

ENTREPRENEURSHIP DEVELOPMENT NOTES

A large, faint watermark of the FundaMakers logo, including the pen nib icon and the text "FundaMakers" underlined, is positioned diagonally across the lower half of the page.

SYLLABUS

UNIT I:

ENTREPRENEUR- MEANING, CHARACTERISTICS, FUNCTIONS AND TYPES. ENTREPRENEUR VS MANAGER ENTREPRENEUR VS INTRAPRENEUR. ENTREPRENEURSHIP – MEANING – POSITIVE ASPECTS – OBSTACLES – FACTORS STIMULATING ENTREPRENEURSHIP – ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT.

UNIT – II

ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES – MEANINGS, OBJECTIVES, COURSES CONTENTS AND CURRICULUM – PHASES, INSTITUTIONS FOR EDP: NIESBUD, NAYE & TCOs – PROBLEMS IN EDP, WOMEN ENTREPRENEURS – TYPES – THEIR PROBLEMS AND REMEDIES.

UNIT – III

SSIS – MEANING – IMPORTANCE AND PROBLEMS OF STARTING AN SSI – STEPS. FORMS OF OWNERSHIP: SOLE PROPRIETORSHIP, PARTNERSHIP, JOINT STOCK COMPANY AND CO-OPERATIVES – FEATURES, MERITS AND DEMERITS.

UNIT – IV

PROJECT IDENTIFICATION – MEANING AND STEPS, PROJECT CLASSIFICATION – PROJECT LIFE CYCLE. PROJECT REPORT – CONTENTS, PROJECT APPRAISAL – MEANING – FEASIBILITY ANALYSIS: MARKET, TECHNICAL, FINANCIAL ECONOMIC, MANAGERIAL AND SOCIAL.

UNIT – V

INSTITUTIONAL SUPPORT: SIDO, SISI, NSIC, SIDCO, DIC – THEIR FUNCTIONS – SIDBI'S SCHEMES. INCENTIVES: SUBSIDY, TAX CONCESSIONS, MARKETING AND EXPORT ASSISTANCE. SICKNESS – DEFINITION, SYMPTOMS, CAUSES. MEASURES TO PREVENT SICKNESS IN SMALL UNITS

UNIT - I

ENTREPRENEUR

A person who sets up a business or businesses, taking on financial risks in the hope of profit.

An entrepreneur is an individual who creates a new business, bearing most of the risks and enjoying most of the rewards. The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services, and business/or procedures.

CHARACTERISTICS OF ENTREPRENEURS

People may lack the personality and skills necessary for successful entrepreneurship. There are some general characteristics and skills that many successful entrepreneurs have:

Problem-solving: Entrepreneurs often start their businesses after identifying a problem and then coming up with a way to address it. Entrepreneurs are also able to figure out how to solve problems that will occur during the development of the business.

Innovation: Entrepreneurs are innovators, and are often engaged continuously in the process of conceiving new products and services, renewing and improving current offerings, and developing new business processes.

Risk-taking: Entrepreneurs are not risk-averse. They are willing to risk their time, money and even their reputation to get the business started and take their products or services to market. Entrepreneurs are also willing to take risks even after they establish a business, developing new products and approaches that can grow their businesses.

Contrariness: Entrepreneurs are often people who are eager to question why and how things are being done – even if these processes are clearly "industry-standard." This doesn't mean an entrepreneur should ignore industry best practices, but the entrepreneur is also willing to challenge these practices if she believes that there is a better way to do them.

Persistence: Entrepreneurs are persistent. They aren't easily discouraged and are willing to work through discouragement and challenges. Entrepreneurs are willing to attend trade shows, meet with bankers, call on clients and do what it takes to get the business started, and then to make it successful.

Leadership: Successful entrepreneurs are strong leaders. Leadership is an essential entrepreneurial skill, as the entrepreneur will need to be able to cultivate trust and support from the people who join his business as managers and workers. Many new businesses are cash-poor and experience significant challenges – but a

good leader can inspire loyalty in workers who may not yet be receiving high wages, as well as in employees who are facing roadblocks in their efforts to build the company.

FUNCTIONS OF ENTREPRENEUR

The following points highlight the top five functions of an entrepreneur. The functions are:

- Decision Making
- Management Control
- Division of Income
- Risk-Taking and Uncertainty-Bearing
- Innovation.

1. Decision Making:

The primary task of an entrepreneur is to decide the policy of production. An entrepreneur is to determine what to produce, how much to produce, how to produce, where to produce, how to sell and so forth. Moreover, he is to decide the scale of production and the proportion in which he combines the different factors he employs. In brief, he is to make vital business decisions relating to the purchase of productive factors and to the sale of the finished goods or services.

2. Management Control:

Earlier writers used to consider the management control one of the chief functions of the entrepreneur. Management and control of the business are conducted by the entrepreneur himself. So, the latter must possess a high degree of management ability to select the right type of persons to work with him. But, the importance of this function has declined, as business nowadays is managed more and more by paid managers.

3. Division of Income:

The next major function of the entrepreneur is to make necessary arrangement for the division of total income among the different factors of production employed by him. Even if there is a loss in the business, he is to pay rent, interest, wages and other contractual incomes out of the realised sale proceeds.

4. Risk-Taking and Uncertainty-Bearing:

Risk-taking is perhaps the most important function of an entrepreneur. Modern production is very risky as an entrepreneur is required to produce goods or services in anticipation of their future demand.

Broadly, there are two kinds of risk which he has to face. Firstly, there are some risks, such as risks of fire, loss of goods in transit, theft, etc., which can be insured against. These are known as measurable and insurable

risks. Secondly, some risks, however, cannot be insured against because their probability cannot be calculated accurately. These constitute what is called uncertainty (e.g., competitive risk, technical risk, etc.). The entrepreneur undertakes both these risks in production.

5. Innovation:

Another distinguishing function of the entrepreneur, as emphasised by Schumpeter, is to make frequent inventions — invention of new products, new techniques and discovering new markets — to improve his competitive position, and to increase earnings.

Types of Entrepreneurship

Classic entrepreneurs: The so-called "classic" entrepreneur is someone who observes a gap in the market or takes note of a business or consumer need, and develops a company that addresses the deficit or the need. In some cases, the entrepreneur may also be an inventor, although some classic entrepreneurs will team up with someone who has invented a product. In many cases, the classic entrepreneur starts the business and continues to own and manage it for many years.

Serial entrepreneurs: A serial entrepreneur enjoys getting businesses started, and then sells the business to another person or company. This type of entrepreneur is typically somebody who is excited about starting something new and taking risks. Once the business is doing well, however, this entrepreneur wants to move on to another new and different challenge.

Social entrepreneurs: Social entrepreneurs incorporate social conscience with business. While their businesses may still be for-profit, there is typically a strong mission statement connecting the business with a social cause. For example, a social entrepreneur may import fair trade goods for resale while also educating the public about the importance of activism in the area of sustainably and responsibly sourcing products.

COMPARISON BETWEEN ENTREPRENEUR VS MANAGER

BASIS FOR COMPARISON	ENTREPRENEUR	MANAGER
Meaning	Entrepreneur refers to a person who creates an enterprise, by taking financial risk in order to get profit.	Manager is an individual who takes the responsibility of controlling and administering the organization.

Focus	Business start-up	On-going operations
Primary motivation	Achievement	Power
Approach to task	Informal	Formal
Status	Owner	Employee
Reward	Profit	Salary
Decision making	Intuitive	Calculative
Driving force	Creativity and Innovation	Preserving status quo
Risk orientation	Risk taker	Risk averse

COMPARISON BETWEEN ENTREPRENEUR VS INTRAPRENEUR

BASIS FOR COMPARISON	ENTREPRENEUR	INTRAPRENEUR
Meaning	Entrepreneur refers to a person who set up his own business with a new idea or concept.	Intrapreneur refers to an employee of the organization who is in charge of undertaking innovations in product, service, process etc.
Approach	Intuitive	Restorative
Resources	Uses own resources.	Use resources provided by the company.
Capital	Raised by him.	Financed by the company.
Enterprise	Newly established	An existing one
Dependency	Independent	Dependent
Risk	Borne by the entrepreneur himself.	Taken by the company.
Works for	Creating a leading position in the market.	Change and renew the existing organizational system and culture.

Entrepreneurship

Definition: Entrepreneurship refers to the process of creating a new enterprise and bearing any of its risks, with the view of making the profit.

Reasons to Become an Entrepreneur

Entrepreneurial efforts are like biological experiments in nature: Many variations are tried, but only a small percentage of those go on to thrive. You, however, have an advantage over nature. As an entrepreneur, you can set up your experiment with forethought. Entrepreneurs work under the constraints of their environment – the political economy.

Advantages of Entrepreneurship

1. Learning to See Possibilities Everywhere

- When you have to rely on yourself and your imagination in order to generate income, this awareness goes with the territory.
- An entrepreneur has to develop the skill and train his or her mind to stay open and receptive to potential ideas and possibilities.
- This doesn't mean they get involved in everything that comes their way. They must also learn the skill of discernment – which is also of tremendous value.
- But whatever the case, being open to many possibilities gives entrepreneurs a tremendous amount of choice.

2. Defining Your Income

- Who decides how much you're getting paid?
- Chances are, there are several factors at play including your boss, your company's financial budget, the board of directors, the economy, etc.
- These factors also determine whether you'll be staying at your job.
- So even if you're working really hard and giving 110%, your salary might not reflect it.
- But when you're an entrepreneur, you create the relationship between your efforts and your income.
- Plus, the only two factors that determine and define your income are the market forces and you.
- Even though the market can be a harsh judge of your entrepreneurial skills, once you pay attention to, and understand the market's signals, following the current marketing trends, you'll be able to make informed decisions to keep your business moving in the right direction.

3. Flexibility in Your Schedule

- There are morning people and night owls and others somewhere in between.
- As an entrepreneur you can ditch the rigid schedule.
- So if you're a night owl, you can start work at 4pm. If you love the morning, maybe work starts at 4am. Take a break when the need arises. You are the master of your scheduling domain.

