



**STUDY MATERIAL FOR B.COM  
ENTREPRENEURSHIP DEVELOPMENT  
SEMESTER - IV, ACADEMIC YEAR 2020 - 21**

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UNIT	CONTENT	PAGE NR
I	ENTREPRENEURSHIP ESSENTIALS	02
II	ENTREPRENEURSHIP DIMENSIONS	10
III	PROJECT APPRAISAL	17
IV	LAUNCHING OF NEW BUSINESS	20
V	MANAGEMENT OF SMALL BUSINESS	26

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## UNIT - I

### ENTREPRENEURSHIP ESSENTIAL

#### **Meaning of entrepreneur**

The word entrepreneur is derived from the French word '**Enterprendre**' meaning "to undertake" or "to do something". Entrepreneur refers to a person who establishes his own business in order to earn profit.

#### **Definition**

In the words of **Richard Cantillon** "All persons engaged in economic activity are entrepreneurs".

According to Noah Webster, "Entrepreneur is one who assumes the risk and management of business."

#### **Features or characteristics of an entrepreneur**

##### **Risk bearer**

Lawrence **rightly said that** "the real feature of entrepreneur personality is attraction towards risk bearing". He has propensity for uncertainty bearing.

##### **Resource provider**

Entrepreneur collects the various factors of production and contributes them into a productive unit. In this way, entrepreneurs create from utilities.

##### **High achiever**

Entrepreneur possesses achievement feature. He has strong motivation to achieve the target. Therefore, he remains result oriented. He has the pleasure in getting challenges.

##### **Action Oriented**

Entrepreneurs are always oriented. He always expects a favourable situation for his business and therefore he runs his business successfully even when uncertainty happens.

##### **Dynamic Agent**

Entrepreneurs are dynamic agents. Dynamic theory of entrepreneurship was advocated by Schumpeter. An entrepreneur creates new needs and new means to satisfy them. He discovers new sources of supply of raw materials.

##### **Innovator**

An inventor is one who discovers new methods and processes. An entrepreneur utilizes inventions and discoveries of an inventor to make new contributions. To satisfy the needs of customers, an entrepreneur must innovate new methods processes etc, in his business.

##### **Motivator**

An entrepreneur has to get the work through others. Entrepreneurial motivation is the process of transforming an ordinary individual to a powerful businessman.

##### **Opportunity oriented**

Following are the possible opportunities available to an entrepreneur.

- Invest in multiple business
- Angel investors
- Crowd funding



- d) Start-up incubators
- e) Quality content
- f) Foreign markets

### **Goal oriented**

Goal oriented means ability to get work hard to achieve good results in the tasks that have been allotted one goal leads to set up another goal.

### **Profession nature**

Entrepreneur is not born rather is trained as professional by vocational knowledge, training facility and other incentives. Today, several institutions are involved to make him as professional.

### **Function of an Entrepreneur**

#### **Idea generation:**

Idea generation can be possible through the vision, insight, observation, experience, education training and exposure of the entrepreneur. Idea generation precisely implies product selection and project identification. It is the function of the entrepreneurs to generate as many ideas as they can for the purpose of selecting the best business opportunity.

#### **Determination of objectives:**

The next function of the entrepreneur is to determine and lay- down the objectives of the business. Which should be spelt-out in clear terms? Entrepreneur should be very much clear about the following things.

- A. The nature of business
- B. The type of business

### **Fund raising**

Fund raising is all the activities of a business depend upon the finance and its proper management. It is the responsibility of the entrepreneur to raise funds internally as well as externally. They should be aware of the different sources of funds and the formalities to raise funds. They should have full knowledge of different government sponsored scheme such as Prime Minister's Rozgar Yojana(PMRY) National Rural Livelihood mission(NRLM), National urban Livelihood mission(NUIM), Rural Employment generation programme (REGP),etc.

### **Procurement of raw material:**

The entrepreneur is to procure raw materials. Entrepreneur has to identify the cheap and regular sources of supply of raw materials, which will help him to reduce the cost of the production and face the competition boldly.

### **Procurement of machinery:**

The entrepreneurs are to procure the machineries and equipments for establishment of the production and service facility. While procuring the machineries, they should specify the following details.

- a) The details of technology
- b) Installed capacity of the machines
- c) Names and manufactures and suppliers
- d) Whether the machines are indigenously made or foreign made.
- e) After sales service facilities



- f) Warranty period of the machinaries.

### **Market Research:**

Market research is the systematic collection of data regarding the product which the entrepreneur wants to manufacture. Entrepreneur has to know the detail of the intending product i.e the demand for the product, the supply of the product, the price of the product, the size of the target market etc.

### **Determination of form of enterprise:**

Entrepreneur has to decide the form of enterprise based upon the nature of the product, volume of investment, nature of activities, types of product, quality of product, quality of human resources etc.

### **Recruitment of manpower:**

1. Estimating manpower need of the organisation
2. Laying down of selection procedure
3. Devising scheme of compensation
4. Laying down the rules of training and development

### **Implementation of project:**

Entrepreneur has to work on the implementation schedule or the action plan of the project. All the activities from the conception stage to the commissioning stage are to be accomplished by him in accordance with the implementation schedule to avoid cost and time over run, as well as competition.

### **Qualities of a successful Entrepreneur**

#### **Self confidence**

The entrepreneur work with self confidence in order to achieve high goals in their business. During these down periods they maintain their confidence and let those around them know it. This helps the others sustain their own optimism and creates the level of self confidence necessary for efficient group efforts.

#### **Feed back:**

Entrepreneur likes to have prompt immediate feedback of their performance. Feedback is also central to their learning from their mistake and setbacks.

#### **Flexibility:**

Entrepreneur makes decisions based on the prevailing situations. Successful entrepreneur does not hesitate in improving their decision.

#### **Planner:**

Entrepreneur frames realistic business plans and follows them rigorously to achieve the objective in a stipulated time limit.

