SHIVAJI UNIVERSITY, KOLHAPUR

CENTRE FOR DISTANCE EDUCATION

Fundamentals of Entrepreneurship

For

B. Com. Part-II

(Semester - 3 & 4)
Centre for Distance Education  
Shivaji University, Kolhapur

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(iv)
Preface

It gives us great pleasure in making this Self Instructional Material (SIM) on the subject of "Fundamentals of Entrepreneurship" available to the students of B. Com. II examination of the Centre for Distance Education of Shivaji University.

"Fundamentals of Entrepreneurship" is a vital component of B. Com. II syllabus. In this book we have presented study material required for understanding units like concepts of entrepreneur, entrepreneurship, development of entrepreneurship, small industry, women entrepreneurs, rural entrepreneurship, project identification and project report etc. At the end we have given some case studies of eminent entrepreneurs in India including a case study of a local entrepreneur.

We have tried our best to present the material with utmost conceptual clarity, necessary theoretical background, appropriate terminology and wherever required explanatory tools. All the unit writers have taken efforts to reach the required level of precision, quality and simplicity in their writing. Terminology and field work along with self-study questions are also given. Books referred to and necessary for further reading are listed at the end of the units.

We are confident that the book will be of great utility to all readers. Suggestions for further improvement may please be addressed to Director, Centre for Distance Education, Shivaji University, Kolhapur.

We are thankful to all unit writers, officers and employees of CDE as well as University Press for their prompt cooperation.

Kolhapur.

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Each Unit begins with the section Objectives -

Objectives are directive and indicative of:

1. What has been presented in the Unit and
2. What is expected from you
3. What you are expected to know pertaining to the specific Unit once you have completed working on the Unit.

The self check exercises with possible answers will help you to understand the Unit in the right perspective. Go through the given answer only after you write your answers. These exercises are not to be submitted to us for evaluation. They have been provided to you as Study Tools to help keep you in the right track as you study the Unit.
Unit-1
Entrepreneur

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1.0 Objectives
1.1 Introduction
1.2 Definition of Entrepreneur
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1.0 Objectives:
After studying this unit, you should be able to –
1. understand the meaning of entrepreneur
2. describe the different types of entrepreneur
3. explain the functions of entrepreneur
4. state the qualities of a successful entrepreneur
5. explain the role of entrepreneur in liberalization, privatization & globalization

1.1 Introduction:
You might have heard those names – Ratan Tata, Rahul Bajaj, Laxmi Mittal, Aditya Birla, Vijay Mallya, Adi Godrej, Narayan Murthy, Azim Premji, Vitthal Kamat, Bill Gates etc. Who or What are they? They are the successful entrepreneurs in present times. They have started enterprises to fulfill the needs of society, provided employment to lakhs of people and contributed to the rapid economic development of their country.
1.2 Definitions of Entrepreneur:

Let us now study some important definitions of the term ‘Entrepreneur’.

1. Richard Cantillon: “An entrepreneur is an agent who buys factors of production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future.”

2. J. B. Say: “An entrepreneur is the economic agent who unites all means of production … the labour force of the one and the capital or land of the others and who finds in the value of products his results from their employment, reconstitution of the entire capital that he utilizes and the value of the wages, the interest and the rent which he pays as well as profits belonging to himself.”

3. Joseph Schumpeter: “Entrepreneur is an individual who carries out new combines of means of production by which there occurs disequilibrium.”

4. Peter Drucker: “Entrepreneur is one who always searches for change, responds to it and exploits it as an opportunity. Innovation is a specific instrument of entrepreneurship. It is an act that endows resources with a new capacity to create wealth; innovation indeed creates a resource.”

Concept of Entrepreneur: The term ‘entrepreneur’ is derived from the French verb ‘entreprendre’. The meaning of this verb is to undertake. The term ‘entrepreneur’ was applied to the leaders of military expeditions in the early 16th century. Later on it was used to cover the contractors undertaking the civil contracts of construction of bridges, dams, roads, etc. In the beginning of the 18th century the term was used to refer to the economic activities. In France the farmers doing the farming activity on commercial basis were also considered as entrepreneur. Thus we find that the meaning of the term ‘entrepreneur’ has changed over a period of time from the leader of military expeditions to individuals doing business by bearing the risk.

Remember that … …

*Entrepreneurs are individuals who collect means of production, organize an enterprise, innovate, create new things and bear the risk in the expectation of the reward in the form of profit.*

1.3 Types of Entrepreneurs:

Entrepreneurs may be classified on the basis of level of motivation, geographical arts, gender, use of technology, nature of business entrepreneurial background etc. Study of the different types of entrepreneur, therefore, assumes importance. Based on the study of the American agriculture, Clarence Danhof has classified the entrepreneurs into four types viz. innovative entrepreneur, Imitative entrepreneur, Fabian entrepreneur and drone entrepreneur. These and other important types are discussed below:
1. **Innovative Entrepreneur**: Innovative entrepreneurs are motivated by the idea of doing something new. They welcome the advancements in science, technology and research fields. They make commercial use of inventions and introduce new products, which hitherto were not used by customers, e.g. increasing prices of petrol – diesel and their reducing supplies motivate them to launch LPG or electric battery operated motorcars. Innovative entrepreneurs form a large number in developed countries like U.S.A., France, Germany etc. It is only because of the innovative entrepreneurs the society gets new products like i-phone, electric battery driven car and standard of living of people is improved. The favourable environment in terms of educational, infrastructural facilities, availability of huge funds and the latest technology, increased needs of people in developed countries enables the entrepreneur to innovate.

2. **Imitative Entrepreneurs**: The tendency of imitative entrepreneurs is just reverse of that of innovative entrepreneurs. They do not innovate but imitate the products and policies of innovative entrepreneurs functioning in developed country. Underdeveloped or developing countries require imitative entrepreneurs more than the innovative entrepreneurs. The environment in these countries is not conductive for innovation. There is a scarcity of funds, materials, labour in these countries. The level of research is low, technology is quite old and the needs of people are limited. The entrepreneurs, therefore, cannot assume the risk of innovation. They take moderate risk and are content with limited income. Sony Corporation of Japan first launched a pocket cassette recorder ‘Walkman’ when it received tremendous response; the other entrepreneurs imitated it and started manufacturing such product.

3. **Fabian Entrepreneurs**: These entrepreneurs take great precaution and are of suspicious mind in experimenting any change in their entreprises. They conduct the business in a routine manner and are ready to change only when they feel that failure to change would affect their position. They do not welcome the changes. They are lazy and indifferent towards the enterprise. They have moderate ambitions. They are happy in carrying on their family business in a traditional manner. They are not prepared to expand or change their business. Their traditional outlook is detrimental to the progress of the country.

4. **Drone Entrepreneurs**: These entrepreneurs stick up to the old values, customs and traditions. They are not willing to effect changes in their enterprise, rather they oppose such changes. They blindly follow the traditional methods of business even when it causes loss to them. Their attitude affects the profitability, competitiveness and productivity of their enterprises.

5. **First generation Entrepreneurs**: These entrepreneurs have no entrepreneurial background. They do not inherit entrepreneurship from their earlier generation. They are first generation entrepreneurs in their family, e.g. Late Dhirubhai Ambani was a first generation entrepreneur. His father and forefathers had no business background. The first generation entrepreneur has to face a number of difficulties in
their enterprise. Their fund raising capacity is limited. No doubt these entrepreneurs have acquired high knowledge and experience in their field. They are technocrats and have a strong desire of starting their own enterprise. In most of the cases, they come from ordinary family and lower castes. First generation entrepreneurs should be encouraged since they create self-employment opportunities and provide employment to others also.

6. Entrepreneurs by Inheritance: Some persons become entrepreneurs by inheritance. They inherit entrepreneurship from their earlier generations, e.g. Ratan Tata inherited entrepreneurship from J.R.D.Tata and Jamshetji Tata. Due to entrepreneurial heritage these entrepreneurs have some inborn qualities of entrepreneurship. They are brought up in the entrepreneurial environment. The ownership and control of enterprise comes to them from their ancestors. The entrepreneurial culture is imbedded in them from childhood. Since they belong to affluent families they are able to secure higher education and advanced training. They get an opportunity of apprenticeship in their family business. With this background they can easily become entrepreneurs. There are certain disadvantages of this type of entrepreneur, i.e. they create monopoly in the business, & the economic power is concentrated in few hands. With their strong economic power they can influence the decision of the government etc. However, these entrepreneurs are required to lay the foundation of industries and pave the way of progress in the underdeveloped countries.

7. Urban Entrepreneurs: These entrepreneurs come from urban areas. They get ample opportunities of higher education in cities. The environment in cities is favourable to entrepreneurial growth. In urban areas, there is a vast scope for starting enterprises in various fields. Adequate infrastructural facilities, availability of skilled labour, regular supply of raw materials, provision of financial credit and availability of large market enables the urban people to become entrepreneurs.

8. Rural Entrepreneurs: These entrepreneurs are having their enterprises in rural area. They are engaged mostly in traditional businesses, agriculture and village industries. They utilize the natural resources available in local place and manufacture the goods required by the society. They can also provide services required in rural area. They have to face a number of problems like shortage of capital, lack of modern technology, skilled labour shortage and inadequate infrastructural facilities in running their enterprises.

9. Foreign Entrepreneurs: The entrepreneurs going out of their country and those coming from abroad in our country are called as foreign entrepreneurs, e.g. Suzuki Company of Japan manufacture motor vehicles in India. The world famous Indian hoteliers are less seen in industries requiring heavy manual work. They are less mobile as compared to male entrepreneurs. The negative attitude of society has restricted the growth of women entrepreneurs. Even in 21st century males are treating women as weak in all respect and have reservations about their role and capacity.
10. **Individual Entrepreneurs**: These entrepreneurs start an enterprise by investing own funds and manage it themselves. If required, they employ a few employees. They are sole operators. These entrepreneurs are found on a large scale in small business, small industries, village and cottage industries. They become entrepreneurs on the strength of their education, technical knowledge, skill and capital. There are limits to the growth of their enterprises.

11. **Institutional Entrepreneurs**: When a number of individuals come together and form a partnership company or co-operative society to carry on some business, they are called institutional entrepreneurs. In institutional entrepreneurs, the resources, knowledge and skill of a large number of individuals are pooled together. Hence these entrepreneurs can do business on a large scale. Institutional entrepreneurs are essential for carrying on business requiring huge amount of capital for reaping the benefits of large scale operations.

12. **Technological Entrepreneurs**: They are high-tech entrepreneurs. They have acquired advanced technical knowledge and are interested in using this knowledge for business purpose, e.g. software engineers. Vitthal Kamat has opened hotels in foreign countries. These entrepreneurs want to establish their presence in the world, exploit business opportunities in foreign countries. The number of foreign entrepreneurs has increased significantly due to the globalization policy followed by various countries in last two decades.

13. **Male Entrepreneurs**: On the basis of gender differences, the entrepreneurs may be classified into two types, viz. male entrepreneurs and women entrepreneurs. Male entrepreneurs are found on a very large scale because of the male dominated societies across the world. Male entrepreneurs are hard workers, ambitious and are functioning in all fields. They assume high risk; they start high-tech business. The extent of mobility is high in case of male entrepreneurs. They are ready to go anywhere in the world.

14. **Women Entrepreneurs**: In recent years, the number of women entrepreneurs is increasing at a rapid rate. Women liberation movement, spread of education in women, increasing awareness of women’s rights and family need have contributed to the growth of women entrepreneurs. Women entrepreneurs have to perform the same functions as the male entrepreneurs. However, women, by nature, are more sensitive, less ambitious, moderate risk takers and have physical limitations. Due to shortage of capital, lack of high technology, they enter into traditional business.

1.4 **Functions of Entrepreneurs**:

The entrepreneurs have to perform a number of functions while starting and running an enterprise:

1. **Innovation**: Schumpeter has regarded ‘innovation’ as a main function of the entrepreneur. Innovative entrepreneurs are required for achieving the rapid
economic progress of a country. Innovation is concerned with introduction of new products, adopting new technology, opening a new market or discovering a new source of raw materials, creating a monopoly in the industry or breaking the existing monopoly etc. Ratan Tata’s Nano car is best example of innovation.

2. Risk Assumption: Risk bearing is second important function of an entrepreneur. There is a risk in every enterprise. The risk may arise due to natural calamities, changing government policy, changing tastes of customers, increasing competition etc. The entrepreneur has to bear all these risks and uncertainties in business. The success is not guaranteed in business. The entrepreneur should take a calculated risk.

3. Decision making: Decision making is another important function of an entrepreneur. The entrepreneur has to take decision as to selection of site, nature of product, technology to be used, raising of capital, expansion of business etc. A successful entrepreneur is one who can take the decision promptly and accurately. A wrong, delayed decision may result into heavy loss. A business opportunity may be lost due to delay in making decision.

4. Organizing: An entrepreneur has to collect the various factors of production viz. land, labour, capital etc. and create an organization to undertake the production/trading activity. He is required to possess a good organizing skills. Organizing has become a difficult task in modern times.

5. Management: An entrepreneur has to manage the activities of the enterprise in an effective manner. He has to plan, co-ordinate and control these activities with a view to achieve the business goals.

1.5 Qualities of Successful Entrepreneurs: What makes entrepreneurs successful in their venture? Different experts have identified a number of qualities of successful entrepreneurs; some of these important qualities have been described below-

1. Ambition: Successful entrepreneurs have high ambitions about their venture. They want to achieve high goals in business. Due to this high ambition or high achievement motive, they are able to overcome the obstacles in their business, turn misfortunes into fortunes, suppress anxieties and find out new ways and means.

2. Creativity: Successful entrepreneurs are creative or innovative in their task. They do new things, manufacture new goods, find new sources of materials, use new methods of production, search new markets and so on. They do not invent new things but use these inventions for producing new goods and services. Tata Motor’s Nano car shows the innovativeness of Ratan Tata.

3. Self-confidence: Successful entrepreneurs have confidence in their skills and abilities. They are sure about success in their business. They do not hesitate to launch new products, expand and diversify their business. They are confident of overcoming any unanticipated problem and survive in the adverse conditions.
4. **Foresight**: The successful entrepreneurs have a good foresight. They forecast the future business environment i.e. how will be the likes and dislikes of customers, what will be the state of technology and prepare a plan of action accordingly. Foresight helps them to cope up with future environment effectively and stay ahead of others in the industry. Ratan Tata started manufacturing of consumer cars after anticipating a sharp decline in the demand of heavy commercial vehicles.

5. **Hard work**: If the entrepreneurs desire to succeed in their enterprise, they should be prepared to work hard. They should work untiredly for hours together, be ready to do any kind of work in their business. They should always remember that hard work fetches good fruits.

6. **Emotional balance**: There are always ups and downs in the business. Sometimes you make profit; on other times you incur loss. But if you wish to succeed in business, you should control emotions. Successful entrepreneurs neither get carried away due to huge profit nor lose their hearts due to a heavy loss. They maintain emotional balance. They treat these situations as normal features of business and remain calm and quiet.

7. **Decision-making ability**: The successful entrepreneurs have a good decision making ability. They make decisions promptly and accurately. The decision-making ability helps them to solve the business problems satisfactorily and exploit the opportunities. Decision-making is an important function of entrepreneurs.

8. ** Courtesy**: The successful entrepreneurs deal with the customers, vendors, employees, government officials and the general public in a courteous manner. Courtesy and modesty leads them to success.

9. **Communication skill**: Communication skill is another important quality of successful entrepreneurs. With good communication skill entrepreneurs are able to convince effectively their ideas, thoughts and job requirements to the employees and get the work done in a better manner.

10. ** Good character**: The character of an entrepreneur has become an important quality in modern business. Today no enterprise can survive for a long time by following unethical and fraudulent practices. Character is the result of cultural values.

11. **Motivational ability**: The successful entrepreneurs have ability to motivate the employees. They can extract best work from them and achieve high goals. Motivational ability is also required for getting the expected response from the customers, vendors and the government. Consider again Ratan Tata, who ably motivated the vendors to supply components at a lower price for the Nano car project.

12. **Opportunist**: The successful entrepreneurs are opportunists. They seek opportunities and exploit them. They convert ‘problems’ into opportunities, i.e. polluted water may be a problem for the general public but it is a golden opportunity for the
entrepreneur to treat the water and provide packaged pure drinking water.

13. **Patience**: The successful entrepreneurs have a lot of patience. They are not affected by adverse situations like temporary failure, low consumer response, labour problems etc. They continue to work hard and do not run away from the business. They are confident of achieving success after some initial period.

### 1.6 Role of entrepreneurs in the era of liberalization, privatization and globalization:

In India Dr. Manmohan Singh, then Finance Minister in the Central Government, declared the L.P.G. policy i.e. liberalization, privatization and globalization policy in 1991 to overcome the severe financial crises facing the country. The conditions put by the IMF and the World Bank were also responsible for declaring this policy.

The new economic policy has resulted into relaxation of rules, regulations governing business enterprises. The licensing policy is also liberalized. The government is disinvesting its investment in state enterprises. The policy of free, global trade has been adopted. The restrictions on import-export have been reduced. All these policy changes have enhanced the significance and role of entrepreneurs in the economic process. The entrepreneurs are required to play a vital role in the era of LPG.

1. The private sector has been also to enter into banking, insurance, civil aviation, entertainment, radiobroadcasting sectors. The private entrepreneurs should come forward to establish their enterprises in these sectors.

2. Foreign investment and the foreign entrepreneurs are coming on large scale in India. e.g. Pepsi, Coca-Cola, Honda, Suzuki, Toyota etc. companies have established their production facilities in India.

3. There is a vast scope for agricultural entrepreneurs. Agricultural entrepreneurship is essential for reducing the extent of unemployment in rural India, increasing the productivity and profitability of agriculture, modernizing the agricultural operations, resorts to the organic farming etc.

4. In the service industries like banks, insurance, financial services, tourism, hoteling, advertising etc. have opened vast opportunities to the entrepreneurs.

5. The entrepreneurs can enter into infrastructural industry, non-conventional energy, information technology, and basic industries.

6. The LPG policy has increased competition in the industry. In order to survive in the global competition, the entrepreneurs have to improve quality of their products, services, and increase their competitive strength.

7. The entrepreneurs have to design strategies of differentiation, cost reduction, total quality management to retain and expand their global presence.

8. In this era of LPG, the entrepreneurs have to adopt the modern technology.
The business will become high-tech business in this 21st century.

9. The entrepreneurs will have to achieve and maintain global standards of quality; otherwise they will be thrown out of the market.

10. Today’s entrepreneurs have to pay more attention to the function of innovation. They should introduce new products, search and tap new markets, discover new sources of materials.

11. The entrepreneurs will have to be dynamic in the rapidly changing environment. They will have to change products, process, technology and management practices to cope-up with the changing environment.

12. The entrepreneurs will have to invest huge capital, may be in thousands of crore rupees in their business to take the enterprise on the global level. The risk factor will increase tremendously.

13. The entrepreneurs will require to increase the effectiveness of management. Global management issues will arise and the entrepreneur will have to prepare for solving these issues.

14. Today’s companies will have to discharge their responsibility towards the different sections of society. Corporate social responsibility will assume more importance.

15. The entrepreneurs will have to pay more attention to the protection and promotion of environment. They will be required to follow eco-friendly practices and produce eco-friendly products.

16. Business ethics and values will become important in the modern era.

1.7 Summary:

An entrepreneur is a person who assumes risk and starts an enterprise. The term ‘entrepreneur’ has been used from 18th century in the context of economic activities. Before that, the leaders of military expeditions were called entrepreneurs. Then the term was extended to cover the civil contractors, farmers and ultimately the persons organizing the factors of production to start the enterprise by assuming the risk therein. It was Richard Cantillon, who first used the term to refer to economic activities. Joseph Schumpeter stressed the function of innovation. J.B.Say, Evans, Meclelland, Peter Drucker etc. have defined the term entrepreneur in their own way. The analysis of these definitions reveals certain functions of entrepreneurs viz. risk bearing, innovation, organizing, decision-making and managing.

Entrepreneurs may be classified on the basis of level of motivation, geographical area, gender difference, nature of business, entrepreneur’s background etc. Clarence Danhof has divided entrepreneurs into four types, viz. innovative, imitative, Fabian, and drone entrepreneurs. A number of qualities make entrepreneurs successful in their enterprise. These qualities include hard work, innovativeness, foresight, patience,
emotional control, ambition, courtesy, character, communication skill, self-confidence, motivating ability, opportunism, and others. This is not an exhaustive list and the qualities may change according to circumstances.

The policy of liberalization, privatization and globalization has created a number of opportunities and challenges before the entrepreneurs. The role of entrepreneurs in the era of LPG has become more vital. There is a vast scope for entrepreneurs in agricultural industries and service sectors. Tremendous opportunities are available in industries such as infrastructure, tourism, information technology, hoteling, entertainment, electronics, computers, non-conventional energy, automobile, banks, insurance, financial services, retail trade, basic industries etc. However, the entrepreneurs have to improve quality of their products / services to the global level, control costs and achieve some competitive advantage in order to survive in the face of global competition.

1.8 Questions for self exercise :

A) Select the appropriate alternative from those given below each statement.

1) A person who bears the risk and starts an enterprise is called as … …
   a) Manager, b) Employee, c) Entrepreneur, d) Technocrat.

2) An entrepreneur launching a new product for the first time is … …
   a) Innovative, b) Imitative, c) Fabian, d) Technocrat.

3) An entrepreneur who establishes an enterprise with a view to sell it to others is a … …
   a) Trading entrepreneur, b) Industrial entrepreneur,
   c) Professional entrepreneur, d) Accidental entrepreneur.

4) The process of forming a business by a number of individuals is known as … …
   a) Individual entrepreneurship, b) Group entrepreneurship,
   c) Technological entrepreneurship, d) Hereditary entrepreneurship.

5) The entrepreneur reluctant to change is a … …
   a) Fabian entrepreneur, b) Drone entrepreneur,
   c) Traditional entrepreneur, d) None of these.

B) Fill in the blanks.

1) … … entrepreneur is an individual who adopts risk technology in the business.

2) Inherited entrepreneurs have a … … of entrepreneurship.
3) … … entrepreneur is a person in a family who enters into the business for the first time.
4) Industrial entrepreneurs are engaged in … … of products.
5) An entrepreneur developing mango cultivation is called as … …

C) **State True or False.**
1) The number of imitation entrepreneurs is large in developed countries.
2) The professional entrepreneurs establish an enterprise and run it permanently.
3) The developing countries need innovative entrepreneurs more.
4) Trading entrepreneurs are engaged in the manufacturing and trading activities.
5) Technological entrepreneurs are found in large number in any society.

D) **Descriptive questions.**
1) Define ‘Entrepreneur’ and describe the functions of an entrepreneur.
2) Describe the qualities of a successful entrepreneur.
3) What do you mean by entrepreneur? State the various types of entrepreneurs in brief.
4) Explain the role of entrepreneurs in the era of liberation, privatization and globalization.

E) **Write short notes on-**
   a) Importance of entrepreneurs,  
   b) Innovative entrepreneur  
   c) Drone entrepreneur,  
   d) Professional entrepreneur  
   e) Functions of entrepreneur,  
   f) Agricultural entrepreneurs  
   g) Imitative entrepreneurs,  
   h) Role of entrepreneur in 21st century.

1.9 **Field Work**
Make a case study of a successful local entrepreneur.

1.10 **Further readings:**
Unit-2
Entrepreneurship

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2.0 Objectives :

After studying this unit you should be able to-
1. Explain the concept of entrepreneurship
2. Explain the various theories of entrepreneurship
3. State the factors stimulating entrepreneurship
4. Discuss the obstacles in entrepreneurial growth

2.1 Introduction :

Entrepreneurship occupies a central place in the economic development of a country. In addition to other factors of production, such as raw material, land, capital, labour, entrepreneurship factor is essential for industrial development. Any country requires both small entrepreneurs and big entrepreneurs. In fact, the rapid development of a country depends on the supply of entrepreneurship. Entrepreneurial culture therefore, needs to be inculcated and nurtured among the people. The term ‘entrepreneur’ and ‘entrepreneurship’ are different. Entrepreneur is a person and entrepreneurship is a tendency and process. It is necessary for the state to create
entrepreneurial opportunities than to create employment opportunities. This unit deals with the concept of entrepreneurship, theories of entrepreneurship, factors stimulating entrepreneurship and obstacles inhibiting entrepreneurship.

2.2 Concept of Entrepreneurship:

Various economists, sociologists and psychologists have used different approaches to explain the concept of entrepreneurship. These approaches are summarized below:

1. **Economic Approach**: Economists like Richard Cantillon, Adam Smith, J.B. Say, Carl Menger, Joseph Schumpeter have explained the concept of entrepreneurship from the economic point of view. According to the economic approach entrepreneurship is the process of initiating a new venture by organizing the resources required and accepting the risk involved therein. Entrepreneurship and ultimately economic development takes place when the economic condition is favourable. An entrepreneur buys the factors of production at a certain price, converts them into products and sells them at an uncertain price. Thus, economists have emphasized two main aspects, viz. innovation and risk bearing. The entrepreneurs create new things, use new technology, find new sources of raw material, source of new markets and so on. By the innovation function entrepreneurs make available new products to the people and help to raise their standard of living.

2. **Sociological Approach**: Sociologists have emphasized the impact of social system, ethics, values, customs, and perception on entrepreneurship. They hold that entrepreneurship flourishes in those societies, which recognize the services of entrepreneurs, respect them and give approval to the business and wealth creation. According to them entrepreneur represents society's model personality.

3. **Psychological Approach**: According to the psychological approach entrepreneurship is influenced by factors like high achievement, motive, self-reliance, creativity, desire to regain the lost status. The psychological approach is developed by Macmilan and Hansen.

4. **Modern Approach**: The modern approach states that entrepreneurs have to function under adverse conditions. There is a scarcity of labour, shortage of capital and uncertain market. Hence they require to possess organizing skills, innovative ability, decision making ability, risk bearing capacity.

**Definition of Entrepreneurship**:

Let us now study select definitions of entrepreneurship:

1. **Higgins B**: Entrepreneurship is the function of seeking investment and production opportunity, organizing an enterprise to undertake a new production,
process, raising capital, hiring labour, arranging the supply of raw materials, finding site, introducing new techniques and commodities, discovering new sources of raw materials, and selecting top managers of day-to-day operations of the enterprise.

2. **Joseph Schumpeter**: Entrepreneurship essentially consists in doing things that are not generally done in the ordinary course of business routine.

3. **Peter Drucker**: Entrepreneurship occurs when resources are redirected to progressive opportunities not used to ensure administrative efficiency. Entrepreneurship is not natural; it is not creative. It is work. Entrepreneurship requires entrepreneurial management.

4. **John Kao**: Entrepreneurship is an attempt to create value through recognition of business opportunity, the management of risk taking appropriate to the opportunity and through the communicative and managerial skills to mobilize human, financial and material resources.

**Characteristics of Entrepreneurship**:

The main characteristics of entrepreneurship are stated below:

1. **Innovation**: Entrepreneurship is innovative process. Innovation does not mean ‘invention’. It means introducing new products, new technology, searching new markets, and discovering new sources of raw material etc. the innovation function gives impetus to the economic development of a country. Schumpeter has regarded innovation as a main feature of entrepreneurship. Tata’s ‘Nano’ car is an example of innovation in automobile industry.

2. **Risk bearing**: The second important characteristic of entrepreneurship is risk taking. Business is full of risks and uncertainties. The entrepreneur has to bear a number of risks in forming and running the enterprise. The market and price to be received is uncertain, there is a risk of changes in consumer likes and dislikes, in government policies, the competition may intensify etc. The entrepreneurs are calculated risk takers and not gamblers. They bear all risks in business in return of profit. Entrepreneurship develops in a society, which has a large number of persons ready to take risk.

3. **Decision-making**: Entrepreneurship involves decision-making. Entrepreneurs have to take decisions on selection of product, site, raw material, labour, technology etc. They have to decide the quantum and sources of capital, marketing strategies and so on. Success of entrepreneurs depends on the ability to make decision promptly and accurately, and this requires a creative and analytical mind.

4. **Dynamic process**: Entrepreneurship is a dynamic process. In the course of time, enterprises grow, unsuccessful enterprise die and new enterprises are
established. The nature of enterprise, methods of business, nature of technology change over a period of time. Today’s complex and uncertain environment compels the entrepreneurs to remain dynamic in order to survive in the market.