- The power of creating your own schedule isn't just liberating, but it could be healthier too.
- Entrepreneurs focus on results rather than on hours worked. And one study found that a results-based work atmosphere leads to greater mental and physical wellness.

4. Enjoying Your Work

- Even though, as an entrepreneur, you can create your own schedule, it doesn't necessarily mean there won't be long hours.
- But unlike those energy-draining hours spent working overtime for someone else, it will be long hours spent working toward something you love. And you will reap the rewards.

5. Learning to be in the Moment

- How much of your day at work is spent counting the hours and minutes before your lunch break or the end of the day?
- One of the great advantages of entrepreneurship is being able to abandon the predictable and monotonous schedule of a traditional office job.
- Instead, you plan and schedule your day, set regular goals and work to achieve them.
- Of course there will be unexpected situations you'll have to handle. But in learning how to handle these situations, you get the added benefit of being more present and learning how to live in the moment.
- Is It Time For You To Be Your Own Boss?

Drawbacks of Entrepreneurship

Although managing a business offers numerous benefits and bestows many opportunities, anyone planning to take a plunge into the world of entrepreneurship must be aware of its potential drawbacks. Entrepreneurship is a strict no for people who fancy the security of a fixed monthly paycheck, paid vacations, and benefit packages, among others. Some of the major disadvantages of entrepreneurship are as follows –

Risk of Loss — Business failure can ruin an entrepreneur financially, and yes, the failure rate of small business is relatively high when compared to established businesses. Entrepreneurs should ask themselves if they are prepared to cope psychologically with the failures associated with entrepreneurship.

Uncertainty of Income — Starting and running an enterprise provides no guarantee of earning money. Many small businesses barely earn enough to give the owner adequate income. During the initial days of a start-up, a business often cannot provide an attractive salary for its owner and meet all its financial obligations. If you are willing to live on your savings, then entrepreneurship is for you.

Lower Quality of Life in Initial Stage — Long hours and hard work are needed to launch a business but this can take their toll on the life of the entrepreneur. Entrepreneurs often find their personal roles diverging and taking a backseat. Owning a business requires to make a lot of sacrifices. As a result, personal life suffers.

High Levels of Responsibility — Entrepreneurs often have to take decisions beyond the domain of their knowledge as many of them have difficulty finding advisers. When there is no one to ask, the pressure can build quickly. The realisation of making the right decisions can have an effect on some people.

High Stress Levels — Starting and managing a business on one hand may seem highly rewarding but on the other, it can be extremely stressful as well. Apart from significant investments and leaving a secure monthly income, entrepreneurs constantly thrive under the stress of failure leading to financial ruin. In addition, the turbulences in the personal lives also add to the stress levels.

Long Working Hours — Start-ups often demand long working. In many start-ups, the demands of owning a business make achieving a balance between work and life difficult for entrepreneurs. It becomes a full-time commitment where there are always some things that need to be done.

Five factors will be key to entrepreneurial success: creativity, tolerance for risk, responsiveness to opportunities, leadership and the ability to take advantage of the rights afforded to you.

Creativity and Accumulation of Ideas

Do not be dissuaded by the challenge to be creative. You need not be the original wheel creator to improve upon a stone cylinder. By standing on the shoulders of giants, you can take existing ideas and make small improvements upon them. Your best ideas may come to you as you are falling asleep or while you are taking a shower. Recognize when you have a fresh idea and do not let them get away from you. Write them down! Not every idea has to be a home run. By accumulating your ideas, you will be able to dis-till the great ones from the rest and be ready to run with the best.

Risk Tolerance and Taking Advantage of Opportunity

Rewards rarely come without risk. Your ability to take advantage of an opportunity will depend, in part, on your tolerance for risk. As the founder of a start-up, investors will expect you to have a vested interest in your business. If you will not bet on your idea, why should anybody else?

If you cannot afford the risk, financially or emotionally, then you might make decisions that are too tepid to be successful. To do well, an entrepreneur needs the strong sense of self-efficacy to believe the risk will be surmountable.

Responsiveness to Opportunity

Opportunity can leave quickly. With the internet, the spread of information and ideas has led to deeper, faster competition to be the first mover. The ability to respond to the market and new business opportunities can be the difference between a successful entrepreneur and a failed business model.

To be responsive, an entrepreneur must have the flexibility of mind and resources necessary to see and take advantage of new and upcoming possibilities. Learning from your mistakes and those of others to implement change can keep businesses afloat. Calcifying rigidity, on the other hand, can turn a start-up into dust.

Leadership and Inspiring Others

It is up to the entrepreneur to marshal assets. Leaders are challenged with taking possibilities and turning them into inspiring visions for others. You will inevitably have to sell either your idea or your product to begin your entrepreneurship. It will be up to the entrepreneur to take the idea and turn it into actions and products to capitalize on the opportunity. Leadership can come in many forms, but it is nevertheless essential to entrepreneurship. You must take the lead for your ideas to come to fruition.

Intellectual Property Rights

Intellectual property laws can provide you with exclusive business rights to your ideas. If you do not protect your ideas, they may be copied – cheaply. Once an idea is in the public domain, it may no longer be possible to use that idea as a competitive advantage. Society values ideas being shared.

In exchange for sharing ideas, governments provide limited monopolies that will allow you to capitalize on them for a period, making up in part for the costs you have incurred in research and development. Intellectual property professionals can aid you in seeking such rights.

ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

Entrepreneurs initiate and sustain the process of economic development in the following ways:

1. Capital Formation:

Entrepreneurs mobilize the idle savings of the public through the issues of industrial securities. Investment of public savings in industry results in productive utilization of national resources. Rate of capital formation increases which is essential for rapid economic growth. Thus, an entrepreneur is the creator of wealth.

2. Improvement in Per Capita Income:

Entrepreneurs locate and exploit opportunities. They convert the latent and idle resources like land, labour and capital into national income and wealth in the form of goods and services. They help to increase net national product and per capita income in the country, which are important yardsticks for measuring economic growth.

3. Generation of Employment:

Entrepreneurs generate employment both directly and indirectly. Directly, self-employment as an entrepreneur offers the best way for independent and honorable life. Indirectly, by setting up large and small scale business units they offer jobs to millions. Thus, entrepreneurship helps to reduce the unemployment problem in the country.

4. Balanced Regional Development:

Entrepreneurs in the public and private sectors help to remove regional disparities in economic development. They set up industries in backward areas to avail various concessions and subsidies offered by the central and state governments.

Public sector steel plants and private sector industries by Modis, Tatas, Birlas and others have put the hitherto unknown places on the international map.

5. Improvement in Living Standards:

Entrepreneurs set up industries which remove scarcity of essential commodities and introduce new products. Production of goods on mass scale and manufacture of handicrafts, etc., in the small scale sector help to improve the standards of life of a common man. These offer goods at lower costs and increase variety in consumption.

6. Economic Independence:

Entrepreneurship is essential for national self-reliance. Industrialists help to manufacture indigenous substitutes of hitherto imported products thereby reducing dependence on foreign countries. Businessmen also export goods and services on a large scale and thereby earn the scarce foreign exchange for the country.

Such import substitution and export promotion help to ensure the economic independence of the country without which political independence has little meaning.

7. Backward and Forward Linkages:

An entrepreneur initiates change which has a chain reaction. Setting up of an enterprise has several backward and forward linkages. For example- the establishment of a steel plant generates several ancillary units and expands the demand for iron ore, coal, etc.

These are backward linkages. By increasing the supply of steel, the plant facilitates the growth of machine building, tube making, utensil manufacturing and such other units.

Entrepreneurs create an atmosphere of enthusiasm and convey a sense of purpose. They give an organization its momentum. Entrepreneurial behavior is critical to the long term vitality of every economy. The practice of entrepreneurship is as important to established firms as it is to new ones.

UNIT II

ENTREPRENEURSHIP DEVELOPMENT PROGRAMME

Meaning

Entrepreneurial Development Programme (EDP) may be defined as a programme designed to help a person in strengthening his entrepreneurial motives and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively and efficiently. It is therefore necessary to promote his understanding of motives, motivation pattern, impact on behaviour and entrepreneurial values.

Entrepreneurship development concentrates more on growth potential and innovation. Entrepreneurship Development has gaining increasing significance in developing an economy. It is an organised and systematic development. It is a tool of industrialization and a solution to unemployment problem for any country.

Entrepreneurship Development Programme –Objectives

Entrepreneurship Development Programme (EDP) has many objectives.

ENTREPRENEURSHIP DEVELOPMENT PROGRAMME – COURSE CONTENTS AND CURRICULUM OF EDPS

The course contents of an EDP should be formulated as per the objectives of the EDPs.

It should consist of the following:

1. General Approach to Entrepreneurship:

The participants should be given exposure about the conceptual framework of entrepreneurship role, expectation, Entrepreneurial environment etc. Innovative behaviour related issues should be focused to enlighten the entrepreneurs about their future challenges and prospects. Besides, development agencies should try to design appropriate strategies enabling the potential entrepreneur to tackle different risk inherent in an innovation activity.

These risks are as follows:

- (i) Technical risks – the risk of not knowing enough about the technical processes, materials etc.
- (ii) Economic Risks – the risk of market fluctuations and changes in relation to raw materials etc.
- (iii) Social Risks – the risk inherent in the development of new relationship.
- (iv) Environmental Risks – risk which result from environmental changes in the manager's work as an outcome of the new activity.

Moreover, prospective entrepreneurs should be given a detailed information with regard to facilities generally provided by the government and other agencies involved in promotion of entrepreneurship.

2. Motivational Training:

Motivational training inputs are meant for developing the motivation of potential entrepreneurs and their enterprise building skills. Besides, motivational inputs also include psychological games, tests, goal setting exercises, role play etc.