### **Team Building and motivation:**

Entrepreneur influences and motivate people and make to think in his way and act accordingly. Most successful entrepreneurs have highly qualified, well-motivated terms that helps handle the venture's growth and development.



**Stress Takers:**

The entrepreneur makes many right decisions which may involve lot of physical and emotional stress.

**Risk bearer:**

The entrepreneur understands and manages the risks. They select a moderate risk situation, rather than avoiding risk. Successful entrepreneurs are not gamblers. When they decide to participate in a venture, they do so in a very calculated, carefully thought – out manner.

**Opportunity explorer:**

The entrepreneur always identifies opportunities. He finds out the opportunities and converts them into realistic achievable goals. One clear pattern among successful, growth minded entrepreneurs is their focus on opportunity rather than on resources structure or strategy.

**Inquisitiveness and Information seekers:**

He is ready to learn from the experience of other and enriches his business information to help him reach the goal.

**Highly Optimistic:**

The successful entrepreneurs are not disturbed by the present problems faced by them. They are optimises for the future that the situations will become favorable to business in future. Thus, they can run their enterprises successful in future.

**Thinker and does:**

Entrepreneurs are thinkers and doers, planners and workers. They depend on the intelligence, imagination and strength of purpose of individual.

**Ability to Mobilise Resources:**

Entrepreneurs must have the ability to mobilise all the inputs to obtain the end product. They have to mobilise 6 Ms, i.e. Man, Machinery, Money, Materials, Markets and Methods effectively to realise the final product as entrepreneurship is a function of gap filling and input completing.

**Leadership:**

Leadership is the ability to exert interpersonal influence by means of communication towards their own target. As the leader he should have larger followers, empathy towards fellow workers, Team work, common target and clear direction.

**Locus of control:**

Entrepreneurs believe in their own ability to control the consequences of their endeavours by influencing their socio – economic environment rather than leave everything to luck. They strongly believe in that they can govern and shape their own destiny.

**Communication Skills:**

To motivate others and to convince about their project or product entrepreneur should have good oratory skills. Oral and written communication is a must for a good entrepreneur.



## **Types of entrepreneur**

### **On the basis of clearance Danh of classification:**

#### **a)An innovating entrepreneur:**

An innovating entrepreneur is one who introduces new goods, in augurate new methods of production, discover new markets and reorganize. According to peter. F. Drucker, an innovating entrepreneur is one who always searches for change, responds to it as an opportunity.

#### **b) Imitating entrepreneurs:**

This kind of entrepreneur is ready to adopt successful innovations created by innovative entrepreneurs. These entrepreneurs don't innovate the change themselves, they only imitate techniques and technology innovated by others.

#### **c)Fabian entrepreneurs:**

Fabian entrepreneurs are those who adopt a great caution and scepticism in introducing any change in the business. Their dealings are determined by customs, religion, tradition, and past practices.

#### **d) Drone entrepreneurs:**

Drone entrepreneurs are those are blindly following the traditional methods of production even when it causes loss to them. These entrepreneurs are not ready to accept any changes in their existing methods of production.

### **On the basis of types of business**

#### **a) Trading entrepreneur:**

Trading entrepreneur undertakes the trading activities. He procures the finished products from the manufactures and sell these from the customers directly or though a retailer.

#### **b) Manufacturing entrepreneur:**

Manufacturing entrepreneur undertakes the trading activities. That is, they convert raw materials into finished products. They procure raw materials and procure raw materials and produce goods on the basis of customer needs.

#### **c) Agricultural entrepreneurs:**

These types of entrepreneurs undertake agricultural activities such as cultivation, marketing of agricultural produce, irrigation and technology.

### **On the basis of use of technology**

#### **a) Technical entrepreneurs:**

These entrepreneurs undertake science and technology based industries. They make use of science and technology in their enterprise.

#### **b) Non – technology entrepreneurs:**

The entrepreneurs who are not technical entrepreneurs. These entrepreneurs are concerned with the use of alternative and imitative methods of marketing and distribution strategies to make their business survive and thrive in the competitive market.

### **On the basis of gender:**

#### **a)Men entrepreneurs:**



When a business is started, owned, managed, and controlled by men, then these are called as men entrepreneurs.

**b) Women entrepreneurs:**

When a business is commenced, owned, managed, and controlled by women, then these entrepreneurs are called women entrepreneurs.

**On the basis of motivation:**

**Pure entrepreneurs:**

These entrepreneurs start new business and they are guided by motive. They apply their business skills and prove their excellence in business.

**Induced entrepreneurs:**

These entrepreneurs are induced by state and central Government. They avail facilities in the form land at cheap rate, loans at a concessional rate, tax exemption, supply of scarce raw materials, etc.

**Spontaneous entrepreneurs:**

These entrepreneurs induced by inner urge, strong desire to become an entrepreneur and start their own business. They start business with self confidence

**On the basis of size of enterprises:**

**Small – scale entrepreneurs:**

The enterprises in which the investment plant machinery is upto Rs. 1 crore then it known as small scale business and the owner of the business is known as small - scale entrepreneurs.

**Medium scale entrepreneur:**

The enterprise in which the investment plant and machinery is upto above Rs. One Crore but below Rs. Crore as medium scale entrepreneurs.

**Large Scale entrepreneurs:**

The enterprise in which the investment plant and machinery is upto above Rs. 5 Crore is known as Large **scale entrepreneurs**.