5. Organizing process: Entrepreneurship is an organizing process in the sense that the entrepreneur has to organize various factors of product, create an organization structure and define the roles and responsibilities of personnel and manage the enterprise. Alfred Marshall has emphasized the organizing and management functions of entrepreneur.

6. Accepting challenges: Entrepreneurship gives importance to accepting challenges by the entrepreneurs. In any business, there are tremendous challenges, and the entrepreneurs cannot avoid them. The task of seeking opportunities and exploiting them itself is challenging. In today’s era of globalization and hyper change entrepreneurs have to face more challenges.

7. Management: The entrepreneurs should manage the resources in an effective and viable manner. The management function has become more impact in modern times. It is the effective management, which helps entrepreneur to achieve the goals, maintain and improve the market share, fulfill the needs of customers and earn sufficient profit. The main characteristics of entrepreneurship are shown in the following figure:

![Entrepreneurship Diagram]

2.3 Theories of Entrepreneurship:

Various authorities have developed various theories of entrepreneurship. Let us now discuss some important theories of entrepreneurship.

1. Schumpeter’s Theory of Innovation:

Joseph Schumpeter in 1934 has developed the famous innovative theory of entrepreneurship. Schumpeter has tried to establish correlation between the economic activity and economic development of a country. According to him the innovation function of entrepreneurs is responsible for the rapid economic development of any country. Schumpeter states that entrepreneur is basically an innovator who introduces new combinations as mentioned below:
a) Introduction of a new good which consumers are not yet familiar or a new quality of a good.
b) Introduction of new technology of production
c) Opening a new market
d) Discovering a new source of raw material
e) Carrying out a new form of organization either creating a monopoly position or breaking up of a monopoly position in the industry.

Schumpeter made a distinction between an innovator and an inventor. The inventor discovers new materials and new methods. Where as the innovator utilizes these inventions and discoveries in order to make new combinations. He further states that an individual is an entrepreneur only when he carries out new combinations and ceases to be an entrepreneur, the moment he runs the established business. In other words innovation is the main function of entrepreneur and not the maintenance of the enterprise.

Critical evaluation:

Schumpeter’s theory of innovation has been criticized on the following grounds.

i) Schumpeter has given undue emphasis on the innovative function of entrepreneurs and has ignored the other equally important functions viz. risk taking and organizing.

ii) Schumpeter’s theory holds goods to developed countries only. In underdeveloped and developing countries there is a scarcity of innovative entrepreneurs.

iii) Schumpeter does not consider individuals running the established enterprises as entrepreneurs.

iv) Schumpeter’s theory neglects the role of small entrepreneurs in economic development. It stresses on establishment of large enterprises based on new combinations of production.

v) According to Schumpeter, there is no separate class of entrepreneurs in a society.

vi) Schumpeter’s theory fails to give satisfactory answer to questions like why some countries have more entrepreneurship talent than others.

In spite of the above criticism Schumpeter’s theory is regarded as a milestone in the development of entrepreneurship theories.
2) Mc-Cleland's Need Achievement Theory:

This theory of entrepreneurship is developed by David Mc-Cleland. David Mc-Cleland and his colleagues studied the motives responsible for entrepreneur's development and concluded that high achievement motive induces an individual towards entrepreneurship. Mc-Cleland states that individuals with high need achievement will be motivated to become entrepreneur. It is a tendency to strive for excellence, one's performance, achieving high levels of success for the sake of personal accomplishment and not for the sake of just monetary rewards. The motive of hi-achievement guides the actions of people and induces them towards entrepreneurship. People with high need achievement motive are more likely to succeed as entrepreneurs.

Mc-Cleland further states that it is possible to inculcate the need for achievement motive in a person. Deliberate efforts are required to be made from the childhood of a person. If the child is given training with emphasis on standards of excellence, maternal warmth, self-reliance and low father domination the child can afterwards become an entrepreneur. Mc-Cleland identified two main characteristics of entrepreneurship viz. doing things in a new and better way and taking decision under uncertainty, parents can bring up their children in a particular manner which helps to raise the level of achievement motivation.

Thus Mc-Cleland’s theory gives emphasis on psychological factors of entrepreneurship development. Such persons excel in their pursuit not for the sake of monetary rewards or gaining social prestige but for the sake of an inner feeling of personal accomplishment.

- Critical evaluation:
  a. Mc-Cleland takes into consideration psychological factors only and ignores the impact of other factors on entrepreneur's development.
  b. It is not possible for all families and educational institutions to inculcate the achievement motivation in children.
  c. It is not necessary to put efforts on developing achievement motivation from the childhood itself. It is possible to impart entrepreneurial training at later stages also.

3. Hagen's Status Withdrawal Theory:

This is another important psychological theory of entrepreneurship. It is developed by E. Hagen. Hagen has attributed the withdrawal of status of a group as the starting point for entrepreneurship development process. According to Hagen, entrepreneurship is a function of status withdrawal which forces the members of group who has lost its status to become aggressive and innovative and become
entrepreneurs. However this process has a long term process. After three-four generations, this situation takes place in the status loosing group and the members of such group try to regain their status by showing aggressive entrepreneurial drive.

When a social group losses its status it responds to such a loss in a number of ways. Hagen has categorized these responses into following four types.

**Retreatist** : A person who continues to work in the society but remains indifferent to his work and position.

**Ritualist** : A person who acts in the ways accepted and approved by the society, whose behaviour is defensive but has no hopes of improving his position.

**Reformist** : A person who fights against the injustice caused to him, tries to rebel against the established society and form a new society.

**Innovator** : A creative person who welcomes change, tries to do things in a different and better manner. Such a person is likely to be an entrepreneur.

Innovators are creative. They accept more challenges and responsibility. Entrepreneurs are made from these innovators. These persons try to regain their lost status by establishing new enterprises on a large scale. The example of Samurai group in Japan can be cited in this context.

**Critical evaluation** :

a. According to Hagen, entrepreneurship emerges after three to five generations. But in reality this much longer period is not required. In India, even the first generation entrepreneurs have been successful in their entrepreneurial pursuit.

b. This theory concentrates on psychological factors and ignores other factors which are responsible for entrepreneurial growth.

4. **Max Weber's Theory of Social Change** :

Max Weber studied the entrepreneurship issues from the sociological point of view and presented his theory of social change. Max Weber was the first thinker to explain the impact of ethical value system of the society on entrepreneurial growth. According to Max Weber, the spirit of rapid industrial growth depends upon the ethical values professed by the society. He found relationship between protestant ethic and the spirit of capitalization. He states that protestant progressed fast in bringing about capitalism in Europe only because their ethical value system provided them with rational economic attitude, gave recognition to work hard for accumulating assets, undertake economic activities and allowed them to enjoy the material life by fulfilling their worldly desires. He found his thesis true about other communities like Hindu, Jain, & Jew. Hindu community gave little importance to accumulation of
wealth, business activities and material life, and emphasis on sacrifices, minimum wants and attainment of moksha. Jew and Jain communities had put restrictions on having any contact with other communities as a result they failed to develop industrial capitalism.

**Critical evaluation**: Max Weber’s theory of social change is based on invalid assumptions. Hindu community always responds to changes, changed its values and allowed the disciples to accumulate assets, work hard for establishment of capitalism. Hindu community never opposed the spirit of capitalism and adventure. The rapid progress made by India after independence disproves Max Weber’s theory. Jews and Jains are known for their enterprise, hard work, savings and wealth accumulation.

5. **Kunkel’s Theory of Social Behavior** :

Kunkel’s theory deals with social behaviour in the context of entrepreneurship supply. According to Kunkel, supply of entrepreneurs is a function of social, political and economic structure. Individuals are performing various activities in a society of these activities some are accepted by the society and those activities are rewarded. The reward acts as a stimulating factor for the repeated behaviour of an individual. This pattern of social behaviour is nothing but entrepreneurial behaviour. The supply of entrepreneurship depends upon following four structures found in a society.

a) **Limitation structure**: The society limits specific activities. This limitation structure affects not only the entrepreneurs but also all other members of a society.

b) **Demand Structure**: The individuals demand rewards for their acts. The demand structure motivates individual towards entrepreneurship.

c) **Opportunity Structure**: Opportunity structure comprises of the availability of capital, management, technological skills and information about production methods, labour and market. Favourable opportunity structure increases the supply of entrepreneurship.

d) **Labour Structure**: It is related with the supply of competent and willing labour. The supply of labour depends on a number of factors like alternative means of livelihood, traditionalism and expectations of life. Entrepreneurship supply increases when the labour structure is favourable.

**Critical evaluation**: Kunkel’s theory assumes the ideal structure for the supply of entrepreneurship. But in reality we rarely find such ideal structures.

6. **Hoselitz’s Theory of Marginal Groups** :

Hoselitz has emphasized the role of culturally marginal groups in the development of entrepreneurship. Hoselitz states that marginal men, because of
their ambiguous position from a cultural and social standpoint are in better suited to make creative adjustments in situations of change and in the course of this adjustment process they become more innovative and establish a number of enterprises. Cochoran explains his theory by quoting the examples of marginal groups like Jews and Greeks in medieval Europe, the Lebanese in West Africa, the Chinese in South Asia and the Indians in East Africa in promoting economical development. The marginal groups in any society want to elevate their status, they adjust themselves with the prevailing conditions and turn to innovation and become entrepreneurs.

**Critical Evaluation:** Entrepreneurial behaviour is governed by not only the cultural values but also by the economic and political factors. It is possible to motivate persons towards entrepreneurship by offering a number of facilities and incentives for establishment of enterprises.

According to Hoselitz, entrepreneurship can develop in a society where there is no bondage of tradition and the culture permits a variety of choices. Such social conditions motivate the development of enterprise-oriented personalities.

**7. Cochoran’s Theory of Model Personality:**

Cochoran’s theory is related to the supply of entrepreneurship. It is a sociological theory of entrepreneurship. Cochoran states that cultural values, role expectations and social sanctions are the key determinants of the supply of entrepreneurship. He further opines that an entrepreneur is neither a super normal individual nor a person deviating from the established routine but represents a society’s model personality. The following factors have impact on his performance.

a) a person’s own attitude towards his occupation
b) the role expectations of sanctioning group
c) the operational requirements of the job

According to Cochoran society’s values determine the attitudes of a person and expectations about his role.

**Critical evaluation:** Cochoran’s theory deals with only social factors and ignores the factors of risk taking and profit making. Besides it does not take into consideration the managerial functions of an entrepreneur.

**8. Peter Drucker’s Theory of Systematic Innovation:**

Peter Drucker, the management guru has developed the theory of systematic innovation. Drucker’s thought on entrepreneurship have been presented in his book ‘Innovation and Entrepreneurship – Practice and Principles.’ According to Drucker “Systematic innovation consists in the purposeful and organized search for changes and in the systematic analysis of the opportunities such changes might offer for economic or social innovation.”
**Sources of Systematic innovation opportunity** : According to Drucker, there are seven sources of systematic innovation opportunity.

**Sources within the enterprise**  
1. Unexpected successor unexpected failure.
2. Incongruity between real and expected situation.
3. Process need

**Sources outside the enterprises**  
1. a) Demographic changes.
2. b) Changes in perception and mood.

4. Changes in industry structure or market structure.

Drucker further states that innovation is the specific tool of entrepreneurs by which they always search for changes, respond to the changes occurring and exploit them into opportunities. Innovation is a purposeful and well-planned activity.

**Critical evaluation** : It is very difficult to predict the occurrence of sources of opportunity. Reliability of these sources is another problem attached with Drucker’s theory, e.g. new knowledge may be good but not reliable from commercial point of view. In spite of this criticism, Drucker has given a comprehensive theory of entrepreneurship.

2.4 **Factors stimulating entrepreneurship** :

The factors stimulating entrepreneurship may be divided into the following two groups.

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A. Internal factors:

Internal factors are related with a person. They shape the entrepreneurial personality. These factors are as follows:

i) **Ambition**: An ambitious person is likely to turn to entrepreneurship more than an ordinary person. A highly ambitious person tries to become an entrepreneur for earning money, prestige and respect in society, for working independently and for creating employment for himself and others.

ii) **Self-reliance**: The tendency of independence motivates a person towards entrepreneurs. These persons are their own bosses. They do not like to take orders from other persons. Instead of becoming ‘servant’ they want to become entrepreneur.

iii) **Success of other entrepreneurs**: The stories of successful entrepreneurs in the surroundings motivate persons to follow the route of entrepreneurship. These successful entrepreneurs are role models for the potential entrepreneurs, for example, a young computer software engineer is motivated by Bill Gates of Microsoft, and Narayan Moorthy of Infosys.

iv) **Professional experience**: After working in a particular field for a number of years, some persons want to start their own enterprise. They feel confident to overcome the difficulties and problems in the business because of their rich experience.

v) **Supportive factors**: A person gets financial and mental support from his family members, friends, and relatives to start an enterprise. The family background of a person either induces one to become an entrepreneur or discourages him from doing so. In certain communities like Marwaris, Parshis, Sindhis, entrepreneurship is encouraged from childhood and hence most of the people from these communities turn to entrepreneurship.

vi) **Compelling factors**: Sometimes a person is compelled to become an entrepreneur because of adverse conditions, unemployment problem, job dissatisfaction, untimely death of family head etc. Under these circumstances there is no choice before a person than to become an entrepreneur.

B) External factors:

Entrepreneurship gets encouragement from the external environment as well. These factors arise outside the person and motivate him to become entrepreneur. The external factors are explained below:

1) **Economic factors**: Favourable economic condition, ample natural and physical resources availability, rising income of people encourage persons to start
new enterprises and make money by providing goods and services for fulfilling the increased demands of people. Investment in shopping malls, hotels, tourism, health centers, entertainment industry, increases.

2) **Social factors**: Entrepreneurship is influenced by the customs, traditions and values of a society. The materialistic attitude of society stimulates entrepreneurship. Entrepreneurship is developed significantly in a society where the activities of entrepreneur are recognized, respected and rewarded and where the religious values do not prohibit business activities and wealth formation.

3) **Technological factors**: Technological advancements and cheap availability of technology induce a person to introduce new products, improve the quality of existing products and start high-tech enterprises. For example, due to technological advancements entrepreneurship has flourished in the sectors like infrastructure, non-conventional energy, construction, automobiles, information technology.

4) **Political factors**: Political stability, attitude and policy of the government towards business, stable policy, maintenance of law and order and such political factors stimulates entrepreneurship, attract domestic and foreign entrepreneurs in various fields. For example, stable and democratic government, feeling of security, rule of law have attracted huge foreign investments. The liberalization, privatization and globalization policy in the country has provided greater scope to private sector to establish, expand and diversify the enterprises. Steps like incentives, tax holiday benefits, cheap credit facility, export promotion measures and assistance for technological up-gradation have given impetus to entrepreneurial development in the country.

5) **International factors**: Entrepreneurship is influenced by the international environment. Free global trade policy and need of international co-operation, have encouraged entrepreneurs to take their activities on international level, install production facilities abroad and tap new foreign markets. Favourable international environment has increased foreign investment.

### 2.5 Obstacles in entrepreneurial growth:

Several obstacles restrict the entrepreneurial growth in a society. These factors may be divided into two groups, viz. economic obstacles and non-economic obstacles. These obstacles affect entrepreneurial development in the less developed countries.

**Obstacles in Entrepreneurial Growth:**

A) **Economic factors**: Shortage of capital, lack of infrastructural facilities, non-availability of raw materials, labour shortage, defective tax structure, lack of technology, indifferent attitude of bankers etc. retard entrepreneurship.
B) Non-economic factors:

Following non-economic factors obstruct the growth of entrepreneurship.

i) Social factors: Customs, traditions, lack of social mobility, rationality of society, social system etc.

ii) Personal factors: Lack of creativity, low achievement motive, indifferent attitude, lack of entrepreneurial qualities, suspect personality etc.

iii) Other factors: Increasing competition, ineffective administration, lack of political will, complex laws, inadequate facilities of higher education, adverse attitude of the government etc.

A) Economic factors inhibiting entrepreneurial growth:

The economic obstacles in the way of entrepreneurial growth include shortage of capital, lack of infrastructural facilities, non-availability of raw materials, shortage of skilled labour, lack of technology, indifferent attitude of banks, heavy taxation and the likes. The adverse economic conditions, resource scarcity and lack of technology restrict the entrepreneurial growth. We witnessed such situation before 1990 in India. As a result of this, entrepreneurship could not spread widely. In Maharashtra, Konkan and Marathwada, regions could not develop because of unfavourable economic factors. Today the situation has changed to some extent. Automobile industry in India could not prosper up to 1980’s only because of lack of modern technology and the limited research. Today, the automobile companies from different advanced countries have entered into India.

B) Non-economic factors inhibiting entrepreneurial growth:

Besides economic obstacles, there are a number of non-economic obstacles affecting the entrepreneurial growth. They may be sub-divided as follows:

i) Personal factors: These factors revolve around the person. A person having no adventurous spirit, lack of interest, lack of ambition cannot become entrepreneur. The attitude and value system of a person create obstacles in turning to entrepreneurship.

ii) Social factors: The customs, traditions, values and attitude of society also create hindrances for entrepreneurship development. A society giving no recognition to wealth accumulation, business activities and materialism cannot stimulate entrepreneurship among its members. If the entrepreneurs are not respected in the society and accorded a higher status, people never think of becoming entrepreneur.

iii) Political factors: Inefficient, corrupt administration, the adverse attitude of government towards entrepreneurship and the lack of political will, act as obstacles to the entrepreneurial growth. The stringent laws, heavy taxation,
and less scope to private sector stand in the way of entrepreneurship development and the country remains backward.

iv) Other factors: This sub-group includes factors like increasing competition, inadequate higher education facilities, poor infrastructure. These factors have negative impact on entrepreneurship development.

v Importance of Entrepreneurship:
Entrepreneurship occupies an important status in the process of economic development of any country. Industrially advanced countries owe and woo the significance of entrepreneurship. Entrepreneurship is of great importance in underdeveloped countries for holding steady progress. The importance of entrepreneurship can be understood with the help of following points:

1) Voluntary initiation:
Entrepreneurship is voluntary initiation of individuals of society. They conceive the business ideas, refine them, develop them and translate them into industrial activities. It is the voluntary initiation of such people which causes economic development of a country.

2) Balanced growth:
In developing country like India, there is regional imbalance in respect of economic development. All regions or parts of the country are not equally developed. For development of such regions, industrial development is the prime factor. The entrepreneurship helps to achieve balanced regional development by starting small-scale industries there. It focuses on rural industrialization and development of local skill and market. Chandrapur district of Maharashtra, once undeveloped, has been developing now because of growing entrepreneurship there.

3) Capital formation:
Entrepreneurship plays significant role in mobilizing savings of society towards industrial enterprises. The society invests its savings in the entrepreneurial activities. The capital formation helps to exploit natural resources to create markets and to carry on trade. It is an undeniable fact that without capital formation, economic development would be hampered.

4) Self-employment:
The entrepreneurship facilitates self-employment. The enterprising people employ their physical and mental capabilities for their personal benefit. This helps to reduce the burden of growth in population on economic development of a country.

5) Employment generation:
Entrepreneurship is job-creating and job-giving. The entrepreneurs establish
business ventures which provide employment opportunities on large-scale. This is how entrepreneurship helps to reduce the unemployment problem which is the root cause of all social-economic problems. The opportunities of gainful employment abstains people from unlawful and criminal activities. Instead, they are given incentive to participate and contribute in productive and socially desirable activities.

6) Optimum utilization of natural resources:

In the absence of entrepreneurship, the factors of production like land, labour, money etc. would remain idle or unused. Through entrepreneurship, the natural resources and factors of production are assembled and put to use through business organizations, and they are converted into production.

7) Variety of production and technology:

Entrepreneurship plays an important role in developing a variety of products and technology. This leads to improve the standard of living of the people.

8) Change agent:

Entrepreneurship is a change agent. It brings about change in prevailing socio-economic set up by conceiving and developing new ideas and putting them into action.

9) Export promotion:

Entrepreneurship promotes a country’s export trade which is an important ingredient to economic development. The growing entrepreneurial activities in various sectors of economy improve the exports and build a favourable balance of trade. It explores markets abroad, improves quality of products suitable to world class standards and earns foreign exchange. Entrepreneurship also provides import substitution and saves forex earning.

10) Quality enhancement through Research and Development:

Entrepreneurship gives fillip to Research and Development activities. The entrepreneur takes efforts to make their products compatible to the needs of foreign markets. This stimulates R & D activities.

11) Reduces the concentration of economic power:

Entrepreneurship helps to reduce the concentration of economic power in a few hands and thereby inequalities of income. Entrepreneurs from all social strata undertake business activities and generate wealth. It stimulates the equitable distribution of wealth, income and political power.

12) Reduces the problem of brain-drain:

If the best employment opportunities are not available in the home country, the
talented people go abroad. It is called brain-drain which has adverse effect on a country’s economic development. The entrepreneurship provides scope for their talent in home country, offers good remuneration packages and prevents them from going abroad in search of employment. The entrepreneurship pools and develops the creative talent in the country.

13) Entrepreneurship brings social stability:

Entrepreneurship achieves social stability by meeting the diverse demands of the society and ensuring regular supply of essential goods and services. The non-availability and short-supply of essential goods and services may cause social unrest which may endanger the social stability.

14) Economic development:

Entrepreneurship spells the difference between ‘prosperity’ and ‘poverty’ among nations. The economic development of a country is quite impossible in the absence of entrepreneurship. Japan is the place where entrepreneurs have achieved success by hard work as well as imagination and ability. The economic progress of USA and Western Europe also highlights the significance of entrepreneurship.

Nature of Entrepreneurship:

Entrepreneurship is a creative and innovative response to the environment and an ability to recognize, initiate and exploit an economic opportunity. Truly speaking, it is a multi-dimensional concept. Therefore, it is necessary to consider many factors and perspectives in respect of entrepreneurship. The nature of entrepreneurship may be understood in the light of its outstanding features, mentioned hereunder.

1) Innovation is the crux of entrepreneurship:

It is an undeniable fact that without innovation entrepreneurship can not be there. In true sense of the term, an innovator is an entrepreneur and the pioneer of new industry. However, an entrepreneur is not simply an innovator he tests the commercial worthwhileness of an innovative idea, assumes the risk and organizes human efforts to put idea into practice. The person who undertakes the prevailing or traditional business activities is the ‘follower’ or ‘imitator’ and not an ‘innovator’ and hence not the ‘entrepreneur’. The entrepreneur gives a new combination of resources. According to Schumpeter entrepreneurship is a creative activity.

Doing something new or something different is a prerequisite for entrepreneurship. The entrepreneurs are constantly on the look out to do something different to meet the changing requirements of the customers.

Innovation may be a new product, a new process of production, a new source of raw material, a new market or a new combination of means of production.
2) It is a function of high achievement:

According to McClelland, entrepreneurship is the function of high achievement. He stressed that the need for achievement or the achievement orientation (n-Ach) is the most directly relevant factor of explaining economic behaviour of a person. People having high need for achievement are more likely to succeed as entrepreneurs.

Various studies on psychological roots of entrepreneurship reveal the presence of a high achievement orientation among successful entrepreneurs. The people with high need for achievement are willing to take calculated risks and have a high tolerance for ambiguity. They struggle to achieve more and more.

3) It is a function of organization building:

The ability to build an efficient organization is the most critical skill required for industrial development. He must be able to delegate responsibilities to others.

Harbison argued that an entrepreneur is necessarily an 'organization builder'. According to him, the ability to create an organization is the most critical skill which facilitates the economic use of others innovations. He further advocated that if the organization building skill is absent, innovations fail to stimulate economic development. In other words, if the organization building skill is absent, useful innovations also become useless. Entrepreneurs are the prime movers of innovations, because, their ability to perceive opportunities and bring together the manpower, material and capital to convert innovations in business opportunity is very important.

4) It is a function of managerial skills and leadership:

According to Hoselitz, the managerial skills and leadership are the most important facets of entrepreneurship. He explains that the entrepreneur must have the ability to lead and manage. The entrepreneur assumes more risk than a trader or a money-lender. Only a strong desire to make profit is not enough to succeed in entrepreneurship. In other words, the entrepreneurship fails if its founders fail to function as efficient managers and leaders.

5) It is a function of status withdrawal:

According to E.E. Hagen, ‘creative innovation’ or the ‘change’ is the fundamental feature of economic growth. According to him, an entrepreneur is a creative problem solver who feels a sense of increased pleasure when facing a problem and tolerates disorder without any discomfort. Hagen has described an entrepreneur as ‘innovative or creative personality’. According to him, such creative personalities emerge when the members of some social groups experience ‘the withdrawal of status respect’. This may occur when a traditionally elite group is displaced forcefully by another group or when any other superior group changes its attitude towards a subordinate group. Whenever the social status is withdrawn, it creates the following four types of personalities:
(i) Retreatist: One who remains indifferent to his work and position.
(ii) Ritualist: One who adopts a defensive behaviour and makes no improvement in the prevailing position.
(iii) Reformist: One who attempts to establish new society.
(iv) Innovator: One who is a creative individual. He is likely to be an entrepreneur.

6) It is a gap filling function:

The most significant feature of entrepreneurship is ‘gap filling’. Entrepreneurship fills up the gap, which always exist in the knowledge about the production function. Liebenstein identified two broad types of entrepreneurship as follows:

i) Routine Entrepreneurship: He is associated with the managerial function of business.
ii) New Entrepreneurship: He is creative or innovative in nature.

7) It is a function of religious beliefs:

According to Max Weber, the spirit of entrepreneurship comes from religion. The religious values play dominant role in entrepreneurship. According to him religious values affect mental attitude which in turn affects the ‘spirit of capitalization’ or ‘adventurous spirit’.

According to Weber, the protestant ethics provides the ‘spirit of capitalism’ among its followers and hence they boldly assume the risk and become successful entrepreneurs, while other religious i.e. Hinduism, Islam and Buddhism do not provide such spirit of capitalism. This view was criticized by subsequent researchers.

8) It is a function of social, political and economic structure:

According to John Kunkel, the social, political and economic structure affects the entrepreneurship. The supply of entrepreneurship depends upon following four structures found in a society:

(i) Limitation structure:

The society limits the specific activities of its members.

(ii) Opportunity structure:

It is mainly economic and changes with economic progress and government policies.

(iii) Opportunity structure:

It consists of the availability of capital, managerial skill, technological skills, information relating to production methods, labour and markets etc.
(iv) Labour structure:

It is concerned with the supply of competent and willing labour.

9) It is a necessary dynamic force:

According to Sayigh, the entrepreneurship is nothing but a necessary dynamic force. According to him, an entrepreneur is a catalyst or an agent who brings about development in economic conditions.

10) It is a distinct factor of production:

Entrepreneurship is a distinct factor of production. The entrepreneurship significantly contributes towards the economic development in following ways.

   a) It promotes capital formation by mobilizing idle savings of the public.
   b) It provides large-scale employment.
   c) It helps to reduce concentration of economic power.
   d) It promotes the balanced regional development.
   e) It encourages effective mobilization of capital and skill.
   f) It induces backward and forward linkages.

11) It involves risk-bearing:

Entrepreneurship involves risk bearing. Every productive or creative venture involves risk. The entrepreneurs come forward and boldly assume the risk. They get profit as economic reward for risk bearing. Obviously, the quantum of profit depends upon the quantum of risks undertaken.

2.6 Summary:

Entrepreneurship is a tendency of an individual. It is related with the action of the individual of putting his idea into reality. The economic development of any country depends on the supply of entrepreneurship. It is therefore, necessary to nurture the entrepreneurial values and culture in the society. Efforts need to be made on individual and collective basis to develop entrepreneurship. The concept of entrepreneurship has been explained by various thinkers in the economic, sociological and psychological context. The entrepreneurship theory has been developed by thinkers like Schumpeter, McClelland, Weber, Hagen, Kunkel, Hoselitz, Cochran, Yang, and Drucker. Schumpeter’s theory emphasises the innovation aspect. McClelland states that need for high achievement is required for entrepreneurial growth. According to Max Weber, entrepreneurship is influenced by the values of a society, its ideology and attitude towards business and wealth formation. As a result of this, entrepreneurship flourishes in certain societies. Hagen holds that loss of status of a social group causes the member of the group to become aggressive, work hard to regain their lost status and this gives impetus to entrepreneurship. According to John Kunkel, the supply of entrepreneurship is governed by economic, social and
political structure. Individuals perform repeatedly the activities, which are rewarded by the society and this pattern of social behaviour leads to entrepreneurial behaviour. Peter Drucker emphasizes the need of systematic innovation. Hoseltiz’s theory explains the role of culturally marginal groups in entrepreneurship development.