The motivational inputs will be aimed at increasing the participants, understanding of the entrepreneurial personality and entrepreneurial behaviour and bring about through self-study, changes in self-concept, value, skills thereby leading to positive entrepreneurial behaviour.

The major motivational inputs may be given in the beginning of the training programme on full time basis though the learning effected through them will be reinforced and used throughout the training programme. The understanding of the entrepreneurial personality and behaviour will be supplemented through interface with one or two successful as well as not so successful entrepreneurs.

3. Developing Management Skills:

Prospective entrepreneurs should be given exposure in different types of management problems. It would sharpen their management skills. The management problems take different forms and the management patterns are peculiar to the situation. So, training for exposing managerial skills will be arranged in keeping the situational requirements. However, managerial aspects should include production planning, labour laws, cost analysis, financial accounting, selling arrangements, taxation laws etc.

4. Training for Project Management:

Project inputs are required to help the potential entrepreneurs to develop their project ideas into bankable projects. They should be given acquaintance with the industrial opportunities in the area and also necessary guidance on product selection. Necessary knowledge about project feasibility, viability and implementation should also be given to the potential entrepreneurs.

Under project preparation, technical feasibility includes selection of technology, availability of raw materials, selection of location and site, availability of plant and machinery, infrastructure facilities, roads, transport, power, manpower/personnel requirement.

Similarly, market analysis, level of competition, capital cost, working capital requirement, estimated cost of production, projected sales volume, profitability estimates, expected rate of return, projected cash flows and break even analysis are different aspects that have to be incorporated in assessing the commercial viability of the project.

Sufficient exposure is necessary with regard to financing of the project. Financing arrangement generally includes sources of financing, promoter's contribution, level of institutional financing, seed capital, investment subsidy etc. Prospective entrepreneurs should be instructed about the importance of timely implementation of project. They should be given proper training about scheduling of various activities, provision for effective supervision and need for avoiding delay and consequent cost escalation.

5. Structural Arrangement:

Training inputs also aim at familiarising the participants about the proposed structural arrangement for the business or industrial unit. They should be given adequate familiarisation about government policy regarding development of industries, especially with regard to small scale industries, registration and licensing procedures, forms of organisation like proprietary, partnership, private company and Joint Stock Company, institutional setup etc.

6. Support System:

In most of the cases, participants are generally first generation entrepreneurs and they do not know about the government and institutional support system. Support system may also be used as motivational inputs to encourage the participants about their future prospects. They should be familiarised with the incentives/concessions available, tax-incentives, tax holiday, backward/zero industries districts concessions, soft loan scheme, special schemes for technicians etc.

This should be followed by acquainting them with procedure for approaching government departments and agencies, applying for and obtaining these concessions from them.

7. Factory Visits/In-Plant Training:

Practical exposure is also necessary. Depending upon their products the potential entrepreneurs may feel the need to gain more knowledge about the production process etc. by visiting some of the similar units in production. For this purpose, factory visits may have to be arranged.

Similarly, entrepreneurs who select relatively sophisticated products will be expected to have a good idea of the product and the process facilities should be arranged for in-plant training or prototype development on exceptional basis.

EDP – Phases:

- Pre-Training,
- Training
- Post-Training Phases

The entrepreneurship development programme (EDP) normally runs through three important phases followed by EDP evaluation:

1. Pre-Training Phase:

This is a preparatory phase for launching the programme. It is a planning phase where all requisite arrangements are made to deliver a content based and useful EDP. This stage lays the foundation for a strong EDP that can deliver desired results.

It encompasses:

- i. Identification of promising area having good commercial prospects.
- ii. Selection of project faculty/course coordinator who is a visionary and has relevant experience.
- iii. Arrangement of infrastructural facilities for the programme like location, availability of internet, computers, food and lodging arrangements (if participants are expected to be from different cities).
- iv. Conducting industrial survey/environmental scanning for identification of good business opportunities.
- v. Designing the course contents.
- vi. Getting support from various agencies such as DICs, SFCs, SISI etc.
- vii. Advertising and publicity of EDP to reach prospective minds. Promotional campaigns through either with the help of print or electric media, leaflets, posters, etc.
- viii. Selection of participants for the training program.

2. Training Phase:

The primary thrust of training programme is to instill motivation, skill or competency amongst the budding entrepreneurs. EDP should aim to provide both theoretical and hands-on practical knowledge to various trainees.

Training phase of EDP includes:

i. Management:

They should be taught basic principles of management and their applications in real life scenarios to realise the benefits and significance of the management functions like planning, organizing, staffing, directing, controlling and coordinating. The various techniques involved in the management process must be explained. The trainer can use case studies, management games, role- plays and simulations to polish the skills acquired by the trainees.

ii. Technical Competence

Focus should be laid upon acquiring technical competence suitable to the area selected. Industry experts may be called upon to share their experiences. It's important for the trainees to understand the basics of technology, rate of technological change in that industry and challenges ahead. A comparative analysis of present state of technology in developed and developing nations may be relevant at this stage.

Entrepreneurs can get ideas best suited to their regional environments. The program may cover as details of technology, plant and machinery, major suppliers, life span, special features of the machinery etc., raw materials and their availability, manufacturing process and human resource requirements. It's important for the entrepreneurs to understand that they should not park substantial funds in fast changing technology as obsolescence is a big risk. Field trips may also be organized.

iii. Motivation and Stress Management:

The entrepreneurial training programs are designed to elevate and sustain the motivation levels of the trainees. Stress management is an important component of EDPs as entrepreneurs have to struggle through different phases before finally getting results. They should be taught stress management techniques and should also be counseled to hold-on to their beliefs and ideas. The importance of family members need to highlighted here.

Entrepreneurs are strong-willed individuals who may need family support during tough times. Family members are the ones closest to entrepreneurs. Each session in the training programme should aim at strengthening their confidence and expanding their vision. Motivation level must be raised to a greater extent because only motivated participants will survive through starting and sustaining a new venture.

3. Post Training or Follow-up Phase:

Post training support services are rendered to the participants who have successfully completed the entrepreneurship.

This phase may comprise of the following steps:

- (i) Assistance in registration of the enterprise.
- (ii) Loan procedures and documentation.
- (iii) Facilitating infrastructure like land, plant layout, purchase of plant and machinery, power connection etc.
- (iv) Securing subsidies and grants and utilizing incentives given by Centre and State government.
- (v) Management consultancy and trouble shooting.
- (vi) Providing up-to-date information on the industry.
- (vii) Meeting with EDP organizers and participants.

INSTITUTIONS FOR EDP

NATIONAL INSTITUTION OF ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT (NIESBUD), NEW DELHI

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

- To make effective strategies and methods
- To standardize model syllabus for training
- To develop training aids, tools and manuals
- To conduct workshops, seminars and conferences.
- To evaluate the benefits of EDPs and promote the process of Entrepreneurial Development.
- To help support government and other agencies in executing entrepreneur development programmes.
- To undertake research and development in the field of EDPs.

NATIONAL ALLIANCE OF YOUNG ENTREPRENEURS (NAYE)

It contributes in encouraging women entrepreneurship. It was set up women's wing in 1975.

This wing assists women in :

- Getting better access to resources, infrastructure, markets.
- Identify invest opportunities.
- Attending to problems of individual industries.
- Sponsor participation in trade fairs, exhibitions, conferences.
- Organise seminars, training programmes, workshops.

www.fundamakers.com

TECHNICAL CONSULTANCY ORGANISATION

Access to high quality consultancy services improves the operational efficiency of entrepreneurs. All India financial institutions have set up 17 technical consultancy organizations to provide industrial consultancy and training to entrepreneurs. These organizations provide a comprehensive package of services to small entrepreneurs. The main functions of TCOs are as follows:

- Identification of industrial potentials;
- Conduct pre-investment studies and prepare project reports and feasibility studies;
- Undertake techno-economic surveys;
- Undertake market research; and
- Identify potential entrepreneurs and provide them with technical and managerial assistance

PROBLEMS OF ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES (EDPS) :

1. No Policy at the National Level. Though Government of India is fully aware about the importance of entrepreneurial development, yet we do not have a national policy on entrepreneurship. It is expected that the government will formulate and enforce a policy aimed at promoting balanced regional development of various areas through promotion of entrepreneurship.

2. Problems at the Pre training Phase: Various problems faced in this phase are — identification of business opportunities, finding & locating target group, selection of trainee & trainers etc.

3. Over Estimation of Trainees: Under EDPs it is assumed that the trainees have aptitude for self employment and training will motivate and enable the trainees in the successful setting up and managing of their enterprises. These agencies thus overestimate the aptitude and capabilities of the educated youth. Thus on one hand the EDPs do not impart sufficient training and on the other financial institutions are not prepared to finance these risky enterprises set up by the not so competent entrepreneurs.

4. Duration of EDPs: An attempt is made during the conduct of EDPs to prepare prospective entrepreneurs thoroughly for the various problems they will be encountering during the setting up and running of their enterprises. Duration of most of these EDPs varies between 4 to 6 weeks, which is too short a period to instill basic managerial skills in the entrepreneurs. Thus the very objective to develop and strengthen entrepreneurial qualities and motivation is defeated.

5. Non Availability of Infrastructural Facilities: No prior planning is done for the conduct of EDPs. EDPs conducted in rural and backward areas lack infrastructural facilities like proper class room suitable guest speakers, boarding and lodging etc.

6. Improper Methodology: The course contents are not standardized and most of the agencies engaged in EDPs are themselves not fully clear about what they are supposed to do for the attainment of pre-determined goals. This puts a question mark on the utility of these programmes.

7. Mode of Selection: There is no uniform procedure adopted by various agencies for the identification of prospective entrepreneurs. Organisations conducting EDPs prefer those persons who have some project ideas of their own and thus this opportunity is not provided to all the interested candidates.

8. Non Availability of Competent Faculty: Firstly there is problem of non availability of competent teachers and even when they are available, they are not prepared to take classes in small towns and backward areas. This naturally creates problems for the agencies conducting EDP.

