders.
- Social responsibility influences the decision-making process and would involve additional cost.
- It would entail certain division of resources meant for economic activities.