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# Entrepreneurship Development

B.Tech, Semester VIII

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## **Module I**

### **Entrepreneurship -- Introduction**

Entrepreneurial development today has become very significant; in view of its being a key to economic development. The objectives of industrial development, regional growth, and employment generation depend upon entrepreneurial development.

Entrepreneurs are, thus, the seeds of industrial development and the fruits of industrial development are greater employment opportunities to unemployed youth, increase in per capita income, higher standard of living and increased individual saving, revenue to the government in the form of income tax, sales tax, export duties, import duties, and balanced regional development.

### **Concept of Entrepreneurship**

The word “entrepreneur” is derived from the French verb *entreprendre*, which means ‘to undertake’. This refers to those who “undertake” the risk of new enterprises. An enterprise is created by an entrepreneur. The process of creation is called “entrepreneurship”.

Entrepreneurship is a process of actions of an entrepreneur who is a person always in search of something new and exploits such ideas into gainful opportunities by accepting the risk and uncertainty with the enterprise.

There are fundamentally two different types of entrepreneurship.

**Small Medium Enterprise entrepreneurship (SME):** These are fundamentally small companies and stay small. Their focus is local market. They opted services businesses. They usually grow for some time extent but tabbed out of the market due to lack of innovation.

Examples: dry cleaner, restaurant etc.

**Innovation driven Enterprise entrepreneurship (IDE):** This one is looking for the global market. It required more cash to start the business. Therefore there is a negative cash flow at the beginning of the business. It involves lot of risk. Companies of this type may not make it; but if they make it, they will grow exponentially.

### **Intrapreneurship**

Intrapreneurs are not entering into their own, work venture, but they are working within a company, thus the “intra” part. It is the act of behaving like an entrepreneur while working within a large organization.

An intrapreneur (also referred to as inside entrepreneur) is an employee within an organization who has certain entrepreneurial skills and who is given the responsibility and authority to use those entrepreneurial skills to develop a new product without incurring the risks associated with it.

As intrapreneurs are self-motivated, free thinkers, they can transform your startup more quickly than others can. Therefore you need to hire intrapreneurs in case are you looking to scale up your startup.

#### **Example:**

Google

Gmail was developed by one of the intrapreneurs in Google, Paul Buchheit, who worked on this project for 4 years till its launch on April 1, 2004.

Sony:

The PlayStation as we know it is the brainchild of an intrapreneur in Sony. Ken Kutaragi, an employee of Sony, wanted to make a better version of the Nintendo console and came up with the idea of the PlayStation which was recognized and rewarded by the CEO of the company.

### Difference between an Entrepreneur and an Intrapreneur

Entrepreneur	Intrapreneur
Entrepreneur is free and the leader of the operation.	Intrapreneur is an employee
An entrepreneur himself raises funds required for the enterprise.	Funds are not raised by the intrapreneur.
Bears all types of risk.	Bears moderate risk
Operates from outside the organization.	Operates from inside the organization.
Independent decisions to execute dreams.	Collaborative decisions to execute dreams.

### Types of Entrepreneurs

#### ➤ Classification by Clarence Danhof

- ✓ **Innovating Entrepreneurs:** is one who introduces new goods, inaugurates new methods of production, exploit new source of material, discover new market and reorganizes the enterprise.
- ✓ **Imitative or Adoptive Entrepreneurs:** readiness to adopt successful innovation inaugurated by innovating entrepreneurs.
- ✓ **Fabian Entrepreneur:** They are very cautious and skeptical in adopting and implementing any change. They avoid risks and tend to follow their predecessors.
- ✓ **Drone Entrepreneurs:** they continue to operate in their traditional way and resist changes. When their product loses marketability, they are pushed out of market.

### ➤ On the Basis of type of Business

- ✓ **Business entrepreneurs:** Who start business units after developing ideas for new products/services?
- ✓ **Trading entrepreneurs:** Who undertake buying & selling of goods, but not engage in manufacturing.
- ✓ **Corporate entrepreneurs:** Who establish and manage corporate form of organization which have separate legal existence.
- ✓ **Agricultural entrepreneurs:** Who undertake activities like raising and marketing of crops, fertilizers and other allied activities?

### ➤ On the Basis of use of Technology

- ✓ **Technical entrepreneurs:** Who are task oriented and 'craftsman type'? They prefer doing to thinking. They concentrate more on production than on marketing.
- ✓ **Non-technical entrepreneurs:** Who are not concerned with technical side, but rather with marketing and promotion?
- ✓ **Professional entrepreneurs:** Who start a business unit, but later sell the running business and start a new unit later.

### ➤ On the Basis of Motivation

- ✓ **Pure entrepreneurs:** Who are basically motivated to become entrepreneurs for their personal satisfaction, ego etc.
- ✓ **Induced entrepreneurs:** Who are induced to take up entrepreneurial role by the assistance and policy of government including incentives, subsidies etc.
- ✓ **Motivated entrepreneurs:** They are motivated by the desire to make use of their technical and professional expertise and skills.
- ✓ **Spontaneous Entrepreneurs:** They are motivated by their desire for self-employment and to achieve or prove their excellence in job performance. They are natural entrepreneurs.

### ➤ On the Basis of Stages of Development

- ✓ **First generation entrepreneurs:** Who do not possess any entrepreneurial background? They start industry by their own innovative skills.
- ✓ **Second generation entrepreneurs:** Who inherit the family business and pass to next generation.
- ✓ **Classical entrepreneurs:** Who aims to maximize his economic returns at a level consistent with the survival of the unit with or without an element of growth?

### ➤ According to Gender

- ✓ **Women entrepreneurs:** It may be defined as a woman or group of women who initiate, organise and run a business enterprise. Government of India has defined women entrepreneurs as owning and controlling an enterprise with a woman having a minimum financial interest of 51% of the capital and giving at least 51% of the employment generated in the enterprise to women

### ➤ According to Area

- ✓ **Urban entrepreneurs:** They belong to urban areas and establish their business in the same location to avail the regional advantages. These types of entrepreneurs are mostly corporate or industrial entrepreneurs.
- ✓ **Rural entrepreneurs:** Rural entrepreneurs are usually involved in trading or agricultural activities. They belong to rural areas and establish their business in the same location. Various government assistance are provided to the rural entrepreneurs to encourage and accelerate such activities.

### ➤ Others

- ✓ **Social entrepreneurs:** A person who establishes an enterprise with the aim of solving social problems or effecting social change. They build strong and sustainable organizations, which are either set up as not-for-profits or companies.

## **Nature & Characteristics of Entrepreneurship**

1. **Innovation:** Entrepreneurship is a creative activity. An entrepreneur is basically an innovator who introduces something new in the economy.
2. **High Achievement:** People having high need for achievement are more likely to succeed as entrepreneurs. The achievement motive is, by assumption a relatively stable enduring characteristic of an individual. Achievement motive can be increased by deliberate efforts.
3. **Managerial Skill and Leadership:** Managerial skills and leadership are the most important facets of entrepreneurship. A person who is to become an industrial entrepreneur must have more than the drive to earn profit. He must have the ability to lead and manage.
4. **Organization Building:** Organization building ability is the most critical skill required for industrial development. This skill means the ability to 'multiply oneself' by effectively delegating responsibility to others.
5. **Status Withdrawal:** An entrepreneur is a creative problem solver interested in things in practical and technological realm. He feels a sense of increased pleasure when facing a problem and tolerates disorder without discomfort.
6. **Group Level Pattern:** Entrepreneurial activity is generated by the particular family background, experience as a member of certain groups and as a reflection of general values.

## **Importance of Entrepreneurship**

### **1. Promotes Capital Formation**

Entrepreneurs promote capital formation by mobilizing the idle savings of public. They employ their own as well as borrowed resources for setting up their enterprises. Such type of entrepreneurial activities lead to value addition and creation of wealth, which is very essential for the industrial and economic development of the country.

## **2. Creates Large-Scale Employment Opportunities**

Entrepreneurs provide immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations. With the setting-up of more and more units by entrepreneurs, both on small and large-scale numerous job opportunities are created for others.

## **3. Promotes Balanced Regional Development**

Entrepreneurs help to remove regional disparities through setting up of industries in less developed and backward areas. The growth of industries and business in these areas lead to a large number of public benefits like road transport, health, education, entertainment, etc. Setting up of more industries lead to more development of backward regions and thereby promotes balanced regional development.

## **4. Reduces Concentration of Economic Power**

Economic power is the natural outcome of industrial and business activity. Industrial development normally lead to concentration of economic power in the hands of a few individuals which results in the growth of monopolies. In order to redress this problem a large number of entrepreneurs need to be developed, which will help reduce the concentration of economic power amongst the population.

## **5. Increasing Per Capita Income**

Entrepreneurs are always on the lookout for opportunities. They explore and exploit opportunities, encourage effective resource mobilization of capital and skill, bring in new products and services and develops markets for growth of the economy. In this way, they help increasing per capita income of the people in a country.

## **6. Improvement in the Standard of Living**

Entrepreneurs play a key role in increasing the standard of living of the people by adopting latest innovations in the production of wide variety of goods and services in large scale that too at a lower cost. This enables the people to avail better quality goods at lower prices which results in the improvement of their standard of living.



### 7. Promotes Country's Export Trade

Entrepreneurs help in promoting a country's export-trade. They produce goods and services in large scale for the purpose earning huge amount of foreign exchange from export in order to combat the import dues requirement.

### 8. Augmenting and meeting local Demands

Entrepreneurs also play a significant role in augmenting local demands and meeting them squarely. Towards this, entrepreneurs focus their attention to manufacture/service through indigenous technology, local skill, local resources and local experiences.

## Entrepreneurial Skills

Running a company may be a challenging task, but starting a business requires patience, knowledge, and nerves. Due to a lack of experience, first-time entrepreneurs are an especially vulnerable group – there is a long way to success with many ups and downs.

Beside doing research and developing an adequate marketing strategy, each entrepreneur should work on acquiring and strengthening some crucial traits and skills that will help them gain more business success.

### 1. Organization Skills

Starting and running a business isn't something you can do on the spur of the moment – it takes careful planning, goal setting, scheduling, and execution.

Before you do anything, there are certain questions you need to consider, which include evaluating your experience and resources, as well as researching the market.

All of the above cannot be done unless you develop strong organizational skills. This means you need to set clear and attainable goals, plan every step, prioritize tasks, meet deadlines, manage time, and try not to stray from your path. Consider making a business plan and writing everything down as this will help you immensely.

### **2. Communication Skills**

Being a great entrepreneur means being people-oriented and having good communication skills – along the way, you will surely need to communicate with business partners, employees, and customers.

The way you communicate will determine your future success, so you need to know both how to convey a message and how to respectfully listen to others. This is the only way to win people over and earn their trust, so make sure you always communicate clearly and pay attention to what others are saying.

### **3. Confidence**

To lead employees and build relationships with partners and clients, you need to act with confidence. This doesn't mean you should be strict and arrogant, but you do need to have faith in both yourself and your own abilities.

While listening is important, you must also have the confidence to speak your mind honestly. People sometimes act irrationally or will make decisions you do not agree with. Learn how to say no with confidence. Being open, assertive, and confident will also make you appear more trustworthy.

Nobody has all the answers, but there are people who are confident enough to pretend that they do. The phrase “Fake it 'til you make it” is applicable in this situation.

### **4. Commitment to Learning**

Learning is a never-ending process. We must all continue to try to evolve, learn new things, and continually improve ourselves. Head to the library, read a new blog, attend a seminar, or watch a new documentary. Learning will help you and your business continue to grow.