9. Poor Response of Financial Institutions: Entrepreneurs are not able to offer collateral security for the grant of loans. Banks are not prepared to play with the public money and hence they impose various conditions for the grant of loans. Those entrepreneurs who fail to comply with the conditions are not able to get loan and hence

their dream of setting up their own enterprises is shattered. Helpful attitude of lending institutions will go a long way in stimulating entrepreneurial climate.

WOMEN ENTREPRENEURS

Women entrepreneurship is the process in which women initiate a business, gather all resources, undertake risks, face challenges, provides employment to others and manages the business independently. Women Entrepreneurship refers to business or organization started by a woman or group of women.

TYPES OF WOMEN ENTREPRENEUR

Women entrepreneurs in India are broadly divided into the following categories:

- Affluent entrepreneurs
- Pull factors
- Push
- Self-employed entrepreneurs
- Rural entrepreneurs

www.fundamakers.com

1. Affluent Entrepreneurs:

Affluent women entrepreneurs are those women entrepreneurs who hail from rich business families. They are the daughters, daughter-in-laws, sisters, sister-in-laws and wives of affluent people in the society. Many of them are engaged in beauty parlour, interior decoration, book publishing, film distribution and the like. The family supports the above type of entrepreneur in carrying out their responsibilities

2. Pull Factors:

Women in towns and cities take up entrepreneurship as a challenge to do something new and to be economically independent. These are coming under the category of pull factors. They belong to educated women who generally take up small and medium industries where risk is low. Under this category, women usually start service centres schools, food catering centres, restaurants, grocery shops etc.

3. Push Factors:

There are some women entrepreneurs who accept entrepreneurial activities to overcome financial difficulties. The family situation forces them either to develop the existing family business or to start new ventures to improve the economic conditions of the family. Such categories of entrepreneurs are termed as push factors.

4. Self-employed Entrepreneur:

Poor and very poor women in villages and town rely heavily on their own efforts for sustenance. They start tiny and Small enterprises like brooms making, wax candle making, providing tea and coffee to offices, ironing of clothes knitting work, tailoring firm etc. Such women are called self-employed entrepreneurs.

5. Rural Entrepreneurs:

Women in rural areas/villages start enterprises which needs least organising skill and less risk. Dairy products, pickles, fruit juices, pappads and jagger making are coming under this category of Rural entrepreneur.

Problems faced by Women Entrepreneurs:

Women entrepreneurs, unlike men entrepreneurs, face certain specific problems in their business.

These problems are as follows:

1) Low Risk-Taking Ability:

Women in our country lead a protected life. They are less educated and economically more dependent on others. In other words, they are economically not independent. Therefore, these factors reduce their ability to take risks involved in business. Risk-taking is an essential requisite of a successful entrepreneurship.

But women entrepreneurs have a low ability to bear economic and other risks. Inferiority complex, low education, unplanned but protected growth, lack of infrastructure etc. are the main factors for their low ability to take or bear risks.

2) Lack of Self-Confidence:

Women entrepreneurs generally lack self-confidence in doing anything independently, particularly in India. They hesitate to take risks. They are conservative in their outlook. The public in general look women entrepreneurs with suspicion and they do not support nor encourage them.

3) Lack of Entrepreneurial Aptitude:

Women generally lack entrepreneurial aptitude. They lack any entrepreneurial bent of mind as well as entrepreneurial creativity, motivation, behaviour etc.

4) Lack of Mobility:

Women, particularly in India, lack mobility. In other words, their mobility is highly limited due to various reasons. Women cannot travel alone freely and safely nor can they deal courageously with men or male officers who always try to humiliate women, when approached for any official or business work. Travelling is also not possible and feasible for women entrepreneurs. Thus the mobility of women entrepreneurs is very limited, particularly in India.

5) Family Problem:

In India, it is mainly the duty of a woman to look after her children and other elderly or old members of the family. Lot of time and energy will have to be used by the woman in looking after her family affairs. Therefore, her involvement in family affairs leaves little time and energy for business. Therefore, married women entrepreneurs have to make a satisfactory balance between family burden and business burden.

Their success in this connection depends upon the willing support of their husband and other family members. Because without the consent and full support of her husband and without the cooperation and encouragement from the other members of her family, no woman entrepreneur can hope to succeed in her business. Otherwise, there arises a role of conflict for women entrepreneurs in their business life. Such conflicts prevent them from taking prompt and sound decisions in their business.

The movement of women has been slowed down because of the traditions and family responsibilities, despite modernisation. Further, the occupational background of the families, and educational level of the husbands will have a great impact on the development of women entrepreneurship.

The development of kindergartens, day-time nurseries and creches and family planning and most important one, desire for a larger income and higher standard of living, have to some extent helped the women entrepreneurs to carry on their business without affecting the social prestige of their husbands.

6) Male-Dominated Society:

Ours is a male-dominated society. Our constitution speaks of equality between men and women, but in reality women are not treated equal to men. Women are looked down upon as weak and incapable in all respects. Women suffer from male reservations about their role, ability and capacity. Such an attitude of men towards women acts as a great barrier to women's entry into business.

7) Social Attitudes:

The biggest problem faced by the women entrepreneurs is the problem of social attitudes towards women and the constraints in which women entrepreneurs live and work. Despite constitutional equality, there is a great discrimination against women. In our society, which is bound by customs and traditions, women suffer from many reservations imposed by men on their role and capacity.

This is particularly true in rural India. In rural areas, women face resistance not only from the male members but also from the elderly female members who do not accept the principle of equality. The overbearing presence of the elders in the family restrains the young girls from venturing out.

Though the rural women have the potential to become entrepreneurs, they are not properly trained and given scope. It is believed that the skill imparted to a girl is lost when she is married. Hence, girls, though having entrepreneurial talent, continue to be helpless in rural handicrafts and small scale and tiny industries and hence they do not become entrepreneurs.

8) Lack of Education:

In India, women are less educated and therefore, they are not aware of the business technology and market knowledge. Nearly 48 percent of women in India are still illiterate as per 2001 census. Lack of education among women causes low achievement motivation.

Therefore, lack of education creates problems for women in setting up and running business enterprises. Lack of education leads to lack of information and experience among women creates still more problems for them in their business i.e. because of their inability to deal with outsiders.

9) High Cost of Production:

Another problem faced by the women entrepreneurs is the high cost of production, which undermines the efficiency and restricts the development of entrepreneurship among the woman. The assistance given by the government and other agencies in the form of grants and subsidies may enable them to tide over this difficulty but to ensure their ultimate success and survival, it becomes necessary to increase their efficiency expand productive capacity and reduce cost of production.

But even then, the women entrepreneurs still face certain problems such as problems of labour, human resources, infrastructure, legal formalities, lack of family support etc.

10) Low Need for Achievement:

Need for high achievement, independence, autonomy and freedom are the pre-requisites for success in entrepreneurship. But women, by nature prefer to grow under some assured shelter and glory of their parents, husbands, brothers, sons etc. They have got some pre-conceived notions about their role in life and this attitude of women inhibits their achievements.

There should be a keen usage for achievement in women but it is true that all women cannot be expected for achievement in women but it is true that all women cannot be expected to have such an urge. Only these women who have got such exceptional urge for achievement and independence are most likely to succeed in their business.

Remedies to Solve the Problems of Women Entrepreneurs:

The following steps may be adopted to solve the problems of the women entrepreneurs:

1) Finance Cells:

In various financial institutions and banks, special finance cells should be opened for providing easy finance to women entrepreneurs. Such finance cells should be managed by women officers and clerks. The finance cells should provide to women entrepreneurs at low rates of interest and on easy repayment basis.

2) Marketing Co-Operatives:

Women entrepreneurs should be encouraged and given all assistance for setting up marketing cooperatives. The Government and semi-government bodies should give highest preference to such women's marketing cooperatives while making their purchases. Such cooperatives will be able to eliminate the middlemen while making their purchases of inputs and selling their products at remunerative prices.

3) Supply of Raw Materials and Other Inputs:

The government should make necessary arrangements for the supply of scarce and imported raw materials and other inputs required by the women entrepreneurs. The government should also give subsidy to the women entrepreneurs to make their products cost- competitive and sell them at competitive prices.

4) Education and Awareness:

Intensive educational and awareness programmes should be arranged so as to change the negative or unfavourable attitudes towards women. The attitude of the elders, particularly, the elderly women whether mothers or mother-in-laws, should be made aware of the potential of the girls and their due role in the society. The social attitudes of these people should be made positive so as to enable the women entrepreneurs to achieve progress in their venture.

5) Training Facilities:

Training and skill development are quite essential for development of entrepreneurs. Special training schemes should be designed so as to suit the women entrepreneurs so as to create self-confidence in their mind about the success of their entrepreneurship. Since family members will not be permitted to go too far distant places for training, mobile training centres should be arranged.

Similarly, part-time training facilities should also be provided during week-ends and holidays. In addition, stipend, good hygienic creches, transport facilities, and such other facilities should also be provided to attract more and more women-entrepreneurs to the training centres.

UNIT III

SMALL SCALE INDUSTRIES

Small scale industries are labour intensive yet require little capital. Small scale industries comprise of small enterprises that manufacture goods or provide services with the help of smaller machines and a few workers and employees. The enterprise must fall under the guidelines set by the Government of India.

Examples : Bakeries, Candles, Water bottles, Leather belt etc .

IMPORTANCE OF SSI

1. Small Scale Industries Provides Employment

- SSI uses labour intensive techniques. Hence, it provides employment opportunities to a large number of people. Thus, it reduces the unemployment problem to a great extent.
- SSI provides employment to artisans, technically qualified persons and professionals. It also provides employment opportunities to people engaged in traditional arts in India.
- SSI accounts for employment of people in rural sector and unorganized sector.
- It provides employment to skilled and unskilled people in India.
- The employment capital ratio is high for the SSI.