**Entrepreneur VS Entrepreneurship**

S.no	Entrepreneur	Entrepreneurship
1	Entrepreneur is a business leader and the function performed by him in a relation to that business is entrepreneur	The term entrepreneurship is often used synonymously with the term “entrepreneur” though they are two sides of coin, conceptually they are different.
2	It refers to person,	It refers to the function



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3	It may be person organizer, innovator, risk- bearer, creator, visualize, leader, Technician, Decision maker, planer, programmer, administrator, communicator, etc.	Which means a process, organization, innovation, risk – bearing, motivation, creation, vision, leadership, technology, decision making, planning, administration, action, communication, etc.
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**Difference between entrepreneur and intrapreneur**

S.no	Entrepreneur	Intrapreneur
1	Ownership: Entrepreneur is the owner of the business.	Entrepreneur is dependent who performs the work under entrepreneur.
2	Dependency: He is a independent in his operation.	He is dependent on the entrepreneur or owner.
3	Capital formulation: He himself formulates capital.	He does not formulate capital.
4	Risk bearing: An entrepreneur himself bears entire risks relating to business	An intrapreneur does not bear any risks relating to business
5	Operation: An entrepreneur operates from outside the enterprises also.	An intrapreneur operates from within the organisation itself.
6	Braindrain: An entrepreneur does not cause brain drain.	An intrapreneur because brain drain.
7	Raising of funds: An entrepreneur himself raises funds required for the enterprise.	An intrapreneur does not raise funds required for the enterprise.
8	Management: An entrepreneur manages the outside activities of business	An intrapreneur manages himself.
9	Routine work: An entrepreneur is more concerned with doing routine work and sometimes he may not know the important details of his own business.	He acts as a specialist in his chosen field and serves as an outside professional
10	Origin of new idea: He executes ideas made by intrapreneurs.	Professional ability is essential to deserves in intrapreneur.
11	Professional ability: Professional ability is not essential	Professional ability is essential to deserves in intrapreneur.
12	Remedial action: No remedial action is needed.	Remedial action is needed.





### **Growth of Entrepreneurship in India**

Following are the reasons for the growth of entrepreneurship in India

1. Entrepreneur creates new business
2. Entrepreneur adds to national income
3. Entrepreneur creates social change
4. Community development
5. Entrepreneurship provides high level of self employment

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## UNIT - II

### ENTREPRENEURSHIP DIMENSIONS

#### **Entrepreneurship Dimensions:**

Success in running an enterprise is of vital importance not only entrepreneurs-business owners themselves but also for the society as a whole.

Most common dimensions are

1. Know yourself
2. Innovation
3. Evaluation
4. Uncertainty

#### **Know yourself:**

An entrepreneur must have self evaluation. That is, he / she must have SWOT analysis.

- S – Strengths
- W – Weaknesses
- O – Opportunities
- T – Threats

#### **Innovation:**

The entrepreneur is the innovator who implements change within markets through the carrying out of new combinations.

#### **They are**

1. New quality of product
2. New product
3. New sources of material
4. New Market
5. New organization structure

#### **Evaluation:**

Evaluating a new idea or new strategy involves testing its feasibility, the extent to which the idea or the strategy is a visible and realistic business opportunity.

#### **Uncertainty**

Uncertainty and risk taking as a common dimension for entrepreneurship and strategy to obtain high financial returns, firms take risks as assuming high levels of debt, committing large amounts of firm resources, introducing new products into new markets, and investing in unexplored technologies.

#### **Entrepreneurship culture:**

##### **Meaning:**

Entrepreneurial culture is creating the favourable situation for entre entrepreneurs in the society to do their business successfully. Entrepreneurial culture implies a set of values, norms and traits that are conducive to the growth of entrepreneurship. It is the corporate culture that focuses on the emergency of new opportunity.



### **Culture of a business:**

It is a sum total of the norms, beliefs and values that regulate the behaviour of individuals and groups within any given corporation.

### **Business ethics:**

Ethics is that branch of philosophy which is concerned with rightness or wrongness, goodness or badness of human conduct.

### **Productivity culture:**

Productivity improvement is doing the right things better. A key to productivity is the attitude of employees who work together. Attitudes reflect the interplay of many long terms and short-term factors including motivation, culture, management, systems nature of work and personal value system.

### **Total Quality culture**

TQC is the way of marking an integration of all efforts in the organization and employees, task and employees, employees and employees achieving total quality and customer care.

### **Organisational structure:**

- An organization has a mission when its culture fits with its strategy.
- Culture enables organization to function as a collective unit.

### **Entrepreneurship Development programme (EDP)**

#### **Definition:**

“Intelligence, motivation, knowledge, and opportunities as the pre-requisites for entrepreneurial development”-Joseph Stepenek

#### **Objectives of EDPs**

1. To develop and strengthen their entrepreneurial Quality.
2. To select the product.
3. Formulating the project for the product.
4. Support available for starting a small-scale industry.
5. To acquire the necessary managerial skills required to run a small enterprise.
6. Developing passion for integrity and honesty.
7. Identifying and training potential entrepreneur.

#### **Content of EDP**

##### **General introduction to entrepreneurship:**

First of all, the participants are exposed to a general knowledge of entrepreneurship Such as factors affection small - scale industries, the role of entrepreneurs in economic, development, entrepreneurial behaviour and the facilities available of establishing SSI.

##### **Motivation training:**

The training inputs this aim at inducing and increasing the need for a achievement among the participants. Efforts are made to inject confidence and positive attitude and behaviour among the participants towards business.



### **Management Skills:**

Running a business, whether Large or small, requires the management skills. Knowledge of managerial skills enables an entrepreneur to run his / her enterprise smoothly and successfully.

### **Support system and procedure:**

The participants also need to be exposed to the support available from different institutions and agencies for setting up and running small scale enterprise.

### **Fundamentals of projects feasibility study:**

Under this input, the participants are provided guidelines on the effective analysis of feasibility or viability of the of particular project in view of marketing, organization, technical, financial and social aspects.

### **Plant visits:**

In order to familiarize the participants with real life situations in small business, plant visits are also arranged. Such trips help the participants know more about an entrepreneur's behaviour.

### **PHASES OF EDPs**

#### **Pre – training phase**

Identification of operationally – promising area, normally a district.