Entrepreneurship does not occur spontaneously but it has to be stimulated. The factors stimulating entrepreneurship may be divided into two groups, viz. internal factors and external factors. Internal factors include entrepreneurial ambition, professional experience, success of other entrepreneurs, self-reliance etc., whereas the external factors comprise of economic, social, technological, political and international factors which arise outside the enterprise. There are certain obstacles or barriers in the process of entrepreneurial growth. They are economic barriers, social and individual barriers, adverse conditions etc. The individuals, groups and state should try to remove these barriers and provide a stimulus to the entrepreneurial growth.

2.7 Glossary:
- **Entrepreneurship**: The process of translating a business idea into practice.
- **Innovation**: The ability to create new products, use new technology, find new markets, discover new source of raw materials.
- **Achievement motivation**: A strong desire to excel one’s performance for the sake of an inner feeling of personal accomplishment.
- **Status withdrawal**: An act of taking away the place and prestige of a social group by another group.
- **Systematic innovation**: The purposeful and organized search for changes and converting these changes into opportunities.

2.8 Self exercise:

A) Select the appropriate alternative from those given below each statement and tick-mark the same.

1) Innovation theory of entrepreneurship is developed by-
   a) Peter Drucker,  
   b) Adam Smith,  
   c) Joseph Schumpeter,  
   d) John Kunkel.

2) Peter Drucker has stressed the following aspect in his theory on entrepreneurship.
   a) Innovation,  
   b) Invention,  
   c) Imitation,  
   d) Systematic innovation.
3) Theory of social change is given by –
   a) Max Weber,   b) John Kunkel,
   c) Hoselitz,   d) Hagen.

4) According to Hoselitz, entrepreneurship is a function of –
   a) Managerial skill and leadership,   b) Capital and labour,
   c) Innovation and creativity,   d) Dream and action.

5) The more useful person in entrepreneurship is –
   a) Creative individual,   b) Reformative individual,
   c) Indifferent individual,   d) Pessimist individual.

6) Need for achieving theory is concerned with –
   a) Mc-Gregor,   b) McClelland,
   c) Macmillan,   d) Martin.

7) Entrepreneurship is –
   a) an individual,   b) a thought,
   c) an action   d) a government.

8) The supply of entrepreneurship depends on the following factors-
   a) Economic,   b) Social,
   c) Political,   d) All of these.

B) Fill in the blanks.
   1. Entrepreneurship is … …
   2. … … are found in large number in developing countries.
   3. … … has given the Need Achievement theory of entrepreneurship.
   4. John Kunkel has developed the theory of … …
   5. Status withdrawal theory is given by … …
   6. According to … … innovation is a main function of an entrepreneur.
   7. According to Hoselitz, entrepreneurship is a function of … ..
   8. Cochran has given the theory of … …
   9. According to Drucker, innovation must be … …
   10. According to … … entrepreneurship is influenced by religion and cultural values.

C) State True or False.
   1. Entrepreneurship depends on economic factors only.
2. Peter Drucker has stressed the innovation function of an entrepreneur.
3. Hagen has propounded the theory of social behaviour.
4. Max Weber has developed the social change theory of entrepreneurship.
5. The number of innovative entrepreneurs is large in developed countries.
6. Individuals with high need achievement motivation can become entrepreneur.
7. Entrepreneurship may be individualistic or collective in nature.

D) 1. Define Entrepreneurship and explain its characteristics.
2. Critically evaluate Schumpeter’s theory of Innovation.
3. State the theory of social change and its limitations.
4. Examine Drucker’s theory of systematic innovation.
5. Critically evaluate McClelland’s theory of need achievement.

E) Write short notes on-
   a) Status withdrawal,
   b) Kunkel’s theory of social behaviour,
   c) Theory of model personality,
   d) Obstacles in entrepreneurial growth.

2.9 Field work
Write an explanatory note on any one of the post-independence entrepreneurs.

2.10 Further readings:
Unit-3
Entrepreneurship Development

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3.0 Objectives
3.1 Introduction
3.2 Concept of Entrepreneurship Development
3.3 Objectives of Entrepreneurship Development
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3.6 Institutions for Entrepreneurship Development
3.7 National Institute for Entrepreneurship and Small Business Development
3.8 Maharashtra State Centre for Entrepreneurship Development MCED: Aurangabad.
3.9 Entrepreneurship Development Institute of India: EDII, Ahemedabad.
3.10 National Institute of Small Industries Extensions Training : NISIET, Hyderabad
3.11 Entrepreneurship Development Programme in India
3.12 Summary
3.13 Self study questions.
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3.0 Objectives of the Unit
1. To explain the concept of Entrepreneurship Development
2. To acquaint students with the process of Entrepreneurship Development
3. To give information to students about the institutions undertaking EDPs.
4. To explain students the status of Entrepreneurship Development in India.
5. To highlight the importance of Entrepreneurship Development to students.
3.1 Introduction:

The economy of a nation is always driven by its industrial development. Every government of developing or developed economy concentrates on the growth of different sectors of industries. Especially small and medium sized industries play important role for making the economy of nation sound and dynamic. Industrial development depends on entrepreneurship of people of a nation. Greater the entrepreneurship, higher the rate of industrial growth. Hence in all the developing countries, governmental and non-governmental efforts are focused on entrepreneurship development.

In those days of globalisation, entrepreneurship development has become integral part of national economy. Maximum and proper utilisation of available resources is possible provided we generate new entrepreneurs. New entrepreneurs with creativity and innovative ideas are always a step ahead for standing any kind of risk in business. Entrepreneurship development aims at making search of such persons and develop their entrepreneurial qualities through training. In modern business, entrepreneurs are not born, but made through the process of entrepreneurship development.

3.2 Concept of Entrepreneurship Development:

The term entrepreneurship is defined in the previous chapter of this book. It is the risk taking ability of an individual coupled with creativity and innovative ideas. He discovers new business ideas and investment opportunities. He materialises his ideas and opportunities in time, leading to the launching of new business which he organises skillfully and effectively. These qualities and traits of an individual constitute entrepreneurship. This kind of entrepreneurship needs to be developed in the society for overall economic development of the country.

Entrepreneurship development means creating entrepreneurship attitude in individuals through searching for prospective entrepreneur and promoting that attitude to make an individual a real entrepreneur. It motivates to identify new business ideas and investment opportunities under changing economic environment. It helps to transform the idea or opportunity into enterprise. Ultimately it leads to the development of industrial sector of the economy. Thus the concept of entrepreneurship development may be defined as follows:

“Entrepreneurship development is a process through which entrepreneurial qualities are injected with necessary motivational drives of achievements to transform business ideas or opportunities into enterprise and to manage uncertain and risky situations of business undertakings.”

The above definition highlights following express and implied features of entrepreneurship development.

1. It is a process of searching prospective entrepreneurs and their entrepreneurial
qualities.
2. It is a process of training through which new ideas of business and investment opportunities are exposed to these prospective entrepreneurs.
3. It is motivation for transforming idea or opportunity into business enterprise.
4. It is boosting confidence among prospective entrepreneurs by providing counselling on management, marketing, finance and technical aspects of business enterprise.
5. It is an instrumental tool for making an individual a real entrepreneur.
6. It is a continuous and on-going activity of government and non-government organisations.
7. It aims at industrial and economic growth of the country.

3.3 Objectives of Entrepreneurship Development:

The definition and the features of entrepreneurship development outline its scope and nature. It is meant for economic growth of the country. Hence the objectives of entrepreneurship development may be enlisted as follows:

1. To promote entrepreneurial qualities and traits among youth through training and expert consulting.
2. To search and develop entrepreneurial opportunities and business ideas for potential entrepreneurs.
3. To motivate and guide individuals for launching new business undertakings.
4. To provide and conduct new programmes for stimulating new ventures in rural and urban areas.
5. To provide managerial skills, marketing techniques and technical knowhow for prospective and existing entrepreneurs.
6. To make available different kinds of project reports for new ventures.
7. To provide information regarding different facilities, concessions, schemes sponsored by State Government, Central Government, Institutes etc. for promoting entrepreneurship.
8. To promote and maintain entrepreneurial culture among different sections of society in particular and in the nation in general.
9. To promote the development of small and medium enterprises in different sectors of economy.
10. To generate employment and self-employment through entrepreneurial
development and growth of small-scale industries.
(11) To contribute for economic and industrial development of the country through first-generation entrepreneurs.

All these objectives of entrepreneurial development highlight the importance of entrepreneurial development in national economy.

3.4 Process of Entrepreneurial Development:

Entrepreneurial Development is an important activity in the economic field of a nation. Hence state and central governments put all efforts for Entrepreneurial Development at all levels. Different programmes are organised and sponsored from village level to national level. Of course training is the core activity under Entrepreneurial Development. It includes promotional, supportive and developmental programmes. But the process of Entrepreneurial Development is subdivided into three major stages as follows:

1. Pre-training stage:

Under the first stage of the process, the preparatory activities for conducting Entrepreneurial Development training programmes are undertaken. Hence it is termed as pre-training stage of the process. It includes following activities:

(a) Planning Entrepreneurial Development training programmes required by local needs.
(b) Preparing training manual and circulars.
(c) Making proper publicity of the programmes for attracting potential entrepreneurs.
(d) Providing information and guidance to the interested individuals.
(e) Chalk out details of the training programmes.
(f) Calling applications, making the scrutiny and selection of applicants for the training.
(g) Organise necessary tools and equipments for training purposes.
(h) Communicating with the applicants for attending the training.
(i) Invite expert resource persons for the training programmes.

The pre-training activities are to be organised in systematic manner for the success of the training programmes.

2. The training stage:

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The second stage of the process is conducting the training programmes as per schedule. The training programmes are conducted especially at local level which may be village, Taluka or District level. Government Agencies and non-government organisations organise such kind of Entrepreneurial Development training programmes. The District Industries Centre or Maharashtra Centre for Entrepreneurship Development are government agencies which organise the Entrepreneurship Development training programmes in Maharashtra. Of course some reasonable fees are charged, against which training literature, printed manual, refreshment, meals etc. are supplied to the participants. Under this stage, following activities are undertaken.

(i) Registration of participants and distribution of training literature, manuals and training schedules.

(ii) Arrangement of lectures by resource persons and experts.

(iii) Explaining the preliminary formalities and procedures for launching new business or undertaking.

(iv) Exposing new ideas and new investment opportunities to the participants.

(v) Providing the information about supportive institutes and agencies to the prospective entrepreneurs.

(vi) Providing the information regarding different schemes, concessions, facilities available for launching new business.

(vii) Injecting high stimulation among participants to become successful entrepreneurs.

(viii) Increasing morale and confidence of the participants for launching and managing new business.

(ix) Providing and injecting managerial skills, marketing techniques and technical knowledge to prospective and existing entrepreneurs.

(x) Promoting entrepreneurial and creative qualities among participants for transforming them into successful entrepreneurs.

(xi) Preparation of different project reports as a model project and guide the participants for making project report of the proposed business.

Along with the above activities, necessary supportive and subsidiary activities are also organised under this stage. Practicals, demonstrations and visits to factory sites are also organised under the training programmes. This stage attempts to make an individual an entrepreneur. Hence it is the most important stage in the process of Entrepreneurship Development.
3. **Post Training Stage**:

Entrepreneurship Development aims at making prospective entrepreneur a real one and real entrepreneur into a successful one. It means that the object of Entrepreneurship Development is not only making entrepreneur, but making him successful entrepreneur. It is equally essential to sustain the development of entrepreneurship by making the existing entrepreneurs successful. From that point of view, post-training stage is equally important. Under the stage, the follow-up and nursing activities are undertaken. Searching prospective entrepreneurs and to train them and make them real entrepreneur is a continuous process of Entrepreneurship Development. Further the new entrepreneur with his new business must sustain himself with the business under adverse and uncertain situations also. Post-training activity decides the rate of success of the Entrepreneurship Development programmes.

Under this stage, following activities are conducted:

(i) Follow-up activities to transform trained prospective entrepreneurs into real entrepreneurs.

(ii) Follow-up for launching a new business or undertaking by the participants of the training programme.

(iii) Assisting the prospective entrepreneurs to prepare the project report and see that it is approved by the concerned authorities.

(iv) Guiding the prospective entrepreneurs to prepare the necessary documents, comply with the legal and technical formalities for starting a business.

(v) Providing the assistance for registration of the undertaking with competent authority.

(vi) Assisting to organise all necessary resources including machineries, raw-materials, technical knowledge etc.

(vii) Assisting for making available the required funds and finance.

(viii) Providing managerial and technical advice for launching and managing the new business.

(ix) Marking available the market for the proposed products and guiding in marketing problems.

(x) Expert counselling for expansion and growth of the existing business of a new entrepreneur.

(xi) Providing guidance and assistance for rehabilitation of the sick unit launched by new entrepreneurs.
Entrepreneurial Motivation:

It is very interesting to know what motivates people to go into business. Why do they become ready to accept the risk? Several research studies have been conducted worldwide to identify the factors that inspire the people to undertake business activities. Though, to earn money is an important motivating force, people do not go into business and become entrepreneurs solely to make money. There are indeed several other factors that motivate people to become entrepreneurs. Let’s study what is exactly meant by entrepreneurial motivation and what factors motivate people to become entrepreneurs.

What is motivation?

The term ‘motivation’ has been derived from the word ‘motive’ which means an inner state of our mind that moves or activates or energizes or directs our behaviour towards our goal.

Thus, motivation is an inner spirit that activates the person’s behaviour towards the goals. Motivation may be defined as the process that motivates a person into action and induces him to continue the course of action for the achievement of goals.

Michael Julius defines motivation as “the act of stimulating someone or oneself to get a desired course of action.”

‘Motive’, ‘behaviour’ and ‘goal’ are regarded as three basic elements of the process of motivation.

What is entrepreneurial motivation?

The motives that stimulate the people to undertake entrepreneurial activities may be called the entrepreneurial motivation.

Entrepreneurship is a very risky proposition but even then some people take it up, because, there are strong motives or motivating factors that stimulate them to do so. The behavioral theories propounded by behavioural scientists explain what motivates an individual to behave entrepreneurially. Particularly Maslow’s Need Hierarchy Theory and David McClelland’s Achievement Motivation Theory are most relevant to the entrepreneurial behaviour of an individual.

Nature of Entrepreneurial Motivation:

There are several different types of motivation, however, particularly the following four types of ‘motives’ stimulate the people to become entrepreneurs:
Let's discuss them in brief.

1) **Achievement Motivation: (n-Arc)**

The need for achievement plays an important role in making an entrepreneur as successful. It is an inner spirit that activates an entrepreneur to strive for success. David McClelland has developed Achievement Motivation Theory. According to him, an individual's need for achievement (n-Ach) refers to the need for personal accomplishment. It is the drive that excels the people to success. People with high achievement motive take up the risk and want to win.

McClelland argues that the following three types of needs may simultaneously be acting on an individual:

i) Need for Affiliation (n-Aff)
ii) Need for Power (n-Pwr), and
iii) Need for Achievement (n-Ach)

According to him, in case of an entrepreneur, the high need for achievement is found dominating one. In his view, the people having high need for achievement are more likely to succeed as entrepreneurs.

People with high achievement motive are not influenced by money rewards or profit only, but they strive to satisfy their inner drives. Profit is only an external incentive for them.

McClelland’s theory gives appropriate answer to the questions: Why some people leave very cozy jobs to start their own enterprises which involves an element of risk? Why some merchants who are earning well, put their hard-earned money to stake in manufacturing? Why technologists and engineers start their own industry instead of going for safe job? All these persons have high achievement motivation. They are unusually creative and they have high propensity of risk-taking capacity. They want to take personal responsibility. They tend to persist in the face of adversity and take moderate risks and like to know the results of their efforts.
McClelland found achievement motivation was lower among people of underdeveloped countries than among those of developed nations.

2) **Power Motivation (n-Pur).**

McClelland defines the power motivation as a desire to affect the behaviour of individuals and to control and manipulate the surroundings. This means one's desire to dominate and influence others by using physical objects and actions. Some people have drive for upward movement. They enjoy position, prestige and gaining influence over others.

This desire for power motivates people to establish human organizations and dictate them. This motive is so intense that some people become big business leaders and create their own empire.

3) **Affiliation Motivation (n-Aff).**

This refers to the need to establish and maintain friendly and warm relations with others. People as social animal desire friendship and association. They prefer co-operation rather than competition. People working in a group get more energy to undertake new responsibilities. The moral support of the group (may be relatives, friends, work group or any other social group) enhances the level of confidence and people prepare their mindset to accept the risk.

4) **Extension Motivation:**

Being sympathetic to others and helping others to fulfill their ambitions is called extension motivation. The entrepreneurs with extension motivation help others while doing their own business. They use their competence and brilliance for the benefit of society. They always feel that their happiness lies in the happiness and progress of others.

- **The Entrepreneurial Motivating Factors:**

Several research studies have been conducted in India to identify the factors that inspire entrepreneurs. R. A. Sharma (1980) has done pioneering study in this regard. Studies done by BEVVN Murthy (1986) and P. N. Misra (1987) are also prominent in identifying various motivating factors that prompted entrepreneurs to undertake business activities. K. Sadhak (1989) has also contributed towards detecting the factors that motivated entrepreneurs.

The motivating factors reported by above mentioned researchers are more or less similar. All these factors have been summed up as follows.

1) **Educational background / knowledge:**

The formal technical knowledge acquired through courses offered by renowned
educational institutions is found to have motivated entrepreneurs to enter into industry. The example of Mrs. Kiran Muzumdar-Shaw can be cited here. She did her graduation in Zoology and post graduation in brewing and malting, which prompted her to establish Biocon Ltd. The Company (Biocon) started with the seed capital of just Rs.10,000/- is now a multi-billion dollar company.

2) Occupational / Business experience:

The occupational background or enough business experience in a particular line of business motivates the people to become entrepreneurs.

3) Desire to do something new:

Creativity is the outcome of dynamic human brain. Some people always strive to do something new and innovative. The strong desire to do something new and independent in life prompts entrepreneurs to be in the business.

4) Family background:

The entrepreneurial activities of fore fathers prompt the next generations to take up business activities. In India, the business background of family has motivated the people to enter into business. For example, Tatas, Birlas, Ambanis, Kotaks, Kirloskars etc.

5) Government assistance and support:

Easy financial assistance from institutional sources and many other kind of support prompt some people to undertake business activities. The assistance and support includes the following -

- Seed capital assistance.
- Easy availability of business loan and subsidy on it.
- Machinery on hire purchase.
- Leasing scheme.
- Factoring scheme.
- Availability of venture capital.
- Tax concessions.
- Export assistance.
- Training in technical and marketing aspects.
- Accommodation in Industrial Estates (such as sufficient open space / plot or factory shade etc.) and above all, the positive attitude of the government to help new entrepreneurs.

6) Encouragement from big business houses:

The success stories of big business also motivate the people to become entrepreneurs. Not only that, some big business houses stimulate entrepreneurs to take
up the production of allied or ancillary products. For example, automobile industry has motivated many medium and small entrepreneurs to undertake the production of halogen bulbs, horns and other accessories of vehicles.

7) **Promising demand for the product / service:**

Ever increasing or heavy demand for a particular product or service attracts people towards production of such product / service. There is an expanding market for some goods or services, the entrepreneurs find their ways in such areas. Recently it was found that there is increasing demand for ‘fitness’ service, hence a number of new entrepreneurs opened up their ‘fitness centres’ in big cities as well as in small towns.

8) **Unsound / weak units available at a cheap price.**

When some ailing industrial unit (financially weak or sick unit) is available at cheap price, this attracts the entrepreneurs to take up such unit and revive it. Interesting to note here that, Mr. Dhirubhai Ambani started production of cloth by purchasing a closed textile mill at Naroda. Further, Vidya Murkumbi and Narendra Murkumbi bought some ailing sugar mills and turned them around.

9) **Availability of labour and raw material.**

Availability of required type and grade of labour and material at competitive rates motivate people to undertake business activities. In Sivkashi, easy availability of labour comparatively at cheaper rates has motivated many entrepreneurs to start their business there. Calendar printing, match-box making and crackers-making businesses have flourished there. The labour cost behind these products is very less due to cheap wage rates there.

10) **Other factors.**

BEVNN Murthy et. al. have studied and classified the motivating factors in three broad groups as follows:

A) **Ambitious factors.**
   a) To make money.
   b) To continue family business.
   c) To secure self-employment.
   d) To fulfill desire of self / wife / parents.
   e) To gain social prestige.
   f) Making of descent living.
   g) Self-employment of children.
   h) Desire to do something creative.

B) **Compelling factors.**
   a) Unemployment.
b) Dissatisfaction with the job so far held.
c) Make use of technical or professional skills.
d) Revival of sick unit started by father.
e) Make use of idle or excess funds.
f) Maintenance of large family.

C) Facilitating factors.
   a) Success stories of other entrepreneurs.
b) Experience of business.
c) Inherited property.
d) Encouragement by family member / friends / relatives etc.

Previous employment in the same or other line of business.

3.5 Problems and Measures of Entrepreneurship Development:

The need of Entrepreneurship Development was highly underlined after the independence. The Central Government highlighted the significance of Entrepreneurship Development in its first industrial policy and announced its policy on Entrepreneurship Development. Further it is also stressed in all the subsequent industrial policies of the government. Accordingly central and state governments had undertaken the campaign of Entrepreneurship Development all over the country for more than 60 years. But unfortunately it has not gained substantial success. We find certain problems and drawbacks in the process and policies of Entrepreneurship Development which may be listed as follows:

(1) Lack of co-ordination in the Entrepreneurship Development organised by different institutes and agencies.

(2) Unwarranted number of institutes for Entrepreneurship Development leading to confusion about their area of functioning.

(3) Lack of priorities of requirements for a new entrepreneur.

(4) Lack of experts for guiding and counselling the prospective entrepreneurs.


(6) Lack of commitment on the part of Entrepreneurship Development institutes and state government.

(7) Non-availability and lack of resources for Entrepreneurship Development training programmes.

(8) Lack of follow-up the participants and Entrepreneurship Development training programmes.
(9) Low rate of success of Entrepreneurship Development programmes.
(10) Increasing number of sick units from small-scale industries sector.

**Remedial Measures :**

The problems of Entrepreneurship Development need to be attended and be solved without delay. The state government and the central government has adopted certain remedial measures for doing away the problems. Some important measures are suggested as follows:

1. Effective co-ordination in the activities of Entrepreneurship Development is essential. The state government shall initiate in this regard for effective co-ordination.
2. Single window scheme shall be introduced for prospective entrepreneurs.
3. Priorities of requirements for launching a business by new or prospective entrepreneurs shall be fixed.
4. Experts of particular area be appointed or be invited instead of government officials.
5. Long term policy of Entrepreneurship Development be formulated by the central as well as by the state governments.
6. Nursing activities for newly started business be initiated by the Entrepreneurship Development institutes to sustain the rate of successful entrepreneurs.
7. Budgetary provision and allocation of more funds by the state and central government is essential.
8. Post training follow-up need to be attended more meticulously.
9. Rehabilitation of SSI sick units be undertaken and more facilities be granted to new or first-generation entrepreneurs.
10. Differential schemes of Entrepreneurship Development programmes be introduced at district level viz. Entrepreneurship Development programmes for engineering graduates, programmes for science graduates, programmes for arts graduates, programmes for under-graduates etc.

The above measures if implemented seriously will certainly accelerate rate of Entrepreneurship Development.

**3.6 Institutions for Entrepreneurship Development :**

The state government and the central governments have established number of institutions for entrepreneurship development. These institutions undertakes the activities of Entrepreneurship Development at different level i.e. from local level to
national level. Some of the important institutions are as follows:

3.7 National Institute for Entrepreneurship and Small Business Development:

Central Government has established NIESBD in 1983 under the Societies Act. The headquarters of the institute is at New-Delhi. The main object of the institute is to co-ordinate and to supervise the different activities of Entrepreneurship Development for small business and SSI units. It also undertakes research work for searching out new ideas of business and new investment opportunities. It runs documentation centre for Entrepreneurship Development purpose at national level. It is the apex institution of Entrepreneurship Development.

Major functions of the institution are given below:

1. To improve the effectiveness of Entrepreneurship Development programmes at state and central level.
2. To accelerate the process of Entrepreneurship Development at different levels in the whole nation.
3. To organise training programmes for Entrepreneurship Development Trainers.
4. To undertake research for exploring new ideas of business and new investment opportunities.
5. To co-ordinate and supervise the different Entrepreneurship Development programmes at national and state level.
6. To sponsor Entrepreneurship Development programmes at national and international level.
7. To function as a national agency of Entrepreneurship Development for international purposes.
8. To accelerate the growth of small business through Entrepreneurship Development programmes.
9. To promote entrepreneurial culture in the country.

The institute functions through its executive council. The Industries Minister of the central govt. is ex-officio Chairman of the council and the state minister for industries of the central govt. is ex-officio vice-chairman of the council. The institute is ex-officio secretariat for National Entrepreneurship Development Board (NEDB) of the central govt. It also represents central government for Entrepreneurship Development activity of the nation.
3.8 Maharashtra State Centre for Entrepreneurship Development MCED:
Aurangabad.

The centre was established in 1988 by the state of Maharashtra. The Karandikar Committee was seen appointed to suggest recommendations for accelerating the process of Entrepreneurship Development in the state which recommended the establishment of this centre. The headquarter of the centre is at Aurangabad. The main object of the centre is to accelerate Entrepreneurship Development process and make it more broad based in the state. The centre has regional offices at Mumbai, Pune, Nagpur, Amravati, Nasik, Aurangabad and Kolhapur. Apart from these offices, it has deputed one project officer at each District Industries Centre (DIC) in the state.

The objectives of the centre may be stated as follows:

1. To transform the mindset of Marathi Community for Entrepreneurship Development and inject Entrepreneurial values in the community.
2. To search and identify the first-generation prospective Entrepreneur from the Marathi community and transform them into real Entrepreneur.
3. To stimulate urban and rural youth for making them entrepreneurs.
4. To organise training programmes for prospective entrepreneurs from Marathi community.
5. To provide consultancy services for launching business to aspirng youth of the Marathi society.
6. To inject and promote Entrepreneurial culture in Marathi community of the state.
7. To create Entrepreneurial atmosphere by conducting action programmes in the state.
8. To promote managerial skills of existing entrepreneurs of small-scale and medium scale industries sector.
9. To make Entrepreneurial generation of successful young entrepreneurs through scientific training, counselling and demonstration.
10. To accelerate the rate of growth of SSI, medium and cottage industries units for strengthening the economy of the state.

It performs different activities and conducts Entrepreneurship Development programmes for fulfilling its above objectives. It organises (1) Entrepreneurship Development programmes :EDP (2) Development programmes for self employment DPSE. (3) Vocational Training Programmes :VTP,(4) Management Development Programmes :MDP (5) EDP for women (6) EDP for youth (6) Workshop on project reports (7) Trainers Training programmes (8) Stimulation Training programmes
Entrepreneurs Literary Conventions (10) New Business research etc for ED It provides library services, new-paper cuttings facilities, counselling for project report, technical guidance, marketing techniques etc. Thus the role of MCED is highly appreciable for Entrepreneurship Development in the state.

3.9 Entrepreneurship Development Institute of India: EDII, Ahmedabad.

The institute was established in 1983 with its headquarter at Ahmedabad. It is promoted by IDBI, ICICI, IFCI and SBI jointly. Initially the institute was given the status of Apex institute for Entrepreneurship Development in India. But later on with establishment of NIESBUD, the central government granted the status of Apex Institution of ED TO NIESBUD.

The institute aims at research activities, training programmes and structuring institutional network in the field of Entrepreneurship Development. Promotion of Entrepreneurship Development in industrially under developed area and under developed rural areas is the major thrust of functioning of the institute.

The major objectives of the institute are given below:

(1) To enlarge the supply of entrepreneurs for accelerating the industrial development of the country.

(2) To undertaken entrepreneurship development activities in less-developed rural area for uplift of rural area.

(3) To develop small and medium enterprise sector, making it more broad based and distributed over regions.

(4) To generate greater potential of employment for rural youth especially.