2. SSI Facilitates Women Growth

- It provides employment opportunities to women in India.
- It promotes entrepreneurial skills among women as special incentives are given to women entrepreneurs.

3. SSI Brings Balanced Regional Development

- SSI promotes decentralized development of industries as most of the small scale industries are set up in backward and rural areas.
- It removes regional disparities by industrializing rural and backward areas and brings balanced regional development.
- It promotes urban and rural growth in India.
- It helps to reduce the problems of congestion, slums, sanitation and pollution in cities by providing employment and income to people living in rural areas. It plays an important role by initiating the government to build the infrastructural facilities in rural areas.
- It helps in improving the standard of living of people residing in suburban and rural areas in India.

- The entrepreneurial talent is tapped in different regions and the income is also distributed instead of being concentrated in the hands of a few individuals or business families.

4. SSI Helps in Mobilization of Local Resources

- It helps to mobilize and utilize local resources like small savings, entrepreneurial talent, etc., of the entrepreneurs, which might otherwise remain idle and unutilized. Thus it helps in effective utilization of resources.
- It paves way for promoting traditional family skills and handicrafts. There is a great demand for handicraft goods in foreign countries.
- It helps to improve the growth of local entrepreneurs and self-employed professionals in small towns and villages in India.

5. SSI Paves for Optimisation of Capital

- SSI requires less capital per unit of output. It provides quick return on investment due to shorter gestation period. The pay-back period is quite short in small scale industries.
- SSI functions as a stabilizing force by providing high output capital ratio as well as high employment capital ratio.
- It encourages the people living in rural areas and small towns to mobilize savings and channelize them into industrial activities.

6. SSI Promotes Exports

- SSI does not require sophisticated machinery. Hence, it is not necessary to import the machines from abroad. On the other hand, there is a great demand for goods produced by small scale sector. Thus it reduces the pressure on the country's balance of payments.
- SSI earns valuable foreign exchange through exports from India.

7. SSI Complements Large Scale Industries

- SSI plays a complementary role to large scale sector and supports the large scale industries.
- SSI provides parts, components, accessories to large scale industries and meets the requirements of large scale industries through setting up units near the large scale units.
- It serves as ancillaries to large Scale units.

8. SSI Meets Consumer Demands

- SSI produces wide range of products required by consumers in India.

- SSI meets the demand of the consumers without creating a shortage for goods. Hence, it serves as an anti-inflationary force by providing goods of daily use.

9. SSI Ensures Social Advantage

- SSI helps in the development of the society by reducing concentration of income and wealth in few hands.
- SSI provides employment to people and pave for independent living.
- SSI helps the people living in rural and backward sector to participate in the process of development.
- It encourages democracy and self-governance.

10. Develops Entrepreneurship

- It helps to develop a class of entrepreneurs in the society. It helps the job seekers to turn out as job givers.
- It promotes self-employment and spirit of self-reliance in the society.
- Development of small scale industries helps to increase the per capita income of India in various ways.
- It facilitates development of backward areas and weaker sections of the society.
- Small Scale Industries are adept in distributing national income in more efficient and equitable manner among the various participants of the society.

PROBLEMS OF STARTUPS (SSI)

• Lack of Finances

Cash flow is essential for start-ups to survive. One of the key challenges that small businesses face today relates to finances. As income increases, the expenditures also increase and to top it all, start-ups rely heavily on investors who provide them strong financial support. When such situations arrive, start-ups are the first ones who lose on properly managing their finances, and eventually succumb to the pressure. While entrepreneurs have to make sure that they have enough funds to go around, in the meantime, they also have to pay their employees, contractors, mortgage, and grocery bills.

• Poor Business Planning

Proper planning is the key for start-ups to get their businesses off the ground. In this technological landscape, writing a formal business plan based on a vague requirement of some institution is suicidal. Due to poor planning, many businesses fail in the very first year because they do not effectively factor in challenges and pitfalls. Even if the start-ups have innovative ideas and ambitions, but their business plans lack perspective, they are doomed to fail or they have to continuously devise and change them.

- **Lack of Proper Marketing Strategy**

It is always a challenge for start-ups to figure out best ways to market their products or services. The fact that small businesses need to maximize their return on investment with efficient and result oriented targeted marketing also makes them vulnerable in terms of trust they have develop vis-à-vis customers. Without putting a comprehensive marketing strategy in place, companies' profits take a steep plunge.

- **Lack of Dedicated Team**

Due to the lack of a proper team, any business will suffer immensely. Lack of commitment aggravates frustration in the organization which quickly escalates into an open conflict. If the team members start making under commitments due to the fear of being responsible or blamed for failure, businesses will never achieve their goals.

- **Fierce Competition**

Competition is the most inevitable challenge that start-ups face. In fact, start-ups have to bear the brunt of facing two-way challenge: one coming from monopolistic businesses that have dominated the market and making difficult for newcomers to emerge. Second, there are countless start-ups that are launched regularly in the market having innovative ideas, so it is highly likely to get swallowed by the shadow of other start-ups.

FORMS OF BUSINESS ORGANIZATION: FEATURES ADVANTAGES & DISADVANTAGE

Business means the state of being busy. In technical words it is the commercial and industrial activities i.e. the production and distribution of good and services to people and earn profit. The business activities are usually divided into commerce and industry.

The different types of business ownership are:-

- Single Ownership (Private Undertaking).
- Partnership.
- Joint Stock Company
- Cooperative Organisation (Or Societies)
- Public Sector
- Private Sector.

• **SOLE PROPRIETORSHIP**

The firm owned by an individual forms a sole proprietorship. A person who enters into business on his own account, manages that business and is solely responsible for providing the capital and making the critical decisions is known as the sole proprietor. His reward is the profit that the business makes and the satisfaction of being his own boss, but in return, he must accept the risk of loss if the business fails. Examples are small farmers, hairdressers, grocers, butchers, consultants, craftsmen and mechanics.

Characteristics of Individual Ownership

1. Owned by single individual
2. Being a small in size it is easy to manage and control
3. The owner is unlimited liability
4. As per the legal status the owner and the business are considered as one.
5. No legal formalities in setup a business and easy to dissolve it.

Advantages of Sole Proprietor

www.fundamakers.com

- i. It is the easiest and least expensive form of business organization
- ii. Personal decision making
- iii. All profits belong to the owner
- iv. Personal satisfaction
- v. Business affairs are kept very private.

Disadvantages of Sole Proprietor

- i. Unlimited liability
- ii. Expansion problems due to lack of capital
- iii. Lack of continuity
- iv. Cannot take advantage of large scale buying.

• **PARTNERSHIP**

A Partnership is defined as two or more, but not exceeding a legally defined number of people (twenty in Pakistan) who agree to provide capital and work together in a business with a purpose of making profit.

Advantages of Partnership

- i. easy to set-up
- ii. Provides a larger capital base and hence more growth prospects

- iii. Work load is shared
- iv. Responsibility and control is also shared
- v. Provides a diversified pool of expertise resulting in efficient management.

Disadvantages of Partnership

- i. Unlimited liability
- ii. Disagreement among the partners may cause delays in decision making
- iii. Lack of continuity.

Legal requirements of Partnership

1. The maximum number of partners is defined
2. Partners have to sign a partnership deed according to the articles of partnership for that particular country
3. All partners participate in management but the right of a junior partner may be restricted by articles
4. There may be “sleeping” partners who do not participate in day-to-day management affairs.
5. The sharing of profits and losses according to the partnership deed or in the absence of any such clause according to the law of the country.
6. A partnership doesn't possess a corporate status and each partner is severally and jointly liable. Each partner incurs unlimited personal liability for not only himself but for all other partners for any debts incurred by the partnership.

• JOINT STOCK COMPANY

According to Prof. Haney, "Joint stock company is a voluntary association of individuals for profit, having their capital divided into transferable shares, the ownership of which is the condition for membership". Thus, a joint stock company is an incorporated association of persons having a separate legal existence, with a perpetual succession and common seal.

Characteristics of a joint stock company

1. Separate legal existence:
2. Perpetual succession:
3. Limited liability:
4. Transferability of shares:
5. Common seal:

Merits of a joint stock company

- i. Large capital resources.

- ii. Limited liability.
- iii. Continuity of existence.
- iv. Efficient management.
- v. Economies of scale.
- vi. Goodwill.

Demerits of a joint stock company

- i. Legal formalities.
- ii. Lack of motivation.
- iii. Delay in decisions.
- iv. Economic oligarchy.
- v. Corrupt management.
- vi. Excessive government control.
- vii. Unhealthy speculations.
- viii. Conflict of interests.

• COOPERATIVE ORGANIZATION

Cooperative organizations are those organizations, which are different from the rest, as they are formed not for the purpose of making profit but to provide its members goods and services at reasonable rates. This form of organization primarily protects and safeguards the economic interests of its members.

Thus, cooperatives are voluntary associations, formed with a service motive; the primary source of income being the members' shares, they get dividend on trading surplus, if any. The organization functions as a separate legal entity in a democratic way and is governed by the state regulation.

There are different types of cooperatives like:

- Consumers' cooperatives,
- Producers' cooperatives,
- Marketing cooperatives,
- Housing cooperatives,
- Credit cooperatives,
- Farming cooperatives, etc.

Characteristics of cooperative organization

The structure of a cooperative organization ensures:

1. All members have an equal say (one vote per member, regardless of the number of shares held).
2. Open and voluntary membership.
3. Limited interest on share capital.
4. Surplus is returned to the members according to amount of patronage.

Advantages of a Cooperative Organization:

- i. A cooperative organization is owned and controlled by members.
- ii. It has a democratic control: one member, one vote.
- iii. This type of organization has a limited liability.
- iv. Profit distribution (surplus earnings) to members is carried on in proportion to the use of service; surplus may be allocated in shares or cash.

Disadvantages of a Cooperative Organization:

- i. A cooperative organization entails longer decision-making process.
- ii. It requires members to participate for success.
- iii. Extensive record keeping is necessary in this form of organization.
- iv. It has less incentive, and there's also a possibility of development of conflict between members.