1. Selection of the project leader / course coordinator to Coordinator the programme.
2. Arrangement of infrastructural facilities for the Programme.
3. Undertaking potential industrial survey / environmental
4. Scanning for identification of good business opportunities.

#### **Training phase**

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

#### **Post – Training Posted**

1. To provide a meaningful direction to the trainees in grounding their enterprise.
2. To review the progress made by the trainees in implementation of the project.
3. To review the post – training approach.
4. The following methods are generally used for follow – up:
  - Postal questionnaire
  - Telephone follow – up
  - Personal contact by the trainer
  - Group meeting

#### **Types of EDP:**

- Entrepreneurship Awareness Training Programme.
- Entrepreneurship Development training programme General.
- Managerial skill development programme for existing entrepreneurs
- Product - Oriented EDPs.



- Target -group oriented ED Training programme.

### **PROBLEMS FACED BY EDP**

#### **Problems:**

1. Trainer – motivation is not found up to the mark in motivating the trainees to start their own enterprises.
2. Identification and selection of wrong projects.
3. Lack of entrepreneurial and culture
4. Lack of forward and backward linkages.
5. Improper identification of projects.
6. Inadequate counseling support after training.
7. Lack of continuous follow – up action or post – training support services for grounding the project.

### **Methods of training**

#### **Individual training:**

Under this method, an individual is selected for training. This mode of training is undertaken where a complicated skill is to taught to an individual

#### **Group instruction:**

Under this method, a group of individuals is selected to provide training. This method is suitable to workers with a similar type of work and where general instruction and application to all are to be given

#### **Lecture method:**

This method of training is provided within the four walls. The entrepreneurs may clarify their doubts on the spots.

#### **Demonstration method:**

This method is more suitable where the performance of work is to be shown practically by the instructor for better Understanding.

#### **Conference method:**

Conferences are frequently organised wherein experts share their ideas and bring to the notice of learns new ideas and techniques to increase production.

#### **Meetings:**

Training may also be given to entrepreneurs by way of meetings. In the meetings, various problems relating to the entrepreneurship are discussed. This may involve exchange of ideas and views among the participants.

### **Women Entrepreneurs**

#### **Definition:**

In the word of Schumpeter, women who innovate, imitate or adopt a business activity are called as women entrepreneurs.

### **Types of women entrepreneurs**

#### **Affluent entrepreneurs:**

Affluent women entrepreneurs are those entrepreneurs who hail from which rich business families These entrepreneurs are supported by their families.



**Pull factors:**

These entrepreneurs take up entrepreneurship as a challenge to do something new and to be economically independent. These entrepreneurs take up small and medium enterprises where risk is low.

**Push factors:**

These types of women entrepreneurs are compelled to take entrepreneurship by push factors. These entrepreneurs are forced to develop the existing family business or to start new ventures to meet the economic conditions of their family.

**Self employed entrepreneurs:**

These entrepreneurs take entrepreneurship as a profession on their own by self planning or motivated through profit factors. They start tiny and small enterprises.

**Rural entrepreneurs:**

Women in rural areas start businesses which need less organising skill and less risk. These entrepreneurs mostly undertake businesses of cottage industries.

**Benami women entrepreneur**

These Entrepreneurs act as facade for business of their husband or brother

**Function of women entrepreneurs**

- Exploration of the prospects of starting a new business enterprise
- Undertaking of risks and handling of economic uncertainties involved in business
- Introduction of innovation
- Co – ordination, administration and control
- Supervision and leadership

**Problems of women entrepreneur**

**1) Problem of finance**

Finance is regarded as "Life for any enterprise". It may be big or small. Women entrepreneurs find it difficult to get from financial institutions.

**2) Low literacy**

Rate of literacy among women is very low in India. Low literacy level hinders women in carrying out their activity as an entrepreneur. Low literacy level of education creates problems for women in setting up and the running of business enterprises.

**3) Scarcity of raw materials**

Scarcity of raw materials is another important problem of entrepreneurs. Due to scarcity of raw materials prices of raw materials may be increased and cost of production may also be increased.

**4) Competition**

Every business has competition. But women entrepreneurs face stiff competition. Such a competition ultimately results in the liquidation of women enterprise.

**5) Dual responsibility**



Women have to perform responsibilities towards family, society and work simultaneously. Due to dual responsibility, women entrepreneurs are not able to perform their functions properly.

**6)Limited Mobility:**

Women mobility in India is highly limited due to their inability to travel from one place to another for business reasons.

**7)Male dominated:**

Women suffers from male reservations about a women's role, ability and capacity and are treated accordingly. This serves as a barrier to women entry into business.

**8) Low risk bearing:**

Risk bearing ability is a crucial factor in running an enterprise and it is low among women. Women entrepreneurs are less educated and economically not self dependent. All these reduce their ability to bear risk involved in maintaining an enterprise.

**9) Marketing problems:**

These problems may be due to

1. Lack of finance
2. Competition
3. Lack of storage facilities
4. Immobility

**10) Lack of motivation:**

Motivation is essential for any activity. In case of women entrepreneurs, there is lack of motivation from family.

**11) Lack of managerial skills:**

This is another important problem of an entrepreneurs have inadequate managerial skills. sometime, they are discriminated. So, they are unable to manage the business effectively.

**Rural Entrepreneurship**

**Meaning**

Rural entrepreneurship is the creation of a new organization that introduces a new product. Serves or creates a new market or utilizes a new technology in a rural area.

**Need for Rural Entrepreneurship:**

1. Rural entrepreneurship helps to reduce disguised unemployment as the rural industries being labour intensive. So, it generates employment opportunities.
2. It helps to reduce disparities in income between rural and urban areas.
3. It promotes balanced regional development as it encourages dispersal of economic activities in rural areas.
4. Development of industries in the rural areas helps to build village republic.
5. It helps to protect and promote the art and creativity.