Stay on top of all the new innovations and developments occurring in your line of business. Learn from the people who are already successful in your field. Send an email or call an industry leader. Speak to them, ask them for advice, and listen to all they have to share. As important as it is to stay up to date with information about your industry, you must also take an interest in other things as well. Insight can be found anywhere.

## **5. Creative Thinking**

You have heard it before but, in order to be a successful entrepreneur, you must learn how to think outside the box. Creativity is an often underappreciated skill in the business world; however, it is absolutely necessary for innovation and progress to occur.

Practice this not only in work but also in your life, as including creative changes into your everyday life will help you to be more creative in your business. Try changing the layout of your office, talking to new people, or eating new foods. Always set new goals to try to continually improve yourself!

## **6. Courage**

It takes a certain amount of courage to do anything, especially when you are putting yourself out there with a new business.

In order to be successful, you have got to have guts. Bravery is necessary not only to make choices but also enact them. Not every decision you make will be cut and dry. You will often be unsure, but it is crucial to be brave and confident. As John Burroughs once said, “Leap and the net will appear.”

If you are brave, determined to succeed and enthusiastic, your coworkers and customers will look up to you. Properly reflecting a positive attitude will help you deliver your services with much greater success.

## **7. Tenacity**

Tenacity is the persistence to never give up, even in the face of adversity.

This is an incredibly important skill to have. Let’s face it, certain failures are inevitable, mistakes will be made, and a good entrepreneur needs to know how to handle them. Patience is a vital aspect of tenacity. There is no such thing as an overnight success. You need to be prepared for the slow movements of the business world.

Of course, there will be setbacks. It is only human to experience guilt, fear, self-doubt, and criticism. However, a good entrepreneur knows how to persevere and remain confident no matter what. After all, optimism and perseverance are necessary for success.

## **Entrepreneurial Motivation**

Entrepreneurial motivation is the process of transforming an ordinary individual to a powerful businessman, who can create opportunities and helps in maximizing wealth and economic development.

To become an entrepreneur one should identify their strengths and opportunities from the external environment. Here motivation plays a major role in identifying their own strengths to become strong leaders or powerful entrepreneurs which make them to accepting risks and face uncertainty for the purpose of reaching pre-described goals.

Motivation makes entrepreneur by fulfilling higher level needs such as recognition, esteem, and self-actualization. Various theories explained motivation as an influencing concept, it can bring out hidden talents and creativity, and it contributes to the individual goals and society development. Maslow's need hierarchy theory, Herzberg's two-factor theory, and David MC Clelland's acquired needs theory proved that motivation can bring energy, enthusiasm, creativity and efficiencies in fulfilling the desired objectives.

Motivation activates innate strengths to achieve a particular goal, many questions arise during knowing this concept such as why can't all the human beings become leader or entrepreneurs even though they face same motivation during his/her lifetime? Who can become effective motivators? What type of motivation can influence one's behavior? Is the extent of motivation decides the power of externalized behavior? Etc., entrepreneurial motivation is a psychological process in which all the motives may not influence with the same intensity, it varies with the perception levels of the individuals and factors responsible for the motivation. Sometimes a single motive can influence to become strong and powerful entrepreneurs, these motives may come from various factors as follows.

- [1.] Internal factors
- [2.] External factors

### **Internal factors**

#### **Need for self-actualization**

It is explained by Maslow and it is the top level need refers to the desire for self-fulfillment. Need for freedom and self-fulfillment makes the individuals or employees of the organization make them become powerful leaders or entrepreneurs.

#### **Optimism**

Individuals having positive mindset get motivated by finding opportunities during critical situations also. Positive attitude and perception motivate an individual to work out for the best even during unfavorable and tough situations also.

### **Positive attitude**

The positive attitude is the most important factor which motivates the individuals to become successful entrepreneurs. Habituating positive attitude can lead an individual to develop constructive thinking; it motivates them to become powerful entrepreneurs, finally, the positive attitude can prove that how valuable they are.

### **Self-motivation**

Most of the successful and powerful entrepreneurs are self-motivated; here they fulfill the desired objectives by motivating themselves. Though many individuals have ideas but they cannot put those for business development; however self-motivated people can take decisions to implement ideas.

### **Enthusiasm**

Enthusiasm motivates in finding better solutions, finally, it stabilizes the ideas and makes them become creators and innovators which result in successful entrepreneurs.

### **Commitment**

Commitment towards a goal can make to achieve success. It motivates entrepreneurs by inspiring and developing emotional attachment towards an objective.

### **Education**

Education is the most important factor it motivates a person to innovate and create new products, this result in establishing an organization or a new business venture. The knowledge acquired during the course of time and innate skills highly motivates a person to become a successful entrepreneur.

### **Background**

Family background, occupational background and a person's own experience in a job motivates him/her to become an entrepreneur. Having entrepreneurial background acts as a clear path to becoming a successful and powerful entrepreneur.

### **Financial background**

Finance is the scarce resource which motivates and enables a person to become an entrepreneur. Money can make many things it is the major thing in deciding one's status and development, strong financial background facilitates to start a business.

### **External factors**

#### **Influence**

Influence of family members, friends, and society motivates the individuals to become entrepreneurs. The extent of influence shows an effect on the character, behavior, and development, it comes from the external environment. Here people get influenced by seeing successful entrepreneurs or by the words of others.

#### **Availability of resources**

Resource availability motivates at a high extent to become entrepreneurs, availability of land, labor, money, machinery, and materials make individual to start a new business. Though there is creativity, intelligence, commitment and enthusiasm in the individuals, but the unavailability of resources becomes an obstacle for new entrants or entrepreneurs.

#### **Product's demand**

Higher demand for a particular product motivate entrepreneurs to produce innovative and value added products, here product's demand motivates the individuals to become entrepreneurs. The hope of success makes them produce innovative products or substitute products, some entrepreneurs fulfill the market demand by producing complementary goods also. So the increase in products demand highly motivates to become entrepreneurs.

#### **Government policies**

Subsidies and benefits given by the government motivate entrepreneurs to produce new products or motivates individual to become entrepreneurs. Government policies show higher influence on establishing new firms and it leads to economic development. In the case of small scale industries, rural people are encouraged by the various training programs, financial support, and subsidies; it is one of the main reasons for the establishment of new firms and arrival of new entrants.

#### **Information availability**

Market knowledge and information motivate individuals to enter into the markets and to become entrepreneurs. If there is abundant information then it automatically creates interest in the minds of enthusiastic people to become entrepreneurs. Availability of information facilitates research and producing innovative and value added products, and it creates a scope to become entrepreneurs.

### Technological advancement

Technological advancement acts as a path to transform ideas into products, feasibility in production and expected success rate highly motivates to become entrepreneurs. It reduces errors and cost of production and maximizes success rate, this is the reason why people are interested in becoming entrepreneurs with the increase in technology.

### Changing tastes and preferences

Changing tastes and preferences of the customers maximizes the chance to produce substitute and complementary goods, it creates a scope to innovation and establishment of the new ventures.

### Entrepreneurial Personality

The entrepreneurial personality can be well define by taking to consideration of the Big Five model of personality.

An entrepreneur should score high on openness & conscientiousness i.e. they are more open to new experiences and dutifulness and rather energetic towards the social and material world (extraversion). At the same time entrepreneurs tend to score lower in agreeableness and neuroticism.

The Entrepreneur are of ESTP (Extraverted, Sensing, Thinking, Perceiving) Personality.

- ✓ **Bold** – They are the people with full of life and energy and they are pushing boundaries and discovering and using new things and ideas.
- ✓ **Rational and Practical** – They love knowledge and philosophy, but not for their own sake. They find ideas that are actionable and drilling into the details so they can put them to use.
- ✓ **Original** – Combining their boldness and practicality, they love to experiment with new ideas and solutions. They put things together in ways no one else would think to.
- ✓ **Perceptive** – They have the ability to notice when things change – and when they need to change! Small shifts in habits and appearances stick out to them, and they use these observations to help create connections with others.
- ✓ **Direct** – This perceptive skill isn't used for mind games – they prefer to communicate clearly, with direct and factual questions and answers. Things are what they are.
- ✓ **Sociable** – All these qualities pull together to make a natural group leader in them. This isn't something that they actively seek – people with this personality type just have a knack for making excellent use of social interactions and networking opportunities.

## Module II

### Entrepreneurial Environment

Environment refers to as factor which has strong impact over the business. Business can't function in isolation it must regularly come in contact with the environment. Various factors exists in the environment which are changing regularly. Changes are increasing rapidly and business in turn must cope up with such changes. Organization which remains passive towards the changes would gradually fade away.

#### Classification of Environment

- **Micro environment:** It refers to as small area or immediate periphery of an organization. It influences an organization regularly and directly.

Element of micro environment can be classified as below:

- **Consumer/customer:** customer is the person who purchase the good where as consumer is the one who ultimately consumes the goods. It is necessary to identify who are the customer or consumer, what is their buying habits, test and preference
- **Market :** it is larger than customer, various factors are to be consider such as cost, technological element, distribution factors
- **Supplier :** they are provider of raw material, equipment's, other services they have the bargain power and ability to influence the business
- **Organization :** it can be classified owners that is individual shareholder or group who have a stake or interest in the organization, board of directors who are elected by shareholder and is the in charge of general management of the organization, employee they person actually work in the organization.
- **Intermediary:** agents, broker, middle man have an ability to exert the considerably influence over the organization.
- **Competitors:** they may be direct or indirect identifying and diagnosing type of competitor, their composition, resources used and the ability to influence the organization is to be identified. Competitors not only share market but also share profit.



- **Macro Environment:** it refers to as a largely external element to the enterprise which is beyond the control of the organization but which has an ability to influence the business.

Elements of the macro environment are classified as below:

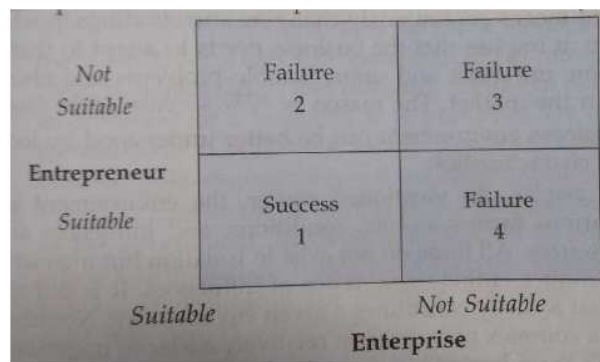
- **Demographic environment:** Demographic denotes population in an area, district, and country. Factors such as age or income also have an ability to influence the business. Few factor can be elaborated as below:
  - **Population size:** Changes in the population, birth rate/death rate, have an ability to influence the business.
  - **Geographic distribution :** shift or change in the population from non-metropolitan to metropolitan will have an impact on the company's strategy
  - **Income distribution :** changes in the level of income, purchasing power, saving pattern will affect the business
  - **Ethnic mix:** factors such as changes in the ethnic mix of population with regard to product or service delivery will the new services or product demanded or whether the existing one is to be modified, ability of the manager to manage the culturally diverse workforce.
- **Economic environment:** factor such as money market, raw material components, supply market influence the supply. Purchasing power depends upon income, distribution and circulation of money as well as savings
- **Technological environment:** Technology are growing rapidly it can be consider both opportunity and threat. Opportunity for those business which can take advantage of it how threat as to those business which can't take the advantage of it. Organization must identify the technology, investment, and additional technology, positive and negative effect of the same.
- **Political legal issue/environment:** the type of government in power political pressure various rules regulation laws relating to companies, competition, labor, foreign exchange is to consider and have an impact on the business
- **Social factor/environment:** it consists of factor like human relation and the impact of social and cultural values which has a bearing on the business. Factor such as role of business in society, environment pollution, role of women in society, education level awareness and contentiousness of rights, effective utilization of labor and non-exploitation of labor.