(5) To provide self-employment to educate and less educated young boys and girls coming out or dropped out from schools and colleges, through Entrepreneurship Development programmes.

(6) To accelerate the growth of small-scale industries (SSI) and improve their performance through trained entrepreneur.

(7) To diversity and identity sources of Entrepreneurship leading to diversifying business ownership in India.

(8) To develop new programmes for Entrepreneurship Development and innovative techniques of training for Entrepreneurship Development trainers.

The institute has carried out experiments in the villages of U.P. and Orissa on rural Entrepreneurship Development during 20 years from its inception. The success rate of these experiments was higher as it was collaborated with voluntary organisations working in the villages. It also conducted experimental Entrepreneurship Development programmes for women in Gujarat. It offers Entrepreneurship
Development services to Kenya, Ghana, Shri-Lanka, Nepal and other commonwealth countries from Africa.

3.10 National Institute of Small Industries Extensions Training: NISIET, Hyderabad:

This national institute was set up by the Central Government in 1962. It is an autonomous body registered under the Societies Registration Act. The headquarter of the institute is at Hyderabad. The main activity of the institute is to organise training programmes for the expansion and growth of SSI sector of the country. The training programmes are conducted especially for the officials of the central and state government who are deputed for the developmental programmes of SSI units.

The important objectives of the institute are as follows:

(1) To conduct training programmes for Government Officers who are entrusted with the implementation of Development schemes of SSI sector.
(2) To organise management development programmes for enriching managerial skill of SSI Officers.
(3) To organise stimulation and training programmes on Area Development for the growth of rural and cottage industries.
(4) To conduct research activities for accelerating the development of SSI sector.

The institute undertakes different kinds of training programmes for fulfillment of above objectives. It conducts intensive short term courses on technical aspects of industrial management, financial management, production area, cost management, personal management etc. for the government officials working in SSI sector of the country.

3.11 Entrepreneurship Development Programme in India:

Pre-Independence Period:

Entrepreneurship Development had its origin in the ancient history of India. Sindhu Civilisation, being one of oldest civilization of India, highlighted many products and things indicating entrepreneurship and craftsmanship of local people. But it was very limited in nature. Mourya regime of 4th and 5th century B.C. registered excellent progress of Entrepreneurship Development in field of weaving, metal, gold ornaments, wood carving, leather products etc. The process of Entrepreneurship Development was slow until the British rulers came to India. Muslims, Mugals and Maratha Emperors gave protection to handicraft and cottage industries during their regions, leading to substantial development of Entrepreneurship in local people. The protection policies of the emperors gave a kind of stimulus and support for Entrepreneurship development in the country.
British rulers came in India and they started governing economic and political affairs of India through political agents. The protection policies towards handicraft, small and cottage industries was liberalized and further abandoned by the British rulers. They treated India as the market for British products, high taxes were levied on handicrafts and SSI product by the British. The British rulers levied taxes on 235 selected products heavily and 400% excise duty was also levied on exports to western countries. It ultimately affected very adversely on handicraft and small industries sector. The British intentionally adopted such a policy which had interrupted and disturbed the process of entrepreneurship development in India.

In spite of negative policies of the British Rules, 19th Century was born for entrepreneurship development. The first textile mill was set up in 1851 at Mumbai. The first coal mine was started in 1820 at Ranigunj. The first Jute mill was set up in 1854 in Bengal. Gujrathi, Parshi and Bengali people came forward and started number of mills and industries. It had given momentum to the entrepreneurship development against the negative policies of the British Rulers. By the end of the century, there were 194 textile mills, 286 coal mines and 36 Jute mills in India. Many new companies and industries were established in almost all sectors of the economy. It was the strong reaction of the people of India against the British rules and their policies. It was really a notable development of entrepreneurship.

The first half of the 20th century highly accelerated the process of Entrepreneurship Development on the eve of the notable historic events. First world war, world recession, second world war, Swadeshi Movement, Quit India Movement, Independence of the country, Appointment of Fiscal Commission etc. were events which generated greater momentum for entrepreneurship development.

Post-Independence Period :

The government of free India declared its commitment to accelerate the rate of development of the economy. The central government in its first industrial policy (1948) had given priority for Entrepreneurship Development in express statements. Even in all its subsequent Industrial Policies, special stress was given on Entrepreneurship Development. Accordingly, the state government also chalked out the policies for Entrepreneurship Development and further they established institutional network for it. Entrepreneurship Development Programmes (EDP) were organised at different levels. The Review of EDP in India is taken in the following paragraphs.

1) Entrepreneurship Development Programmes at National Level:

Central government, as per its industrial policies set up the institutional network of Entrepreneurship Development institutes at national level. These institutes were given the responsibility of undertaking Entrepreneurship Development Programmes at national level. NIESBUD, (New Delhi) EDII (Ahmedabad), NISIET (Hyderabad), SIDO, KVIB, TCO, SISI, REDI, SIDBI, IIC are some of the national institutes.
shouldering the responsibility of Entrepreneurship Development Programmes successfully. The different kinds of Entrepreneurship Development programmes viz. Training programmes, Orientation programmes, vocational guidance, Management Development, Trainees training, Officers training etc. are organised by these institutes. Most of the institutes conduct research activities for Entrepreneurship development programmes. These Entrepreneurship Development programmes contributed much for the growth of small, medium and cottage industries of India.

2) Entrepreneurship Development Programmes at State Level:

State governments also set up many institutes for Entrepreneurship Development Programmes purposes. Maharashtra Centre for Entrepreneurship Development (MCED) is one of the institute working for Entrepreneurship Development in Maharashtra. The state level institutes organise Entrepreneurship Development as per requirement of the state. They conduct training programmes for youth to identify prospective entrepreneurs. Necessary services and facilities with managerial and technical guidance are provided to the prospective entrepreneurs. Even consultancy services are provided for existing entrepreneurs.

3) Entrepreneurship Development Programmes at District and Local Level:

State and central institutes sponsor different kinds of Entrepreneurship Development Programmes at District and Taluka levels. As India is a country of villages, training programmes for villages are also organised. Certain programmes are developed for rural youth including men & women. Especially training programmes for handicrafts and cottage industries are conducted at village level. District Industries Centers are assigned Entrepreneurship Development Programmes and activities in the districts.

4) Entrepreneurship Development Programmes by NGOs:

Non-government organisations (NGOs) are also playing appreciable role for organizing Entrepreneurship Development Programmes. These NGOs conduct Entrepreneurship Development Programmes at all levels i.e. from national to local level. Especially those NGOs which are closely related with business, industries and commerce, had taken greater initiatives for Entrepreneurship Development Programmes. Indian Chamber of Commerce and Industries, National Youth Entrepreneurs Organisation, Indian Women Entrepreneurs Organisation, Self Employed Women Association, Maharashtra Women Entrepreneurs Organisation, Rotary clubs, Educational Institutes, Charitable Trusts etc. organise different kinds Entrepreneurship Development Programmes. Sometimes it may be in collaboration with government organisation also.

The central and state governments had made substantial financial provisions for Entrepreneurship Development Programmes in all five year plans. The Central government has set up “National Entrepreneurship Development Board” for formulating
national policy on Entrepreneurship Development. The growth of SSI units and
companies clearly indicates the development of entrepreneurship. The number of
SSI units was about one lakh in 1951, it increased to 118.53 units in 2004-05. The
number of registered companies was about 28,500 in 1951, now in 2005-06 it
increased to more than 7.00 lakhs.

3.12 Summary

In this unit we have briefly explained the concept of entrepreneurship
development, objectives of ED, process of ED, different problems encountered and
measures adopted, Central and State level institutions of ED, a brief review of EDP
in India, both at national, state and local levels.

3.13 Questions for self study

1. Explain the concept of Entrepreneurship Development and describe its
   objectives.
2. Describe the process of Entrepreneurship Development.
3. Define 'Entrepreneurship Development'. Explain the features of Entrepreneurship
   Development.
4. Describe the problems of Entrepreneurship Development. Suggest effective
   remedial measures against it.
5. Discuss the role of NIESBUD in the field of Entrepreneurship Development.
6. Describe the role of MCED AND EDII in the process of Entrepreneurship
   Development.
7. Write short notes.
   (1) E D P in India. (2) MCED
   (3) NISIET (4) EDII
   (5) Problems of Entrepreneurship Development.
8. Answer in short.
   (1) Explain the objectives of MCED.
   (2) State the objectives of Entrepreneurship Development.
   (3) Describe the role of EDII.
   (4) Discuss the problems of Entrepreneurship Development.

3.14 Field work

Carry out an Interview with District Industries Centre Officer regarding EDP in
the local district.
3.15 Addition Reading

i) E. Gordon, K. Natrajan - Entrepreneurship Development.
iii) Mahaurima Lall & Shika Sahae - Entrepreneurship.
iv) B. Erran Raju - Small industries in India.
v) Vasant Desai - Management of small scale Industries.
Unit - 4
Micro, Small and Medium Enterprises

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4.0 Objectives
4.1 Introduction
4.2 Definition of Micro, Small and Medium Enterprises
4.3 Importance of MSME
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4.0 Objectives:

1) To understand the concept of Micro, Small and Medium Enterprises.

2) To understand the importance of MSME sector in economy and study its problems.

3) To know about the MSME policy in India.
4) To discuss the role played by SIDCO, SIDBI and DIC.

4.1 Introduction:

The micro, small and medium enterprises (MSME) sector contributes to economic development of country in various ways. Its contribution towards manufacturing of a good variety of products and services, generating employment opportunities and increasing exports of the country is quite significant. There are around 6,000 products ranging from traditional products to high-tech items which are being manufactured by the MSME sector in India. Considering the contribution and potential growth of the sector, the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, was enacted to facilitate the development of these enterprises and enhance their competitiveness.

4.2 Definition of Micro, Small and Medium Enterprises:

It is imperative to clearly understand the definitions of micro, small and medium enterprises. The difference between these three types of enterprise is understood on the basis of investment ceiling, i.e. the total investment made in plant and machinery / equipments. The concept of 'enterprise' was broadened by Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 to include both ‘manufacturing’ as well as ‘service’ sector. The term 'medium enterprises' has also been defined under the said Act.

For the sake of definition, the MSM Enterprises are classified into two parts (i) Manufacturing Sector and (ii) Service Sector.

I) Manufacturing Sector:

a) **Micro Enterprises**: The enterprises engaged in manufacturing of goods and having investment in plant and machinery up to Rs.25 lakh are known as Micro Enterprises.

b) **Small Enterprises**: The enterprises engaged in manufacturing of goods and having investment in plant and machinery above Rs.25 lakh but does not exceed Rs.5 crore are known as Small Enterprises.
c) **Medium Enterprises:** The enterprises engaged in manufacturing of goods and having investment in plant and machinery above Rs.5 crore but not exceeding Rs.10 crore are known as Medium Enterprises.

II) **Service Sector:**

For service sector enterprises, the investment ceiling is as under –

a) **Micro Enterprises:** The enterprises engaged in rendering services and having investment in equipments up to Rs.10 lakh are known as Micro Enterprises.

b) **Small Enterprises:** The enterprises engaged in rendering services and having investment in equipments more than Rs.10 lakh but not exceeding Rs. 2 crore are known as Small Enterprises.

c) **Medium Enterprises:** The enterprises engaged in rendering services and having investment in equipment above Rs.2 crore but not exceeding Rs.5 crore are Medium Enterprises.

The above definitions of MSMEs engaged in manufacturing and service sectors can be summed up as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Manufacturing Enterprises (Investment in Plant &amp; Machinery)</th>
<th>Services Enterprises (Investment in Equipments)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro Enterprises</td>
<td>Up to Rs.25 lakh</td>
<td>Up to Rs.10 lakh</td>
</tr>
<tr>
<td>Small Enterprises</td>
<td>Above Rs.25 lakh and up to Rs.5 crore.</td>
<td>Above Rs.10 lakh and up to Rs.2 crore.</td>
</tr>
<tr>
<td>Medium Enterprises</td>
<td>Above Rs.5 crore and up to Rs.10 crore.</td>
<td>Above Rs.2 crore and up to Rs.5 crore.</td>
</tr>
</tbody>
</table>

The small and micro service enterprises include small road and water transport operation, small business, professional and self-employed persons and all other service enterprises falling under the investment ceiling.
4.3 Importance of MSME:

The contribution of MSME sector in the India’s economic development has been immense. This sector constitute an important segment of the industrial and service sectors of India due to their growth potential, employment generation, exports and their role as seedbed to new entrepreneurship.

The importance of MSME sector can be understood with the help of following points:

1) Industrial Output and Expansion of Service Sector:

In India, there are 25.1 million MSMEs out of which 7.3 million are engaged in manufacturing activities while 18.8 million units are engaged in providing services; and their per unit gross output is Rs.46.13 lakh (Source: Quick Estimates of 4th census (2006-2007)).

According to World Bank Report, in low income countries, with Gross National Product (GNP) per capita between $100 and $500, MSMEs account for over 60% of the GDP.

The sector currently accounts for about 39% of the manufacturing output. The MSME sector has been playing impressive role in expanding service sector of India.

2) Exports:

The MSME sector is important in increasing the exports and earning foreign exchange. According to government statistics, this sector accounts for about 40% of the total exports of the country.

3) Employment Generation:

The MSM Enterprises are mainly labour-intensive and generate immediate and large scale employment opportunities with relatively low investment. This is how they help to eradicate unemployment problem from the country. The employment generating capacity of this sector is eight times that of large-scale sector. According to Quick Estimates of 4th census (2006-07), the MSME sector has created 59.7 million employment opportunities and its per unit employment rate is 6.24.
4) Balanced Regional Development:

Large-scale industries are mostly concentrated in and around the big cities only. Resultantly, the small towns and rural areas are deprived of the benefit of industrialization and remain industrially backward. Due to unique features of MSME sector like low investment, use of local resources etc. it is possible to disperse the industries to all over the country covering small towns, villages and even hilly areas and remote corner of the country. This facilitates balanced regional development.

5) Use of local raw material and other resources:

Most of the MSM enterprises are based on the processing of locally produced raw materials. The MSMEs are dispersed all over the country, in all small towns, villages and even backward areas, which helps to tap the local resources such as raw materials (e.g. agricultural produce and minerals etc.) idle savings etc. The MSME sector encourages effective mobilization of country's untapped resources.

6) Equitable distribution of national income:

The growth of large-scale enterprises results in concentration of economic power in the hands of few people. However, the micro, small and medium sized enterprises are organized in the forms of proprietary or partnership concerns and the ownership is widely dispersed in rural and backward areas. Hence the income generated in large number of MSM enterprises is dispersed widely. The growth of MSME sector ensures a more equitable distribution of national income.

7) Supplements large-scale industries and agriculture:

Most of the MSM enterprises are engaged in the manufacturing of ancillary products or the parts which are utilized by large-scale manufacturers. They also render special services to large-scale industries. Not only that, this sector is supplementary to agricultural sector as many of such units use agricultural produce and process them. Agro-based small units use the agro-products as raw material.

8) Training ground for local entrepreneurs:

MSME sector provides training ground for local entrepreneurs. This sector also provides the environment that encourages the entrepreneurs to grow. One the basis
of the skill and knowledge acquired, the small entrepreneurs may grow into medium to large-sized entrepreneurs.

9) Efficient use of productive factors:

The MSME sector uses the productive factor more efficiently which results in lower capital output ratio and higher labour capital ratio. A rupee worth of fixed assets produces almost seven times the output in small scale sector as compared to large scale industries. Furthermore, the value added per unit of capital is higher in MSME sector.

10) Impetus to local technology:

The present era is known for advanced and ultra modern technology of production. In this flood of technological advancement worldwide, the local technology, even though it is good, remains untapped. However, the MSME sector focuses on using local technology which gives life to it. MSME sector moves with less sophisticated technology.

11) Improves the level of standard of living:

Because of self-employment, more employment opportunities, income generation, demand-supply balance etc. the level of living standard of people improves.

4.4 MSME Policy of India:

MSME sector is of immense importance as it achieves the social objectives like generating more employment, removal of regional imbalance and economic backwardness of rural areas. By contributing its increasing share to the national production (GDP), employment and exports, the MSMEs also contribute to the economic development of country. However, these industries are also facing the problems regarding raw material, finance (credit), marketing and under utilisation of capacity etc.

After independence, the small scale industry was considered as the natural vehicle for correcting the regional imbalances. Further, when the problem of unemployment began to take an acute form, the ability of the small industry to
provide job at a comparatively lower cost made it an attractive pattern for the planner and the administrator. The SSIs were incorporated in the ‘Priority Sector’ and attempts were made solve their problems and to help them through subsidies, incentives, concessions etc. The importance of small scale industry was underlined in the Industrial Policy Resolution, 1948. The Small Scale Industries Board adopted the idea of establishing Industrial Estates as a tool for production of small industry. Accordingly, the first Industrial Estate was set up at Rajkot in 1955.

(ii) Five Year Plans:

In all five year plans, the Government of India has focused on promotion and development of small scale sector. The crores of rupees were earmarked during each planning period for this purpose. Some of the major development initiatives are as follows:

1) National Small Industries Corporation was established in 1955 to supply machinery on hire purchase basis and to market their products.

2) Establishment of Industrial Estates / Industrial Zones / Industrial Parts.

3) The Government Stores Purchase Programme was introduced to provide assured market for the products of small scale industry.

4) Credit Guarantee Scheme was introduced in 1960 to encourage the banks to meet the credit requirement of SSIs.

5) Industrial Development Bank of India (IDBI) was set up in 1964 to have flow of funds to SSI sector.

6) Certain goods were reserved to be manufactured exclusively for small scale sector to protect them against the competition from large industries.

7) A variety of promotional measures were introduced in 1970 to boost export from small scale sector.

8) Entrepreneur Development Division was set up by the Small Industrial Development Organization (SIDO).
9) In 1971, the Govt. of India introduced the Central Investment Subsidy and announced Income tax concessions in 1973 to stimulate investment in backward regions.

10) The interest subsidy scheme was implemented in 1973 for the benefit of engineers and technocrats.

11) District Industries Centres were set up in 1978 to provide various services to small scale sector under one roof at district level.

12) The buffer stock of raw materials was built to ensure supply of critical inputs in time.

13) In May, 1986, the Small Industries Development Fund was launched, under IDBI, for the development, expansion, diversification and also rehabilitation of small units.

14) The 8th plan reaffirmed that new opportunities would be generated in SSI sector so that the weaker sections of the society could be able to participate and benefit from it.

(II) Era of 1991-1999:

On 24th July 1991, the New Economic Policy characterized by Liberalization, Privatization and Globalization (LPG) was introduced by the then Prime Minister Mr. Narsimha Rao and the then Finance Minister Mr. Man Mohan Singh.

The New Policy for Small and Tiny and Village Enterprises was announced on August, 1991, which laid the framework for Government support in the context of liberalization. The new policy replaced protection with competitiveness to infuse more strength and growth to Micro & Small Enterprises in the face of foreign competition and open market.

The supportive measures were as follows:

a) Improvement in infrastructure.

b) Improvement in technology and quality.

c) Testing centres were set up for quality certification.
d) New Tool Rooms and Sub-contracting Exchanges were established.

e) Establishment of SIDBI and Technology and Modernization Fund (TMF) was set up to extend finance and technical services.

f) To facilitate prompt payment of dues to SMEs 'Delayed Payment Act' was enacted.

g) Industrial Infrastructure Development Scheme (IID Scheme) was launched to establish Mini-Industrial Estates for small industries.

h) Revision of investment limit in plant and machinery for small scale enterprises.

i) More emphasis on the promotion of village industries.

j) Promotion of export-oriented and import-substitution industries.

k) Establishment of nucleus plants and ancillary industries.

l) Import and transfer of technology.

m) Creation of buffer stocks of critical raw materials.

n) Attempts were made to introduce Limited Liability Partnership Act to enhance the supply of risk capital to SSI sector.

o) Factoring services through SIDBI to avoid delayed payment.

(III) Era of 1999-2005:


a) Ministry of SSI, Agro and Rural Industries was set up to focus on problems of SSI.

b) Turnover limit was raised from Rs.4 crore to Rs.5 crore.

c) Working capital limit – 20% of annual turnover.

d) Credit Insurance Scheme launched to provide security to banks and improving the credit-flow to SSIs, particularly export-oriented and tiny units.

e) Tiny industries were included in primary sector for lending purpose.
f) Establishment of cell to disseminate latest trade information to SSIs.

g) National Programme for Rural Industrialization was announced with a mission to set up 100 rural clusters every year to give a boost to rural industrialization.

Policy Initiatives in 2004-05:

a) No. of items reserved for exclusive manufacture in SSI sector decided to 506.

b) Investment limit in plant & machinery was raised to Rs.5 crore to facilitate technology upgradation.

c) Composite loan limit for SSI sector was raised from Rs.50 lakh to Rs.1 crore by the RBI.

d) Agro-processing industries were given high priority in credit allocation from Financial Institutions.

(IV) Micro, Small and Medium Enterprises Development Act, 2006:

A single comprehensive legislation was made for promotion and development of MSME sector in 2006 when the “Micro, Small and Medium Enterprises Development (MSMED) Act, 2006” was passed. Under this Act, the enterprises were classified into two categories namely (i) manufacturing & (ii) service enterprises. Not only that the terms ‘medium sector’ and ‘micro enterprises’ were defined for the first time.

In 2007, a third package for the Promotion of MSEs was announced.

On the whole, the policies for development of MSME sector initiated by central and state governments can be summed up as follows:

1) Providing infrastructure facilities at low rates; like piece of land (industrial plot/shed), water, electricity, drainage system etc. Reservation of industrial plots for MSMEs in MIDC.

2) Providing marketing facilities and assisting MSMEs to market their product in domestic as well as foreign markets.

3) Concessions in taxes, duties - Reduction in CENVAT rates and excise duties, sales tax etc.
4) Providing finance at low interest rates.
5) Preference in credit allocation by banks and financial institutions.
6) Providing incentives and subsidies.
7) Creation of two funds of Rs.2000 crores each in SIDBI – namely (i) Risk Capital – for risk capital financing, and (ii) Refinance Fund – for enhancing refinance capability for MSME sector.
8) Rehabilitation of weak and sick MSMEs.
9) Providing consultancy on technical matters.
10) Preference policies in respect of procurement of goods and services provided by MSEs.
11) Legal provision and protection to check delayed payments to micro and small enterprises.
12) Providing seed capital.
13) Providing entrepreneurial training.
14) Self-employment promotion schemes.
15) Special rebate and concessions for MSMEs establishing in industrially underdeveloped or backward areas.
16) Entrepreneurial training and motivational schemes for women entrepreneurs and backward class entrepreneurs.
17) Promotion of exports of goods produced by MSME sector through Export Promotion Councils.

4.5 Role of SIDCO:

Many state governments have set up Small Industries Corporations in order to develop the micro, small and medium enterprises. The State Industries Development Corporations (SIDCO) are set up in various states under Companies Act, 1956 to cater to the primary developmental needs of tiny (micro), small and medium and village industries in the State. There are 28 SIDCOs in the country.
Maharashtra government has established such corporations in big industrial cities particularly Nashik, Aurangabad and Thane etc.

The SIDCO primarily performs following functions for the promotion and development of micro, small and medium enterprises in the state:

1) Providing assistance in the form of term-loans.
2) Underwriting direct subscription to shares and debentures and guarantees.
3) Preparation of feasibility reports.
4) Conducting industrial potential surveys.
5) Conducting Entrepreneurship Development Programmes.
6) Developing industrial estates / industrial parks to provide a number of facilities at one place.
7) Providing technical guidance.
8) Providing assistance in plant locations and co-ordination with other agencies.
9) Equipment leasing and merchant banking services.
10) Assistance in procuring some scarce key raw materials like iron and steel, paraffin wax, fatty acids and potassium chloride etc.
11) Providing financial assistance in the form of subsidies to industrial units in backward areas.
12) Margin money assistance for the rehabilitation of sick SSIs.
13) Marketing assistance to small enterprises.
14) Trade fairs and exhibitions for marketing the products of MSME sector.
15) Promoting exports through Export Houses.

4.6 Role of Small Industries Development Bank of India (SIDBI):

The Small Industries Development Bank of India (SIDBI) was set up as a subsidiary of the IDBI by a special Act of the Parliament in October, 1989 to ensure larger flow of financial and non-financial assistance to the small-scale sector.
The SIDBI commenced its functioning from April 2, 1990 with its head office in Lucknow. The initial authorized capital of SIDBI is Rs.250 crores which can be increased by IDBI up to Rs.1000 crores.

4.6.1 Functions:

The SIDBI performs the following seven important functions.

1) Refinancing of loans and advances extended by primary lending institutions.
2) Granting direct assistance and refinancing for financing exports of SSI sector.
3) Discounting and rediscounting of bills.
4) Providing of factoring and leasing services.
5) Extending the seed capital / soft loan assistance under National Equity Fund, Seed Capital under Mahila Udyam Nidhi Scheme.
6) Extending financial support to National Small Industries Corporation.
7) Extending financial support to State Small Industries Development Corporation.

4.6.2 Thrust areas of SIDBI:

a) Technological up gradation and modernization of SSI sector.

b) Extending the channels for marketing the products of the SSI sector, and

c) Promotion of employment-oriented industries especially in semi-urban areas.

4.6.3 Role of SIDBI:

The SIDBI plays significant role in providing financial assistance and in development of micro and small industries sector. The SIDBI’s financial assistance to SSIs is channeled through the existing credit delivery system comprising State Financial Corporations, State Industrial Development Corporations, Commercial Banks and Regional Rural Banks. The SIDBI’s role in development of small-scale sector can be understood with the help of following points.

1) Introduction of new Schemes:

The SIDBI introduced two new schemes during 1992-93. They were (a) Equipment Finance Scheme – for providing direct finance to existing well-run small-
scale units taking up technology upgradation or modernization. (b) Refinance – for resettlement of voluntarily retired workers of NTC.

During 2008-09 and 2009-10, the IDBI has disbursed Rs.2301 crores and Rs.2685 crores respectively as direct finance for modernization and technology upgradation.

2) Working Capital Finance:

Truly speaking, it is ‘Receiveable Financing’. It is a new scheme launched by SIDBI. Under this scheme, the finance is provided against the bills receivable by the SSI units for the credit sales made to big or large-scale industries.

In the year 2008-09 and 2009-10, the SIDBI sanctioned Rs.229 crores and Rs.292 crores respectively and disbursed actually Rs.198 crores and Rs.164 crores respectively, as direct working capital, and it disbursed Rs.4050 crores in 2008-09 and Rs.6134 crores in 2009-10 as receivable finance.

3) Refinancing:

When the banks and financial institutions provide finance to SSI sector, the SIDBI refinance it to them. In 2008-09, the SIDBI has actually refinanced Rs.17,437 crores to public sector banks and Rs.17,325 crores to State Finance Corporations; and in 2009-10 Rs.1,096 crores were refinanced to public sector banks and Rs.1,260 crores to State Financial Corporations.

4) Resources Support to Institutions:

It is a kind of refinancing provided to the organizations / institutions which provide the resources to SSI sector on credit such as machinery, equipments, technology, raw material, technical consultancy, managerial consultancy, financial assistance, factoring etc.

In the year 2008-09 and 2009-10, Rs.1,197 crores and Rs.1,502 crores were given as refinancing respectively under this scheme.

5) Non-fund based facilities:

The SIDBI also provides special facility of providing Credit Guarantee Letter to SSIs to facilitate them to avail credit (loan) from banks and buy goods/materials on
credit. In the financial year 2008-09, such letters were granted for the credit of Rs.353.28 crores and in 2009-10, for Rs.136.38 crores.

6) Venture Capital Fund:

The SIDBI has launched another new scheme of Venture Capital Fund exclusively for small-scale units, with an initial corpus of Rs.10 crores.

7) Financial Support to NSIC:

The SIDBI provides the financial support to National Small Industries Corporation for providing leasing, hire-purchase and marketing support to the industrial units in the small-scale sector.

8) Disbursements to backward areas:

The SIDBI also provides the financial assistance to the SSIs established in the backward areas of the country.

9) Micro-finance:

The micro-finance is provided to the artisans belonging to the lowest strata of the society. By end March, 2010, the SIDBI has disbursed the micro-finance of Rs.6,068 crores.