**Problems of Rural Entrepreneurship:**

The major problems faced in developing entrepreneurship in rural areas are as follows.

1. Inadequate follow of credit



2. use of obsolete technology, machinery and equipment.
3. poor quality standards.
4. Inadequate infrastructure facilities.
5. Lack of technical know how
6. Management problem
7. High cost production
8. Lack of communication
9. Market information
10. Lack of promotional strategy

#### **How to develop rural entrepreneurship**

1. Every industry requires raw material .so policy must be taken to strengthen the raw material base in rural areas.
2. Loan facilities must be available at the convenience of the entrepreneurs.
3. Marketing of product is yet another problem of entrepreneurs.
4. Awareness about the benefits of becoming entrepreneur must be created among the younger generation.
5. Now a days starting a business is very easy. But to maintain for a stable period is a very difficult one.
6. To get latest and recent information about the entrepreneurship training must be provided to prospective entrepreneurs.





### UNIT - III

### PROJECT APPRAISAL

#### **Meaning of Project:**

A project is an idea or plan that is intended to be carried out. The dictionary meaning of a project is that it is a scheme, design, a proposal of something intended or devised to be achieved.

#### **Definition:**

Gillinger defines Project, "as the whole complex of activities involved in using resources to gain benefits. The world Bank has defined Project as an approval for a capital investment to develop facilities to provide goods and services".

#### **Features of a Project:**

##### **Investment pattern:**

A project involves in investment in capital expenditures. It involves allocation and consumption of resources.

##### **Benefits or gain:**

Project generates resources, goods or services. From the resources, goods or services, an entrepreneur may derive benefits or gains.

##### **Time Limit:**

Selected Project must be completed within the time bound. Otherwise, it may not be possible to get profit or gain.

##### **Location:**

The project must be must be located at suitable place as to ensures all the facilities.

##### **A single definable purpose**

A single definable purpose, end-term or result. This is usually specified in terms of cost, schedule and performance requirements.

#### **Classification of projects**

##### **Quantifiable and Non quantifiable**

Quantifiable projects are those in a plausible quantitative assessment of benefits can be made. Ex. Project concerned with industrial development, power generation, mineral development etc.

Non-quantifiable project are those projects where such a quantifiable assessment of benefits is not possible.

##### **Sectorial projects:**

The planning commission of India has adopted the sectorial basis for project classification

1. Agriculture and Allied sector
2. Irrigation and power sector
3. Industry and mining sector
4. Transport and communication sector
5. Social service sector
6. Miscellaneous sector

##### **Techno economic projects:**



Projects may be classified on the basis of their techno economic characteristics

**i) Factor industry-oriented classification**

Projects may be classified as capital intensive or labour intensive. Ex. Investment made in plant and machinery.

**ii) Causation –oriented classification:**

When causation-oriented classification is used. Projects are classified as demand based or raw materials-based project. The availability of certain raw materials skills, or other inputs makes the project raw material based.

**iii) Magnitude oriented classification:**

The size of investment forms the basis for magnitude-oriented projects. Projects may be classified as large-scale projects, medium scale projects and small scale projects

**iv) Financial Institutions:**

All India and State financial institutions classify the project according their age and experience and the purpose for the project is being taken up.

**Methods of project Appraisal**

**Economic analysis:**

- I. Economic analysis includes requirements for raw material. Level of capacity utilization, anticipated sales, anticipated expenses and the probable profits
- II. It is said that a business should have always a volume of profit clearly in view which will govern other economic variables like sales, purchases, expenses and alike

**Financial analysis:**

- I. Assessment of the financial requirements both-fixed capital and working capital
- II. Fixed assets normally called “Fixed Assets” are those tangible material facilities which purchased once are used again and again familiar.
- III. Working capital means excess of current assets over current liabilities. Current assets refer to those assets which can be converted into cash with in a period of one year.

**3.4.3 Market analysis:**

- I. Before the production actually starts the entrepreneur needs to anticipate the possible market for the product.
- II. He/she have to anticipate who will be possible customers for his product and where and when his product will be sold. This is because production has no value for the producer unless it is sold.
- III. In facts the potential of the market constitutes the determinate of probable rewards from entrepreneurial career.

**Technical Feasibility:**

- I. Availability of land site.
- II. Availability of other inputs like water, power, transport, communications facilities
- III. Availability servicing facilities like machine shops, electric repair shop etc.
- IV. Availability of required raw material as per quantity and quality.



**Management Competence:**

- I. Management ability or competence plays an important role in making an enterprise success or otherwise.
- II. While doing project appraisal the managerial competence or talent of promoter should be taken into consideration.

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## **UNIT - IV**

### **LAUNCHING OF NEW BUSINESS**

#### **Steps to launch a new business**

##### **Decision to become an entrepreneur**

Job opportunities are available from three sources.

- Government institutions
- Private institution
- Self employment

##### **Steps to be taken:**

##### **Setting objectives:**

Without objective no one can achieve his goal. Objectives constitute the purpose, the attainment of which is necessary for the business.

##### **Idea generation:**

1. Knowledge of potential customer, needs
2. Industrial potential surveys
3. Watching emerging trends in demands for certain products
4. Studies on price and shortage of certain commodities
5. Lead bank survey reports
6. Ideas given by the knowledgeable persons
7. Profitability of selected industries
8. New product introduced by competitors
9. Knowledge about government policies regarding industrialisation, exports, imports etc.

##### **Selection of product:**

In the product conceptualisation stage, while making a product choice, following factors are to be considered.

- Product line
- Packaging
- Branding
- Warranties
- After-sales service

##### **In addition to the above, following factors to be considered**

- Easy of availability of raw material
- Process technology
- Accessibility to the market
- Incentive and support from government
- To consider economic viability, an entrepreneur has to consider the following demand aspects.
- Volume of existing demand in the domestic product
- Volume of existing demand in the export market
- Volume of aggregate existing demand in all markets
- Volume of potential demand
- The degree of import substitution

##### **Nature of ownership:**



After selecting the product and the process for the product, it is the duty of an entrepreneur to select the suitable form of organization.