## Identification of Opportunities

Opportunity always exists in the environment. It is the entrepreneur who need to sense the opportunities available in the environment. Having sensed the entrepreneurial opportunities, the next step involved in enterprise creation or establishment is to properly identify the opportunities available for one in the given environment and, then, select the best one from amongst the available to be pursued as an enterprise.

Entrepreneur and enterprise go hand in hand. The success of business enterprise is depends on the compatibility of entrepreneur and enterprise.

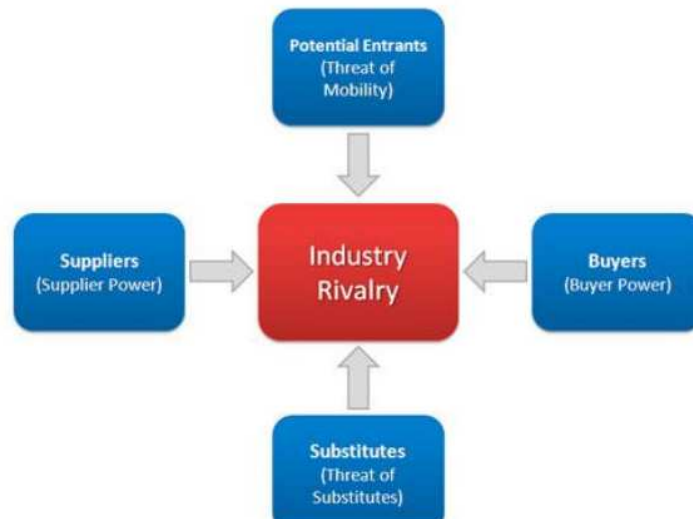
The dynamics of compatibility between entrepreneur and enterprise can be better understood by the following diagram:



The above four combinations can be interpreted as follows:

<i>Dynamics of Combinations</i>	<i>The Result</i>
[1.] Both entrepreneur and enterprise are good	Successful
[2.] Entrepreneur is not good but enterprise selection is good	Failure
[3.] Both entrepreneur and enterprise are not good, or say, suitable	Failure (Immediate)
[4.] Entrepreneur is good but enterprise selection is not good.	Failure

Having justified the need for a good combination of entrepreneur and enterprise, the entrepreneur should have entrepreneurial characteristic (Refer to module 1) and for a good enterprise or the suitable enterprise one need to understand the Porter's five forces model.



### 1. Threat of substitute products

**Threat of substitute products** means how easily your customers can switch to your competitors product. **Threat of substitute is high** when:

- There are many substitute products available
- Customer can easily find the product or service that you're offering at the same or less price
- Quality of the competitors' product is better
- Substitute product is by a company earning high profits so can reduce prices to the lowest level.

In the above mentioned situations, **Customer can easily switch to substitute products**. So substitutes are a threat to your company. When there are actual and potential substitute products available then segment is unattractive. Profits and prices are effected by substitutes so, there is need to closely monitor price trends. In substitute industries, if competition rises or technology modernizes then prices and profits decline.

### 2. Threat of new entrants

A **new entry of a competitor** into your market also weakens your power.

**Threat of new entry depends upon entry and exit barriers**. Threat of new entry is high when:

- Capital requirements to start the business are less
- Few economies of scale are in place
- Customers can easily switch (low switching cost)
- Your key technology is not hard to acquire or isn't protected well
- Your product is not differentiated

There is variation in attractiveness of segment depending upon entry and exit barriers. That segment is more attractive which has high entry barriers and low exit barriers. Some new firms enter into industry and low performing companies leave the market easily. When both **entry and exit barriers** are high then profit margin is also high but companies face more risk because poor performance companies stay in and fight it out. When these barriers are low then firms easily enter and exit the industry, profit is low. The worst condition is when entry barriers are low and exit barriers are high then in good times firms enter and it became very difficult to exit in bad times.

### 3. Intense rivalry among existing players

**Industry rivalry** mean the intensity of competition among the existing competitors in the market. Intensity of rivalry depends on the number of competitors and their capabilities.

**Industry rivalry is high when:**

- There are number of small or equal competitors and less when there's a clear market leader.
- Customers have low switching costs
- Industry is growing
- Exit barriers are high and rivals stay and compete
- Fixed cost are high resulting huge production and reduction in prices

These situations make the reasons for advertising wars, price wars, modifications, ultimately costs increase and it is difficult to compete.

### 4. Bargaining power of suppliers

**Bargaining Power of supplier** means how strong is the position of a seller. How much your supplier have control over increasing the Price of supplies. **Suppliers are more powerful when**

- Suppliers are concentrated and well organized
- a few substitutes available to supplies
- Their product is most effective or unique
- Switching cost, from one suppliers to another, is high
- You are not an important customer to Supplier

When suppliers have more control over supplies and its prices that segment is less attractive. It is best way to make win-win relation with suppliers. It's good idea to have multi-sources of supply.

## 5. Bargaining power of Buyers

**Bargaining Power of Buyers means**, how much control the buyers have to drive down your products price, Can they work together in ordering large volumes? **Buyers have more bargaining power when:**

- Few buyers chasing too many goods
- Buyer purchases in bulk quantities
- Product is not differentiated
- Buyer's cost of switching to a competitors' product is low
- Shopping cost is low
- Buyers are price sensitive
- Credible Threat of integration

**Buyer's bargaining power** may be lowered down by offering differentiated product. If you're serving a few but huge quantity ordering buyers, then they have the power to dictate you.

**Michael Porters five forces model** provides useful input for SWOT Analysis and is considered as a strong tool for industry competitive analysis.

Opportunity identification and selection are like corner stones of business enterprise. In a sense, identification and selection of a suitable business opportunity serves as the saying “**well begun is half done.**”

## Start-ups

A startup is a young company that is just beginning to develop. Startups are usually small and initially financed and operated by a handful of founders or one individual. These companies after a product or service that is not currently being offered elsewhere in the market, or that that founders believe is being offered in an inferior manner.

## Startups Ecosystem

A **startup ecosystem** is formed by people, startups in their various stages and various types of organizations in a location (physical or virtual), interacting as a system to create new startup companies.

Startup ecosystem are controlled by both external & internal factors

### External and Internal Factors

**External factors**, such as financial climate, big market disruptions and significant transitions, control the overall structure of an ecosystem and the way things work within it. Start-up ecosystems are dynamic entities which progress from formation stages to periodic disturbances (like the financial bubbles) and then to recovering processes.

Start-up ecosystems in similar environments but located in different parts of the world can end up doing things differently simply because they have a different entrepreneurial culture and resource pool. The introduction of non-native peoples' knowledge and skills can also cause substantial shifts in the ecosystem's functions.

**Internal factors** act as feedback loops inside any particular start-up ecosystem. They not only control ecosystem processes, but are also controlled by them. While some of the resource inputs are generally controlled by external processes like financial climate and market disruptions, the availability of resources within the ecosystem are controlled by every organization's ability to contribute towards the ecosystem. Although people exist and operate within ecosystems, their cumulative effects are large enough to influence external factors like financial climate.

### Elements of Startup Ecosystem

1. Support Organizations
2. Big Companies
3. Universities
4. Funding Organizations
5. Service Providers
6. Research Organizations

## **BUSINESS INCUBATION**

Business incubation is a dynamics process of business enterprise development. Incubators nurture young firms, helping them to survive & grow during the startup period when they are most vulnerable. Incubator provide hands-on management assistance, access to financing business or technical support services, most also offer entrepreneurial firms shared office services, access to equipment, flexible leases & expandable space – all under one roof.

## **BUSINESS INCUBATOR**

Business incubator is a facility (company) designed to assist businesses to become established and profitable during the startup phase.

It provides

- Business advice
- Business services
- Networking
- Mentoring
- Full time manager

## **Types of Incubators**

- a) **Government sponsored:** It is organized by the government organizations or departments.
- b) **Non-profit sponsored:** It is organized & managed through association, chambers of commerce etc.
- c) **University of academic institutions:** It is organized by universities or academic institutions, the major goal of this type of incubator is to transit the finding of fasten research & development into new product & technologies.
- d) **Privately sponsored:** It is organized & managed by private firms or companies. The major goal is to make profit.

## **Principles of Business Incubation**

- a) The incubator aspires to have a positive impact on its community's economic health by maximizing the success of emerging companies.
- b) The incubator itself is a dynamic model of sustainable, efficient business operation.

## **Operational Models**

The operational model determines the way in which the incubator will be organized and operate.

The following models can be found:

- BRICKS AND MORTAR (which “is definitely vertical as to information flow, and local in nature”)
- VIRTUAL, PORTAL OR WITHOUT WALLS (which are those which do not use physical space, operate through a portal and which require a greater marketing effort)
- THE HUB / VENTURE INCUBATOR (which “is most common among the business incubator models”)
- EGGUBATOR (which “is structure more with a view for the future”)

### **Bricks and Mortar (BAM)**

This is the first of the four models. It is the simplest of the four

- It represents the historical model of business incubation, which focuses on physical facilities, office support and limited on-site services
- It has a nuclear structure in that it is a facility providing very little alliances with external entities.
- The incubator provides a very limited amount of services, which may include a receptionist, a telephone, a photocopier and the likes.



## Entrepreneurship Development

- It is unlikely that considerable management expertise is available, but one individual may be there to provide limited coaching and direction

Its strength is its simplicity. Its weaknesses include the limited scope of the services they provide and the fact they do not provide any funding”.

### Virtual, Portal or Without Walls

The Portal is a new type of business incubator. Most are primarily start-ups themselves. As such, they have no solid track record, but are rapidly proliferating. They deliver a wide range of services electronically, through the Internet. They create virtual alliances and provide a limited amount of funding.

- The Portal’s major strength is easy access to a wide range of services, no administrative costs associated with physical facilities, and ease in seeking associates and serving clients, globally.
- Its weakness though is a lack of human interaction that delimits its clientele, since many seek personalized humanized services, in addition to the electronic medium.
- Virtual incubator is described as an organization which is set up on the internet and which provides a wide data bank and information, with the possibility of stimulating new business.
- Virtual business incubators / technology estates make services available in a virtual medium. They connect companies, customers, suppliers, partners and the operating management of the virtual incubator with each other through the Internet, electronic data interchange, videoconferences, etc.
- Virtual incubators as those which provide entrepreneurs with all the services and support which are necessary for the development of the enterprise and which are common to incubators, but they normally do not offer physical space and a shared infrastructure.

## *Entrepreneurship Development*

- Virtual incubators can be classified into venture incubators, venture accelerators, venture portals and venture networks. Of these, only the venture incubator will usually offer physical space.

### **Hub / Venture Incubator**

The Hub is most typical start-up incubator. Hubs combine the strengths from both the BAM model and the portal model into a central office.

- Specialized divisions within the incubator offer a good range of services.
- A limited amount of funding is available to the incubatees.
- Yet, the incubators network with the outside is underdeveloped, loose, informal and inconsistent.