4.7 District Industries Centers (DICs):

The District Industries Centers (DICs) programme was started on May 8, 1978, with a view to provide integrated administrative framework at the district level for promotion of small-scale industries in village areas. Each district has a DIC at its headquarter. However, the metropolitan cities of Delhi, Mumbai, Kolkata and Chennai have been kept outside the purview of the DIC. The DICs provide all services and facilities to village and small industries under one roof. The DICs are the single window interacting agencies with the entrepreneur at the district level. They are implementing arms of the Central and State governments of the various schemes and programs. Registration of small industries is done at the DICs. At present there are 422 DICs operating in 431 districts of our country.
The management of the DICs is done by the respective State Governments. The organizational structure of the DICs consists of one General Manager (in the rank of Joint Director of Industries) four Functional Managers and three Project Managers to provide technical service in the area relevant to the needs of district concerned.

4.7.1 Role and Functions of DICs:

The DIC's role is mainly promotional and developmental. To achieve this, they perform the following main functions:

1) Conducting Industrial Potential Surveys:

DICs conduct the Industrial Potential Surveys in their respective districts keeping in view the availability of resources in terms of material and human skill, infrastructure and demand for the product etc. They also conduct the techno-economic surveys and identify the product lines. Accordingly, they provide investment advice to the entrepreneurs.

2) Identification of Entrepreneurs:

DICs identify and develop new entrepreneurs by conducting entrepreneurial motivation programs throughout the district.

3) Advice in Selection of Projects:

DICs appraise the commercial worthiness of various proposals and provide technical advice to new entrepreneurs for the selection of the projects suitable to them.

4) Registration of SSIs:

After selection of projects, the entrepreneurs are issued the provisional SSI Registration which helps them to avail the financial assistance from banks / financial institutions. DICs also do permanent registration of SSI units in the district.

5) Advice to Entrepreneurs:

DICs guide entrepreneurs in matters relating to the selection of the most appropriate machinery and equipment, sources of its supply and procedure for procuring imported machinery, assessing requirements for raw materials etc.
6) Purchase of Fixed Assets:

DICs sponsor the loan applications to TIIC, SIDCO and banks for the purchase of land and buildings and sanction Margin Money under Rural Industries Project Loan Scheme payable to other financial agencies for the purchase of plant and machinery.

7) Artisan Training Programmes:

DICs conduct the artisan training programmes in their respective districts. Not only that, they arrange for financial assistance from the Lead Bank or Nationalized Banks to village artisans and handicrafts.

8) Subsidy Schemes:

DICs assist SSI units and rural artisans to get subsidies such as power subsidy, interest subsidy for engineers, subsidy under IRDP etc. from various institutions.

9) Self-employment for unemployed educated youth:

This scheme was introduced in 1983-84 for youth between 18 to 25 years. Technocrats and women are given preference.

10) Action Plan:

DICs prepare the action plans for the industrial development of the district. These plans are coordinated with the District Credit Plans of the Lead Bank.

11) Fairs and Exhibitions:

DICs encourage the SSI units to participate in the fairs and exhibitions organized at State, National or International levels by providing free space for display of their products.

12) Recommending application to various organizations:

DICs help the new entrepreneurs to get power connection by pursuing with Electricity Board. They also recommend the applications for power tariff concessions and subsidies.
13) Helps to obtain credit:

DICs recommend loan applications of entrepreneurs to banks and financial institutions and help them to obtain credit. They keep liaison with banks and financial institutions and monitor flow of credit to small industries in the district.

14) Entrepreneur Development Programme:

DICs conduct Entrepreneurship Development Programmes (EDPs) in association with Small Industries Service Institutes (SISIs) and Technical Consultancy Organizations (TCOs) to develop entrepreneurial skills in the young entrepreneurs.

15) Revitalization of Sick Units:

DICs study the reasons of SSI’s being sick and take corrective actions to remove sickness and revitalize the sick SSI’s.

16) Managerial Consultancy:

In order to make SSIs dynamic and efficient, the DICs provide management consultancy to SSIs. They also conduct the Training Programmes, Workshops and Seminars for entrepreneurs to enhance their managerial competence.

17) Awards:

The entrepreneurs and their micro units are given State Level and National Level awards for excellent performance. To motivate the entrepreneurs, such awards are conferred for novel product, significant performance, excellent quality and export performance etc.

18) Credit Assistance to Micro Units:

For establishment and development of micro units, DICs extend credit/financial assistance to them, through following schemes: (a) Margin Money Assistance (b) Assistance under Equipment Leasing Scheme (c) Export Assistance (d) Loan for Cottage Industries (e) Assistance under State Incentives Scheme (f) Assistance
under coir development schemes (g) Financial Assistance for Modernization of MSME units (h) Financial Assistance under Self-employment Scheme (i) Prime Minister Rojgar Yojana etc.

19) Other roles:

Apart from above the DICs also perform the following functions for MSME sector.

- In-plant study and research.
- Motivation for generation of non-conventional energy.
- Help and guidance for pollution control.
- Availing raw material to SSIs.
- Marketing assistance etc.

4.8 Problems of Micro, Small and Medium Enterprises (MSMEs):

Micro, Small and Medium Enterprises (MSMEs), including Khadi and Village or Rural Enterprises constitute an important segment of Indian economy in terms of their contribution to country’s industrial production, employment, exports and creation of an entrepreneurial base. This sector has contributed its increasing share to the national production and overall economic development of the country. However, MSME sector is also plagued by a variety of problems as follows:

1) Problem of Raw Material:

The great problem faced by MSME sector is of availability of raw material of right quality, in right quantity, at right price and at favourable terms and conditions. MSMEs have limited capital hence they can’t maintain high level of inventory. Generally they face multifold problems regarding raw material, for example, the regular supply of raw material is not assured, they get raw material at exorbitantly high prices, the supply of raw material made to them is against unfavourable conditions and many times they get sub-standard raw material. Because of these problems, the cost calculations of MSMEs get disturbed, there is constant fear of
stoppage of production or delay in production and the quality of final product is likely to be hampered.

The MSMEs dependent on local resources for raw material requirements do not face severe problem. But, the units which use imported raw material frequently face more intense problems. Acute raw material problem is faced by steel based units, rubber units and handloom industry. The weavers face double exploitation at the hands of cotton traders who supply them cotton at high prices on the basic condition of selling them cloth at the prices determined by the traders, which is generally very lower than market.

2) Problem of Finance:

The problem of finance of MSME sector is mainly due to two reasons; firstly, it is due to scarcity of capital in the country as a whole because of low rate of capital formation and secondly, it is due to weak creditworthiness of MSMEs.

Because of their weak economic base and less credibility, they find it difficult to take financial assistance from commercial banks and financial institutions. They are, therefore, forced to obtain credit from private money-lenders (Savakars / Mahajans) at a very high rate of interest.

Most of MSMEs are either proprietary concerns or partnership firms and prefer to depend upon internal and private sources of finance. Further, due to shortage of funds, they are unable to install modern machinery and maintain well-organised and fully equipped factories.

It is true that the availability of institutional credit to small-scale industries has been certainly increasing. However, it is the fact that due to their 'less credit worthiness' or 'inability to give security', they do not get adequate finance from these institutions.

3) Problem of Marketing:

The MSMEs face the biggest problem of competition from large-scale industries, in marketing their products. The small units do not have their own marketing organizations or agencies. Further, their products are often not standardized and of variable quality. Due to weak financial position, they are unable
to spend on branding, good packaging and advertisement. Due to these difficulties, many small units sell their products to large units at low prices. Further, their payment is delayed by large units, which further aggravate the problem of raw material.

The National Small Industries Corporation (NSIC) and Small Industries Development Corporations (SIDCOs) assist the MSMEs to get government orders for their products. Further, the Trade Fair Authority and State Trading Corporation help small-scale industries to market their products. However, these arrangements and efforts are inadequate.

4) Problem of under-utilization of capacity:

Underutilization of production capacity is an inherent problem of MSME sector. The small industries hardly use 50% to 60% of their capacity. The study made by Arun Ghosh (1972) revealed that mechanical engineering industries use only 47% of their capacity, units engaged in electrical equipment use 50% capacity; 58% capacity was used by automobile ancillary industries, 55% in leather products and only 29% in plastic products. It means that at least 40% to 50% of capacity of MSME sector goes waste.

The major reason behind less capacity utilization by MSMEs is frequent power cuts (load shading), secondly small units do not afford to go in for alternative power sources such as use of generators or installing own thermal power plants.

5) Problem of Technology:

Most of the MSMEs use only obsolete and outdated technology and old machineries and equipment. Due to lack of adoption of latest technology, small units can not produce good quality products and cannot have higher productivity. The small industries being financially weak cannot undertake research and development activities.

6) Problem of Recovery:

Due to inability of marketing the products on their own, they are forced to sell their products to large industries on credit basis. The large-scale industries delay the payments on bills receivables. This hampers the circulation of working capital of
small industries. Government of India has passed the Delay in Payment Act to improve this situation.

7) **Deficient Managerial and Technical Skills:**

The small industries do not afford to appoint expert and competent professional managers to manage their business, due to low salary-paying capacity. Because of this, the modern managerial techniques and skills can not be utilized. Resultantly, most of the small units become technologically backward and managerially inefficient and hence sick units.

8) **Labour Problem:**

Most of MSMEs are labour-intensive. However, due to their inability to pay higher wages, they can not attract qualified, efficient and competent human resources. Further, the labour force leaves their present jobs when they get high-paying jobs elsewhere. This creates the problem of high labour-turnover. Moreover, many of the small units face the problem of labour absenteeism.

9) **Less Competitiveness:**

As the small-industries have less capital base, outdated technology, no marketing arrangement; they can not face competition with large-scale industries.

10) **Other Problems:**

In addition to above-mentioned problems, the MSME sector has been constrained by a number of other problems, as follows:

- Lack of organized market channels.
- Imperfect knowledge of market conditions.
- Unorganized nature of operations.
- Constraint of infrastructure.
- Poor accounting system.
- Ignorance of various laws relating to business such as Labour Laws, Environment protection, Consumer Protection Act, Sales Tax Act, Laws relating to exports etc.
• Lack of knowledge about tax-related matters.
• Inadequate estimate of cash requirements.
• Lack of quality consciousness etc.

4.9 Unit Summary:

Micro, Small and Medium Enterprises constitute an important segment of the industrial and service sectors of India due to their growth potential, employment generation capacity, exports and their special role as seedbed to new entrepreneurship. One-man show, lesser gestation period, low resources, catering to the local demands, labour-intensive hence employment generation and decentralization of industries over all regions of a country, are the chief characteristics of MSME sector. This sector has encompassed the variety of activities like manufacturing, servicing, retailing, financing, construction, pharma and infrastructure etc.

Considering its significant role in economic development of country, Government of India has evolved a number of institutions and policies. A number of national level and state level institutes strive for the promotion and development of MSMEs in India.

There was a longstanding demand from entrepreneurs, small industry associations and related stakeholders for a single comprehensive legislation. Accordingly, the “Micro, Small and Medium Enterprises Development (MSMED) Act, 2006” was passed by Parliament of India. This Act takes the measures for promotion, development and enhancement of competitiveness of micro, small and medium enterprises. However, the MSMEs are still facing acute problems of raw material, inadequate finance, marketing, under-utilization of capacity, outdated technology etc.

4.10 Key words:

1) MSMEs: Micro, Small and Medium Enterprises.

2) Labour-intensive: The units making more use of labour than machines/capital.
3) Credit Allocation: Loan disbursed by banks or financial institutions to small-industries.

4) Micro-finance / Micro-credit: Financial assistance (loan) in very small quantity.

5) Gestation period: The period required for establishment of business unit and actual production.

6) Venture capital: The capital invested in high-tech high-risk projects.

7) IRDP: Integrated Rural Development Programme.

8) SSIs: Small Scale Industries.

4.11 Check your progress:

Q. Select appropriate answers.

1) In manufacturing enterprises, there should be maximum investment of Rs. ............... in plant and machinery, for being called as micro enterprise.
   (a) 10 lakh  (b) 25 lakh
   (c) 30 lakh  (d) 50 lakh

2) If there is an investment above Rs.2 crore but up to Rs.5 crore in equipment, this unit is known as ............
   (a) medium service enterprise  (b) small manufacturing enterprises
   (c) medium manufacturing enterprise  (d) none of these.

3) The first Industrial Estate was established in Rajkot in ............
   (a) 1950  (b) 1955
   (c) 1965  (d) 1975.

4) SIDBI started its operations on ............
   a) 2 January 1986  (b) 2 April 1986
   c) 2 January 1990  (d) 2 April 1990.
5) In India, DICs programme was started on ............
   (a) 8 May 1977  (b) 8 May 1978
   (c) 8 May 1979  (d) 8 May 1980

4.12 Answers to check your progress:
(1) 25 lakh
(2) (a) Medium service enterprise
(3) (b) 1955
(4) (d) 2 April 1990
(5) (b) 8 May 1978

4.13 Questions:

(I) Essay type questions:
   1) What do you mean by MSM Enterprises? What is the importance of Micro,
      Small and Medium enterprises in the economic development of a country?
   2) Explain the policy regarding micro, small and medium enterprises in India.
   3) Explain the role of District Industries Centers in promotion and
devlopment of MSMEs.
   4) What are the problems of micro, small and medium enterprises?

(II) Short-answer type questions:
   1) Define micro, small and medium enterprises.
   2) What is the importance of MSM Enterprises?
   3) What is the role of SIDCO?

(III) Write short-notes:
   1) Role of DICs.
   2) Role of SIDCO.
3) Role of SIDBI.
4) Problems of MSMEs.

4.14 References for further reading:

3. Dr. C.B. Gupta and Dr. N.P. Shrinivasan, “Entrepreneurial Development” – Sultan Chand and Sons, New Delhi, Ed. 2010.
5.0 OBJECTIVES
The objectives of this unit of study are -
1. To introduce the concept of women entrepreneurship.
2. To indicate the prospects of women as entrepreneurs.
3. To highlight the problems and remedies

5.1 INTRODUCTION
It is a general belief in many cultures that the role of women is to build and maintain the homely affairs like task of fetching water, cooking and rearing children. Since the turn of the century, the status of women in India has been changing due to growing industrialization, urbanisation, spatial mobility and social legislation. With the spread of education and awareness, women have shifted from kitchen to higher level of professional activities.

Entrepreneurship has been a male-dominated phenomenon from the very early age, but time has changed the situation and brought women as today's most memorable and inspirational entrepreneurs. In almost all the developed countries in the world women are putting their steps in line with the men in the field of business. Except some Islamic countries of the world the law of the country has been made in favour of the development of women entrepreneurship.

This presentation is designed in four different sections. The first one which is continuing under the head ‘introduction’ depicts a general view of women entrepreneurship and the organisation of the article. The next section deals with the modern avenues of the women entrepreneurs. The third section involves the study of Central Government's scheme for the women entrepreneurs and the last section contains the conclusion of the discussion.

5.2 DEFINITION
Women Entrepreneurs may be defined as the women or a group of women who initiate, organize and operate a business enterprise. Government of India has defined women entrepreneurs as an enterprise owned and controlled by women having a minimum financial interest of 51% of the capital and giving at least 51% of employment generated in the enterprise to women. Like male entrepreneurs women entrepreneurs have many functions. They should explore the prospects of starting new enterprise;
undertake risks, introduction of new innovations, coordination administration and control of business and providing effective leadership in all aspects of business.

5.3 MODERN AVENUES OF THE WOMEN ENTREPRENEURS

The efforts of Udyogini an NGO may be cited here as an example for development and training of women entrepreneurs. Udyogini was set up to co-ordinate and facilitate management training for grassroots women’s groups for the World Bank Institute-funded Women’s Enterprise Management Training Outreach Program (WEMTOP). This was a three-year participatory action learning project aimed at strengthening the capacity of intermediary NGOs to deliver management training to poor women micro entrepreneurs in 1992. The training program consisted of Grassroots Management Training (GMT) carried out for women producers and the Training of Enterprise Support Teams (TEST) for the trainers of GMT. The trainings were carried out through NGOs who were responsible for group formation and bringing together the women. NGO staff was trained as trainers or Enterprise Support Teams (ESTs).

The project was based on a package completion approach. It was recognized that training alone would not be sufficient for promotion of enterprises. A number of other linkages - forward and backward - would be necessary. However it was thought that the field based NGOs will provide these other linkages. During the WEMTOP phase, Udyogini worked with 21 Voluntary Organizations (NGOs) in three states of Orissa, Bihar, and Rajasthan. A total of 130 trainers and 1,077 producer women were trained.

It was exciting that Udyogini was able to train so many women and NGOs that worked with women. But more was needed—especially as the markets were getting more complex. To remain strategic and inform its training programs for others, Udyogini needed to work directly at the grassroots to understand what it takes to take women all the way through from ‘mobilization to market’. So, in 2002, Udyogini began direct implementation at the grassroots. It selected sectors of the economy in which women were concentrated and in which depth and scale were required to be demonstrated to make a difference. It selected regions that offered a resource base – skills or natural resources that were required to be harnessed for enterprise and to empower women. It selected locations that were challenging and where women were not being supported for micro enterprise work in any significant measure by government or NGOs.

Udyogini has come a considerable distance since its inception and has acquired critical knowledge of gender and micro enterprise promotion at the grassroots both through its support work with partner NGOs and its programs in the field.

5.3.1 SCHEME FOR WOMEN ENTREPRENEURSHIP
In order to alleviate the problems faced by women entrepreneurs, Government of India launched the scheme Trade Related Entrepreneurship Assistance and Development of Women (TREAD) in 1998. The scheme envisages development of micro/tiny women enterprises in the country both in the urban and rural areas. The main objective of the scheme is to empower women through development of their entrepreneurial skills by eliminating constraints faced by them in their sphere of trade. A revised scheme of TREAD was launched in May, 2004. It is to be implemented by Small Industries Development Organisation. It also provides for market development and financial loans through NGOs, which are also provided grants for capacity building. This assistance is to be provided for self-employment ventures by women for pursuing any kind of non-farm activity.

The scheme has three components;

(a) To provide assistance to women entrepreneurs through NGOs for non farm entrepreneurial activity.

(b) To build up capacity of Entrepreneurship Development Institutions like National Institute for Small Industry Extension & Training (NISIET), Small Industries Service Institutes (SISI), State level EDIs, etc., by providing financial support in the form of Government of India grant.

(c) To create entrepreneurship development training facility through NGOs by providing financial support for conducting training programmes.

5.3.2 DEVELOPMENT OF WOMEN ENTREPRENEURS – RECENT TRENDS

All women who have accomplished great things have had a great aim and had fixed their gaze on a goal which was so high. This is the secret behind the success of every women entrepreneur who had thrown away the fear in their thought and transpires out with thundering spirit.

Several national and international organizations and agencies have appreciated the need for and importance of developing women entrepreneurs in recent years. A brief review of it is given here.

The United Nations declared the decade 1975-85 as the Decade for Women. The World Conference of the United Nations Decade for Women held at Copenhagen in Denmark on 30th June 1980 adopted a programme aimed at promoting full and equal opportunities and treatment of women in employment and their access to non-traditional skilled trades.

The First National Conference of Women Entrepreneurs held at New Delhi in November 1981 advocated the need for developing women entrepreneurs for the overall development of the country. It called for priority to women in allotment of
land, sheds, sanction of power, licensing etc.

The Second International Conference of Women Entrepreneurs organized by the National Alliance of Young Entrepreneurs (NAYE) held in 1989 at New Delhi also adopted certain declarations involving women's participation in industry.

The Government of India has been assigning increasing importance to the development of women entrepreneurs in the country in recent years. The Sixth Five Year Plan, for example, proposed for promoting female employment in women-owned industries. The Government moved a step forward in the Seventh Five Year Plan by including a special chapter on Integration of Women in Development. The chapter suggested:

* To treat women as specific target groups in all development programmes and involve them in decision making process.
* To devise and diversify vocational training facilities for women to suit their varied needs and skills.
* To promote appropriate technologies to improve their efficiency and productivity.
* To provide assistance for marketing their products.

The percentage of business units started and operated by women in the U.S. is less than those started by men. However, the number is increasing at a rapid rate. For example, the number of female sole proprietors was 3,104,029 or 22% of all sole proprietors, according to the Internal Revenue Service, U.S.

Women entrepreneurs can also hire professionals, trained under Small Industry Management Assistant's Programme (SIMAP) of Small Industries Development Bank of India (SIDBI).

**Areas of Business Opportunities for Women Entrepreneurs**

<table>
<thead>
<tr>
<th>Area</th>
<th>Rank</th>
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<tbody>
<tr>
<td>Cosmetics and Beauty Parlors</td>
<td>01</td>
</tr>
<tr>
<td>Garments and Textile Items</td>
<td>02</td>
</tr>
<tr>
<td>Education and Training</td>
<td>03</td>
</tr>
<tr>
<td>Interior Decoration</td>
<td>04</td>
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<tr>
<td>Nursery and Creches</td>
<td>05</td>
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<tr>
<td>Handicrafts</td>
<td>06</td>
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<tr>
<td>3P’s (Pickles, Powder [spices] and Papad)</td>
<td>07</td>
</tr>
<tr>
<td>Consultancy Services</td>
<td>08</td>
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5.4 POTENTIALS

Women as entrepreneurs. It is estimated that women entrepreneurs presently comprise about 10% of the total number of entrepreneurs in India, with the percentage growing every year. If the prevailing trends continue, it is likely that in another five years, women will comprise 20% of the entrepreneurial force. With corporates eager to associate and work with women-owned businesses, and a host of banks and non-governmental organisations keen to help them get going, there has rarely been a better time for women with zeal and creativity to start their own business.

Endowed with the famous female intuition that helps them make the right choices even in situations where experience and logic fail, women have innate flair for entrepreneurship. Although men and women may be motivated by different goals and expectations (In her book, When Money Isn’t Enough, Connie Glaser reports that male entrepreneurs are motivated by the potential to earn lots of money, while women start their own companies because they seek greater control over their personal and professional lives) women entrepreneurs are just as competent, if not better, than their male counterparts.

Women are more likely than men to admit when they do not know something and ask for help. They are natural networkers and relationship builders, forging powerful bonds and nurturing relationships with clients and employees alike. They are also more inclined to seek out mentors and develop supportive teams. In business this translates into establishing rapport with clients and providing great customer service. This perhaps is the reason why many women tend to launch businesses that are client based or service-oriented. Enterprising Women—a History, Oprah Winfrey

Rising above her troubled past, Oprah has become one of the most successful businesswomen around and frequently ranks in Fortune’s list of the richest people in the world. She owns about 90% of HARPO Productions and her wealth is estimated at $1 billion. Though she claims to know little about business, this mere figure suggests differently. She continues to be an inspiration to women (and some men) around the world and her non-assuming business acumen will keep her at the pinnacle of business success.

5.5 PROBLEMS FACED BY WOMEN ENTREPRENEURS
Life for a woman entrepreneur is not a bed of roses. The individual woman entrepreneur single-handedly faces a plethora of seemingly endless problems. The grievances are:

1. **Socio – Personal Problems**

   Women, especially in our country, face certain problems, which are different from their male counterparts, in the course of starting and managing their own businesses. The management of domestic commitments and child care support are the two issues where women have to play a greater role.

2. **Marketing Problems**

   Marketing is another area, which very often proves to be the graveyard of many small-scale women entrepreneurs. It has been found that the small-scale entrepreneurs, owing to their high achievement orientation, generally set higher goals in terms of marketing of their products or services but later on find them difficult to achieve because of heavy competition, incurring huge advertisement cost and many other extraneous factors.

3. **Occupational Mobility Problems**

   Occupational mobility, such as shifting from one product line to another is an area where women entrepreneurs are generally found to be more at a disadvantageous position than their male counterparts.

4. **Government Assistance Problems**

   The women entrepreneurs were exasperated by the indifferent attitude of government officials of all the small industry related departments like taxation, labour, power, etc. i.e. when the authorities come to know that the unit is being run by a woman, they discourage allotting sales tax number and giving electricity connection. Above all they have ignorance about various procedures, laws, and complicated bureaucratic set-up while dealing with entrepreneurial support organizations.

5. **Financial Problems**

   Typically women entrepreneurs of small scale enterprises start well but some where down the line in their day-to-day operations they miss the route to success. In more than half such cases the reasons identified can be attributed to financial mismanagement. Financial support as well as financial viability, therefore, is the most important considerations of any business proposition.

6. **Production Problems**

   Production in a manufacturing enterprise involves coordination of a number of activities. While some of these activities are in the control of entrepreneur there are others over which she has little control. Improper coordination or unintended delay in execution of any activity is going to cause production problems in the industry.
7. Personnel Problems

Efficient management of human resources is an important factor in determining the growth and prosperity of business enterprise. This is particularly true in case of small industry where the owners have to forge a close and more personal association with their employees. The women entrepreneurs also expressed their inability to change the negative attitude of labour force while some of them complained of unionism amongst them. Moreover the women entrepreneurs admitted the lack of experience and self-confidence on their part to deal with personnel working in their organizations.

5.6 REMIDIES

Following are tips to help women business owners to succeed:

* DON’T UNDERVALUE YOURSELF.

Women tend to give away too much and charge too little, Learned says, especially those in service-based businesses, women in the service industry adopt value-based fees, rather than hourly.

* REMEMBER WHY YOU STARTED YOUR OWN COMPANY.

Women can quickly lose site of their desire to have a balanced life in the face of a demanding new business.

* NETWORK, BUT IN A WAY YOU FEEL COMFORTABLE WITH.

Many people who go into business for themselves flock to networking groups because they believe it’s the smart thing to do. This is true for men as well as women. But depending on their personality and preferences, these groups may not be the best forum for networking.

* DON’T BE AFRAID TO PROMOTE YOURSELF.

If the business is to thrive, women must market themselves and take credit for their achievements. If women don’t market their business, no one will know what they have to offer.

Programme for Empowerment of Women

Women’s Empowerment is critical to the socio-economic progress of the community. Bringing women into the mainstream of national development has therefore been a major concern of the Government.

* The Ministry of Rural Development has special components for women in its programmes. Funds are earmarked as “Women Components” to ensure flow of adequate resources for the same.
The major schemes, having Women’s Component, include the Swarnajayanti Gram Swarojgar Yojana (SGSY), the Jawahar Gram Samriddhi Yojana (JGSY), the Indira Awas Yojana (IAY), the National Social Assistance Programme (NSAP), the Restructured Rural Sanitation Programmes, the Accelerated Rural Water Supply Programmes, the Integrated Rural Development Programme (IRDP), the Development of Women and Children in Rural Areas (DWCRA) and the Jawahar Rozgar Yojana (JRY).

Conclusion

“Only a life lived for others is a life worthwhile”. Yes. Today there is a greater awakening among women. In education, they have not only excelled but also become top makers. Likewise, in office and industry, many have shown brilliant results. Even in rural India with education, women have shown better performance. Educating women is absolutely essential in straightening her personality. The need of the hour is to provide an opportunity in a conducive atmosphere free from gender differences. The need for awareness motivation and courage to correct the faults of male counterparts are great challenges today. It is, therefore, encouragement of the growing intensity of motivation amongst educated young women for coming in the entrepreneurial stream and extends support with scientifically designed package of the technical and financial assistance. The non-governmental organizations have a bigger role in stimulating and nurturing the spirit of entrepreneurship amongst women.

Towards this end, an integrated approach is necessary for making the movement of women entrepreneurship a success. For this purpose, both the government and non-government agencies have to play a vital role.

5.7 HOW TO DEVELOP WOMEN ENTREPRENEURS?

Right efforts from all areas are required in the development of women entrepreneurs and their greater participation in the entrepreneurial activities. Following efforts can be taken into account for effective development of women entrepreneurs.