UNIT IV

PROJECT IDENTIFICATION

DEFINITION

Project identification is a process to assess each project idea and select the project with the highest priority. It is concerned with collection, compilation and analysis of economic data for the eventual purpose of locating possible opportunities for investment.

STEPS

Step 1: Defining the goal of a project.

Step 2: Individual brainstorm – Identification of the involved

Step 3: Group brainstorm: Identification of the involved based on roles.

Step 4: Group brainstorm: Phasing the involvement.

PROJECT CLASSIFICATION

Classification of the project are as following:

1.Quantifiable and Non-quantifiable

Projects can be divided into two broader categories namely quantifiable and non-quantifiable. In a quantifiable project, it is possible to measure the end benefits or outcomes of the project. Whereas in non-quantifiable end result cannot be calculated properly.

2 .Sector Project

The Planning Committee of India has classified projects for various sectors.

- ❖ Agriculture sector.
- ❖ Irrigation & Power.
- ❖ Transport & Communication.

❖ Social Services.

3. Techno-Economic Project

Here project is classified on the basis of technology & Economic Characteristics.

a) Factor intensity oriented classification

In this category, projects are either capital intensive or labor-intensive depending upon their size & investment pattern. For eg: IT project or service rendering project is labor-intensive depending on their size and investment pattern.

b) Cause-oriented

In this category, projects are based on either the availability of raw material or demand for that project. For eg- Power project required, abundant water, steel plant required iron ore as raw material.

c) Magnitude oriented classification

Here the size of an investment is considered depending on the investment. A project can be classified as a tiny unit investment to 25 lakhs Small-scale unit investment up to 1 crore. medium scale enterprise investment up to 5 crores or more.

PROJECT LIFE CYCLE

Although projects are unique and highly unpredictable, their standard framework consists of same generic lifecycle structure, consisting of following phases:

- ✚ The Initiation Phase: Starting of the project.
- ✚ The Planning Phase: Organizing and Preparing.
- ✚ The Execution Phase: Carrying out the project.
- ✚ The Termination Phase: Closing the project.

Characteristics of the Project Life Cycle

The Initiation Phase: The initiation phase aims to define and authorize the project. The project manager takes the given information and creates a Project Charter. The Project Charter authorizes the project and documents the primary requirements for the project. It includes information such as:

- i. Project's purpose, vision, and mission.
- ii. Measurable objectives and success criteria.

- iii. Elaborated project description, conditions, and risks.
- iv. Name and authority of the project sponsor.
- v. Concerned stakeholders.

The Planning Phase: The purpose of this phase is to lay down a detailed strategy of how the project has to be performed and how to make it a success.

Project Planning consists of two parts:

- Strategic Planning
- Implementation Planning

In strategic planning, the overall approach to the project is developed. In implementation planning, the ways to apply those decisions are sought.

The Execution Phase: In this phase, the decisions and activities defined during the planning phase are implemented. During this phase, the project manager has to supervise the project and prevent any errors from taking place. This process is also termed as monitoring and controlling. After satisfaction from the customer, sponsor, and stakeholder's end, he takes the process to the next step.

The Termination Phase: This is the last phase of any project, and it marks the official closure of the project.

Project Report

Meaning

Project Report is a written document relating to any investment. It contains data on the basis of which the project has been appraised and found feasible. It consists of information on economic, technical, financial, managerial and production aspects. It enables the entrepreneur to know the inputs and helps him to obtain loans from banks or financial Institutions.

The project report contains detailed information about Land and buildings required, Manufacturing Capacity per annum, Manufacturing Process, Machinery & equipment along with their prices and specifications, Requirements of raw materials, Requirements of Power & Water, Manpower needs, Marketing Cost of the project, production, financial analyses and economic viability of the project.

Contents of a Project Report

Following are the contents of a project report.

1. General Information

A project report must provide information about the details of the industry to which the project belongs to. It must give information about the past experience, present status, problems and future prospects of the industry. It must give information about the product to be manufactured and the reasons for selecting the product if the proposed business is a manufacturing unit. It must spell out the demand for the product in the local, national and the global market. It should clearly identify the alternatives of business and should clarify the reasons for starting the business.

2. Executive Summary

A project report must state the objectives of the business and the methods through which the business can attain success. The overall picture of the business with regard to capital, operations, methods of functioning and execution of the business must be stated in the project report. It must mention the assumptions and the risks generally involved in the business.

3. Organization Summary

The project report should indicate the organization structure and pattern proposed for the unit. It must state whether the ownership is based on sole proprietorship, partnership or joint stock company. It must provide information about the bio data of the promoters including financial soundness. The name, address, age, qualification and experience of the proprietors or promoters of the proposed business must be stated in the project report.

4. Project Description

A brief description of the project must be stated and must give details about the following:

- Location of the site,
- Raw material requirements,
- Target of production,
- Area required for the workshed,
- Power requirements,
- Fuel requirements,
- Water requirements,
- Employment requirements of skilled and unskilled labour,
- Technology selected for the project,
- Production process,
- Projected production volumes, unit prices,

- Pollution treatment plants required.
- If the business is service oriented, then it must state the type of services rendered to customers. It should state the method of providing service to customers in detail.

5. Marketing Plan

The project report must clearly state the total expected demand for the product. It must state the price at which the product can be sold in the market. It must also mention the strategies to be employed to capture the market. If any, after sale service is provided that must also be stated in the project. It must describe the mode of distribution of the product from the production unit to the market. Project report must state the following:

- Type of customers,
- Target markets,
- Nature of market,
- Market segmentation,
- Future prospects of the market,
- Sales objectives,
- Marketing Cost of the project,
- Market share of proposed venture,
- Demand for the product in the local, national and the global market,
- It must indicate potential users of products and distribution channels to be used for distributing the product.

6. Capital Structure and operating cost

The project report must describe the total capital requirements of the project. It must state the source of finance, it must also indicate the extent of owners funds and borrowed funds. Working capital requirements must be stated and the source of supply should also be indicated in the project. Estimate of total project cost, must be broken down into land, construction of buildings and civil works, plant and machinery, miscellaneous fixed assets, preliminary and preoperative expenses and working capital.

Proposed financial structure of venture must indicate the expected sources and terms of equity and debt financing. This section must also spell out the operating cost

7. Management Plan

The project report should state the following.

- Business experience of the promoters of the business,

- Details about the management team,
- Duties and responsibilities of team members,
- Current personnel needs of the organization,
- Methods of managing the business,
- Plans for hiring and training personnel,
- Programmes and policies of the management.

8. Financial Aspects

In order to judge the profitability of the business a projected profit and loss account and balance sheet must be presented in the project report. It must show the estimated sales revenue, cost of production, gross profit and net profit likely to be earned by the proposed unit. In addition to the above, a projected balance sheet, cash flow statement and funds flow statement must be prepared every year and at least for a period of 3 to 5 years.

The income statement and cash flow projections should include a three-year summary, detail by month for the first year, and detail by quarter for the second and third years. Break even point and rate of return on investment must be stated in the project report. The accounting system and the inventory control system will be used is generally addressed in this section of the project report. The project report must state whether the business is financially and economically viable.

9. Technical Aspects

Project report provides information about the technology and technical aspects of a project. It covers information on Technology selected for the project, Production process, capacity of machinery, pollution control plants etc.

10. Project Implementation

Every proposed business unit must draw a time table for the project. It must indicate the time within the activities involved in establishing the enterprise can be completed. Implementation schemes show the timetable envisaged for project preparation and completion.

11. Social responsibility

The proposed units draws inputs from the society. Hence its contribution to the society in the form of employment, income, exports and infrastructure. The output of the business must be indicated in the project report.

PROJECT APPRAISAL

FEASIBILITY ANALYSIS

I. MARKET APPRAISAL

It is one of the major areas of introducing of any products in market. In that case, must be considered this things before launching in a market.

- What would be the aggregate demand of the proposed product or service?
- What would be the market share of the project under appraisal?
- Past and current demand trends
- Past and current supply position
- Production possibilities and constraints
- Imports and exports
- Nature of competition
- Cost structure
- Elasticity of demand
- Consumer behaviour:
 1. motivation,
 2. attitudes,
 3. preferences, requirements.
- Distribution channels: marketing policies.

www.fundamakers.com

II. TECHNICAL APPRAISAL

- Whether prerequisites for the success of project considered?
- Good choices with regard to location, size, process, machines etc.
- Preliminary tests and studies
- Availability of raw materials, power and other inputs.
- Optimal scale of operations.
- Choice of suitable production process
- Choice of appropriate machines and equipment
- Effluents and waste disposal
- Proper layout of plant and buildings
- Realistic work schedules
- Socially acceptable technology

III. FINANCIAL APPRAISAL

- whether the project is financially viable?
 - ✓ Servicing debt
 - ✓ Meeting return expectations

- ✓ Investment and phasing of the total cost
- ✓ Means of financing
- ✓ Break even point
- ✓ Cash flows in the project
- Investment worthwhile?
 - ✓ Netpresent value
 - ✓ Internal rate of return
 - ✓ Pay back period
 - ✓ Level of risk

IV. ECONOMIC APPRAISAL

- Social cost-benefit analysis
- Impact on level of savings and investments in society
- Impact on fulfilment of national goals:
 - ✓ Self sufficiency
 - ✓ Employment
 - ✓ Social order.

www.fundamakers.com

V. MANGERIAL APPRAISAL

- Track record in earlier project
- Resourcefulness of the promoter
- Understanding of business
- Commitment to the project
- Integrity

VI. SOCIAL APPRAISAL

- Impact of project on quality of:
 - ❖ Air
 - ❖ Water
 - ❖ Noise
 - ❖ Vegetation
 - ❖ Human life
- Major projects such as these cause environmental damage
 - ❖ Power plants
 - ❖ Irrigatin schemes
 - ❖ Industries like leather processing, chemicals etc.
- ✚ Likely damage & the cost of restoration.