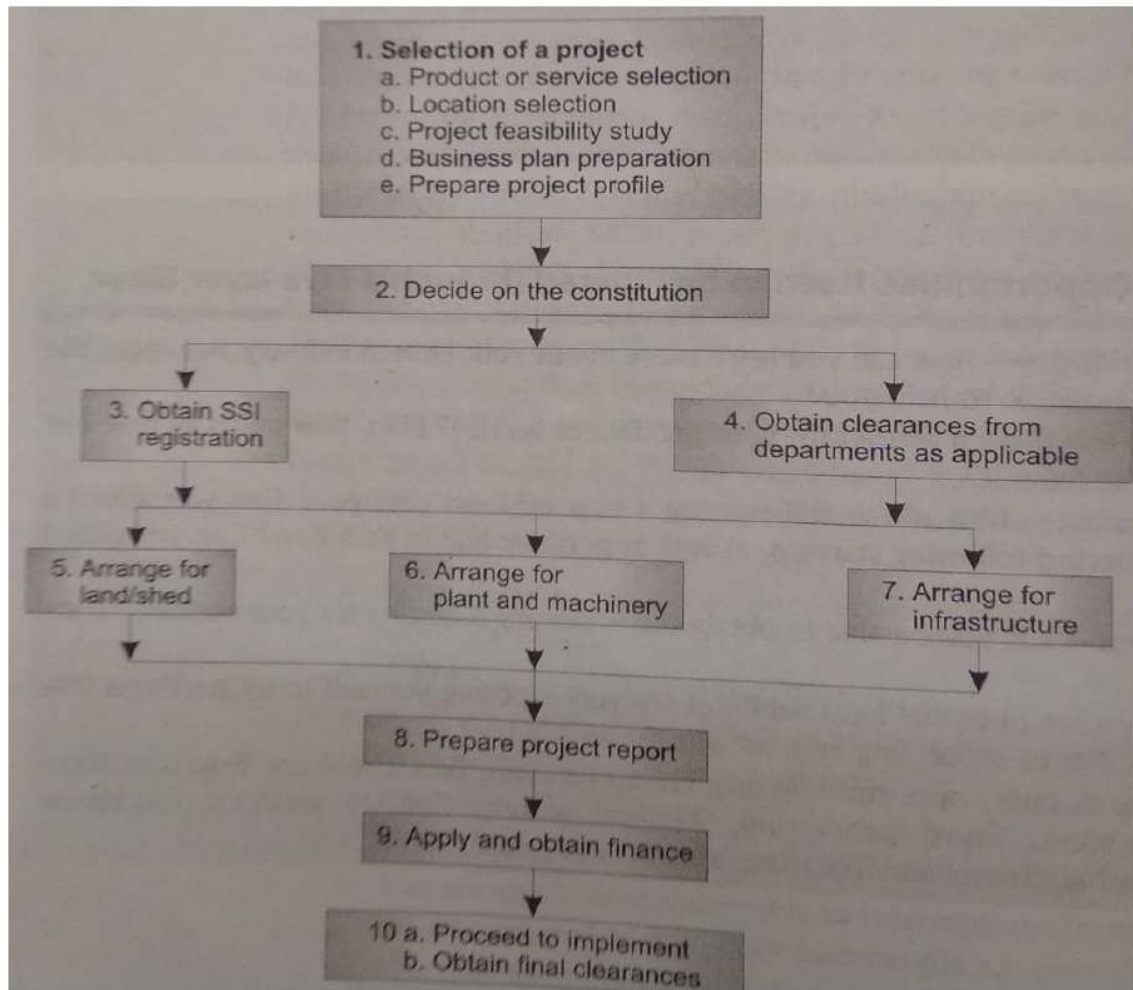
### **Eggubator**

The newest and the most recent model of a business incubator is the hardest to define: it is so new, that though its description finds its way into studies and articles none of those have applied a name to it

- It has an orbital structure, in that it has a strong core in the center that ensures good vertical information flow, and multi-layered orbits/affiliations that allow high quality information circulation both horizontally and multi-directionally, across the layers.
- It offers a “total” range of services; its devoted alliances and partnerships represent a perfect entrepreneurial network where access to a needed service is offered at any time. These alliances and partnerships also have internal sources of funding built into the system.

## Setting up a Small Enterprise

The formalities for setting up of a small business enterprise is given in Fig



### [1.] Selection of a Project

A strong entrepreneur is the most vital aspect of every successful project. In order to set up a small-scale industry, a suitable project has to be decided upon. This involves:

#### a) Project or service selection

Before deciding on a suitable project the entrepreneur has to decide on a suitable product or a service. The main factors are as follows:

- ✓ Background and experience of the entrepreneur
- ✓ Availability of technology and know-how for the project.
- ✓ Marketability of the product/service
- ✓ Investment capacity
- ✓ Availability of plant and machinery
- ✓ Availability of raw materials
- ✓ Availability of proper infrastructure facilities (land/shed, power, water, transport and so on)

#### b) Location selection

Some of the major aspects to be considered before deciding on the location of the project are

- ✓ Proximity to market
- ✓ Availability of raw materials
- ✓ Availability of transportation and communication facilities
- ✓ Availability of incentives/concessions
- ✓ Government policy
- ✓ Availability of suitable infrastructures facilities and
- ✓ Convenience for the promoter

c) **Project feasibility study**

The important facets of a project feasibility study are as follows

- ✓ **Market analysis:** under this analysis one need to understand the aggregate demand of the proposed product/services in future and its market share of the project appraisal.
- ✓ **Technical analysis:** It seeks to determine whether the prerequisites for the successful commissioning of the project have been considered and reasonably good choices have been made with respect to location, size, and process and so on.
- ✓ **Financial analysis:** It seeks to ascertain whether the proposed project will be financially viable in the sense of being able to meet the burden of servicing debt and whether the proposed project will satisfy the return expectations of those who provide the capital.
- ✓ **Economic analysis:** It also referred to as social cost-benefit analysis, is concerned with judging a project from the larger, social point of view. In such an evaluation the focus is on the social costs and benefits of a project, which may often be different form its monetary cost and benefits.

**Example:** need to answer to question like

What would be the impact of the project on the distribution of income in the society?

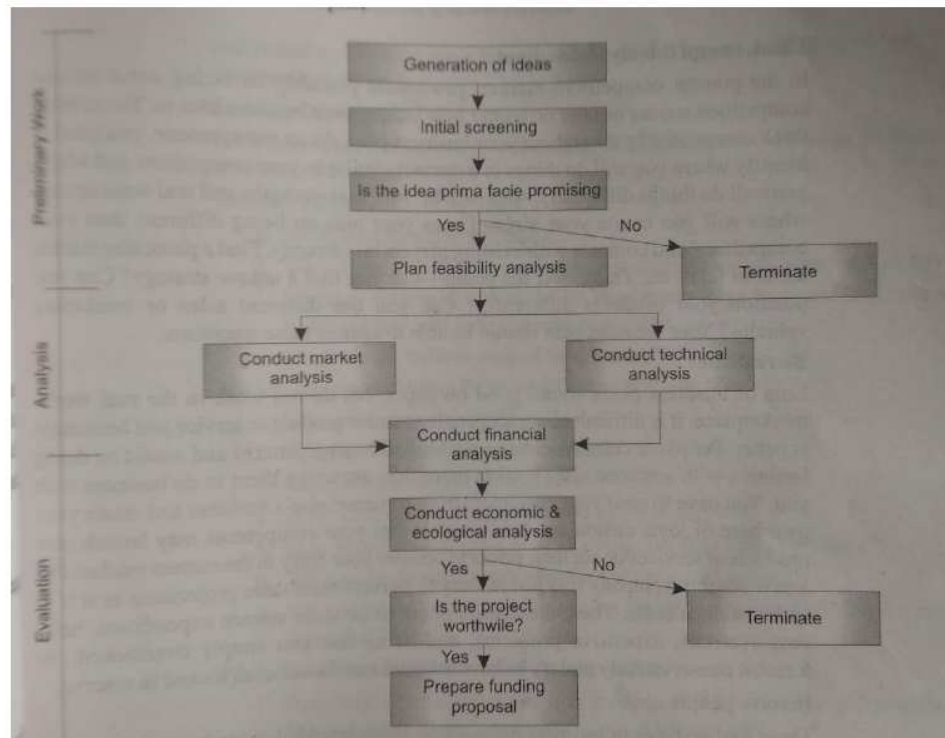
What would be the impact of the project on the level of saving and investment in the society?

What would be the contribution of the project towards the fulfilment of certain criteria like self-sufficiency, employment and social order?

- ✓ **Ecological analysis:** The key questions raised in ecological analysis are as follows.

What is the likely damage caused by the project to the environment?

What is the cost of restoration measures required to ensure that the damage to the environment is contained within acceptable limits?



### d) Business plan preparation

It can be used to establish realistic goals or targets to achieve and to determine the current position. A business plan is used to help make crucial start-up decisions; to reassure lenders, investors or backers; to measure operational progress; to test planning assumptions; to adjust forecasts; and to set the standard for good operational management.

While making a business plan keep the following points in mind

- ✓ Keep target audience in view
- ✓ Strategy – core of a business plan
- ✓ Think competitively throughout
- ✓ Be realistic
- ✓ Involve people

e) Prepare project profile

A project profile gives a bird's eye view of the proposed project. This may be used for obtaining the Provisional Registration Certificate (PRC) from the District Industrial Centre and for making, applying for Industrial Areas Development Board for land or State Small Industries Development Corporation (SSIDC) for shed and other infrastructures

[2.] **Decide on the constitution**

To start any industry the promoter(s) have to decide on the constitution of the unit. There are four major alternatives

- a) Sole proprietorship
- b) Partnership
- c) Corporation/Limited Company
- d) Cooperative
- e) Franchising

The constitution of the unit has to be decided at the initial stages of the project and the necessary formalities should be completed by the time the application for provisional Registration certificate is made.

[3.] **Obtain SSI registration**

Small-scale and ancillary units that is undertakings with investment in plant and machinery of less than Rs 1 Crore should seek registration with the Director of Industries of the concerned State government. Entrepreneurs desiring to start a small scale industry have to initially obtain a Provisional Registration Certificate. One the unit goes into production, the PRC has to be converted into a Permanent Registration Certificate (PMC)

**[4.] Obtain clearance from departments as applicable**

Several clearances are required from different authorities depending on the type of industry and the location of the unit.

Example:

Agricultural land conversion

Pollution control board clearances etc.

**[5.] Arrange for land/Shed**

Once the location of the unit is decided, the land for the project could be conveniently taken from the State Industrial Areas Development Board. However, private land could also be purchased, but it has to be converted for industrial purpose and other necessary legal/formalities will have to be completed.

**[6.] Arrange for plant and machinery**

The plant and machinery required for the project could be purchased from recognised manufacturers/dealers. (Direct Purchase). The plant and machinery could also be taken on a hire purchase scheme operated by the National Small Industries Corporation (NSIC). This is a Government of India corporation.

**[7.] Arrange for infrastructure**

The main infrastructure facilities required for a SSI unit are land or shed for the project, power connection, water supply and telephone facility.

Check out for the availability, rate, and quality etc. of the same.

**[8.] Prepare project report**

For any new project or venture, proper planning is necessary. A detailed project report provides such a plan for the project. The report is useful to the entrepreneur for planning and implementing the project. It is essential for obtaining finance and other clearances for the project. The project report gives a detailed insight of the project and indicates the techno-economic viability of the project.



The general points to be kept in mind while preparing a project report are given below:

- ✓ Proper validation of the data and information based on reliable sources
- ✓ Effective presentation by use of charts, graphs, and pictorial forms
- ✓ Cost minimisation and timeliness etc.

### [9.] **Apply and obtain finance**

There are various sources of funds. Small-scale units can obtain finance for their projects under two main categories

- ✓ Term Loan
- ✓ Working Capital Loan

[10.]

- a) Proceed to implement: The entrepreneurs will have to take necessary steps to physically implement the project after obtaining the various licenses, clearances, infrastructure facilities and so on.
- b) Obtain final clearances: Entrepreneurs are required to take several final clearances when the unit is ready for commissioning or as soon as it goes into production.