1. Consider women as specific target group for all developmental programmes.
2. Better educational facilities and schemes should be extended to women folk from government part.
3. Adequate training programme on management skills to be provided to women community.
4. Encourage women’s participation in decision-making.
5. Vocational training to be extended to women community that enables them to understand the production process and production management.
6. Skill development to be done in women’s polytechnics and industrial training institutes. Skills are put to work in training-cum-production workshops.
7. Training on professional competence and leadership skill to be extended to women entrepreneurs.
8. Training and counselling on a large scale of existing women entrepreneurs to remove psychological causes like lack of self-confidence and fear of failure.
9. Counselling through the aid of committed NGOs, psychologists, managerial experts and technical personnel should be provided to existing and emerging women entrepreneurs.
10. Continuous monitoring and improvement of training programmes.
11. Activities in which women are trained should focus on their marketability and profitability.
12. Making provision of marketing and sales assistance from government part.
13. To encourage more passive women entrepreneurs the Women training programme should be organised that teach to recognize her own psychological needs and express them.
14. State finance corporations and financing institutions should permit by statute to extend purely trade related finance to women entrepreneurs.
15. Women’s development corporations have to gain access to open-ended financing.
16. The financial institutions should provide more working capital assistance both for small scale venture and large scale ventures.
17. Making provision of micro credit system and enterprise credit system to the women entrepreneurs at local level.
18. Repeated gender sensitisation programmes should be held to train financiers to treat women with dignity and respect as persons in their own right.
19. Infrastructure, in the form of industrial plots and sheds, to set up industries by women is to be provided by state run agencies.
20. Industrial estates could also provide marketing outlets for the display and sale of products made by women.
21. A Women Entrepreneur’s Guidance Cell to be set up to handle the various problems of women entrepreneurs all over the state.
22. District Industries Centres and Single Window Agencies should make use of assisting women in their trade and business guidance.
23. Programmes for encouraging entrepreneurship among women are to be extended at local level.
24. Training in entrepreneurial attitudes should start at the high school level through
well-designed courses, which build confidence through behavioral games.

25. More governmental schemes to motivate women entrepreneurs to engage in small scale and large-scale business ventures.

26. Involvement of Non Governmental Organisations in women entrepreneurial training programmes and counselling.

5.8 CONCLUSION

Independence brought promise of equality of opportunity in all sphere to the Indian women and laws guaranteeing for their equal rights of participation in political process and equal opportunities and rights in education and employment were enacted. But unfortunately, the government sponsored development activities have benefited only a small section of women. The large majority of them are still unaffected by change and development activities have benefited only a small section of women i.e. the urban middle class women. The large majority of them are still unaffected by change and development. The reasons are well sighted in the discussion part of this write up. It is hoped that the suggestions made here will help the entrepreneurs in particular and policy-planners in general to look into this problem and develop better schemes, developmental programmes and opportunities for the women folk to enter into more entrepreneurial ventures. It is worthwhile to recollect some of the successful women entrepreneurs like Ekta Kapoor, Creative Director, Balaji Telefilms, Kiran Mazumdar Shaw, CEO, Biocon, Shahnaz Husain and Vimalben M Pawale, Ex President, Sri Mahila Griha Udyog Lijjat Papad (SMGULP).

5.9 UNIT SUMMARY

Though women are endowed with natural qualities of a successful entrepreneur hardly 10 percent of the total number of entrepreneurs are women. In India, as else where, entrepreneurship has been male dominated. However of late women are able to prove that they are better than men.

Women entrepreneurs are women or a group of women who initialize, organize and operate a business enterprise. According to Indian Government interpretation women entrepreneurs own and enterprise and / control by women having a minimum financial interest of 51 percent of the capital and gives at least 51 percent employment generated in the enterprise of women.


The remedies suggested to overcome problems stated are: 1. Don't Undervalue Yourself, 2. Remember why you started your own company, 3. Network, But in a
A special scheme is there for development of women entrepreneurship. This was started by the Government of India in 1998 called “Trade Related Entrepreneurship Assistance and Development of Women (TREAD).” This scheme envisaged development of micro/tiny women enterprises in the country both in urban and rural areas. The aim is to empower women through development of their entrepreneurial skills by eliminating the constraints faced by them in their field of trade. This scheme was revised in 2004 which was implemented by Small Industries Development Organisation (SIDO).

5.10 CHECK YOUR PROGRESS

1. Who is a “Woman Entrepreneur”?
2. Does gender play an important role in entrepreneurship?
3. What are “push” and “pull” factors of women in business?
4. What is UNIDO?
5. What is SMGULP?

5.11 ANSWERS TO THE CHECK YOUR PROGRESS

1. Women Entrepreneurs may be defined as the women or a group of women who initiate, organize and operate a business enterprise. Government of India has defined women entrepreneurs as an enterprise owned and controlled by a woman having a minimum financial interest of 51% of the capital and giving at least 51% of employment generated in the enterprise to women.

2. In fact gender should not play that significant role. In male-dominated world for centuries now women are going forward as entrepreneurs and showing the signs of better entrepreneurship than men.

3. Women in business are a recent phenomenon in India. By and large they had confined themselves to petty business and tiny cottage industries. Women entrepreneurs engaged in business due to push and pull factors which encourage women to have an independent occupation and stand on their own feet. A sense towards independent decision making on their life and career is the motivational factor behind this urge. Saddled with household choices and domestic responsibilities women want to get independence. Such factors are pull factors. While push factors cause women to engage in business activities due to family compulsion and the responsibilities thrust on them.

4. UNIDO stands for United Nations Industrial Development Organisation – it is the apex body that helps in member countries in developing and promoting
industrial activities of all sizes.

5. SMGULP is Shri Mahila Griha Ugyog Lijjat Papad. It is a well known for making papad making them available then at reasonable prices at all the time. Women members work at home and give hand made papads back to SMGULP where they earn their livelihood.

5.12 UNIT BASED QUESTIONS

Small Answer questions

1. Who is a women entrepreneur?
2. What are “push” factors?
3. What are “pull” factors?
4. What is GMT?
5. What is ESTs?

Essay type questions

1. Who is an woman entrepreneur? Doe gender come in the way of entrepreneurial performance?
2. What are the modern avenues for the women entrepreneurs – recent trends?
3. What are the basic problems of women entrepreneurs in India?
4. How do you make effective development of women entrepreneurs?

5.13 KEY WORDS

1. Empowerment: extending powers to make decisions and having freedom to implement.
2. Udyogini: is an NGO which was setup to coordinate and facilitate management training grass root women’s groups for World Bank.
3. Socio – personal problems: women in India face certain problems which are not faced by male or men entrepreneurs. In addition to managing the business, women are burdened with domestic commitments and child care.
4. Integrated approach: integrated approach stands for caring for all aspects of business enterprises for its success.
5. **Push and pull factors:** “push” factors are those imposed by family compulsion to go in for business or entrepreneurship. On the other hand “pull” factors are those where women take initiative to achieve by taking entrepreneurship as a challenge.

5.14 REFERENCES FOR FURTHER READING

5.14.1 BOOKS:

4. Entrepreneurship – Madhurima Lall and Shika Sahai – Excel Books
6.0 Objectives:

The study of unit no. 6 will enable readers to
(i) Understand the concept of rural entrepreneurship.
(ii) Understand the need for rural entrepreneurship.
(iii) Understand rural entrepreneurial environment.
(iv) Know the problems of rural entrepreneurs.
(v) Get information regarding rural entrepreneurs.
(vi) Clarify the concept of rural industrial entrepreneurship.
(vii) Identify strategies of developing rural entrepreneurship.
6.1 Introduction:

Development of rural entrepreneurship is necessary for rural development. This helps the progress of the nation. However, the circumstances in rural area create problems in the development of entrepreneurs locally. As a result rural population has to depend predominantly on agriculture. The traditional rain fed agriculture is not able to maintain the local population round the year. Consequently, rural to urban migration takes place. More and more villages get deserted. Rural poverty aggravates. It is therefore, evident that rural industrial enterprise must be developed to mitigate above mentioned tendencies. In this unit we take into consideration the concept of rural entrepreneurship, its need, rural industrial environment, problems of rural entrepreneurs in both agriculture and rural industry, rural development strategy and various schemes in this respect being implemented in India.

6.2 The concept and need for rural entrepreneurship:

Rural entrepreneurship is entrepreneurship that emerges in the local rural area in the field of rural industry, agriculture and handicrafts. Rural population has a multitude of wants. To satisfy theses wants the rural population requires adequate income. This requires employment and more particularly self employment. It is true that employment opportunities in urban areas are relatively more because in urban places capital, skilled labour, technology, power, water, transport, communication and other facilities, which are necessary for industrial development are easily and adequately available. On the other hand, in rural places these industrial requirements are almost absent or inadequate. Employment opportunities are very limited. It therefore, becomes necessary to adopt positive and proactive policies for developing rural entrepreneurship. To be precise, rural entrepreneurship is local initiative in agriculture, rural industry and hand crops involving rural resources and traditional as well as modern technology.

6.3 Rural industrial environment:

Industrial environment in rural areas is characterised by following situations:

1. Abundant natural resources including land, water minerals and solar power as also wind power.
2. Land is easily available at relatively much lower prices.
3. Availability of labour particularly of semi-skilled and unskilled type is easy and at lower wage rates.
4. Rural environment is free of pollution.
5. Tax burden in rural areas is low, which increases competitive strength of rural industry.
6. Government extends encouragement of rural industrialisation by free or low price supply of land, power, water and tax concessions.

As against these positive and favourable factors rural industrial environment suffers from following difficulties.

1. **Technological limits** - In rural areas latest modern technology of production is not easily available.

2. **Limits on capital mobilisation** - Banks and financial institutions are reluctant to provide financial capital for rural industrial effort, which has very faint possibilities of financial success.

3. **Shortage of skilled labour** - skilled labour is difficult to obtain in rural areas because of lack of training and educational facilities in the villages. In case such skilled labour is imported from urban areas, it becomes necessary to pay higher wages. Sometimes, such imported skilled labour creates management problems.

4. **Lack of infrastructural facilities** - In many rural areas, infrastructural facilities like power supply, all year roads, fast communication are less developed. This naturally creates disincentives for rural entrepreneurship.

5. **Absence of industrial motivation** - Rural population is orthodox, illiterate or semi-literate and tradition bound and believes in destiny. This creates adverse climate for rural industrialisation.

6. **Lack of information** - Rural population because of illiteracy, ignorance and indifference is not aware of various government facilities, schemes, policies and financial assistance etc.

7. **Tradition bound culture** - Rural people are tradition bound, orthodox and very reluctant to change. Their cultural values and conventions are not favorable for industrial enterprise.

6.4 **Entrepreneurs from agriculture** :

Agriculture is the main source of living for a large majority of rural population. However, traditional agriculture based on seasonal rains does not maintain the farmers and their families satisfaction for the whole year. It, therefore, becomes necessary to develop agricultural entrepreneurship in rural areas. Agricultural entrepreneurship is developing agricultural and agro-based productive activities and professions at the local level. Agricultural enterprise includes projects and schemes which are listed below:

1. Agriculture- food grains, oilseeds, pulses, sugarcane and cotton and their processing and marketing.
2. Horticulture- This covers cultivation, processing and marketing of various fruits, vegetables, medicinal plants, tea, coffee, rubber and spices.

3. Animal husbandry- Milk cattle, poultry, ship rearing, pigoury and fishery.

4. Apiary –

5. Fertilisers, pesticides and insecticides.

6. Agricultural machinery and equipment.

7. Forest based industry.

8. Seed farms and nurseries

9. Processing of agro produce and its marketing.

10. Agro-services-storage, technical guidance, insurance, communication and transport.

**Need for agro-industrial enterprises in India-**

Although, share of agricultural income in total national income has come down to 22 percent, even now agriculture supports almost 65 percent of population. However, despite green revolution a large part of Indian agriculture is underdeveloped, dependent on uncertain rains, using out dated-technology, low yielding seeds, inadequate credit and uneconomical size holdings. All these factors lead to low agricultural productivity and a great deal of open and disguised unemployment. Against this background- it needs to be high-lighted that in India we need great agro-industrial enterprises for following reasons:

1. Food security – It is one of the basic responsibilities of state to provide appropriate food of proper quality on a regular basis to the national population. With increasing population it becomes necessary to grow more food grains for the increasing population. This necessitates rural industrial enterprise.

2. Getting foreign exchange – For rapid economic development, it is necessary to have more and more foreign exchange, which can be obtained by increasing agricultural and agro-oriented exports to other countries. This requires rural industrialisation.

3. Employment generation- Rural industrialisation will create local employment which will minimize migration of rural population to urban areas.

4. Development of farmers- Because of dependence of nature, backward technology, low agricultural productivity, economic conditions of Indian farmers are very poor. Therefore, it becomes necessary to develop agro-industrial enterprises to make the economical conditions of Indian farmers better. Agriculture must be supported by agro-based industrialisation.
5. Industrial development- Most of the industries depend on agriculture for supply of raw material supply of food grains as also labour for their development. It is evident that agricultural development through agro-industrial enterprise will create encouraging atmosphere for industrial development.

6. Greater share in national income- with increasing agro-based industrial enterprise in rural areas, contribution of agriculture to gross domestic product will increase and keep control on excess migration to urban areas.

7. Opportunities for global trade – With the actual implementation of World Trade Organisation schemes in 1995, the global trade has become open not only for agriculture but for agro-based industrial exports, particularly based on organic technology. To exploit these opportunities increasing rural industrial enterprise has become necessary.

8. Revival of social importance of agriculture- In Indian culture at one time agriculture was considered to be the top priority economic activity. Gradually, this has changed. It is only by revival of rural industrial enterprise based on modern technology that agriculture will again acquire a position of importance as in the past.

6.5 Entrepreneurs from rural industry :

Apart from agriculture traditional rural industry cottage industry and handicrafts constitute the other aspect of industrial enterprise in rural areas. For rural development it is of great importance to promote and develop non-agricultural industrialisation at local levels in rural areas which will gradually eradicate rural poverty and unemployment. Non-agricultural rural industry includes following things :

1. Khadi industry
2. Processing of food grains and pulses
3. Processing of oil seeds for oil
4. Rural leather industry,
5. Matches industry.
6. Jaggery and Khandsary
7. Pam products
8. Non-edible oil and soaps
9. Hand made paper
10. Apiary
11. Production of lime.
12. Pottery, smithy and carpentry.
13. Forest based medicinal plants.
14. Fruits processing and preservation.
15. Rope making and bamboo industry.
16. Lac
17. Art industry.
18. Coconut industry.
19. Service industry (hair cutting, washing, plumbing, painting repairs etc.)

**Most of these industrial activities are classified into seven groups:**

1. Mineral based industries.
2. Forest based industries.
3. Agro-based industries
4. Polymer and chemical based industries.
5. Engineering and non-traditional alergee
6. Textile industry.
7. Service industry.

**It is believed that development of rural industry will yield following benefits:**

1. Local raw material will be used.
2. Local technology will be exploited.
3. Rural skills, crops will be protected.
4. Rural non-agricultural employment will increase.
5. Their will be greater exports of handicraps.

It is, thus, clear that increasing rural industrial enterprises will improve the standard of living of the rural people.

**6.6 Problems of rural entrepreneurship:**

Development of rural entrepreneurship faces a number of problems: These problems are listed below:

1. Inadequate credit availability due to indifferent attitudes of modern financial institutions.
2. Obsolete technology – Rural techniques of production are quite primitive and have become obsolete, production based on this is of no quality and cannot compete in modern markets because of high cost per unit.

3. The quality of rural production is substandard, Rural entrepreneurs are not aware of the importance of quality production.

4. In rural areas infrastructural facilities are either absent or very poor. This relates to roads, railways, power, water, transport and communication as also education and training.

5. Ignorance- Rural population is burdened with ignorance, lack of educational facilities and lack of training in industrial skills.

6. Adverse social attitude- In rural areas people give more respect to salary earning employees than self employed farmers and local craftsmen.

7. Problem of markets- Even though there may be some industrial activity in rural areas. They find it very difficult to sell their output because of lack of effective market locally and absence of safe, cheap and quick transport facilities.

6.7 Developmental strategies for rural entrepreneurship:

While developing strategy for industrial enterprise in rural areas, it is necessary to take into consideration the totality of rural reality in terms of resources physical and human as also environmental. It is believed that following approaches can be used for formulating strategy for rural industrial enterprise:

1. Identification of rural entrepreneurship – In this regard, it is necessary to scout for rural entrepreneurs, rural industrial opportunities through industrial camps and publicity campaign.

2. Credit supply- It becomes necessary for banking and non-banking agencies to provide cheaper credit to local enterprise.

3. Technological facilities – It is necessary to develop ways and means to make available modern technology to rural entrepreneurs.

4. Facilities for higher education- It is also necessary to create higher educational facilities including facilities for technical education and vocational training in rural areas.

5. Co-ordination between small and large industries. local industrial enterprise should be encouraged to establish links with large scale urban industrial enterprise for proper marketing through contracts, technical collaboration etc.

6. Co-ordinated govt. efforts- It is necessary to synchronize working of different government agencies which work for rural development. Govt. offices should
adopt positive and proactive policies for rural industrialisation.

7. **Trade organizations**- There should be trade organizations at local levels which create liaison with regional and national level trade organizations for getting regular feedback in mutual manner. Such organizations should collect and make available information regarding opportunities for rural industrialisation.

8. **Management co-operation**- For rural industrialisation it is necessary to evolve methods of co-operation and co-ordination between agencies like district industries centers, entrepreneurship development centers, universities and trade organizations. Facilities for management education must be made available, which can ensure survival in a competitive market system.

### 6.8 Industrial Estates in Maharashtra: Objectives and Importance:

1. **Introduction** –
   
   Mumbai is the hub of industries in Maharashtra and number of MIDC’s and SEZ’s are the centers of industrial units. The Government of Maharashtra has designed Industrial policies at time to time with entrepreneur friendly. The Government has designed comprehensive Industrial policy is to meet the challenges. In Maharashtra more than 225 industrial complexes with 1,30,000 areas of land and 74 SEZ’s (out of 1944) have working, with good number of employment generation. Maharashtra has been the leader of industrial front of India. Maharashtra has strong industrial infrastructure, strong HR and sustaining and diverse industrial base. After 1991, number of control regimes were dismantled in the area of Industrial Estates like industrial policy, foreign investment, de-licensing, de-reservation of the public sector etc.

2. **Objectives:**
   
   1. To provide infrastructural support to the up-coming and existing industries in the state.
   2. To provide progressive and responsive administration with full commitment to maintenance of law and order.
   3. To control and bring uniformity in stamp duty, registration fees, taxes, octory etc.
   4. To provide incentives to SSI and specialized units.
   5. To develop non conventional energy and renewable energy.
   6. To develop tiny, cottage, handicraft, khadi and village industries in a Specializes Industrial Estates.
7. To provide support to sick Small Scale Industrial (SSI) units.
8. To develop industrial township at different cities in Maharashtra.
9. To develop Special Economic Zones (SEZ’s).
10. To develop specialized industrial areas like Textile Park, Chemical Zone, Grape Wine Park, Orange City Park etc.
11. To promote educational and research institutions, technical institutions, training centers, skills development centers etc.
12. To set up industrial estates for planned and systematic industrial development.
13. To counsel, finance recommendations, project promotion, resource and technical support to industrial units.
14. To boost the specialized and need based industries at different places.
15. To maintain balanced development of various districts by way of industrial estates and to achieve balanced industrial development of Maharashtra.
16. To use local resource for the betterment of society.
17. Infrastructural development of each and every district of Maharashtra.
18. Facilitate entrepreneurs in setting up industries at various locations.
19. Acquisition and disposal of land for industrial estates.
20. To provide different services like water, light, roads, loading and unloading maintenance of industrial areas, postal service, telephone service, canteen etc.

3. Importance:
1. Socio economic scenario of the nearby people has changed due to industrial estates.
2. Growth and development has taken place of small towns and villages due to industrial estates.
3. The industrial estates have been providing some specialized facilities with cluster development like Information Technology, Wine Park, Textile Park, Food Park, Chemical Zones etc.
4. MNC’s are attracted towards industrial estates which lead to five stars MIDC’s and export promotion become possible.
5. Maharashtra government has approved more than 74 specialized Economic Zones, which leads to special development of the specific region and specific product.
6. Highest productivity and economic performance have possible due to industrial estates in Maharashtra.

7. More than 3000 crores investment has made for the various infrastructure work by MIDC’s which providing good infrastructural facilities to the industrialists in Maharashtra.

8. Very good amount of annual revenue generated by the industrial estates in Maharashtra.

9. The Government of Maharashtra has been established the co-operative industrial estates on co-operative principals, which leads to protect the interest of the common people.

10. The Maharashtra Government has developing about 55 cluster schemes for local small artisans, rural entrepreneurs, like Kolhapuri Chappal Cluster, Kolhapuri Jaggery Cluster, Silver Cluster, Cashew-nut Cluster, Bamboo Cluster etc for the betterment of the society and especially small entrepreneurs.

11. Balanced Development of various regions of the state is possible due to industrial estates.

12. Considerable amount of employment generation has taken place in the rural and urban areas.

13. SEZ’s are helping for specialized industries.

14. Allied activities and businesses got benefited because of industrial estates like transport, kirana shops, vegetable markets, vehicle maintenance center, hackers and peddlers etc, who are lotted nearby the industrial estates.

15. Local resources have been mobilizing due to industrial estates, which is very good for value addition.

6.9 Summary :

For uplifting socio-economic conditions of rural people, it is necessary to promote and encourage rural entrepreneurship; agriculture and rural industry are the two components of rural industrialisation. It is necessary to develop agro entrepreneurship for improving agricultural productivity, ensuring food security and competitive strength. Agricultural entrepreneurs will have to be trained in modern technology and systems. Their attitudes will have to be changed. Diversification in agriculture through crop variety, horticulture, fruit cultivation, cash crops, green houses, dairy and fishery must be ensured. Rural crafts and traditional industrial activities must be protected
and further developed. Attempt should be made to encourage exports of handicraps and rural industrial output. Government should ensure reasonably priced, regular supply of credit, technology and management for rural entrepreneurs. It is high time that policy decisions are taken in a co-ordinated fashion by central government and state governments through Khadi and Village, Industries Board, Coir board, rural employment programmes etc. for the quick and proper development of rural enterprise. In the overall development of Maharashtra state, the role of Industrial Estates is considerable. By way of 225 Industrial Estates different types of facilities have been offering to the industrialists.

6.10 Exercises

A) Choose the right option for each statement from the alternatives given.

1. Agricultural entrepreneurship——————agricultural productivity.
   (a) Increases  (b) reduces (c) decreases  (d) keep constant

2. Ropemaking and bamboo industry are connected with——————
   (a) Mineral wealth (b) agricultural produce  (c) forest wealth  (d) chemicals.

3. In India, rural entrepreneurship has ————scope.
   (a) Little  (b) limited  (c) plenty of  (d) none of these.

4. Rural industry leads to———rural artisan’s skills.
   (a) Increased  (b) decreased (c) reduced  (d) stable.

5. Rural industry has——— for exports.
   (a) Great scope  (b) limited scope  (c) no scope (d) very little scope

6. Which of the following industry is based on chemicals?
   (a) Leather,  (b) Lac    (c) Rope making     (d) Wood.

7. Khadi and Village Industries Commission is established by
   (a) State Govt.  (b) Central Govt.(c) Union Territory  (d) Maharashtra.

8. Maharashtra State Khadi and Village Industries Board was established in the year—
   (a) 1952  (b) 1962  (c) 1957  (d) 1972

9. Indian agriculture is predominantly dependent on———
   (a) Advanced technology  (b) agricultural mechnisation,
   (c) professional management  (d) Monsoon.
10. In rural area, entrepreneurs are normally given———
   (a) Less importance    (b) greater status
   (c) more importance    (d) all the above.

B) Fill in the blanks
   1. Agricultural entrepreneurship leads to better———of the farmer.
   2. ———industry increase use of local resources.
   3. The scheme developed for self employment of rural youth is known as ———
   4. Swarnjayant Gram Swarojgar Yojana provides self employment to———youth.
   5. The rural industry of lime is based on ———-
   6. Lac industry is based on———

C) State whether right or wrong.
   1. In India there is very little scope for rural entrepreneurship.
   2. Rural industry requires large capital.
   3. Agricultural entrepreneurship improve agricultural productivity.
   4. Agricultural tourism creates new development opportunity for agricultural entrepreneurs.
   5. Tribal development schemes are a part of rural entrepreneurship development.

D) Long answer questions:
   1. What is rural entrepreneurship? What is its need?
   2. Discuss in detail problems of rural entrepreneurs.
   3. Explain the importance of agricultural entrepreneurship.
   4. “Rural environment is not conducive for entrepreneurship”. Discuss.
   5. Explain different strategies for the development of rural entrepreneurship.
   6. Explain in detail the objectives of Industrial Estates in Maharashtra.
   7. Explain the importance of Industrial Estates in Maharashtra.

E) Write notes on
   1. The concept of rural industry.
   3. Problems of rural entrepreneurs.
4. Khadi and village industries commission.
5. TRYSEM
6. Tribal development plan.

6.10 Field work

Conduct a survey of local artisans and craftsmen and prepare a report.

6.11 Additional Reading

7.0 UNIT OBJECTIVES

On completion of this unit, you will be able to———

● Define the concept of a project and classify them.
● Discuss how to identify and formulate a project.
● Explain how to appraise and select the project.
• Elaborate upon how to implement and manage the project.
• Outline the causes of project failure.
• Prepare the project report for intended business idea.

7.1 INTRODUCTION

The economic development of a country depends on how many new combinations of available resources are carried out and the number of industrial activities undertaken. The entrepreneur is the person with initiative, drive, skill and spirit of innovation who converts his business ideas into successful enterprise. For converting the business opportunities into realities an entrepreneur has to traverse through various phases of project management. Broadly, the process of project management may be divided into identification, formulation, appraisal, selection, implementation and management of projects. All these phases have to be very carefully considered as they architecture the success or failure of the enterprise. These phases of project management have been discussed in the present chapter. Further, ample light is thrown on preparation of project report, which is very crucial for the entrepreneur. At the end of the chapter three model project reports have been given with an intent to make the learners conversant with the technique of preparing the project reports for various business ideas.

7.2 CONCEPT OF PROJECT

In common parlance, the word ‘project’ has been used to connote ‘any programme of action’. For example, agricultural projects, illiteracy eradication project, land development project, pulse-polio and so on. The dictionary meaning of ‘project’ is an idea or a plan that is intended to be carried out in the future or that is being carried at present. For better understanding of the concept of project let us see some definitions given by various authorities.

1. Webster New 20th Century Dictionary— "A project is a scheme, a design, a proposal of something intended or devised"

2. The World Bank— "A project means approval for a capital investment to develop facilities to provide goods and services"

3. Little and Mirless —— "A project is any scheme or a part of a scheme for investing resources, which can be reasonably analyzed and evaluated as an independent unit. It may be any item of investment activity, which can separately be evaluated"

4. Gittinger—— "A project is the whole complex of activities involved in using resources to gain benefits"
5. Vasant Desai —"A project is an economic activity with well defined objectives and having specific beginning and end."

In businessman’s language, the project is a specific activity on which money is spent in expectation of getting some returns.

7.2.1 Examples of Project

There may be mega/gigantic projects to very small projects. For example, a multi-purpose river valley project, Krishna valley project, water park, iron and steel plant, Disney land, oil refinery, and making papad or agarbatti (Mega projects are very large size projects having the investment of $ 500 mn to $1bn plus e.g. Devner International Airport and Delhi-Mumbai Industrial Corridor)

In a very broader sense, a project includes all activities, which are aimed at —

a. Production of goods and/or services
b. Increasing the capacity of the existing projects, and
c. Enhancing the productivity of the existing means of production

From the entrepreneur’s point of view, a project can be considered as a proposal involving capital investment for the purpose of developing facilities to provide goods and services.

7.2.2 Characteristics of a Project

The project has the following characteristics

1. The project is essentially an investment plan
2. The project begins with precise and clear objectives
3. The project determines the direction of future actions of an entrepreneur
4. It outlines the allocation of resources
5. The scientific and reasonable analysis and appraisal is done in the project with respect to financial and technical aspects.
6. The project has specific beginning and terminating points.
7. Commercial viability is the soul of the project
8. The project has a specific geographic location

7.3 PROJECT CLASSIFICATION

Having understood the concept of a project, lets see why and how the projects are classified. Truly speaking the project classification helps in graphically expressing and highlighting the essential features of a project. Therefore the projects are classified differently by different authorities such as Planning Commission and All India Financial Institutions.
Broadly the projects have been classified as under.

I. **Little and Mirrles’s classification**

   Little and Mirrles have classified the projects as follows

   a. **Quantifiable projects**

      If the benefits of the projects are assessable in quantitative terms, such projects are quantifiable. For example-power generation project, mineral development, and industrial development projects etc.

   b. **Non-quantifiable projects**

      The projects in which the quantitative assessment of benefits is not possible are non-quantifiable projects. For instance-educational project, health project, defense project etc.