UNIT - V

INSTITUTIONAL SUPPORT

SMALL INDUSTRIES DEVELOPMENT ORGANIZATION (SIDO)

Small Industries Development Organization (SIDO) is a subordinate office of the Department of SSI & Auxiliary and Rural Industry (ARI). It is an apex body and nodal agency for formulating, coordinating and monitoring the policies and programmes for promotion and development of small-scale industries.

Development Commissioner is the head of the SIDO. He is assisted by various directors and advisers in evolving and implementing various programmes of training and management, consultancy, industrial investigation, possibilities for development of different types of small-scale industries, industrial estates, etc.

FUNCTIONS OF SIDO

The main functions of the SIDO are classified into:

- (i) Co-ordination,
- (ii) Industrial development, and
- (iii) Extension.

These functions are performed through a national network of institutions and associated agencies created for specific functions. At present, the SIDO functions through 27 offices, 31 Small Industries Service Institutes (SISI), 37 Extension Centres, 3 Product-cum -Process Development Centres, and 4 Production Centres.

All small-scale industries except those falling within the specialized boards and agencies like Khadi and Village Industries (KVI), Coir Boards, Central Silk Board, etc., fall under the purview of the SIDO.

The main functions performed by the SIDO in each of its three categories of functions are:

Functions Relating to Co-ordination:

- a. To evolve a national policy for the development of small-scale industries,
- b. To co-ordinate the policies and programmes of various State Governments,
- c. To maintain a proper liaison with the related Central Ministries, Planning Commission, State Governments, Financial Institutions etc., and
- d. To co-ordinate the programmes for the development of industrial estates.

Functions Relating to Industrial Development:

- a. To reserve items for production by small-scale industries,
- b. To collect data on consumer items imported and then, encourage the setting of industrial units to produce these items by giving coordinated assistance,
- c. To render required support for the development of ancillary units, and
- d. To encourage small-scale industries to actively participate in Government Stores Purchase Program by giving them necessary guidance, market advice, and assistance.

Function Relating to Extension:

- a. To make provision to technical services for improving technical process, production planning, selecting appropriate machinery, and preparing factory lay-out and design,
- b. To provide consultancy and training services to strengthen the competitive ability of small-scale industries.
- c. To render marketing assistance to small-scale industries to effectively sell their products, and
- d. To provide assistance in economic investigation and information to small- scale industries.

THE SMALL INDUSTRIES SERVICE INSTITUTES (SISI'S)

The small industries service institutes (SISI's) are set-up one in each state to provide consultancy and training to small and prospective entrepreneurs. The activities of SISs are co-ordinate by the industrial management training division of the DC, SSI office (New Delhi). In all there are 28 SISI's and 30 Branch SISI's set up in state capitals and other places all over the country.

SISI has wide spectrum of technological, management and administrative tasks to perform.

Functions of SISI

1. To assist existing and prospective entrepreneurs through technical and managerial counselling such as help in selecting the appropriate machinery and equipment, adoption of recognized standards of testing, quality performance etc;
2. Conducting EDPs all over the country;
3. To advise the Central and State governments on policy matters relating to small industry development;
4. To assist in testing of raw materials and products of SSIs, their inspection and quality control;
5. To provide market information to the SISI's;
6. To recommend SSI's for financial assistance from financial institutions;
7. To enlist entrepreneurs for partition in Government stores purchase programme;
8. Conduct economic and technical surveys and prepare techno-economic feasible reports for selected areas and industries.

NATIONAL SMALL INDUSTRIES CORPORATION LTD. (NSIC)

The National Small Industries Corporation Ltd. (NSIC), an ISO 9000 certified company, since its establishment in 1955, has been working to fulfill its mission of promoting, aiding and fostering the growth of small-scale industries and industry related small-scale services/businesses in the country.

At present, the NSIC operates through 6 Zonal Offices, 26 Branch Offices, 15 Sub-offices, 5 Technical Services Centres, 3 Extension Centres and 2 Software Technology Parks supported by a team of over 5000 professionals spread across the country. To manage operations in Gulf and African countries, the NSIC operates from its offices in Dubai and Johannesburg.

Functions of NSIC:

NSIC provides a wide range of services, predominantly promotional in character, to small-scale industries.

Its main functions are to:

- a. Provide machinery on hire-purchase scheme to small-scale industries.
- b. Provide equipment leasing facility.
- c. Help in export marketing of the products of small-scale industries.
- d. Participate in bulk purchase programme of the Government.
- e. Develop prototype of machines and equipments to pass on to small-scale industries for commercial production.
- f. Distribute basic raw material among small-scale industries through raw material depots.
- g. Help in development and up-gradation of technology and implementation of modernization programmes of small-scale industries.
- h. Impart training in various industrial trades.
- i. Set up small-scale industries in other developing countries on turn-key basis.
- j. Undertake the construction of industrial estates.

SMALL INDUSTRIES DEVELOPMENT CORPORATION(SIDCO)

In many state governments, for the promotion of small scale industries, a separate corporation has been set up which is known as Small Industries Development Corporation. They undertake all kinds of activities for the promotion of small scale industries. Right from the stage of installation, to the stage of commencing production, these Corporations help small scale industries (SSI) in many ways.

In short, they provide infrastructure facilities to small scale industries. Due to the assistance provided by SIDCO, many backward areas in most of the states have been developed. So, SIDCO has also been responsible in spreading the industrial activity throughout several states.

FUNCTIONS OF SIDCO

SIDCO supplies scarce raw materials:

Some of the scarce raw materials are procured by the corporation either from the domestic market or from abroad and are provided to the needy small scale industries. For this purpose, SIDCO has a number of raw material depots and these depots are procuring various scarce raw materials, as per the requirements of small scale industries in the state.

SIDCO provides marketing assistance:

In order to provide an efficient marketing support to small scale industries, the corporation has taken up various schemes. In fact, the corporation participates in the tenders floated by the state government departments and also with the DGS & D (Director General of Supplies and Disposal). SIDCO makes advance payments for obtaining orders and distribute them among the various small scale units. SIDCO also arranges for buyer — seller meets frequently.

SIDCO assists in Bills discounting:

When small scale units supply goods to government departments, there is a delay in receiving payments. In such a situation, the bills drawn on government departments will be discounted by SIDCO and upto 80% of the bill value is given to the supplier. This helps the SSI units in solving their working capital crisis.

SIDCO provides Export marketing assistance:

To promote export marketing among the small scale industries, SIDCO has developed websites because of which it is able to display the products of the small scale industries in foreign markets and obtain export orders. Once an export order is obtained, the Common export manager of SIDCO will make arrangements for extending various services for export of the product. SIDCO also helps in the small scale units taking part in the international trade fair at New Delhi, PragatiMaidan so that the products of small scale industries of Tamilnadu are displayed.

SIDCO set up Captive power plants:

In order to provide uninterrupted and good quality power supply, SIDCO has taken up a plan to set up captive power plants in major industrial estates. It is now planning to set up these plants in 10 industrial estates.

SIDCO promotes skill development centres:

In an effort to supply skilled laborers to various small scale industries, skill development centres are being set up in various industrial estates which will be training workers in varied industrial activities and they will be trained in modern skill.

SIDCO promotes women entrepreneurs:

In addition to the above, in order to promote women entrepreneurs, a separate industrial estate for women has been set up at Tirumullaivoyal, near Chennai, where women entrepreneurs are trained in various fields of small scale industries.

In addition to SIDCO, there are various corporations that assists in the promotion of small scale industries such as, Small Industries Promotion Corporation of Tamilnadu (SIPCOT), Tamilnadu Small Industries Corporation (TANSI), Industrial and Technical Consultancy Organisation of Tamilnadu (ITCOT) and Tamilnadu Industries Investment Corporation (TIIC).

DISTRICT INDUSTRIES CENTER

A District Industries Center is an institution established at the district level so as to provide them to set up small and village industries there.

Before the setting up of DIC, a prospective entrepreneur has to go to several agencies, many of them far from his district, in order to get the necessary assistance and facilities. This caused considerable delay, waste of time and money.

Now suitable powers have been delegated by several departments of the State Government to the District Industries Center. Thus an entrepreneur can get all the assistance he needs from a single agency itself i.e. DIC.

District Industries Center - Functions District Industries Center – Functions

FUNCTIONS OF THE DISTRICT INDUSTRIES CENTER

1. SURVEY AND INVESTIGATION

The District Industries Center conducts survey of the existing traditional and new industries and raw materials and human resources. It makes market forecasts of various products. It also prepares techno-economic feasibility reports so as to give investment advice to the entrepreneurs.

2. TRAINING COURSES

The District Industries Center also conducts training courses for the entrepreneurs of small and tiny units. It acts as an intermediary between the entrepreneurs and the small industries service institutes in order to introduce new and improved product lines and quality developed by the latter to the former.

3. MACHINERY AND EQUIPMENT

The District Industries Center indicates the locations where from machinery and equipment can be acquired and also arrange for supply of machinery on hire purchase basis.

4. RAW MATERIALS

The District Industries Center obtains the details regarding the materials required by various units and arrange for purchase of the same in bulk. Thereby it enables the small units to get their raw materials at reasonable prices.

5. ARRANGEMENTS FOR LOANS

It makes the necessary arrangements with Lead Banks and other Financial Institutions in order to provide financial assistance to the entrepreneurs. It also appraises the application and monitors the flow of industrial credit in the district.

6. MARKETING

The District Industries Center conducts market surveys and market development programmes. It also organizes marketing outlets, contact with Government procurement agencies and make the entrepreneurs well informed of the market intelligence.

7. KHADI AND VILLAGE INDUSTRIES

District Industries Centers gives special attention to the development of khadi and village industries and other cottage industries. It also keeps close contact with the State Khadi Board and organize training programmes for rural artisans.