## **Environmental Problems**

Industrialization, while important for the economic growth and development of a society, can also be harmful to the environment. Amongst other things industrial process can cause climate change, pollution to air, water and soil, health issues, extinction of species, and more.

### **Air Emissions**

Industry is a major cause of air pollution, since the operation of factories results in the emission of pollutants, including organic solvents, respirable particles, sulphur dioxide (SO<sub>2</sub>) and nitrogen oxides (NO<sub>x</sub>). These pollutants can both harm public health and damage the environment by contributing to global phenomena such as climate change, the greenhouse effect, ozone hole and increasing desertification.

### **Wastewater**

The sources of effluent - treated or untreated wastewater that is discharged into surface waters - are many and varied. Effluent can come from industrial outlets, treatment plants, and sewers. Untreated wastewater can cause environmental woes including: pollution of groundwater reservoirs, damage of transport and wastewater treatment systems, and degradation of treated wastewater and sludge such that it would disqualify them from being used for agricultural purposes.

### **Land Pollution**

Leakage from the fuel and energy industries, as well as industries involving hazardous materials, are the main causes of land contamination. Examples of soil pollution sources are oil refineries and pipelines transporting gas, oil depots, gas stations, garages, metal treatment and coating factories, chemical plants, dry cleaning businesses, printing businesses, the textile industry, and sites where hazardous materials are stored.

Soil contamination is caused by direct exposure to the pollutant, leakage of toxic gases into buildings, and groundwater pollution. The properties of soil result in pollutants remaining in the soil long after the pollution incident.

### **Hazardous Materials**

Hazardous materials are widely used in a variety of different businesses, including industry and agriculture. If not properly treated, stored, or dealt with, hazardous materials can cause damage to human health, environment and property.

### **Solid Waste**

Solid waste is generated wherever there is human activity and is characterized by a several different streams, each with different characteristics and components. These include industrial waste, dry waste, and organic waste.

### **Pesticides and Pest Control Products**

Animals are considered dangerous to humans when there is a risk of them spreading disease, injuring a person, damaging property, or becoming an intolerable nuisance. Examples of "pests" include: mosquitoes, flies, cockroaches, fleas, fire ant, mice, and bats. Non-approved pesticides can damage the environment and result in the poisoning of living things and in environmental pollution.

### **Asbestos and Harmful Dust**

Products that contain asbestos (friable or cement) that is in a state of disintegration may cause the release of asbestos fibres into the air. This can be hazardous to the environment and can cause human illness such as lung disease.

### **Radiation**

The public and the environment are at-risk from exposure to both ionizing radiation (sources include radioactive materials, x-ray machines, and accelerators) and non-ionizing radiation (sources include electrical installations, mobile broadcasting centres and lasers).

### **Noise**

Frequent or prolonged exposure to loud noises is not only a nuisance, but can cause damage to a person's physical and mental health.

Examples: Unreasonable Noise from Construction Equipment etc.

### **Environmental Pollution Act**

The Environment (Protection) Act was enacted in 1986 with the objective of providing for the protection and improvement of the environment. It empowers the Central Government to establish authorities [under section 3(3)] charged with the mandate of preventing environmental pollution in all its forms and to tackle specific environmental problems that are peculiar to different parts of the country. The Act was last amended in 1991.

#### **Objectives:**

- ✓ To protect and improve air, water and land environment
- ✓ To prevent hazards to all living creatures and properties
- ✓ To maintain a pleasant relationship between human beings and their environment.

#### **Important features of this act**

- ✓ This act empowers the government to lay down procedures and safeguards for prevention of accidents that cause pollution and remedial measures if an accident occurs.
- ✓ The government has the authority to close/prohibit or regulate any industry or its operation if violation of the provisions of the act occur.

## Entrepreneurship Development

- ✓ Any person who fails to comply or contravenes any provision of the act is punishable with imprisonment for a term extending up to five years or a fine up to one lakh rupees or both.
- ✓ An additional fine of Rs.5000 per day may be imposed for entire period of violation of rules.
- ✓ The act fixes the liability on the person who is directly in-charge unless it is proved that the offence was committed without his/her knowledge or consent.
- ✓ This act empowers the officer of central government to inspect the site and collect samples of air, water, soil or other material for testing.

This act is the most comprehensive legislation with powers for central government to act directly without interference from regulatory authorities or agencies.

The Central Government hereby makes the following rules further to amend the Environment (Protection) Rules. 1986. Namely:-

### Industrial Policy

It is a formal declaration by the government whereby it outlines its general policies for industries.

The industrial policy of a country generally deals with the ideology of the current political dispensation.

### Objective

The main objective of any industrial policy is to augment the industrial production & thereby enhance the industrial growth which leads to economic growth by optimum utilization of resources.

- Modernization
- Balanced industrial development & balanced regional development
- Co-ordinated development of large as well as small medium & cottage enterprises
- Determination of area of operation under private & public sector

## Entrepreneurship Development

- Enhance cordial relation between workers & management and proper utilization of the domestic/foreign capital
- To set the direction of foreign investors & foreign investment

### Industrial Policy resolutions

After independence India has been released industrial policy around six times

#### Industrial policy resolution of 1948

#### Industrial policy resolution of 1956

Industrial policy resolution of 1977

Industrial policy resolution of 1980

Industrial policy resolution of 1990

#### Industrial policy resolution of 1991

Out of these six resolution IPR 1948, 1956 & 1991 are more important, whereas IPR 1977, 1980 & 1990 are just the extension of IPR 1956.

#### Industrial policy resolution of 1948

The govt. of India declared its first industrial policy on 6<sup>th</sup> April 1948. The industrial policy 1948 was presented in the parliament by then industry minister Dr. Shyama Prasad Mukerjee.

India ushered into a mixed economy taking the society on socialistic pattern. The large industries were classified in four categories.

1. **Strategic industries** (Public sector): Defence, Atomic energy, Railway etc. The total control is of central Govt.
2. **Basic/Key industries** (Public –cum- Private sector): Coal, Iron, Aeroplane mfg. Telephone, wireless, Manufacturing, Refinery oil etc.  
  
First it will be in control of private sector if they fail, then after ten year it's take over the Govt.
3. **Important industries** (Controlled by private sector): Automobile, Textile, Cement, Sugar etc.

Worked by private sector but in the supervision of Govt.

#### 4. **Other industries** (Private & co-operative sector)

Apart from the four fold classification of the industries the industrial policy 1948 endeavoured to protect cottage & small scale industries by according them priority status.

#### **Industrial Policy Resolution - 1956**

The Industrial policy resolution of 1985 was based upon the Mahalanobis Model of growth, which suggested that emphasis on heavy industries would lead the economy towards a long term higher growth path.

The Industrial Policy Resolution - 1956 classified industries into three categories:

- **Schedule A Industries (17 industries):** exclusively under the domain of the Government. These included inter alia, railways, air transport, arms and ammunition, iron and steel and atomic energy.
- **Schedule B Industries (12 industries):** which were envisaged to be progressively State owned but private sector was expected to supplement the efforts of the State.
- **Schedule C Industries** The third category contained all the remaining industries and it was expected that private sector would initiate development of these industries but they would remain open for the State as well.

It was planned after the first five year pane in which Agriculture was the agenda. But in the second five year plan the objective was Industrial development

Here is the starting of **Licensing Raj**

Before next industrial policy two more licensing Act were introduced

#### **a) Monopolistic & Restrictive Trade Practice under MRTP Act 1969 (Introduced in August 1966 in parliament but passed in December 1969)**

The MRTP Act 1969 was enacted

- To ensure that the operation of the economic system does not result in the concentration of economic power in hands of few
- To provide for the control of monopolies
- To prohibit monopolistic & restrictive trade practices

- The MRTP Act extends to the whole of India except J&K

**b) The Foreign Exchange Regulation Act (FERA)** was legislation passed in India in 1973 that imposed strict regulation on certain kinds of payments, the dealings in foreign exchange (forex) and securities & the transactions which had an indirect impact on the foreign exchange and the import & export of currency. The bill was formulated with the aim of regulating payments & foreign exchange

- FERA applied to all citizens of India, all over the India
- The idea was to regulate the foreign payments regulate the dealings in Foreign Exchange & Securities and Conservation of foreign exchange for the nation.

### Industrial Policy Resolution 1977

The Industrial Policy statement 1977 was announced by Janata Govt led by Morarji Desai on 23 December 1977

#### Salient feature of Industrial Policy Statement 1977

- Special focus on Small – Scale Industries
- Focus of labour – intensive Technology
- Viability of public sector
- Focus on Indigenous Technology
- Focus on self sufficiency
- Balanced Regional Development
- Workers' participation
- Restrictions on Foreign Investments

(Note: Not able to implement in ground level)

### Industrial Policy Resolution 1980

Congress came back to power in 1980 indicated to thrust in Industrial Policy of 1956. On 25 July, 1980 the new Industrial Policy was announced.

- To improve the efficiency of Public Sector Enterprises

## *Entrepreneurship Development*

- Integrating Industrial development by promoting the concept of Economic Federalism
- Redefining the small & Tiny units
- Regulations of unauthorised excess capacities
- State policy on mergers & Takeover of sick units

### **Industrial Policy Resolution 1990**

The Janata Dal Government announced its new Industrial Policy on May 31, 1990

Its salient features are as follows

- The investment ceiling raised
- Focus on small-scale sector
- Central Investment subsidy
- Modernisation & up gradation of technology
- A new apex bank SIDBI has been established to ensure adequate & timely flow of credit for the small-scale industries.
- Bureaucratic control will be reduced

In view of socialistic pattern, Indian government had put much restriction in foreign investment and foreign company so that many foreign companies left India, companies like IBM & Coca-Cola are among them.

### **Industrial Policy Resolution 1991**

On July 24, 1991 government of India announced its new industrial policy with an aim to correct the distortion & weakness of the Industrial structure of the country

#### **Salient Features**

This new model of economic reforms is commonly known as the LPG or Liberalisation, Privatisation & Globalisation model

The primary objective of this model was to make the economy of India the fastest developing economy in the globe with capabilities that help it match up with the biggest economies of the world.



## *Entrepreneurship Development*

To meet above objectives govt of India had made to many reforms. They are:

### **Licensing System**

Industrial licensing policy. This policy abolished the industrial licensing for all industries except for a short list of 18 industries. This list of 18 industries was further pruned in 1999 where by the number reduced to 5 industries. Viz.

1. Drugs & pharmaceuticals
2. Hazardous chemicals
3. Explosive such as gun powder & detonating fuses & electronic aerospace & defence equipment
4. Tobacco Products
5. Alcoholic drinks

The compulsion for obtaining prior approval for setting units in metros was also removed. However in this policy industries reserved for the small scale sector were continued to be so reserved.

### **Public Sector**

Only two sector were finally left reserved for Public sector

1. Nuclear Energy & Mineral which are used for nuclear power
2. Railway Transport

### **Foreign Investment & Capital**

This was the first Industrial Policy in which foreign companies were allowed to have majority stake in India. In 47 high priority industries, up to 51% FDI was allowed. For export trading houses, FDI up to 74% was allowed. Today, there are numerous sectors in the economy where govt. allows 100% FDI

The Govt also established a special empowered board called Foreign Investment Promotion Board (FIPB) to negotiate with international firms & approve FDI in selected areas.

### Foreign Technology Agreements

Automatic permission was given for foreign technology agreements in high priority industries up to a lump sum payment of Rs1 crore, 5% royalty for domestic sales & 8% for exports, subjects to total payment of 8% sales over a 10 year period from date of agreement or 7 years from commencement of production. Further, Govt. eased hiring of foreign technicians.