II. **Sectoral project**

   The Planning Commission of India has classified the projects on sectoral basis, for the purpose of allocation of scare resources at macro level, as under

   a. Agriculture and Allied Sector  
   c. Industry and Mining Sector  
   e. Social Services Sector 

   b. Irrigation and Power Sector  
   d. Transport and Communication Sector  
   f. Miscellaneous Sector

III. **Techno-economic projects**

   On the basis of techno-economic factors, projects can be classified as under.

   a. **Factor-intensity oriented classification**

      Capital (plant and machinery) and labour are two important factors used by the projects. On this basis the projects are classified as follows.

      ● Capital-intensive projects – In such projects, the large investment is done in plant and machinery. In other words, there is maximum use of machinery / technology than labour force in the project.

      ● Labour-intensive projects – The projects in which more labour is used than machinery are termed as labour-intensive projects.

   b. **Causation-oriented classification**

      Cause of starting a project forms the basis of this classification. According to this basis, the projects are classified as follows.

      ● **Demand based projects** – If there is an increasing demand for certain goods or services and the project is undertaken to fulfill it, it is called demand-based
project. For instance, as there is an increasing demand for systematic efforts for reducing weight, the Talwakars, VLCC and Yoga clubs have been started. Cosmetic surgery, Aesthetic dental service center etc. are other examples.

- Raw materials based projects - If the availability of specific raw materials or other inputs is the proximate cause of starting a project, it is known as raw-materials based project. For example, in certain parts of Maharashtra, grapes are easily available; hence the bedana projects could be undertaken.

- Magnitude – oriented classification
  Under this category, the projects are classified on the basis of size of the investment as explained hereunder.
  - Mega/gigantic projects (Tremendous investment)
  - Large-scale project (High investment)
  - Medium scale projects (Moderate investment)
  - Small-scale projects (Investment upto 1 Cr.)
  - Tiny industries (Investment upto Rs. 25 lakh as per recommendation made by Abid Husen Committee in 1997)

IV. Financial Institutions Classification

The financial institutions have classified the projects into following two broad categories. a) Profit oriented projects and b) Service-oriented projects

a. Profit-oriented projects
   These include the following
   1. New Projects 2. Development / Expansion Projects
   3. Modernization / Technology Projects 4. Diversification Projects

b. Service-oriented projects
   These include the following
   1. Welfare projects 2. Service projects

Remember ————

- A project is an economic activity with well-defined objectives. A project is a scheme, a design, a proposal of something intended or devised. It is essentially an investment plan.
Broadly the projects are classified as follows.

I. Little and Mirrles’s classification (quantifiable projects and non-quantifiable projects)

II. Sectoral projects (i.e. agriculture and allied sector, irrigation and power sector, industry and mining sector, transport and communication sector, social services sector and miscellaneous sector)

III. Techno-economic projects (i.e. factor-intensity oriented such as capital-intensive projects and labour-intensive projects: Causation-oriented classification viz. demand based projects raw materials based projects; Magnitude – oriented classification i.e. mega, large, medium, small scale and tiny)

IV. Financial Institutions Classification (i.e. profit oriented projects such as new projects, development / expansion projects, modernization / technology projects diversification projects; service-oriented projects such as welfare projects, service projects, research and development projects and educational projects)

7.4 PROJECT IDENTIFICATION

With the clear idea of projects in mind, let’s now see how the feasible projects can be identified. The prospective entrepreneur may have a number of fertile project ideas. He may come across several investment opportunities. However, after preliminary evaluation, he has to select the most feasible and promising project. The proper identification and selection of a project ensures success of an enterprise. Project identification is the first step of starting a new nature but it is a difficult task.

In simple words project identification means a process of finding out the most appropriate project from among the several investment opportunities According to Dr. Vasant Desai the project identification is concerned with the collection, compilation and analysis of economic data for the eventual purpose of locating possible opportunities for investment.

In this context, it would be appropriate to refer to Peter Drucker who has explained three kinds of opportunities, as under.

a. **Additive opportunities** – These are concerned with utilization of existing resources without making any changes. There is least risk in additive opportunities

b. **Complementary opportunities** – These are concerned with the introduction of new ideas, which lead to change in the existing structure. There is greater risk in complementary opportunities.

c. **Breakthrough opportunities** – These are concerned with drastic and
fundamental changes in the existing business. There is the greatest risk in breakthrough opportunities.

7.4.1 Steps In Project Identification

For identifying the feasible projects, the prospective entrepreneur has to go through following steps.

1. **Conceiving project ideas**

   This is the first important stage in project identification. Profit making is the chief drive behind every business / enterprise. Therefore the prospective entrepreneur has to search for a sound business idea, which can generate reasonable profit for him. For that, he has to screen keenly the socio-economic, cultural, legal and market environments. After conceiving the business idea, he gives a practical shape to his idea. You would perhaps remember that the business idea of giving ready-made flavour of ‘paan’ like paanpatti to the customers was first conceived by Madanlal Kothari. He didn’t have business background but he pioneered PanParag- PanMasala industry. Shahnaz Husain, an ordinary woman from conservative Muslim family successfully placed the Indian herbals on the world’s cosmetic map, pioneered the Harbal Cosmetics. Likewise, the idea of water proof band-aid and sanitary napkins (for women) were conceived by Johnson and Johnson. The Talwalkar’s and VLCC found sound business idea in physical fitness industry.

   Conceiving the project idea is mental process supported by certain virtues like curiosity, initiative, vision and courage.

   The project idea could emerge from one or more of the following sources.

   a. Success stories of friends, relatives and other entrepreneurs.

   b. Increasing demand for certain products in home market and foreign markets where price advantage could be obtained.

   c. Experience of others in manufacture or sale of a product

   d. Chances of producing a substitute of an article imported for which there is a good demand in home country.

   e. Visit to trade fairs and exhibitions

   f. Study on demand supply imbalance

   g. Government’s industrial, import-export policies and the policies for development of backward area

   h. Survey reports, books, periodicals, news papers

   i. Invention of new production prices or product development
j. Availability of a particular raw material and skilled personnel
k. Potential demand for ancillary products for well-established big industries
l. Consultation with business advisor, district industrial center
m. Study of potential for tourism to identify the prospects for hotels, motels, houseboats and sightseeing facilities etc.
n. Birth of novel product/technology.
o. Survey of local skills based on which suitable industries can be identified
p. Study of import statistics may reveal some commodities, which can be indigenously manufactured.
q. Finding out solutions for our day-to-day problems e.g. door alarm, car alarm etc.

2. Choosing the right line of business

The second important step in project identification is choosing the right line of business. To ensure the success of business, the prospective entrepreneur has to spend considerable time and energy on choosing the right line of activities. While doing so he has to examine the business potential of his ideas. For that he has to

a. study the environment / marketability of the product/service.
b. nature, extent, trend of demand for the product or service proposed to be manufactured/rendered
c. composition and pattern of potential users of the product or service
d. extent and intensity of competition in proposed area of business
e. procurement and uninterrupted availability of required raw materials and human resource
f. access to and affordability of technical know-how
g. access to the market
h. future prospects for growth in demand
i. compliance of legal provisions relating to the manufacturing the product or rendering services. (some products or services are banned under law e.g. ‘hashish’ or ‘dance-bars’ etc.) At the same time the entrepreneur has to assess which legal liabilities would come to him in production and marketing a particular product or service. For example, if he wishes to be in pharmaceutical production, the legal liability regarding scheduled drugs, expiry dates etc. would inevitably
come to him. If he undertakes the passenger travels (tours and travels business) the liability regarding safety of passengers would come to him.

j. whether proposed product belongs to license category or de-licensed category.

k. availability of government schemes, special incentives, concessions regarding proposed line of business

l. estimated size of market

m. distinguishable features of the product or service to be manufactured or rendered.

In bath-soap market every soap is marketed on the basis of distinguishable feature e.g. Lux (beauty care) Liril (lime freshness), Hamam (herbal based) Santoor (sandal based) Lifebuoy (germ-kill) Medimix (ayurveda based) Breeze (rose-beauty) and so on and so forth. Likewise, a number Life Insurance schemes and Mutual Fund Schemes are marketed adding an unique distinguishable feature.

At this stage, the entrepreneur may consult the experts in various issues related to choosing the right line of business. On making an in-depth primary study, if the scheme looks attractive and the degree of calculated risk provides the entrepreneur with an adequate level of confidence, he may take next step to develop a detailed project report, obtaining technical know-how, raising funds etc.

3. Opportunity seeking

An entrepreneur is basically an opportunity seeker. A number business opportunities may be available, however, seeking the right business opportunity depends upon the entrepreneur’s capabilities, his strengths and weaknesses and also on his preferences. Identification of appropriate business opportunity requires specialized skills. Before coming to the final decision, he has to explore and analyze all possible opportunities. For seeking the best business opportunity, the following explorations may be useful.

   a) Environment exploration – This means the study of different environmental factors. The study of demographic environment includes the in-depth study of growth rate of population, age-composition, sex-composition, occupational-pattern, and income-composition etc. Low infant mortality rate and high birth rate ensures the increasing demand for baby-soap, baby hair oil, gripe-water, toys and kids wear etc. Socio-economic conditions, culture, basic features of resources etc are also studied.

   b) Present business exploration – This relates to the study of present pattern of business activities, the study of the consumption pattern, the study of emerging trends in the pattern of trading and consumption and the pattern of demand.
c) **Technology exploration** – It is the study of new business opportunities created by change in technology. For example, in case of printing industry, traditional system of printing has gone and computer-based multi-colour printing opportunities have emerged. It is also concerned with anticipation of new business opportunities likely to emerge as a result of impact of technological advancement.

d) **Idea exploration** – Business ideas are related to different factors. The exploration of idea may relate to—

- Growth related ideas – e.g. change in age-composition of population and lifestyles gives an impetus to fashion-industry, mobile and bike industry etc.
- Resource-related ideas – e.g. agro-based industry (i.e. pickle-making, ketchup, sauce, jams, mineral-based industry (i.e. water, pharma) marine-based industry (i.e. fishery) waste-based (i.e. low grade paper can be made by industry using cotton-waste, jute waste and wastage-paper etc.)
- Import-export related ideas – i.e. export of mushrooms, strawberries, jewellery in foreign markets.
- Service-sector related ideas – for example repairs, maintenance of cars and automobiles. Nowadays, housekeeping (i.e. cleaning the big premises) has been emerging as a multi-crore industry.

4. **Decision-making process**

This final step in project identification involves making important decisions regarding the project to be undertaken. While taking decisions, the prospective entrepreneur has to go through following steps.

a) **Selection of broad industry group**

First of all, the entrepreneur has to decide as to which industry he intends to enter in. i.e. textile industry, sugar industry, automobile industry, cement industry etc.

Then he has to decide upon which product is to be manufactured e.g. consumer goods or capital goods etc. He has to take into account the present industrial climate for the product to be chosen by doing SWOT analysis and also assess the possibilities for diversification in future.

b) **Selection of specific project**

After having finalized the industry group, the entrepreneur has to decide the size of the project, its capital investment, availability of possible financial assistance etc. He has to check the government policies, rules and regulation to be complied with for obtaining necessary license. At this stage, the entrepreneur has to assess his own strengths and weaknesses. Then he has to compare the relative merits and demerits of the proposed project with special reference to market potentiality, return on investment and technology.
c) Final decision

The entrepreneur takes the final decision as regards project after testing its commercial viability. For gauging the commercial viability of the project, the entrepreneur has to test its market feasibility, technical feasibility, financial feasibility and economic feasibility.

Remember ————
· The proper identification and selection of a project ensures success of an enterprise. He may come across several investment opportunities.
· Project identification refers to the selection of the most feasible and promising project from among several investment opportunities.
· Project Identification includes following steps
  1. Conceiving project ideas from amongst various sources.
  2. Choosing the right line of business
  3. Opportunity seeking through exploration of environment, present business, technology and business idea exploration
  4. Making decisions as regards selection of broad industry group and specific project etc.

7.5 PROJECT FORMULATION

Having studied the project identification, lets now see what is project formulation and how is it done?

Project formulation is an important stage in the pre-investment phase. An entrepreneur cannot implement his all project ideas due to scarcity of resources. He has to make a comparative appraisal of all project ideas and choose a few project ideas to be taken up in preference to others. Project formulation techniques help the entrepreneur in making such choice. For project formulation, the entrepreneur seeks assistance of specialists or consultants. The chief aim of project formulation is to derive maximum benefits with minimum expenditure of resources.

7.5.1 Project Formulation: Meaning

In simple words, project formulation is a process whereby the entrepreneur makes an objective and independent assessment of the various aspects of an investment proposition of a project idea for determining its total impact and its liability too. Project formulation may be defined as taking a first look carefully and critically at the project idea by an entrepreneur and building up an objective project
in its totality after carefully weighing its various components.

Let’s now study the important steps involved in project formulation

7.5.2 Steps in project formulation

The project formulation has the following steps.

1. **Defining the objectives**

   Every project has certain objectives—social or economic or a both. The general objectives of a project state in broad terms the achievements expected. An operational objective specifically and clearly mentions the results expected from the implementation of the project. Clearly defined objectives help in quantifying the requirements of physical, financial and human resources.

2. **Determination of location of the project**

   The project has to derive locational advantage. The availability of all required resources and infrastructure facilities (such as rail-road transport, electricity and other energy sources, municipal facilities etc.) should be near the project. This would save the cost of acquisition and utilization of these resources and also speed up all the activities.

3. **Determination of size of the project**

   The entrepreneur has to determine the size of the project i.e. small-scale, medium-scale, large-scale or mega project. For determining the size of the project, the various factors have to be taken into consideration such as the types and levels of activities to be undertaken, the area of operation, the type and size of organization, the required investment size and the time required for completion of the activities contained in the project.

4. **Feasibility analysis**

   This is an important stage to determine whether or not to go in for making a detailed investment proposal. For that, the project idea is examined in the context of internal and external constraints. Further steps are taken only if the project idea is found feasible.

5. **Market-analysis**

   The project has to be viable to generate profit. It is, therefore, imperative to know the market for the goods or services to be produced. The prospects for future growth of the business are also analyzed.

6. **Techno-economic analysis**

   The entrepreneur has to make a choice of technology, which is based on the
demand potential and aid in project design. The satisfactory result of techno-economic analysis puts the entrepreneur into motion to make a detailed design of a project.

7. **Project design and network analysis**
   
   At this stage all the individual activities to be done under a project and their inter-relationship with each other are defined. This helps in identification and quantification of the project inputs. This clarifies the financial and cost benefit profile of the project. Under this stage, a detailed work plan of the project is prepared and the time in allotted for each activity and presented in a network drawing.

8. **Input analysis**
   
   Material resources such as land and building, machinery, electricity, energy sources and human resources are required for operating the project. The availability of such resources on regular basis at reasonable prices is the prime factor in determining the feasibility of the project.

   Input analysis considers the recurring (i.e. required repeatedly) and non-recurring (i.e. required once) resource requirements of the project. This helps in assessing the cost of the project and hence necessary for financial analysis.

9. **Financial analysis**
   
   Financial analysis of the project helps the entrepreneur to make a right decision. Financial analysis helps in comparing various project proposals. Under financial analysis, the project operating costs and project fund requirements are estimated. For that the analytical tools such as discounted cash flow, cost-volume-profit (CVP) relationship and ratio analysis are generally used. This analysis justifies the project from profitability point of view.

10. **Cost-benefit analysis**

    A project has to be viable. The cost-benefit analysis determines the overall worth of the project. This analysis scientifically determines the cost that all entities connected with the project have to bear and the relative benefits which will be enjoyed by all such entities. Cost-benefit analysis is an integrated technique in assessing the viability of the project.

11. **Pre-investment analysis**

    This stage guides the project sponsoring body, project implementing body and outside agencies as to whether to accept the proposal or not. Under this stage the total and final picture of the project is presented by consolidating all the results obtained in the above steps. Various conclusions arrived at are presented in this stage; which help the entrepreneur to take final decision.
Remember

- The chief objective aim of project formulation is to derive maximum benefits with minimum expenditure of resources.
- Project formulation refers to making a comparative evaluation of all project ideas for choosing a few project ideas to be taken up in preference to others.
- Project formulation has the various steps as follows.
  1. Defining the objectives of the project
  2. Determination of location of the project
  3. Determination of size of the project
  4. Feasibility Analysis
  5. Market-Analysis
  6. Techno-Economic Analysis
  7. Project Design and Network Analysis
  8. Input Analysis
  9. Financial Analysis
  10. Cost-benefit analysis
  11. Pre-investment Analysis

7.6 PROJECT APPRAISAL

Project appraisal refers to critical examination and analytical evaluation of the project from different angles. Generally, financial institutions appraise project before extending financial support to the project.

Vasant Desai defines project appraisal as “a process whereby a leading financial institution makes an independent and objective assessment of the various aspects of an investment proposition for arriving at a financial decision”.

In order to ascertain the viability of the project, the financial institutions make an in-depth analysis of the following aspects of the project.

1. Market feasibility analysis

Marketing is the important activity, which brings revenue. The lending financial institutions pay meticulous attention to the ability of the prospective enterprise to market its products or services. The potential of the market determines the fate of the business. Following methods can be adopted for estimating the market for the proposed product or services.
a. **Opinion polling method** : Under this method, the opinions of end users of the product/service are collected through sample market surveys and dealers' opinion about the customers' opinion.

b. **Life cycle segmentation analysis** : A product has various stages of its life cycle namely introduction stage, growth stage, maturity stage, saturation stage and decline stage. Under these methods, sales of proposed product is estimated at each of these stages. Demand supply position of proposed product/service is estimated to explore the market opportunity. Long run prospects for the business are estimated by taking into account the nature and type of competition, potential demand for the product, quality, after-sales-service, price, design package, marketing channels etc.

2. **Technical feasibility analysis**

   This refers to a careful examination and a thorough assessment of the various inputs of the project like land, labour, machineries, equipments, transportation, energy sources and technical know-how etc. required to produce the proposed product/service. The entrepreneur may have technical collaboration with domestic or foreign firm for technological support. In order to select the most appropriate technology, various technological alternatives are assessed. Licensing policy of the government and legal provisions in respect of technology has also to be reviewed.

   Generally, technical analysis deals with the following components.

   - Location of the project: As the location of the project significantly influences the cost of production and distribution and thereby revenue, it is very important to carefully consider all the relevant factors while deciding about location of the project.
   - Site of the project – A site for the project is selected considering the load bearing capacity of the site, flood and earthquake hazards, proximity of transport and other facilities, water and electricity supply, facilities for effluent discharge, ecological factors and so on. Nature of production plays vital role in selection of site. For example, the industries like tanneries, jute production, and rubber production need abundant supply of water; hence they have to be located near the deposits of water.
   - Size of the project/plant capacity and scale of operations
   - Manufacturing process or technology selected
   - Rapidity of obsolescence of technology
   - Availability and cost of raw material components required
3. Financial feasibility analysis

The financial appraisal of the project relates to an investigation of the availability and cost of various inputs needed for production, and the prospects for marketing the product or service profitably. The appraisal of financial aspects primarily involves the scrutiny of the following

a) Cost of the project and means of financing

This includes the estimation of cost of the project and identification of sources of finance. While estimating the cost of the project, the financial requirements both for fixed and working capital should be accurately worked out. The cost of the project generally includes the cost of land and buildings, plant and machinery, fees to be paid for technical know-how, consulting and engineering fees, preliminary and pre-operative expenses, margin money for working capital, miscellaneous fixed assets, interest during construction etc.

After having estimated the cost of the project, the sources of finance shall be identified. This includes the following

Owned funds / equity: i.e. issue of equity share sand preference shares, reserves and surplus and retained earnings.

Borrowed funds / debt finance: i.e. debentures, term loans and long-term borrowings, public deposits and deferred payment guarantees.

In this regard, the debt-equity ratio of 2:1 should be generally adhered to.

b) Cash flow estimates

This refers to the projection of the future sources of cash and their application. Cash flow statement helps to ascertain the cash requirements for different purposes and to fix the repayment schedule on the basis of cash accruals.

The financial institutions pay a special attention to the Debt Service Coverage Ratio (DSCR). DSCR establishes the relationship between ‘net profits’ and the ‘repayment of term-loans and interest thereon’. The debt service coverage ratio is preferred at 2:1 level and calculated with the help of the following formula.

\[
\text{Debt Service Coverage Ratio} = \frac{\text{NP after tax} + \text{interest on term loan} + \text{depreciation} + \text{Term loan installment} + \text{Interest on term loan}}{\text{NP after tax}}
\]
c) Projected balance sheet

This reflects the financial position of the firm in future years during the entire period of the term loan. The procedure adopted for the valuation of assets, the depreciation policy adopted and the impact of term loan on the assets and liabilities are paid special attention by the lending institutions. Simple Rate of Return Method and Pay-Back Period Method are important methods used to ascertain financial feasibility of the project.

4. Economic feasibility analysis

The project has to be economically feasible. The project has to generate sufficient profits. A project without adequate profits or which is likely to incur losses cannot be a commercially viable project. Therefore economic viability is assessed by projecting the profitability for a period ranging from 3 to 10 years. For economic feasibility analysis, the projected profitability statement is prepared which includes the following.

- Capacity utilization and all costs
- Calculation of certain ratio such as debt-coverage ratio, pay back period, average rate of return, net present value, break-even sales and internal rate of return.

5. Managerial feasibility analysis

Even a good project may fail due to incompetent management. Mismanagement of the promoters may bring disaster to the project. The competent managers may convert even a weak project into profitable one. Hence, the financial institutions very carefully appraise the managerial aspects before sanctioning financial assistance to a project. The managerial competence of promoters can be judged with special reference to their educational background, their experience in the field/business and industrial experience, their entrepreneurial talents, their honesty, integrity and past performance.

6. Social feasibility analysis

No business can function isolation form society. A business is a mission with a social vision. Hence, every business is held socially responsible. While making profit, the business should derive larger benefits to the society. Social feasibility analysis includes the following

- Generation of employment opportunities
- Development of backward and less developed areas
- Appropriate combination of resources
- Treatment to effluents in order to protect environmental balance
Stimulation to small and ancillary industries and so on

Remember ————

- Project appraisal means critical and analytical evaluation of the project from different point of views.
- Financial institutions make an in-depth analysis of various aspects of the project before extending financial support.
- A project is evaluated with special reference to the following aspects.
  1. Market feasibility analysis is carried out to judge the ability of the project to market its product/service and capacity to generate revenue.
  2. Technical feasibility analysis is done to confirm the appropriate technology is used at reasonable cost.
  3. Financial feasibility analysis is undertaken with a view to ascertain the cost of production, loan repayment capacity of the project. It is ensured that debt-service coverage ratio, debt: equity ratio and other financial ratios are within standard limits.
  4. Economic feasibility analysis is undertaken to project the profitability and economic viability of the project.
  5. Managerial feasibility analysis is carried out to gauge the managerial competence of the promoters.
  6. Social feasibility analysis is done to know the orbit of social responsibility of the project.

7.7 PROJECT SELECTION

There may be a number of projects, however the entrepreneur has to select the project, which is most profitable and suitable to him under given circumstances. Project selection refers to rational choice of a project in the light of objectives and inherent constraints.

The prospective entrepreneur has to select those products or services, processes and system in an organization where the cost ratio is low and where there are increased benefits. The project selection is an important phase undertaken by the entrepreneur in the beginning.

7.7.1 Criteria for selecting a particular project

The prospective entrepreneur should collect a large number of project profiles and make an appropriate choice by considering the following criteria
1) **Investment size**

The investment size simply means the project cost. The entrepreneur should make a choice between small-scale, medium-sized or large-sized business in terms of investment. He should take into account his own contribution (i.e. proprietor’s contribution) and ability to raise funds from various sources including financial institutions.

2) **Location**

The project should derive the locational advantages. Hence the new entrepreneur should locate the project in and around a State headquarters or the backward areas around big cities. The appropriate location would attract the talented personnel and competent managers. The location of the proposed project should be such that will facilitate the liaison with State Industrial Development Corporation, Electricity Boards, Transport facilities and various other agencies.

3) **Technology**

The requirement and availability of technology for the proposed project should be taken into account while selecting the project. It is better for the new entrepreneur to select the project, which requires a proven and indigenously available technology.

4) **Equipment**

The entrepreneur should select the best equipment based on the advice of experienced technical consultants. The quality and cost of equipments to be used for the project should be reasonable.

5) **Marketing**

It is not advisable for a new entrepreneur to get into a project, which would have to face cutthroat competition. There should be an ample scope for the entrepreneur to break through the market and acquire a certain market share in the beginning.

6) **Selection of the product**

The entrepreneur should select the particular product that he hopes to market successfully at a reasonable profit. While selecting a product he should take into account the following.

- Whether the product to be selected is banned or are there any restrictions?
- Whether he has substantial amount of experience in the manufacture and marketing of certain products?
- What is the degree of profitability?
- What concessions/incentives are available from the government for manufacturing the product?
What is the policy of the government relating the product to be selected?
What is the present market size for the product?
Whether the product belongs to an ancillary unit and serves as a major component for the parent industry?
Are the machineries and raw materials required for the production of the proposed product available in domestic market or have to be imported?
Will the skilled, semi-skilled and unskilled labour be available for the production of the proposed product/service?

Remember ————

Project selection means rationally choosing the most profitable and suitable a project from among various projects.
For selection of the appropriate project, the following criteria could be applied.
1) Investment size 2) Location 3) Technology 4) Equipment 5) Marketing 6) Selection of the product

7.8 PROJECT IMPLEMENTATION

For implementation of the project, it is necessary to prepare a network design. A network design includes the detailed work plan of the project and the time allotted for each activity under the project.

A network is a graphical pattern, which is the result of compilation of activities occurring in a sequence of events. Under network analysis the project is broken down into simple activities and they are then arranged in a logical sequence. Time, costs and other resources are allocated to different activities.

In preparing the network design, the Programme Evaluation and Review Technique (PERT) and Critical Path Method (CPM) are widely used. This network design will actually be the work plan for implementation of the project. The network design is helpful not only in monitoring and controlling the project implementation but also in completing the project in time. The network design also helps in avoiding unnecessary expenditure of resources and ensures optimal utilization of resources.

Generally, the project implementation includes the following stages.
a. Establishing a plan of action for implementation (i.e. preparing a network design)
b. Obtaining approvals
c. Performing all other actions necessary to put the proposal into effect.

In project implementation, the following aspects are primarily taken into account.
1. **Organizational aspect**

The organization is the human mechanism built up to accomplish the predetermined objectives. For successful implementation of the project, it is necessary to have sufficient technical, skilled or unskilled manpower.

2. **Commercial aspect**

This involves making of arrangements for acquiring the necessary inputs viz components of raw material, labour, power and energy, water etc. required for the implementation of the project. Adequate, timely and regular supply of these factors influence the implementation of the project considerably.

3. **Legal aspect**

Before implementation of the project, the laws/ Acts relating to acquisition of land and building, plant and machinery, hypothecation or mortgage of assets, provisions of MRTP Act and other business and industrial laws have to be looked into.

4. **Risk and uncertainty in investment decisions**

A certain amount of risk and uncertainty is involved in every project. Future changes can be predicted only up to a certain extent.

Uncertainties may be of two types viz. the uncertainties relating to the project itself and uncertainties relating to the environment in which the project operates.

In project, the uncertainty may creep due to the following causes.

a. Change in technology
b. Length in construction and running in periods or say time overrun
c. False estimation of the rated capacity
d. Change in the input prices
e. Changes in environmental factors such as changes in laws and government policies, changes in attitude or preferences of customers, or introduction of new substitute products in the market etc.

7.9 **PROJECT MANAGEMENT**

Traditional form of organization and techniques of management do not handle project work effectively. There is a need for a different form of organization, sharper tools of planning and control, and improved ways of coping with human problems caused in a project.

Syed Ali Hassan, the Senior Consultant with Collaboration Management and Control Solutions (CMCS) opines that cost-effectiveness, efficiency and productivity are directly linked to the project management. (Ref; Projects and Profits-The ICFAI University Press, October 2007)
The term ‘project management’ can be defined as the application of knowledge, skills and techniques towards organizing and managing project to meet the project objectives.

Effective and robust project management practices are critical to success of the project. The person who is entrusted with the responsibility of managing a project is known as project coordinator or project manager. Earlier a Project Management Institute (PMI) defined a project manager as one who is responsible for project management. However, based on changing environment, it defines the project management as the application of knowledge, tools and techniques to project activities.