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA(SIDBI)

Sidbi is a development financial institution in India, headquartered at Lucknow and having its offices all over the country. Its purpose is to provide refinance facilities and short term lending to industries, and server as the principal financial institution in the Micro, Small and Medium Enterprises (MSME) sector. SIDBI also coordinates the functions of institutions engaged in similar activities. It was established on April 2 1990, through an Act of Parliament. It is headquartered in Lucknow. SIDBI operates under the Department of Financial Services, Government of India.

Main Schemes of SIDBI

National Equity Fund Scheme which provides equity support to small entrepreneurs setting up projects in Tiny Sector.

Technology Development & Modernisation Fund Scheme for providing finance to existing SSI units for technology upgradation/modernisation.

Single Window Scheme to provide both term loan for fixed assets and loan for working capital capital through the same agency.

Composite Loan Scheme for equipment and/or working capital and also for worksheds to artisans, village and cottage industries in Tiny Sector.

MahilaUdyamNidhi (MUN) Scheme provides equity support to women entrepreneurs for setting up projects in Tiny Sector.

Scheme for financing activities relating to marketing of SSI products which provides assistance for undertaking various marketing related activities such as marketing research, R&D, product up-gradation, participation in trade fairs and exhibitions, advertising branding, establishing distribution networks including show room, retail outlet, wears-housing facility, etc.

Equipment Finance Scheme for acquisition of machinery/equipment including Diesel Generator Sets which are not related to any specific project.

Venture Capital Scheme to encourage SSI ventures/sub- contracting units to acquire capital equipment, as also requisite technology for building up of export capabilities/import substitution including cost of total quality management and acquisition of ISO-9000 certification and for expansion of capacity.

ISO 9000 Scheme to meet the expenses on consultancy, documentation, audit, certification fee, equipment and calibrating instruments required for obtaining ISO 9000 certification.

Micro Credit Scheme to meet the requirement of well managed Voluntary Agencies that are in existence for at least 5 years; have a good track record and have established network and experience in small savings-cum-credit programmes with Self Help Groups (SHGs) individuals.

New Schemes

4. To enhance the export capabilities of SSI units.
5. Scheme for Marketing Assistance.
6. Infrastructure Development Scheme.
7. Scheme for acquisition of ISO 9000 certification.
8. Factoring Services and
9. Bills Re-discounting Scheme against inland supply bills of SSIs.

Major schemes

1. Technology Development & Modernisation Fund

SIDBI has set up Technology Development & Modernisation Fund (TDMF) scheme for direct assistance of small sale industries to encourage existing industrial units in the sector, to modernise their production facilities

and adopt improved and updated technology so as to strengthen their export capabilities. Assistance under the scheme is available for meeting the expenditure on purchase of capital equipment acquisition of technical know-how, up-gradation of process technology and products with thrust on quality improvement, improvement in packaging and cost of TQM and acquisition of ISO-9000 series certification.

SIDBI in July 1996 had permitted SFCs and promotional banks to grant loans for modernisation projects costing upto Rs. 50 lakhs. The Coverage of the TDMF scheme has been enlarged w.e.f. 1.9.1997. Non-exporting units and units which are graduating out of SSI sector are now eligible to avail assistance under this scheme.

2. National Equity Fund

National Equity Fund (NEF) under Small Industries Development Bank of India (SIDBI) provides equity type assistance to SSI units, tiny units at five per cent service charges. The scope of this scheme was widened in 2000-01 raising the limit of loan from Rs. 6.25 lakhs to Rs. 10 lakhs and project cost limit from Rs. 25 lakhs to Rs. 50 lakhs.

(a) The following are eligible for assistance under the scheme:-

New projects in tiny and small scale sectors for manufacture, preservation or processing of goods irrespective of the location (except for the units in Metropolitan areas).

Existing tiny and small scale industrial units and service enterprises as mentioned above (including those which have availed of NEF assistance earlier), undertaking expansion, modernisation, technology up-gradation and diversification irrespective of location (except in Metropolitan areas).

Sick units in the tiny and small scale sectors including service enterprises as mentioned above, which are considered potentially viable, irrespective of the location of the units (except for the units in Metropolitan areas).

All industrial activities and service activities (except Road Transport Operators).

(b) Project cost (including margin money for working capital) should not exceed Rs.50 lakhs in the case of new projects in the case of existing units and service enterprises, the outlay on expansion/modernisation/technology up-gradation or diversification or rehabilitation should not exceed Rs.50 lakhs per project.

(c) There is no change in the existing level of promoters' contribution at 10% of the project cost. However, the ceiling on soft loan assistance under the Scheme has been enhanced from the present level of 15% lakh per project to 25% of the project cost subject to a maximum of Rs.10 lakhs per project.

(d) 30% of the investment is earmarked for tiny units.

INDUSTRIAL SICKNESS

In general a sick unit can be defined as a unit that fails to generate surplus on a continuous basis and frequently depend on external funds for its survival.

The sick industrial companies (special provision) act 1985, defined sickness in terms of “cash losses for two consecutive financial years and accumulated losses equaling or exceeding the net worth of the company at the end of the second financial year”.

The definition of sick small scale industry has been modified as, “A small scale, industrial unit should be considered as sick if it has, at the end of any accounting year, accumulated losses equal to or exceeding 50 percent of its peak – net Worth in „the immediately preceding five accounting years”

SYMPTOMS OF SICKNESS

The persistence of many signals for a long period of time is termed as symptoms of sickness, the various symptoms ultimately reflect on the plant performance (capacity utilization, financial capital ratio, share market value practices in the diverse areas of finance, production, marketing and labour relation in the industry).

Some of the important symptoms are:

- Deteriorating financial ratio

1. Delay in the audit of annual account
2. Persisting shortage of cash flow
3. Continuous tumble in the price of the shares
4. Delay in the payment of statutory dues
5. Widespread use of creative accounting
6. Frequent request for loans
7. Morale degradation of the employees
8. Desperation amongst the top and middle managerial level.

However, the financial ratios, in each case cannot be considered as true symptoms of industrial sickness.

MAIN FACTORS:

1. The sickness prone unit – To present a better and sound image, one must do lot of window dressing.
2. Financial data – It may be available after a gap of one year.

However, an early identification of symptoms makes the task of detecting easier and fast. There are many glitches that can lead to sickness among industrial units.

CAUSES OF INDUSTRIAL SICKNESS

Some of the common causes leading to failing health of small units are discussed as follows:

- ✚ Problems in Production,
- ✚ Lack of Orders,
- ✚ Lack of Raw Materials,
- ✚ Cash Crunch,
- ✚ Increased Cost of Raw Material and
- ✚ Few Others

1. Problems in Production:

Problems in production may arise due to:

- i. Machine breakdowns, poor maintenance.
- ii. Poor quality of raw materials.
- iii. Poor labour productivity.
- iv. Power shortage.
- v. Lack of production, planning, and control.
- vi. Delayed supplies from sub-contractors.
- vii. Poor industrial relations..

www.fundamakers.com

2. Lack of Orders:

A unit may suffer as it does not get enough orders to match its anticipated or targeted production targets.

The lack of orders could be due to any of the following reasons:

- i. Competition
- ii. Recession
- iii. Low quality technical incompetence
- iv. Irregular deliveries
- v. Poor marketing efforts
- vi. Obsolescence

3. Lack of Raw Materials:

Diminished or poor supply of raw materials could be due to:

- i. National or regional shortage
- ii. High cost
- iii. Overdue payments to suppliers
- iv. Poor quality
- v. Uncertain suppliers
- vi. Lack of planning.

4. Cash Crunch:

This arises due to any of the following:

- i. Deliberate diversion of funds
- ii. Well-intentioned but unwise diversion (e.g., unplanned diversification)
- iii. Poor collections
- iv. Unplanned payments to creditors
- v. High inventory
- vi. Unproductive and flamboyant expenditure

5. Increased Cost of Raw Material:

This is a common cause that may lead to the sickness of a unit.

It could be due to:

- i. Increased costs not covered in selling prices due to faulty costing.
- ii. Large orders booked at fixed prices in an inflationary market.
- iii. High material wastage.
- iv. High inventory costs.

6. Increased Overhead Costs:

Increased overhead costs may arise due to:

- i. Inefficient production
- ii. Un utilized capacity
- iii. Heavy borrowings, high interest charges
- iv. Increased administration or selling costs
- v. Unplanned capital expenditure
- vi. New product development or diversification.

PREVENTION OF SICKNESS:

Units falling sick have been studied extensively. Some units are born sick, some units are made sick, and in case of some units, sickness is thrust up on them. Four groups can play a dominant role in preventing units from falling sick.

These are:

1. Term lending institutions,
2. Commercial banks,
3. Entrepreneurs, and

4. The government.

1. Term Lending Institutions:

If the term lending institutions take the following steps, sickness can be prevented:

- i. Proper appraisal of management of the project
- ii. Ascertaining the marketability of the end products of the unit before lending
- iii. Extra care in assessing the suitability, technical feasibility of plant and machinery if it is second-hand one
- iv. Ensuring the timely implementation of the project.

2. Commercial Banks:

Since the commercial banks are the ones providing resources for serving successfully, they have to take the following steps to prevent sickness:

- i. Noticing that the withdrawals in the account do not exceed the permissible drawing power continuously over a period of time
- ii. Frequent scrutiny of the ledger account with the master intelligences
- iii. Frequent interaction with the entrepreneur

3. The Entrepreneur:

The successful running of the unit surely depends on the ability and sustainable effort of the entrepreneur. It is the entrepreneur who conceives, implements, and manages the project to avert sickness in the unit.

They can prevent sickness by:

- i. Selecting the supplier of the machinery with care
- ii. Doing the homework properly
- iii. Paying adequate attention to the deficiencies in the unit
- iv. Careful selection of the partners.

4. The Government:

The Government too can help in controlling sickness by not making sudden changes in the industrial policy such as – the following, which may destabilize the small units:

1. Several changes related to existing units
2. Policy to discourage new investment
3. Withdrawal of subsidies
4. Opening up of reserved items for big industries.