### Review in Public Sector Investments

A promise was made to review the portfolio of public sector investment with a view to focus the public sector on strategic, high-tech & essential infrastructure. This indicated a disinvestment of public sector. The PSUs which were chronically sick & which are unlikely to be turned around were to refer to the Board for Industrial & Financial Reconstruction (BIFR). It was promised that Boards of public sector companies would be made more professional & given greater power.

### Amendments to MRTP Act

The MRTP Act will be amended to remove the threshold limits of assets in respect of MRTP companies & dominant undertakings. This eliminates the requirement of prior approval of central Govt for establishment of new undertakings, expansion of undertakings, merger, amalgamation & takeover & appointment of Directors under certain circumstances. The MRTP limit for MRTP companies was made Rs 100 crore. Currently, **MRTP act is replaced by competition Act 2002**

### New Definition of Tiny Sector

The definition of tiny unit was changed as a unit having an investment limit of less than Rs 5 lakh

And also introduced National Renewal Fund 1992 to provide safety net for Labourers. (But this provision of fund discontinued in year 2000)

They also made reform in the field of Industry Localization. According to this the Industrialist can choose the location of the plant independently.

## Module III

### Need to know about Accounting

Accounting ratio is the comparison of two or more financial data which are used for analyzing the financial statements of companies. It is an effective tool used by the shareholders, creditors and all kinds of stakeholders to understand the profitability, strength and financial status of companies.

This is also widely known as financial ratios based on which business performance can be monitored and important business decisions are made.

Accounting ratios, classified into the following categories:

- [1.] **Liquidity Ratio:** Liquidity ratio helps in measuring the cash sufficiency of an enterprise to pay off its short-term liabilities. A High liquidity ratio ensures the company is in a good position to pay its creditors. The liquid ratio of 2 or more is considered acceptable.
- [2.] **Profitability Ratio:** Profitability ratio is generally used to determine how well the business is generating profits from its operations. Profit is the balance of income earned after deducting all related expenses.
- [3.] **Leverage Ratio:** Leverage ratio measures the utilization of borrowed money by the business. It helps to identify the financial stability of the business by analyzing the total debt of the company.
- [4.] **Activity Ratio:** Activity ratio indicates the return generated from a particular type of asset using the sales, cost and asset data. This ratio helps the business to identify effective utilization of the assets and thereby facilitates efficient management.

All these types of ratios are used for monitoring the business performance and comparing the business results with competitors.

## **Working Capital Management**

Working capital management is the process of managing these short-term assets and liabilities to ensure the company has adequate liquidity to operate smoothly.

### **Working Capital = Current Assets – Current Liabilities**

Working capital efficiency can be measured by certain ratios. Some of the measures used in estimating the efficiency of working capital management include current ratio, days of payables outstanding, days of inventory outstanding, days of sales outstanding, etc.

If the working capital is managed efficiently, the business will be able to free up cash to pay debts or for reinvestments.

### **Working Capital can be divided into two main categories:**

- A. Based on capital
  1. Gross Working Capital
  2. Net Working Capital
- B. Based on time period
  1. Fixed Working Capital
  2. Variable Working Capital

### **Gross Working Capital**

Gross working capital is the total amount available for financing of current assets. However, it does not reveal the true financial position of an enterprise.

Gross Working Capital = Total Current Assets

### Net Working Capital

The net working capital is an accounting concept which represents the excess of current assets over current liabilities. Current assets consist of items such as cash, bank balance, stock, debtors, bills receivables, etc. and current liabilities include items such as bills payables, creditors, etc. Excess of current assets over current liabilities, thus, indicates the liquid position of an enterprise.

Net Working Capital = Current Assets - Current Liabilities

The ratio of 2:1 between current assets and current liabilities is considered as optimum or sound.

### Fixed Working Capital

The amount of funds needed for meeting requirements normally varies from time to time in every business.

However, business always needs a certain amount of assets in the form of working capital if it is to carry out its functions.

A part of the investment in current assets is as permanent as the investment in fixed assets. It covers the minimum amount necessary for maintaining the circulation of the current assets. Working capital invested in the circulation of the current assets and keeping it moving is permanently locked up.

The permanent or fixed working capital is of two kinds:

- a. **Regular working capital:** It is the minimum amount of liquid capital required to keep up the circulation of the capital from cash to inventories to receivables and back again to cash. This would include a sufficient amount of cash to maintain reasonable quantities of raw materials for processing into finished goods to ensure quick delivery etc.
- b. **Reserve margin or cushion working capital:** It is extra capital required to meet unforeseen contingencies that may arise in future. These contingencies may crop up on account of rise in prices, business depression, strikes, lock-outs, fires and

unexpected competition. It is needed over and above the regular working capital requirements.

### **Variable working capital:**

The variable working capital fluctuates with the volume of business. It may be sub-divided into:

- a. **Seasonal Working capital:** It refers to liquid capital needed during the particular season. According to Gestenberg, "Beyond initial and regular working capital, most businesses will require at stated intervals a large amount of current assets to fill the demands of the seasonal busy periods"

During the season, the business enterprises have to push up purchase of raw materials (sugarcane by sugar mills, wool by woolen mills) and employ more people to convert them into finished goods and thus require large amount of working capital.

- b. **Special working capital:** It is that part of the variable capital which is needed for financing special operations such as the organization of special campaigns for increasing sales through advertisement or other sale promotion activities for conducting research experiments or execution of special orders of Government that will have to be financed by additional working capital.

## **Marketing Management**

"Marketing management is 'the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value'

### **Marketing problems of small scale industries**

Small scale units are exposed to numerous problems. Major problems faced by these units are concerning raw-material, labor financial and marketing. Problem of marketing is more complicated in case of small scale industries. These units are in no position to face the onslaught of large scale limits w.r.t., quantity quality and cost and at the same time are not in a position to assess the prevailing market scenario (or) changes which are taking place w.r.t.

tastes, liking, disliking, competition, technology etc. moreover these units do not possess the requisite expertise to adjust their operations according to the changed situation.

- [1.] **Problem of standardization:** Small scale units face problems w.r.t. fixing the standards and sticking. This results in the poor quality of their products and it adversely affects their image (or) goodwill in the market.
- [2.] **Competition from large scale units:** Small scale units are ill equipped to face competition from large scale unit's w.r.t. quantity, quality and cost. In the modern competitive world there is survival of the fittest, even the existence of small scale units is endangered.
- [3.] **Poor sale promotion:** Small scale units have limited financial resources and hence cannot afford to spend more on sale promotion. These units are not having any standard brand name under which they can sell their products. Various channel members exploit them because of the lack of goodwill of their products in the market.
- [4.] **Poor bargaining power:** Small scale units because of their limited resources and lower scale of operations are in a weak position while negotiating with the suppliers of raw-material, finances (or) marketing agencies. They are always at the receiving end and as such are not in a position to safeguard their interests.

### Importance of Marketing in Small Scale Industries

Marketing is one of the most important things a business can do. Not only does marketing build brand awareness but it can also increase sales, grow businesses and engage customers.

- ✓ **It informs:** marketing is the most effective way to communicate your value proposition to your customers in a fun and interesting way.
- ✓ **It sustains:** Marketing is important because it allows businesses to maintain long-lasting and ever-present relationships with their audience. It is not a one-time fix, it is an ongoing strategy that helps businesses flourish.
- ✓ **It engages:** Customer engagement is the heart of any successful business – this is especially true for Small Medium Business. Consumers want to be engaged outside the store. This is where marketing comes in, and whatever the medium, you can send

your customers content to keep them engaged beyond store hours. Your audience wants to form a relationship with your brand, and marketing can be used to do just that.

- ✓ **It sells:** Marketing is important because it helps you sell your products or services. The bottom line of any business is to make money and marketing is an essential channel to reach that end goal. Marketing helps sales and sales help your business.
- ✓ **It grows:** Marketing is an important strategy to ensure the growth of your business. While your current customers should always be your main priority, marketing efforts can help you expand this base.

### Marketing Strategies of Small Scale Industries

The term "marketing mix" was coined in 1953 by Neil Borden in his American Marketing Association presidential address. The marketing mix is a business tool used in marketing products. The marketing mix is often crucial when determining a product or brand's unique selling point (the unique quality that differentiates a product from its competitors), and is often synonymous with the 'four Ps': 'price', 'product', 'promotion', and 'place'. However, in recent times, the 'four Ps' have been expanded to the 'seven Ps' with the addition of 'process', 'physical evidence' and 'people'. Recently, 'four Cs' theory is also in the limelight

Small scale industries not using appropriate marketing strategies in the highly competitive environment. Small scale industries are weak in differentiation strategy .As small scale industries are following low cost pricing strategies, so it is also essential to follow product differentiation for product development. The small manufactures need to use selective product positioning strategies for different products because same product positioning strategies for all products are not beneficial.

Further, the SSI's needs to be very careful about price decision because of highly competitive environment. Product should be offered at highly competitive price after doing comparative market analysis.

Small scale industries are highly satisfied regarding their product's price and pricing method. But SSIs should concentrate on pricing strategies because it affect their overall marketing strategies .Customer also highly satisfied from pricing of the small scale industries products.



## *Entrepreneurship Development*

SSIs should focus on cutting the product cost at the operational and marketing level with use of latest management approaches.

Small scale industries are not satisfied their distribution channel or place so small industries need to improve their distribution channel for maximum coverage of the buyer. For maximum coverage of the market latest technology e- marketing or web marketing may help the small manufacturer to place the product to large number of buyer.

Customers also highly dissatisfied from the distribution channel and current method of convenience of the small scale industries. Small manufacturer should adopt new methods of the convenience to the customers. It is not possible to carry out all strategies simultaneously but a set of strategies that can serve as a skeletal framework for customized approach is necessary to contact more customers towards the small scale industries products.

### **Human Resource Management (HRM)**

It can be defined as a strategic and coherent approach to the management of an organization's most valued assets—the people working there who individually and collectively contribute to the achievement of its objectives. HRD is that component of HRM which deals with the development of human resources. For a small enterprise, the following aspects of human resource development are important.

- [1.] Manpower planning
- [2.] Recruitment, Selection, and placement
- [3.] Performance appraisal and development
- [4.] Employee compensation
- [5.] Motivation
- [6.] Communication

## Industrial relations, Labour laws, and Environmental and Pollution control laws

No business or industry can survive without worker cooperation and industrial peace. Therefore, effort should be made to ensure that relations between workers and owners/managers of the firm remain peaceful. However, disputes are frequent due to expectations on the part of both employers and employees. The government has legislated certain basic norms to be followed to avoid dispute and maintain peace, to obtain maximum output from their combined activity in the interest of the nation's economy. The legislation can be categorized as follows.

### [1.] Law regulating the conditions of work in factories and establishments

#### a) General laws, applicable to all factories and establishments:

The Factory Act 1948: The objective of this Act is to provide for the health, safety, and welfare of workers

#### b) Specific laws, applicable to specific industries, like Mines Act, 1952, Indian Merchant Shipping Act, 1923 and Plantation Labour Act, 1998

### [2.] Laws relating to wages

#### a) Minimum wages Act, 1948: This Act has been adopted by State governments to prevent exploitation of workers, for the fixation and payment of minimum wages.

The Act prescribes for the fixation of wages a) a minimum time rate; b) a minimum piece rate; c) guaranteed time rate; and d) an overtime rate.