The following factors are to be considered.

- Nature of the enterprise
- Scale of operations
- Size of the market area
- Degree of direct control desired by the owners
- Amount of capital required initially and expansion
- Degree of risk and liability
- Division of surplus
- Duration of business

#### **Size of Enterprise:**

Large scale enterprises require large financial and managerial resources which are beyond the capacity of an individual or a few partners. Therefore, large size enterprises are suitable to have ownership of a private company or public company

#### **Location and layout of plant:**

- Availability of raw materials
- Nearness to market
- Availability of skilled and unskilled labour
- Nearness to the source of motive power and Fuel
- Transport facilities
- Suitability of the soil and climate
- Personal factors
- Government policy
- Financial facilities
- Decentralisation
- Industrial atmosphere
- Political and Economic conditions
- Existence of Competitive industries
- Incentives available
- Situated in one's native place
- Modern infrastructure facilities

#### **Preparation of financial planning:**

Finance is the life for every business. The finance function in a scale industry is similar to the financial function in any other organization. A financial plan will determine

- The need of capital
- The amount of working capital requiring
- Sources for collecting funds and
- The proper capital structures
- Administration of capital structure
- Working capital requirements



### **Acquisition of manufacturing knows how:**

Foreign Technical collaboration is also another source for know how. But it is subject to the approval of the government. While purchasing technology, an entrepreneur has to consider the following points.

Whether any process requires large quantities of water and/ or complex machines.

Whether any process or product patent needs to be honoured while utilising the selected process technology.

Any special pollution or environmental regulations.

Whether it is suitable to the Indian environment and conditions.

Whether it is suitable to the Indian environment and conditions

### **Preparation of project report:**

- Availability of machinery
- Availability of technical know how
- Sources of skilled labour
- Availability of raw materials
- Market potential
- Overall profitability
- Project time schedule
- The project report should include the following areas
- Technical feasibility
- Economic viability
- Financial implications
- Managerial competency

### **Preparation of project report guidelines:**

The project report should be a self-explanatory document capable of evoking positive response.

### **The report contains the following matters:**

- Name of the industry started
- Address of the unit
- Product to be manufactured
- Estimated production
- Raw material required
- Power requirement
- Employment
- Cost of product

### **Provisions and formalities:**

- Registration is small scale industry
- Provision Registrations
- Permanent Registration
- A provision registration is valid for one year in the first instance and thereafter may be renewed for a period of two years or more years in six-month extension.
- When the entrepreneur has taken all steps to establish the unit, he may apply for permanent registration. It can be made within 7 days of receipt of the application.



### **Research design:**

Every design of an article may be registered in the feature of shape, configuration, pattern given to the article by an industrial processor means in new and original. The applications must be sent to the controller of patents and Designs with the prescribed fees along with four copies of the design.

### **Pollution Control Design:**

Clearance from pollution Control Board has to be obtained under the water Act 1974, for setting up an industry, some of the activities are exempted from the purview of the act.

### **Step by step Approach:**

To start a new venture a prospective entrepreneur has to follow a step by step approach and it is listed as follows;

- I. Pre launch activities
- II. Launch activities
- III. Post launch activities

#### **i) Pre launch activities:**

In this stage functional areas like marketing and finance occupy an important role.

- General new ideas, identify opportunities and select the best opportunities
- Make SWOT analysis
- Select the product /products to be manufactured
- Analyse the competition and select the position strategy
- Select the location for the enterprise
- Estimate the requirements of manpower
- Decide the marketing activities to be undertaken
- Forecast the estimated cost for the product or project and estimated income to be earned

#### **ii) Launch activities:**

After the deciding the prelaunch activities, an entrepreneur has to implement the decisions taken at the pre launch activities. Following activities are to be undertaken by the entrepreneur:

- Select the name of the enterprise
- Select the type of building to be used
- Obtain GST number
- Register SSI
- Prepare Business Plan
- Decide the sources of finance to be raised
- In case, capital is to be borrowed, then make an application to the lender / lending institution
- Decide the marketing strategies to be adopted.

#### **iii) Post Launch activities:**

In this stage, an entrepreneur has to gather information about the satisfaction of the customer relating to the product introduced at the market. Following activities are to be undertaken:

1. Perform after sales services
2. Feedback on the product



3. Marketing Research activities – to innovate new utilities or to enter into new markets
4. Expansion programme.

## **START - UPS**

### **Meaning:**

A start – up is a younger enterprise founded by one or more entrepreneurs in order to develop a unique product or service and bring it to market. By its nature, the typical start – up tends to be a shoestring operation, with initial funding from promoters or their families.

### **Definition of start – ups:**

According to **Steva Blank**, a start – up is a “temporary organisation designed to search for a repeatable and scalable business model”.

### **Stages 1 in start – ups:**

The stages of start up may differ from business to business. Most common form of the stages are as follows:

### **Prototyping**

This stage is also known as start up and development stage. This developmental stage normally begins with designing and prototyping a product or service and customer and creating the legal entity.

Investors may be eager to invest in the start-ups in buying chunk of the business. But the entrepreneur must try to fund the enterprise from their own savings, and possibly from friends and family. At this stage, the entrepreneur must possess the ability to listen to potential customers, translate their pain in the product features and work with engineers to design and build proto types with those features.

### **Customer Base:**

The goal of customer basis is

1. To increase its sales or revenue to the target level
2. To avail a large opportunity
3. To gain significant market share

### **Market expansion stage:**

Market expansion is the process of offering the product or services to a wider section of an existing market or into a new demographic, psychographic or geographic market

1. To increase the product line
2. To enlarge the market areas in untapped areas
3. To enter into foreign market
4. To increase or expand the channels of distribution
5. To introduce new product
6. To target new customer market

## **Types of Start –ups**

### **Life style start – UPS:**

A life style start –up is one where the owner or entrepreneur can run his company without sacrificing his personal, such that he can live the way he wants to.