#### b) Payment of wages Act, 1936: The objective of this Act is to regulate the payment of wages to a certain class of persons employed in industry and is of two kinds:

- ✓ The date of payment of wages: wages must be paid before the expiry of the seventh day after the last day of wage period (in case of less than 1000 employee). In other cases, the payment must be made before the expiry of the tenth day after the last wage period. In the event of termination of employment of any employee, the wages earned by him shall be paid before the expiry of the second working day from the day on which his employment is terminated
- ✓ Deduction from wages, whether fine or otherwise: No deduction of any kind should be made from wages payable except those authorized by the payment of wages Act. The total amount of deductions which may be

made in any wage period from the wages of any employed person, shall not exceed the wage.

[3.] **Law relating to social security measures**

- a) Workmen's compensation Act, 1923: The Act provides for payment to the workmen by a certain category of employer compensation for injury by accident sustained at work.
- b) Employees' State Insurance (ESI) Act, 1948: This Act provides certain benefits to employees in the event of sickness, maternity, and employment injury.
- c) Employees' Provident Fund (EPF) Act and Family Pension Fund Act, 1952: The EPF consists of the contributions made by the employer and the employee of the factory. The Act also provides for the Employees' Family Pension Scheme that ensures families pension and life insurance benefits to the employees of the establishment.

[4.] **Laws relating to workers' associations and disputes**

- a) Trade union Act, 1926: This Act provides the right and liabilities of a registered trade union.
- b) Industrial Disputes Act, 1947: Its main aim is to ensure industrial peace through voluntary negotiations and compulsory adjudication.

[5.] **Laws relating to women and child workers**

[6.] **Laws relating to environment and pollution control**

- a) Water (Prevention and control of pollution) Act, 1974
- b) Air (Prevention and control of Pollution) Act, 1981
- c) Environment (Protection) Act, 1986

## **ORGANIZATIONAL SUPPORT SERVICES – CENTAL & STATE GOVERNMENT**

Entrepreneurship is a multifaceted phenomenon, which has gained popularity around the world. Becoming an entrepreneur is a challenging task, which requires various resources and facilities. Small-scale enterprises, given their small resources, find it difficult to have their own. Finance has been an important resource to start and run an enterprise. In addition to finance, a minimum level of prior built-up of infrastructural facilities such as transport and communication are needed to start any enterprise. Creation of infrastructural facilities involves huge funds, which the small entrepreneurs do lack. In view of this, various Central and State Government institutions have come forward to help small entrepreneurs in this regard by providing them various kinds of support and facilities.

- ✓ Central Level Institutions
- ✓ State level Institutions
- ✓ Other agencies

### **Central level Institutions**

#### **NSIC (National Small Industries Corporation)**

NSIC has been working to promote, aid and foster the growth of micro, small and medium enterprises in the country.

NSIC has set up Training cum Incubation Centre managed by professional manpower.

Some of the main services provided by NSIC are described below

#### **Machinery and Equipment (Hire-Purchase Scheme)**

- ✓ Supply of indigenous and imported machinery on easy financial terms, mainly targeted at first-generation entrepreneurs, women entrepreneurs, weaker sections, physically challenged and ex-servicemen.

#### **Machinery and equipment (Lease scheme)**

- ✓ 100 per cent finance to facilitate SSIs in diversification and technology up gradation.
- ✓ Tax rebate on full-year rentals.

#### **Financial Assistance Scheme**

Provide finance to SSIs for the following activities.

- ✓ Marketing
- ✓ Bills discounting
- ✓ Raw material purchases
- ✓ Exports

### Assistance for procurement of raw material

- ✓ Supply under the off-the-self basis scheme
- ✓ Import of raw materials
- ✓ Providing scarce materials on priority basis
- ✓ Supplies through NIST depots/godowns

### National Institute for Entrepreneurship & Small Business Development (NIESBUD)

- ✓ It is a premier organization of the Ministry of Skill Development and Entrepreneurship, engaged in training, consultancy, research, etc. in order to promote entrepreneurship.
- ✓ Its goal is to promote, support and sustain entrepreneurship and small business through training, Education Research and consultancy.
- ✓ The major activities of the Institute are Training of Trainers, Management Development Programmes, Entrepreneurship-cum-Skill Development Programmes and Entrepreneurship Development Programmes.

### SMALL INDUSTRY DEVELOPMENT ORGANISATION (SIDO)

Central Small Industry Organization (CSIO) is the heart of all agencies dealing with the development of small industry — renamed as Small Industries Development Organization (SIDO). The office of the Development Commissioner, SSIs is also known as the Small Industries Development Organization (SIDO), established in 1954. It is a policy-making, coordinating and monitoring agency for the development of SSI entrepreneurs. It is the nodal agency that advises the Ministry of Industry and other Ministries in formulating policies and programmes for the development of SSIs. It also oversees the 'package of services' rendered by the SISIs at field level and provides comprehensive range of consultancy services and technical, managerial and marketing assistance to SSI units.

The SIDO provides common facilities

- ✓ Technology support services
- ✓ Marketing assistance and
- ✓ Entrepreneurial development support through its network of 30 Small Industries Service Institutes (SISIs), 28 Branch SISIs, 4 Regional Testing Centers (RTCs), 7 Field Regional Testing Centers (RTCs), 2 Small Entrepreneur Promotion and Training Institutes (SEPTIs) and 1 Hand Tool Design Development and Training Centre.

## Entrepreneurship Development

- ✓ The SIDO also has a network of Tool Rooms and Process-cum Product Development Centers (PPDCs) to provide technology and training support

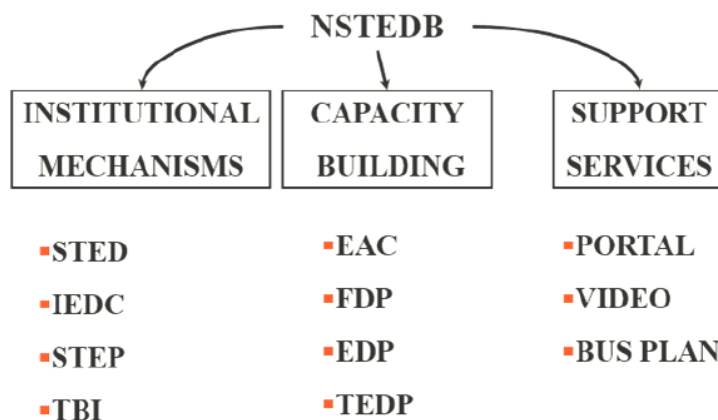
SIDO performs functions such as

- ✓ Conducting training courses through SISIs and Extension Centers
- ✓ Organizing EDPs and motivational campaigns for rural artisans, educated unemployed, women entrepreneurs and physically handicapped persons;
- ✓ Securing reservations of certain products for SS's;
- ✓ Assisting and encouraging entrepreneurs to set up industrial units in rural areas and estimating the requirements of raw materials of SSIs.

All SSIs except those falling within the specialized boards and agencies like KVIC, Coir Boards and Central Silk Board fall under the purview of the SIDO.

## NSTEDB

The National Science & Technology Entrepreneurship Development Board (NSTEDB), established in 1982 by the Government of India to promote knowledge based technology driven enterprises. The Board aims to convert "job-seekers" into "job-generators" through Science & Technology (S&T) interventions.



The NSTEDB has varieties of programs. The programs starts from creating awareness (i.e. Entrepreneurship Awareness Camp (EAC)) by sponsoring three day program in the academic institutions with the aim to germinate entrepreneurs after the gap of 3-5 years

## *Entrepreneurship Development*

Here what we can say that just through the seeds in the wild without putting water & fertilizer in the seed & with expecting some of them will germinate as entrepreneur. It is one of the very low budget program but an effective program of this board. Its success rate is around 5%.

Then the next programs are the training programs like Entrepreneurship Development Programme (EDP) of 6-8 weeks durations, aims at training the S&T graduates and the diploma holders in the essentials of conceiving, planning, initiating and launching an economic activity or an enterprise successfully.

Faculty Development Programme (FDP) is designed to train and develop professionals in entrepreneurship development so that they can act as resource persons in guiding and motivating young S&T persons to take up entrepreneurship as career. The duration of program is 2-3 weeks;

Technology Based Entrepreneurship Development Programme (TEDP), its primarily focuses on training and developing need of S&T entrepreneurs in a specific technology area (e.g. Leather, Plastic, Electronics and communication etc.) The duration of program is about 6 weeks;

The flagship program that the NSTEDB have is the Technology Business Incubation (TBI) program.

### **State level Institutions**

#### **DIC (District Industries Centers)**

- ✓ The 'District Industries Centre' (DICs) programme was started by the central government in 1978
- ✓ The objective of providing a focal point for promoting small, tiny, cottage and village industries in a particular area and to make available to them all necessary services and facilities at one place.
- ✓ The District Industries Centre is the institution at the District level, which provides all the services and support facilities to the entrepreneur for setting up Micro, Small and Medium Enterprises. This included identification of
  - suitable schemes

## *Entrepreneurship Development*

- preparation of feasibility reports
- arrangements for credit facilities
- machinery and equipment's
- Provision of raw materials and development of industrial clusters etc.

### **State Financial Corporations (SFCs)**

- ✓ This is State level financial institutions which play a vital role in the growth of small & medium enterprises in the concerned States.
- ✓ They offer financial assistance in the form of direct subscription to debentures/equity, term loans, guarantees, discounting of bills of exchange & seed/ special capital, etc.
- ✓ SFCs have been set up with the purpose of catalyzing higher investment, engendering greater employment & extending the ownership base of industries.
- ✓ They have also started offering assistance to newer types of business activities like tissue culture, floriculture, poultry farming, services related to engineering, marketing and commercial complexes. In India, there are 18 State Financial Corporations (SFCs).

### **STATE INDUSTRIAL DEVELOPMENT CORPORATIONS (SIDCs)**

The State Industrial Development Corporations (SIDCs) were incorporated under the Companies Act, 1956, as wholly owned State Government Undertakings for promoting industrial development.

The main functions of SIDCs are to provide assistance in the form of term-loans, underwriting direct subscription to shares / debentures and guarantees. They also undertake a variety of promotional activities like preparation of feasibility reports, conducting industrial potential surveys, entrepreneurship development programmes and developing industrial estates. Some SIDCs also offer a package of developmental services such as technical guidance, assistance in plant locations and coordination's with other agencies. In line with the changing environment, many SIDCs are making efforts to diversify and mutual funds. There are 28 SIDCs in the country.



## **Other agencies**

### **NABARD (National Bank for Agriculture and Rural Development):**

- ✓ It formed based on the Committee to Review the Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) which outlined the need for a new organizational device for providing undivided attention, forceful direction and pointed focus to credit related issues linked with rural development.
- ✓ Formation of National Bank for Agriculture and Rural Development (NABARD) was approved by the Parliament through Act 61 of 1981.
- ✓ NABARD came into existence on 12 July 1982.
- ✓ It was dedicated to the service of the nation by the late Prime Minister Smt. Indira Gandhi on 05 November 1982.
- ✓ Set up with an initial capital of Rs.100 crore, its' paid up capital stood at Rs.10, 580 crore as on 31 March 2018.
- ✓ It aimed at building an empowered and financially inclusive rural India through specific goal oriented departments which can be categorized broadly into three heads: Financial, Developmental and Supervision.

### **Industrial Finance Corporation of India (IFCI)**

- ✓ IFCI Ltd. was set up in 1948 as Industrial Finance Corporation of India
- ✓ It provide medium and long term finance to industry.
- ✓ The Government of India, as per the Budget for FY 2014-15 has mandated IFCI for setting up of a Venture Capital Fund under Social Sector initiatives with an aim to promote entrepreneurship among the Scheduled Castes (SC) and to provide concessional finance to them.