### **Small business start – up:**

Small business often their goals on long term, stable growth in existing market. This type of enterprise is independently owned, contributed operated, organized for profit.

### **Saleable start-ups**

This type takes an innovative idea and searches for a saleable and business.

### **Buyable start-ups**

These are companies or enterprise that are born to be sold to larger companies. These companies or enterprises develop their own products from scratch, launch it and successfully create a following it.

**Large company start-up:** These are the companies promoted by promoters.

### **Social start-ups**

Social start-up refers to social entrepreneurship started by entrepreneurs to develop, fund and implement solutions to social, cultural or environmental issues.

### **Stage 2 Scale up:**

It is the expansion stage or growth stage of startups. At this stage, some firms find themselves “growing out” of business because they are unable to cope with the growth of their ventures. The success of customer base stage depends on the ability of the entrepreneur to hire and motivate an excellent team of functional leaders.

1. Sales
2. Engineering
3. Product management and operations
4. Finance



## UNIT - V MANAGEMENT OF SMALL BUSINESS

### **Meaning:**

A small-scale business is one which is comparatively small in operation, employment, product, capital, technology, etc.

### **Objective of small-scale business:**

#### **The objective of the small-scale industries is:**

- I. To create more employment opportunities.
- II. To help develop the rural and less developed regions of the economy
- III. To reduce regional imbalances
- IV. To ensure optimum utilisation unexploited resources of the country
- V. To improve the standard of living of people
- VI. To eradicate unemployment problem from the country
- VII. To ensure more equitable distribution of national income.

### **Features or Characteristics of Small-Scale Industry:**

#### **One man show:**

A small-scale unit is generally a one man show. It is managed by an individual. Even the small-scale business units run by a partnership firm the activities are mainly carried out by one of the partners.

#### **Dual role:**

In small scale units, the proprietor acts as a dual role. The owner takes effective participation in all matters of business decision making.

#### **Gestation period:**

Gestation period is the period after which the return on investment starts. It is the time period between setting the units and commencement of production.

#### **Scope of operation:**

The scope of operation of small industrial undertakings is generally localized. These units cater the needs of the local and regional demands.

#### **Resources:**

Generally small-scale units use local and indigenous resources. Hence, these resources are available anywhere in the local areas.

#### **Labour intensive:**

Small scale units are fairly labour intensive. Hence, they are able to create job opportunities to the local people at a relatively low cost of capital investment.

#### **Smaller capital:**

Since small scale businesses are labour intensive industries, these require a lesser amount of capital when compared to large scale units.



### **Balanced regional development**

The development of small-scale units in rural areas promotes more balanced regional development and reduces the migration of labourers from rural areas to urban areas.

### **Risk and reward:**

In case of small-scale business, risk and reward are positively correlated. Higher the reward. If an entrepreneur accepts higher risk, then he can earn more income.

### **Education level:**

The educational level of the employees of small-scale industries is low or moderate. Moreover, there is no need of specialised knowledge and skill to operate and manage small scale industries.

### **Types of Small-Scale industries:**

#### **Manufacturing industries:**

Manufacturing industries are those industries which manufacture goods and service for consumption and also for processing industries. Ex. Power-looms, coir- industries etc.

#### **Feeder industries:**

Feeder industries are those industries which are specialized in certain types of products and services. Ex. casting, electroplating, welding etc.

#### **Serving industries:**

Serving industries are those industries which provide services to manufacturing industries to aid production.

#### **Ancillary to large industries:**

Ancillary unit is one which sells not less than 50% of its manufacturers to one or more industrial units.

Ancillary industries are those industries which are producing parts and components and rendering services to large industries.

#### **Mining and Quarrying:**

Mining involves taking an economically useful material from the ground. ex. one mines, coal mines etc.

### **Importance of small-scale industries:**

#### **Small is Beautiful:**

"Small is Beautiful" said J.A. Schumpeter. Small industries help to earn profit, promotes giant organization and increases specialization. He emphasized on person and not on product.

#### **Employment generation:**

The small-scale industries are labour intensive. They can create more employment opportunities.

#### **Innovative and productive:**

It is the small units which are highly innovative through they do not maintain their own research and development wings. The energy of unemployed of unemployed and under



employed people may be used for productive purposes in an economy in which capital is scarce.

**Mobilization of capital:**

Most of the small-scale industries are located in rural areas. It is an opportunity to small scale industries to mobilise the rural savings very easily.

**Winner of the game:**

Small Scale Industries are able to exploit local resources and they easily avail the opportunities which are available in local areas.

**Disposal of wide areas:**

India has large number of villages. Small Scale units are located in rural areas. Therefore, small scale units have tendency to disperse over wide areas.

**Promotion of export:**

Small Scale units utilise local resources. So, the cost of production is decreased when compared to other business units.

**Balanced regional development:**

Large scale industries are mostly concentrated in big cities. The small down rural areas are deprived of the benefit of industrialization.

**Training ground for local entrepreneurs:**

Small Scale industries provide a ground to train ground to train local entrepreneurs. The skills and knowledge acquired can be transferred to other industries and thus become medium sized industries.

**Efficient use of production factors.**

Land, Labour, capital and organization are the factors of production. These factors are locally available at lesser cost. So, these factors can be used effectively.

**Advantages of small-scale industries**

1. Small scale units do not require a high level of technology.
2. Small scale unit requires less amount of capital
3. Small scale industries can be undertaken in a short period. Therefore, it is possible to increase production both in the short and the long run.
4. Small scale industries ensure balanced regional development.
5. Small scale industries create immediate and permanent employment at small Capital cost.
6. Small scale units are the training ground for local entrepreneurs on decision making.
7. Small scale units do not require heavy and costly infrastructure as larger enterprise.

**Management of small business**

**Planning:**

Objective of the project may be described in the business plan.

1. Executive Summary



2. Identification of opportunities
3. Execution of the plan
4. Company and Management summary
5. Financial plan

#### **Manage Finance:**

Finance is the lifeblood for every business. An entrepreneur has to forecast the sources and application of funds. An entrepreneur has to keep a record of expenses and profits.

#### **Different sources and application of funds:**

1. Internal sources
2. External sources

#### **Know the resources**

An entrepreneur has to identify and know the resources which are available to the business. The resources which are mostly needed may be

1. Men
2. Raw materials
3. Plant and machinery

#### **Organise the activity:**

The entrepreneur has to make a list of activities to be performed for the operation of the business. After he has to allocate the activities to the right person and delegate authority and make responsibility of the person.

#### **Keep with trends:**

After the commencement of production activities, the entrepreneur has to keep constant touch with information relating to any latest improvements in products under production.

#### **Control the inventing:**

1. Amount of capital
2. Loss of interest to the entrepreneur
3. Expenses to be incurred to maintain excess stock
4. Loss due to deterioration

#### **Marketing:**

Marketing informs current and potential customers about the firm's business serves the needs of the customers. Marketing means not only selling the product but also drawing attention to what the business is offering to buy the product.

#### **Accounting system:**

An entrepreneur has to maintain proper accounts. It is very essential to keep accurate track of income and costs of the business.

#### **Keep travelling cost minimum:**

Over head expenses due to travelling must be reduced to the minimum. If not, it will increase the cost with little return on investment.



## **Evaluation of business**

### **Identify the goals of business:**

5. To increase market share for the product
6. To improve customer retention rates
7. To generate a higher volume of online traffic
8. To achieve the market share quality goods must be produced at reasonable price.

### **Determine appropriate matrices:**

#### **i) Production:**

- a) Age of equipment
- b) Workforce turnover
- c) Readiness to expand capacity
- d) Levels of quality control
- e) Retention of suppliers.

#### **ii) Marketing:**

Relevant marketing indicators of marketing are given below:

- a) Sales growth
- b) Market share
- c) Distribution process
- d) Product quality
- e) Sales force training and effectiveness
- f) Customer retention rate

#### **iii) Finance:**

Business often fails because of poor financial management. While reviewing financial activities of a concern, following points are to be considered.

- a) Cash flow
- b) Working capital
- c) Ratios

#### **iv) Accountings:**

The accounting department is central to the success of any organisation, So, it is important to make sure it stays on track. An entrepreneur has to consider the collection period and payment period.

### **Customer Satisfaction:**

The evolution of a small-scale business may be analysed by customer satisfaction. The economic motive of a business is to earn profit. But now a days, profit is the main aim of a business is customer satisfaction.

### **Maximisation of Wealth:**

The small business may be evaluated through the maximization of wealth. When wealth is maximisation, owners are satisfied.

### **Employees` satisfaction:**

“Employees must be satisfied with their financial compensation, working conditions and opportunities for training and advancement.

Following system must effectively be used

- a. Administration system
- b. Accounting system



- c. Inventory system
- d. Personnel policies record

## **INDUSTRIAL SICKNESS**

### **Meaning of INDUSTRIAL SICKNESS:**

Industrial sickness relates to uneconomic functioning of industrial units. It suggests something seriously wrong as regards the normal working of an industrial unit. A sick unit may not work to its full capacity, may not pay fair wages and dividends and may face financial, marketing and other problems in a continuous manner.

### **Features of industrial sickness**

#### **Socio-economic problem**

Industrial sickness is a serious socio-economic problem, which is result of unplanned industrial growth. It is a universal problem.

#### **Outcome of various causes:**

Industrial sickness is the net result of variety of financial, technical, managerial, personnel and marketing causes faced by industrial units.

#### **Universal problem:**

Industrial sickness exists among large-scale and small-scale units, public sector and cooperative sector enterprise. It is a universal problem.

#### **Visible symptoms:**

Industrial sickness is visible by various symptoms such as financial difficulties, low profitability, inability to pay interest and loan instalments.

#### **Serious consequences:**

The consequences of industrial sickness on employees, consumers, investors, management and the national economy are serious.

#### **Preventive approach:**

Industrial sickness can be removed through preventive measure. Such approach is better than positive measure for the revival of a sick unit through turn around package or corporate restructuring.

#### **Gradual process:**

Industrial sickness takes place in a gradual manner and not suddenly /overnight. Various stages are involved in this process.

## **Reasons and Causes of Industrial Sickness in India**

### **External causes**

#### **Recession in the Market:**

Sometimes recession hits the whole industry as a result of which individual units are unable to sell their products. Hence, the work of these units comes to a standstill.

#### **Decline in Market Demand for the product:**

A product may reach a stage of maturity and ultimately a stage of decline. The happens when new better products invade the market and make the old product redundant.



**Excessive competition in the market:**

Excessive competition in the market will justify the survival of only the fittest firm. The high cost units over time will become weak and fall sick.

**Unforeseen circumstances:**

Natural calamities such as droughts, floods earthquake, accidents and wars etc

**Internal causes:**

**Administrative Management:**

1. Over centralization
2. Lack of management experience
3. Lack of feed back to management
4. Lack of controls
5. Lack of timely diversification
6. Incompetent management

**Financial Management;**

1. Inability to mobilise capital
2. Liberalised dividend policy
3. Deficiency of fund
4. Diversification of funds
5. Longer collection period
6. Poor Financial planning

**Marketing Management:**

1. Dependence on a single customer
2. Defective pricing policy
3. Weaker market organization
4. Lack of market research
5. Absence of marketing channel

**Production management:**

1. Inappropriate product mix
2. Poor quality control
3. High wastage
4. Poor inventory management