### **Small Industries Development Bank of India (SIDBI)**

- ✓ Set up on 2nd April 1990 under an Act of Indian Parliament, acts as the Principal Financial Institution for Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector as well as for co-ordination of functions of institutions engaged in similar activities.
- ✓ Over the years, SIDBI has been working towards the sustainable development of MSME sector

## Government Subsidy for Small Business in India

Government subsidy for small business is very much effective in any small-scale industry. Many incentives are provided with both by the Central and State Governments to pro-mote the growth of small-scale industries specially MSME.

### [1.] **The Credit Guarantee Fund Scheme for Micro and Small Enterprises**

The Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGMSE) was launched by the Government of India to provide collateral-free credit to Indian MSMEs. Both the existing and the new enterprises are eligible for the scheme.

The scheme provides credit facilities in the form of term loans and working capital facility of up to Rs. 100 lakh per borrowing unit. The amount is contributed by the Government and SIDBI in the ratio of 4:1, respectively. The scheme also offers rehabilitation assistance to sick units covered under the guarantee scheme.

### [2.] **SAMPADA Scheme for Agro-Marine Produce Processing**

SAMPADA stands for Scheme for Agro-Marine Produce Processing and Development of Agro-Processing Clusters. With a budget of Rs. 6000 Crores, the SAMPADA scheme is aimed to integrate current and new schemes in the food processing sector. The main objective is reducing food wastage and doubling farmers' income.

### [3.] **Government Subsidy for Small Business from NSIC**

NSIC provides two basic subsidies. Such as raw material assistance and marketing assistance. Raw Material Assistance Scheme aims at helping Small Scale Industries/Enterprises by way of financing the purchase of Raw Material (both indigenous & imported).

This gives an opportunity for SSI to focus better on manufacturing quality products. Under the Scheme, marketing support is provided to Micro, Small & Medium Enterprises through National Small Industries Corporation (NSIC) to enhance competitiveness and marketability of their products.

### [4.] **Credit Linked Capital Subsidy Scheme for Technology Up gradation (CLCSS)**

Up gradation of the process as well as the corresponding plant and machinery is important to help SMEs reduce the cost of production and remain price competitive in the global market. To help SMEs flourish in international trade markets, the Ministry

of Small Scale Industries (SSI) runs a scheme for technology up gradation of Small Scale Industries.

Known as the Credit Linked Capital Subsidy Scheme (CLCSS), it aims at facilitating technology up gradation by providing the upfront capital subsidy of 15% (limited to maximum Rs.15 lakhs) to SSI units for credit availed by them for the modernization of their plant and machinery. All sole proprietorship, partnership firms, cooperative, private and public limited companies are eligible for this scheme.

### [5.] **Capital Subsidy for Solar Lighting and Small Capacity PV Systems**

The Government of India has launched the Jawaharlal Nehru National Solar Mission (JNNSM) to promote sustainable energy generation and support the growing need for energy in India while addressing India's energy security challenge. The JNNSM provides a host of subsidies and soft loans for the promotion and penetration of solar energy generation in the nation.

Through the capital subsidy for solar lighting and small capacity PV systems, the JNNSM provides capital subsidy of up to 40% of the approved unit cost (benchmark cost) for solar lighting systems and small capacity Photovoltaic systems. Capital subsidy of 90% of the benchmark cost, would be available for special category states, viz. NE, Sikkim, J&K, Himachal Pradesh and Uttarakhand.

## **Incentives to Small Scale Industries in India**

An incentive is a motivational factor which induces a person to work hard or to do his work more efficiently.

### [1.] **Reservation:**

To protect the small-scale industries from the competition posed by large-scale industries, the Government has reserved the production of certain items exclusively for the small-scale sector. The number of items exclusively re-served for the small-scale sector has been considerably increased during the Five Year Plan Periods and now stands at 822.

However, prior to the 1997 – 98 Budget the number of items reserved for the small-scale sector stood at 836. The Finance Minister de-reserved 14 items in the 1997 – 98 Budget.

[2.] **Preference in Government purchases:**

The Government as well as Government organizations shows preference in procuring their requirements from the small-scale sector. For instance, the Director General of Supplies and Disposals purchases 400 items exclusively from the small-scale sector. The National Small-Scale Industries Corporation assists the SSI units in obtaining a greater share of Government and defense purchases.

[3.] **Marketing assistance:**

The National Small Industries Corporation (NSIC), the Small Industries Development Organization (SIDO) and the various Export Promotion Councils help SSI units in marketing their products in the domestic as well as foreign markets. The SIDO conducts training programmers on export marketing and organizes meetings and seminars on export promotion.

[4.] **Excise duty:**

In respect of SSI units excise duty concessions are granted to both registered and unregistered units on a graded scale depending upon their production value. Full exemption is granted up to a production value of Rs.30 lakhs in a year and 75 % of normal duty is levied for production value exceeding Rs.30 lakhs but not exceeding Rs.75 lakhs. If the production value exceeds Rs.75 lakhs, normal rate of duty will be levied.

[5.] **Supply of raw materials:**

In order to ensure regular supply of raw materials, imported components and equipment's, the Government gives priority allocation to the small-scale sector as compared to the large-scale sector. Further, the Government has liberalized the import policy and streamlined the distribution of scarce raw materials.

## *Entrepreneurship Development*

- ✓ Any person who fails to comply or contravenes any provision of the act is punishable with imprisonment for a term extending up to five years or a fine up to one lakh rupees or both.
- ✓ An additional fine of Rs.5000 per day may be imposed for entire period of violation of rules.
- ✓ The act fixes the liability on the person who is directly in-charge unless it is proved that the offence was committed without his/her knowledge or consent.
- ✓ This act empowers the officer of central government to inspect the site and collect samples of air, water, soil or other material for testing.

This act is the most comprehensive legislation with powers for central government to act directly without interference from regulatory authorities or agencies.

The Central Government hereby makes the following rules further to amend the Environment (Protection) Rules. 1986. Namely:-

### **Industrial Policy**

It is a formal declaration by the government whereby it outlines its general policies for industries.

The industrial policy of a country generally deals with the ideology of the current political dispensation.

### **Objective**

The main objective of any industrial policy is to augment the industrial production & thereby enhance the industrial growth which leads to economic growth by optimum utilization of resources.



- **Balanced industrial development & balanced regional development**
- **Co-ordinated development of large as well as small medium & cottage enterprises**
- **Determination of area of operation under private & public sector**

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- Enhance cordial relation between workers & management and proper utilization of the domestic/foreign capital
- To set the direction of foreign investors & foreign investment

## Industrial Policy resolutions

After independence India has been released industrial policy around six times

### Industrial policy resolution of 1948

### Industrial policy resolution of 1956

Industrial policy resolution of 1977

Industrial policy resolution of 1980

Industrial policy resolution of 1990

### Industrial policy resolution of 1991

Out of these six resolution IPR 1948, 1956 & 1991 are more important, whereas IPR 1977, 1980 & 1990 are just the extension of IPR 1956.

### Industrial policy resolution of 1948

The govt. of India declared its first industrial policy on 6<sup>th</sup> April 1948. The industrial policy 1948 was presented in the parliament by then industry minister Dr. Shyama Prasad Mukerjee.

India ushered into a mixed economy taking the society on socialistic pattern. The large industries were classified in four categories.

1. **Strategic industries** (Public sector): Defence, Atomic energy, Railway etc. The total control is of central Govt.
2. **Basic/Key industries** (Public –cum- Private sector): Coal, Iron, Aeroplane mfg. Telephone, wireless, Manufacturing, Refinery oil etc.

First it will be in control of private sector if they fail, then after ten year it's take over the Govt.

3. **Important industries** (Controlled by private sector): Automobile, Textile, Cement, Sugar etc.






## *Entrepreneurship Development*

Worked by private sector but in the supervision of Govt.

### 4. **Other industries** (Private & co-operative sector)

Apart from the four fold classification of the industries the industrial policy 1948 endeavoured to protect cottage & small scale industries by according them priority status.

### **Industrial Policy Resolution - 1956**

The Industrial policy resolution of 1956 was based upon the Mahalanobis Model of growth, which suggested that emphasis on  1  0  ries would lead the economy towards a long term higher growth path.



The Industrial Policy Resolution - 1956 classified industries into three categories:

- **Schedule A Industries (17 industries):** exclusively under the domain of the Government. These included inter alia, railways, air transport, arms and ammunition, iron and steel and atomic energy.
- **Schedule B Industries (12 industries):** which were envisaged to be progressively State owned but private sector was expected to supplement the efforts of the State.
- **Schedule C Industries** The third category contained all the remaining industries and it was expected that private sector would initiate development of these industries but they would remain open for the State as well.

It was planned after the first five year pane in which Agriculture was the agenda. But in the second five year plan the objective was Industrial development

Here is the starting of **Licensing Raj**

Before next industrial policy two more licensing Act were introduced

**a) Monopolistic & Restrictive Trade Practice under MRTP Act 1969  
(Introduced in August 1966 in parliament but passed in December 1969)**

The MRTP Act 1969 was enacted

- To ensure that the operation of the economic system does not result in the concentration of economic power in hands of few
- To provide for the control of monopolies
- To prohibit monopolistic & restrictive trade practices

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## *Entrepreneurship Development*

- The MRTP Act extends to the whole of India except J&K
- b) The Foreign Exchange Regulation Act (FERA)** was legislation passed in India in 1973 that imposed strict regulation on certain kinds of payments, the dealings in foreign exchange (forex) and securities & the transactions which had an indirect impact on the foreign exchange and the import & export of currency. The bill was formulated with the aim of regulating payments & foreign exchange
  - FERA applied to all citizens of India, all over the India
  - The idea was to regulate the foreign payments regulate the dealings in Foreign Exchange & Securities and Conservation of foreign exchange for the nation.

## **Industrial Policy Resolution 1977**

The Industrial Policy statement 1977 was announced by Janata Govt led by Morarji Desai on 23 December 1977

### **Salient feature of Industrial Policy Statement 1977**

- Special focus on Small – Scale Industries
- Focus of labour – intensive Technology
- Viability of public sector  1  0
- Focus on Indigenous Technology

- Focus on self sufficiency
- Balanced Regional Development
- Workers' participation
- Restrictions on Foreign Investments

(Note: Not able to implement in ground level)

### **Industrial Policy Resolution 1980**

Congress came back to power in 1980 indicated to thrust in Industrial Policy of 1956. On 25 July, 1980 the new Industrial Policy was announced.

- To improve the efficiency of Public Sector Enterprises

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## *Entrepreneurship Development*

- Integrating Industrial development by promoting the concept of Economic Federalism
- Redefining the small & Tiny units
- Regulations of unauthorised excess capacities
- State policy on mergers & Takeover of sick units

### **Industrial Policy Resolution 1990**

The Janata Dal Government announced its new Industrial Policy on May 31, 1990

Its salient features are as follows

- The investment ceiling raised
- Focus on small-scale sector
- Central Investment subsidy
- Modernisation & up gradation of technology
- A new apex bank SIDBI has been established to ensure adequate & timely flow of credit for the small-scale industries.
- Bureaucratic control will be reduced

In view of socialistic pattern, Indian government had put much restriction in foreign investment and foreign company so that many foreign companies left India, companies like IBM & Coca-Cola are among them.

### **Industrial Policy Resolution 1991**

On July 24, 1991 the government of India announced its new industrial policy with an aim to correct the distortion & weakness of the Industrial structure of the country

#### **Salient Features**

This new model of economic reforms is commonly known as the LPG or Liberalisation, Privatisation & Globalisation model



The primary objective of this model was to make the economy of India the fastest developing economy in the globe with capabilities that help it match up with the biggest economic of the