In other words, project management is the term, which encompasses the application of skills, techniques and knowledge applied to a project to meet stakeholder’s expectations.

The project manager typically oversees the following aspects of a project namely project scope, project schedule, project cost, project quality, project communication, project risk and project human resources management.

Following are the broad areas of project management.

1. **Establishing the project organization**

   First of all, there is a need to integrate the activities and functions of various departments and outside organizations involved in the project work. Depending on the size, the scope of activities varies; therefore, the appropriate form of organization should be established. Project organization may take one of the following three forms namely line and staff organization, divisional organization and matrix organization. Further, there should be effective communication of planning and other project information. This ensures effective decision-making and help to establish proper coordination.

2. **Project planning**

   Planning gives right direction instills a sense of urgency and time consciousness and also provides basis for monitoring and control.

   Comprehensive project planning covers the following:

   - Planning the project work——i.e. identifying, sequencing and scheduling the project activities.
   - Planning the manpower and organization——i.e. estimating the manpower (managers, technologists and manual labour) and assigning them the responsibilities of carrying out the project work.
   - Planning the money——i.e. budgeting the project activities in a time-phased manner.
Planning the information system——i.e. defining the information required for monitoring the project.

3. Project control

Project control involves a regular comparison of performance against targets, a search for the causes of deviation and taking corrective action against adverse variances.

The proper project control ensures the regular monitoring of performance and motivates project personnel to strive for achieving project objectives.

4. Managing human resources

Human resources are the most important component for the success of any project. The human resources management includes acquiring the project team, developing the team and managing the team.

More precisely, the human resources management is concerned with inducting right kind of people to the project, motivating them to perform at optimum levels and ensuring that they continue to maintain their commitment.

5. Managing project risk

Failing to manage risk properly is one of the main causes for projects to fail irrespective of their size. The project manger has to identify the potential risks right at the beginning of the project, monitor them regularly and keep looking out for new risks etc. will minimize the failure of the projects.

Remember ————

- Project management refers to application of the application of knowledge, tools and techniques of management to project activities.
- The effective project management ensures the achievement of project objectives in time and within the budget.
- Project scope, schedule, cost, quality, communication and risk are the factors overseen while managing a project.
- Establishing the project organization, project planning, project control, human resources management and project risk management are the broad areas of project management.

7.10 REASONS FOR FAILURE OF PROJECT

It was observed that most of the projects (nearly 84%) fail or go over time and over budget. Truly speaking, nobody plans to fail, but due to following reasons the project may fail. Let's see the reasons, which cause failure of a project.
1. **Inadequate provision for contingencies**

   Change is the only static phenomena in the business world. The future can be predicted up to a certain limits. The unforeseen change in the socio-economic, technological or legal environment pose the contingencies before business. If the adequate provision is not made to face such contingencies in project report, the project is likely to fail.

2. **Unrealistic estimations**

   While appraising and selecting the project some unrealistic and exaggerated estimations are likely to be made. If a project report is so divested from reality, it may fail.

3. **Wrong location**

   In case of some industries location and site where the project is established plays vital role. Wrong location leads to cost overrun and reduction in profits. Therefore, if the wrong or inappropriate location is selected, it may lead to project failure.

4. **Incompatible form of ownership**

   The entrepreneur has to choose the appropriate form of ownership viz. proprietorship, partnership and private or public limited/unlimited company considering size of investment, diversity and scope of business, complexities and desired control over the business etc. However, if the unsuitable form of ownership is chosen, it may lead to mismanagement and ultimately to failure.

5. **Wrong estimation of capacity utilization**

   Capacity utilization forms the basis for calculation of many other important financial ratios. If capacity utilization is wrongfully estimated all other calculations would go wrong.

   Further, if the capacity is underutilized due to frequent power cuts and inability to go for alternatives, the project is likely to fail.

6. **Overestimation of future earnings**

   Sometimes the entrepreneurs show higher future earnings in the project report with the intention to avail more financial assistance from the financial institutions and bankers. Moreover, the earnings of the firm are likely to be adversely affected by a number of factors. This may lead the project failure.

7. **Underestimation of expenses**

   The balanced cost-benefit ratio ensures the success of the business. For that the cost to be incurred on various inputs has to be accurately ascertained. If the expenses to be incurred on various inputs are underestimated, it may reduce the benefits and make the project commercially unviable. Insufficient budget allocations
and poor commitment of resources also fail the project.

8. **Based on unreliable information**

   If the project report is prepared on the basis of unreliable and/or exaggerated information collected from undependable sources, all the estimations and calculations made and all decisions taken would be misleading. The may cause the project failure.

9. **Unscientific feasibility examination**

   For the study of technical and financial feasibility, there are scientific methods/tools. If the technical and financial feasibilities are not examined scientifically, it may hamper the project.

10. **Improper co-ordination**

   If due to improper co-ordination the tasks are not completed on time and on budget, the project is bound to fail. The project may not succeed if the management disciplines needed for successful project management are not followed.

7.11 **PROJECT REPORT**

Preparation of detailed project report is a post-investment decision exercise. A project report is a report, which provides all the necessary information of the unit proposed to be set up for the manufacture of a product or rendering a service.

For providing the financial assistance, the bankers/financial institutions and other developmental agencies require the project report. A project report enables the entrepreneur to know how much money, manpower and material would be required to set up the project, and the type of machines and technology required, and ultimately the economic gains likely to be generated from the project. Generally Chartered Accountants, Technical Consultants or Management Consultants prepare the project report on behalf of the prospective entrepreneur.

7.11.1 **Importance of a project report**

1. A project report serves as a master plan clearly indicating as to what are the goals and objectives a project and how to achieve them.

2. A project report is like a road map, which describes the right direction to be followed.

3. A project report gives a general idea of various resource requirements such as raw materials, manpower, finance, infrastructure facilities and also means of procuring them.

4. A project report indicates the economic, financial, commercial, technical and
social feasibility of the venture.

5. A project report clearly reveals the prospective financial rewards to the entrepreneur in the form of profits.

6. A project report anticipates the problems in advance and aids the entrepreneur in decision-making.

7. A project report ensures the successful survival of the business unit.

8. A project report convinces the financial institutions about its viability and paves the way for financial assistance.

7.11.2 Contents of a project report

Generally, a project report contains the following

1. **General Information**
   - Bio-data of promoters (name, address, qualifications, capabilities etc.)
   - Industry profile (analysis of industry to which the project belongs e.g. past performance, present status, form of organization, problems faced etc.)
   - Constitution and organization (form of organization viz. proprietary, partnership firm-registered or not etc. and Registration certificate from the Directorate of Industries/ DIC)
   - Product details (product range, its utility, product designs/drawings)

2. **Project Description**

   A brief description of the following aspects is provided here.
   - Location and site (town, street, number, details of total area, owned or leasehold, NOC from Municipal authority etc.)
   - Physical infrastructure (transportation and communication facilities, supply of electricity, fuel, water and other consumables; disposal of wastes)
   - Raw materials, their quality and procurement, raw material stock to be maintained, total value of raw material;
   - Skilled labour and personnel requirements, technical staff, i.e. availability and training arrangements of skilled labour, number of factory staff and their monthly and yearly emoluments;
   - Machinery, equipment and common facilities
   - Manufacturing process and technology
Research and development, if any.

3. Market potential
   - Expected demand and supply position product-mix and estimated annual sales, cost and price position, marketing strategy, after-sales services, seasonality, distribution system, competitors and their capacities etc.

4. Capital costs and sources of finance
   - An estimate of capital expenditure (cost of land and building, plant and machinery, installation chargers, furniture and fixtures, vehicles, preliminary and preoperative expenses, contingency provision etc.)
   - Probable sources of finance (owner’s contribution, loans and deposits to be raised, capital subsidies from State/ Central Governments)

5. Assessment of working capital requirements
   - Estimation of working capital requirements
   - Arrangements made with commercial banks requirement of margin

6. Financial considerations
   - Cost of production and profitability
   - Break-even analysis
   - Projected balance sheet and cash flow
   - Schedule of implementation of the project
   - Repayment schedule

7. Economic and social considerations
   - Costs to be incurred for controlling the damage like pollution, effluents, emissions etc.
   - Generation of employment, promotion of ancillaries, import substitution and export potentials, utilization of local resources, development of the local area etc.

8. Enclosures and annexures
   To make the project realistic and practical it is imperative to enclose the necessary documents (certificates of educational qualifications, quotations of machinery and equipments, copy of partnership deed, SSI registration, copy of building plan approved by authority, copy of sanction of power and water connection,
NOC from Pollution Control Board, cash flow statement and so on.)

7.12 MODEL PROJECT REPORTS

After studying the important phases of project management, let us now learn how to draft a project report for the intended project idea. Three model project reports have been given hereunder. A) A model project report is drafted for dairy. Dairy product range includes milk and milk-based products such as Shrikhand, Amrakhand, Basundi, Lassi, Ghee, Butter, Chakka, Paneer and so on. B) Another model project report is prepared for Retail Store. Retailing is the last phase of distribution channel. Many big industrial houses have taken to retailing and have set up retail chains. R.P. Goenkas, Nandas, K.Rahejas, Tatas, Birlas, Piramals, ITC, Ambanis find a place in the list. There are retail chains for products like food, groceries, provisions to garments and jewellery. Pantaloob Shoppers’ Stop, Westside, Lifestyle, Apana Bazzar, Subhiksha are some big names in retailing. Further, branded stores, specialty stores, department stores, supermarkets, hypermarkets, convenience stores and shopping malls are some common retailing formats in India. C) The third model project report is prepared for Call Centre Whenever we hear the term "BPO Industry", the first thing that comes to mind is an agent with head phones and a mouthpiece trying to resolve his customer’s queries. That is something like the BPO Industry likes to refer as “Call Centres”. A call centre is a company or even a section of accompany that handles customer support and HelpDesk Services as well as outbound as well inbound telemarketing.

7.12.1 Model Project Report—for Dairy

Limrass Dairy

● Introduction

The past three decades have seen rapid growth of dairy industry in our country. Under the guidance of National Dairy Development Board, more and more areas are being brought under the milk supply scheme. A modern dairy, even if a small one, with the use of a variety of equipments for production, preservation and distribution of milk and milk products, have been producing quality milk product. This project profile proposes to produce and sell a range of dairy products

● Market potential

There is a strong dairy co-operative structure, with a well–built infrastructure in the form of more than 2626 co-operative Dairy Societies spread through out Kolhapur district. Kolhapur Zillah Dudh Utpadak Sahakari Sangh (Gokul), Warana Sahakari Dudh Utpadak Prakriya Sangh and Mayur Sahakari Dudh Utpadak Sangh are three major milk unions operating for collection of milk and milk processing activities in the district. Two additional milk unions have recently commenced their operation in the
According to 2001 Census, the total population of Kolhapur District is 35.23 lakh. The density of population is 455 per sq. km. Kolhapur district stands 8th in respect of population while 3rd in respect of density of population. Milk and milk products are daily requirement. In view of the growing number of dairies, managed by Cooperative Sector as well as private entrepreneurs, there is scope for new dairies to come up in this field. This industry is capital as well as skilled labour oriented. A good distribution network will be advantageous.

- **Basis and Assumptions**
  1. 25 working days in a month and working on double shift has been assumed.
  2. Since production of large storage tanks and tankers are involved, work site with necessary infrastructure like good access roads, open space etc. is assumed.

- **Product Range**
  The product range includes the skimmed milk, curd, lassi, butter, chakka, khawa, paneer, ghee, basoondi, shrikhand, amrakahand etc.

- **Quality Control and Standardization**
  Milk being one of the most easily contaminateable food item, hygiene, cleanliness and good workmanship are the key-words in this industry. During the manufacturing process, good care is to be taken to see that the products are made with ultra cleanliness, well preserved under required level of low temperature, the standardized equipments are used. (i.e. ISI specifies stainless steel grade 0.7 Cr 19 Ni 9 for manufacture of dairy equipments.)

- **Land and Building**
  a. Total area of land-700 sq. ft. including development cost Rs. 4,50,000/-
  b. Electrification expenses Rs. 25,000/-
  c. Furniture and fixtures Rs. 25000/-

- **Raw Materials (Monthly)**
  Milk 200 litre per day for 25 days Rs.1,15,000/-
  Preservatives and other materials Rs 5000/-

- **Salary and Wages (Monthly)**
  1. Manager Rs. 3500/-
  2. Technical Supervisor Rs. 2000/-
  3. Clerical Staff (2) Rs. 3000/-
4. Skilled workers (4) Rs. 6000/-
5. Semi-skilled workers (1) Rs. 2000/-
6. Un-skilled workers (2) Rs. 1500/-
7. Welfare expenses Rs. 2000/-

Total Rs. 20,000/-

- **Other Expenses (Monthly)**

  1. Power and Water Rs. 3500/-
  2. Maintenance of machinery Rs. 500/-
  3. Transport and conveyance Rs. 2500/-
  4. Office expenses Rs. 500/-
  5. Contingencies Rs. 500/-

Total Rs. 7500/-

- **Total Capital Investment**

  **Fixed Capital**

  1. Land and building Rs. 500000/-
  2. Machinery and equipment Rs. 400000/-
     - a. Batch Pasteurizer (Aluminum)
     - b. Milk Cooling and Ghee Settling Tanks
     - c. Micro Pulvariser
     - d. Storage Tanks
     - e. Butter Churns
     - f. Ghee Pans steam Jacketed (Evaporating Pans)
     - g. Road Milk Tankers 9Stainless Steel)
     - h. Curd Mills
     - i. Agitators etc.

  **Working capital (Monthly)** Rs. 40,000/-

  Total Rs. 10,00,000/-

- **Sources of Finance**
The fiancé is proposed to be raised as shown below

1. Promoter’s contribution Rs. 3,00,000/-
2. Bank Finance Rs. 7,00,000/-

- Total Monthly Sale Proceeds Rs. 1,50,000/-

(The skimmed milk, curd, lassi, butter, chakka, khawa, paneer, ghee, basoondi, shrikhand, amrakahand etc. ——Average daily sale of Rs. 6000)

- Profitability
  1. Annual estimated sale Rs. 18,00,000/-
  2. Gross Profit @ 20% (Rs. 3,60,000/-)
  3. Return on Capital employed: 36%

- Enclosure
  1. Copies of educational certificates of promoter
  2. Copies of licenses
  3. A copy of agreement with landlord (Rent Document)
  4. Quotations
  5. A copy of registration

- Annexure
  1. Projected balance sheet
  2. Projected cash flow statement
  3. Projected profitability statement
  4. Statement showing Break-Even Analysis and Debt-interest Coverage Ratio (DICR)

7.12.2 Model Project Report for a Retail Shop (Specialty Store)

Diana Shoppe

(Cosmetics and Imitation Jewellery Retail Shop)

- Introduction

Females in the age group 14 to 40 years strive to look beautiful. Most of them prefer to use cosmetics at home instead of giving frequent visits to Beauty Parlors. Further, in the view of ever-increasing rates of gold, use of imitation jewellery is enhanced. A lot of variety, as seen in famous T.V. serials, is available in imitation
jewellery at quite affordable prices. The increasing beauty conscious and desire of self-adoration has given a fillip to the demand of cosmetics and imitation jewellery items. Therefore, the promoters intend to start a Shoppe, named Diana Shoppe, where exclusive cosmetics and imitation jewellery items will be available on retail basis.

- **Promoters**

  Diana Shoppe will be a partnership firm inclusive of two partners sharing risk and gain equally.

  **Partner-1:** Mrs. Shital Suhas Shaha, age 28 years, graduated in Commerce, residing at 623, Rajarampuri, 8th Lane, Kolhapur and having 3 year experience of selling cosmetics.

  **Partner-2:** Mrs. Neelam Nilesh Nahar, age 27 years, graduated in Science, residing at 2167, Laxmipuri, Kolhapur and having 4 year experience of selling imitation jewellery.

- **Market Potential**

  Now a day, women are leaving their footprints in almost every walk of life. They have realized their own existence. They are talking higher education, placed at good positions in local and national industrial and commercial establishments. They have become handsome earning hands in the society. Resultantly, they are spending for looking beautiful. Many of them take pride to go to big shops and pay higher for cosmetics and jewellery items. They have emerged as independent buyers.

  In Kolhapur city, it was observed that school and college going girls, middleclass working women and women in higher income bracket particular are showing interest in buying exclusive rang of cosmetics and jewellery items.

- **Location/ Land and Building**

  The shoppe is proposed to locate at Gangotri Complex (500 sq.ft) in Rajarampuri Lane, Kolhapur.

- **Equipments**

  - Furniture and fixtures
  - Counters
  - Display corners
  - Light system

- **Investment**

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cosmetics item (Full range)</td>
<td>Rs. 2, 60, 000</td>
</tr>
<tr>
<td>Imitation Jewellery (Full range)</td>
<td>Rs. 2, 70, 000</td>
</tr>
</tbody>
</table>
Furniture and fixtures  
(Inclusive of counters and display corners) 
Rs. 1,55,000

Electrification expenses  
Rs. 25000

Total  
Rs. 7,10,000

- Sources of finance
  Partner’s contribution (Per head Rs. 1,50,000)  
Rs. 3,00,000

Loan from bank  
Rs. 6,00,000

Total  
Rs. 9,00,000

- Working capital (Annual requirement)
  Electricity (Rs.1000 for 12 months)  
Rs. 12000

Rent (Rs.5000 for 12 months)  
Rs. 60000

Employee Salary (Rs.1500 for 12 months)  
Rs. 72000

Postage, traveling, telephone bills etc  
Rs. 10000

Computer and other expenses  
Rs. 36000

Total  
Rs. 1,90,000

- Sale proceed
  Cosmetics (average daily sale of Rs.1000 for 300 days)  
Rs. 3,00,000

Imitation Jewellery (average daily sale of Rs.1500 for 300 days)  
Rs. 4,50,000

Total  
Rs. 7,50,000

- Profit
  Cosmetics @ 20%  
Rs. 60000

Imitation Jewellery @ 25%  
Rs. 1,12500

Total  
Rs. 1,12500

- Enclosure
  1. Copies of educational certificates of promoters and residential proof
  2. A Copy of Partnership Deed
  3. A copy of agreement with landlord (Rent Document)
  4. Quotations
5. A copy of registration
6. NOC and License from Municipal Authorities

- Annexure
  1. Projected balance sheet
  2. Projected cash flow statement
  3. Projected profitability statement

7.12.3 Model Project Report for a Call Centre
(KGN eServices)

- Introduction

Call centre is a customer support service industry. In some recent years, many companies outsource customer support and call centre functions such as telemarketing, customer services, market research, manufacturing and engineering. When the call centre industry was first set up in India during the late 1990s, the nature of the job was to make marketing calls or respond to customer complaint calls. However, over the years, the activities had broadened and now included maintenance of customer relations, building rapport to the company, telesales etc.

With the increased need for companies to cut costs and with the vast availability of technically qualified graduates with strong communication skills in English, the Indian call center industry grew rapidly. The relatively low manpower cost structure of India further accelerated the growth. Many fortune 500 firms soon established all centers in India.

Call centre is basically a labour intensive industry, which require more working capital.

- Market Potential

With the ITES-BPO sector in India, call centers became the dominant segment. Given the current trends, call centers are expected to grow even more rapidly in the coming years. With the increased outsourcing of customer support activities to India by global corporations, the Indian call center industry is expected to grow at over 100% in terms of revenue and over 75% in employee strength in coming years.

In the past three years, the BPO industry grew at 39% globally, with the Indian BPO accounting for a major share of it. Indian ITES-BPO exports grew from $ 6.3 bn in FY 2005-2006 to $ 8.4 bn in FY 2006-2007. Today the ITES-BPO sector provides huge employment for talented graduates in India. The rapid expansion of
the ITES-BPO sector has been accompanied by an equally rapid adoption across a range of vertical industries such as Finance and Accounting, Customer Interaction Services, Human Resource Administration and other Business Services.

- **Details of Services to be rendered**
  The call centre will provide the following services
  - Attending marketing calls
  - Responding to customer complaints calls
  - Maintaining customer relations
  - Building rapport to the company
  - Telesales

- **Details of Promoter**
  Mr. Kishorkumar Sahu, aged 28, graduated in Science and well qualified in Computer (Networking) living at Borivali, Mumbai, acting as Managing Director at KGN Group

- **Location**
  The call centre is proposed to locate at Borivali (West) at site 227/4, Vinni’s Plaza, in 1000 sq.feet area.

- **Equipments (Capital Expenditure)**
  Rs. 10,00,000
  2. Headphones and mouthpieces (20 sets)
  3. Skype Version 3.8
  4. Intel core 2 Due E6600/Higher 24B RAM
  5. Extension Transformer (Automatic Call Distribution (ACD)/PBX/e Business Portals
  6. Interactive Voice Response Units (IVR’s)
  7. Computer Telephony Integration (CTI)
  8. Web Interaction Tools and Suites
  10. Voice Recording System
  11. Furniture and fixture

- **Working Capital Requirements**
  Rs. 32,00,000
(The working capital will include the following)

A) Salary to Employees (Annual) Rs, 30,00,000/-
   1. Customer care Executive (Front Line employee) (20)
   2. Supervisor/Team Leader (2)
   3. Training, Development Specialist (1)
   4. Workforce scheduler (1)
   5. Accent Trainer (1)
   6. Quality Monitor (1)
   7. Business Analyst (Reporting & Financials) (1)
   8. Process Specialist (1)
   9. IT Supporter (2)

B) Rent of the Building Rs. 150000/-

C) Facility Design & Maintenance Rs. 25000/-

D) Sundry Expense Rs.25000/-
   ● Payback period (Capital Expenditure)
     Rs. 10,00,000 divided by 5 years = Rs. 2,00,000/-. 
   ● Revenue (Annual) = Rs. 25,00,000/-
   ● Profit
     Total Revenue = Rs. 50,00,000/-
     Total Expenditure (Minus) = Rs. 34,00,000/-
     Gross Profit = Rs. 15,00,000/-
     Tax & Other provision (Minus) = Rs. 4,00,000/-
     Net profit= Rs. 11,00,000/-

● Enclosure
   1. Copies of educational certificates of promoter
   2. Copies of licenses
   3. A copy of agreement with landlord (Rent Document)
   4. Quotations
5. A copy of registration

Annexure

1. Projected balance sheet
2. Projected cash flow statement
3. Projected profitability statement

7.13 SUMMARY

Project is a thought work plan designed to achieve specific objectives within specified period of time. The process of establishing a new venture begins with project identification, which is done by generating some project ideas. Then the proposed project is appraised from various angles such as technology, marketing, financial, economic, managerial and social etc. Examining the feasibility of the proposed project is known as ‘project appraisal’. The project appraisal helps the prospective entrepreneur in selecting the most appropriate and suitable project from among the alternative projects. The prospective entrepreneur prepares the project report, which is the blueprint of future project activities and very foundation of the enterprise. To complete the project on time and on budget, all activities involved in the project are scheduled in a sequential relationship called ‘networking’. The operational efficiency, productivity and cost-effectiveness are directly linked with the efficient project management.

7.14 GLOSSARY

1. **ITES** = Information Technology Enabled Services
2. **BPO** = Business Process Outsourcing

7.15 EXERCISE/ SELF ASSESSMENT QUESTIONS

1. Objective Type Questions
   A. Choose the correct answer from the following
   1. The projects dealing with power generation come under the category of ———–project
      a) Techno-economic b) Sectoral c) Quantifiable d) Non-quantifiable
   2. The study of population, its composition, occupational pattern, etc. with a view to establishing a business is known as ————
      a) Technology exploration b) Idea exploration
c) Business exploration    d) Environment exploration

3. The details of machinery and equipments are shown in the Project Report under the head ____________

   a) Project description    b) Capital cost and source of finance
   c) Market potential      d) General information

4. With the help of ____________ the repaying capacity of the entrepreneur can be ascertained.

   a) Profitability ratio    b) Cash flow statement
   c) Debt-service coverage ratio d) Projected balance sheet

5. Generally ____________ appraise the project from various viewpoints to assess its viability.

   a) Financial institutions b) Prospective entrepreneurs
   c) DIC office           d) None of the above

6. A project is likely to fail due to ________________

   a) Incompatible ownership size
   b) Inadequate provision for contingencies
   c) Unscientific and unrealistic estimations
   d) All of the above

(Answers: 1 (c) Quantifiable 2. (d) Environment exploration 3. (a) Project description 4. (c) Debt-service coverage ratio 5. (a) Financial institutions 6. (d) All of the above)

B. Fill up the blanks with suitable word/s

1. ________________ means analytical evaluation of a project.

2. The projects dealing with education come under ____________ category.

3. All details necessary for establishing a new unit are provided in ____________

4. The project appraisal is done with a view to ascertain the ____________ of a project.

5. The economic viability of a project is reflected in its ____________

6. Management feasibility analysis is undertaken to assess the ____________

C. State ‘True’ or ‘False’

1. Conceiving the project idea is the first step in project identification
2. Treatment of effluents is an economic consideration.
3. A factor-intensity project may be either ‘capital-intensive’ or ‘labour-intensive’.
4. The financial institutions accept the debt-service coverage ration at 1:2 level
5. Project control involves a regular comparison of performance against targets.
6. A project report is prepared only for mega projects.


2. Short Answer Type questions

1. What do you mean by sectoral project? Give examples
2. Bring out the characteristics of a project.
3. State causation oriented classification of a project.
4. What is project appraisal?
5. What is a project report?
6. What do you mean by financial feasibility analysis?
7. What is project implementation?

3. Essay Type questions

1. What is a project? Explain how the projects are classified.
2. What do you mean by project identification? Explain the various steps involved in project identification.
3. What do you mean by a Project Report? Describe in detail the contents of a project report.
4. What is project appraisal? Explain in detail the financial feasibility analysis.
5. What is project formulation? Describe the steps involved in project formulation.
6. Elaborate the technical and economic feasibility analysis?
7. What do you mean by Project Selection? Which criteria can be applied to select a project?
8. What is Project Management? Explain the broad areas of project management.
9. Give a model project report for a dairy
10. Draft a model project report for call centre.

4. **Write Short Notes**
   1. Quantifiable and non-quantifiable projects.
   2. Significance of a Project Report
   3. Technical feasibility analysis
   4. Managerial feasibility analysis
   5. Reasons of project failure

**References**

Unit-8

Stories of Successful Entrepreneurship

Introduction

Success stories are the success mantra narrated by the successful entrepreneurs for would be entrepreneurs, academicians and students. It is a motivational activity. The stories give us an insight of the minds, qualities and skills of the visionary entrepreneurs. The world people take inspiration from success stories and try to become the successful entrepreneur in coming future. These stories have been providing insights and motivation to young and dynamic entrepreneurs. The successful entrepreneurs has sowed the seeds of industrial revaluation in the world, India, Maharashtra and vicinity all universities. The India has vast history in entrepreneurship. Local production to global based production and barter exchange to e-marketing are the activities undertaken by the Entrepreneurs. In Indian references like Ramayana, Mahabharata, Takashala and Nalanda Universities, Khoutelaya Economics etc have narrated the entrepreneurial importance. Entrepreneurs are the resource mobilizers and optimum utilizers of the resources for productive activities and constant endeavor to sustain and improve overall personality. Such a process is crystallization of social and economical activities through entrepreneurship. An entrepreneur is from all categories including family, educational qualification, technical skills, personal attitude, caste, parental occupation etc.

The entrepreneurship has special significance in the context of economic growth and development, rapidly changes in socio-economic climate, employment generation, increasing of per capita income, standard of living, etc in developing and underdeveloped countries. An Entrepreneur is one of the important pillar of economic development. Basically an entrepreneur is a person who is responsible for setting up a business or an enterprise. In fact, he is one who has the initiative skill for innovation and who looks for high achievement. He is a catalytic agent of change and works for the people. He gathers all resources and grabs an opportunities and convert the situation into value added products with the help of all required resources. An Entrepreneur i.e. successful business man is a creator of wealth, employment generator and the needs full filler. The successful business man brings overall change through innovation and motivation. Entrepreneurs are kept human values on top priority and inspire them to serve society. He has firm belief in social betterment. An entrepreneur accelerates personnel, economic as well as human development.
The entrepreneur is a visionary and an integrated man with outstanding leadership qualities. Entrepreneur always works for the well being of the society.

Successful entrepreneurs are exceptional human beings and outstanding leaders. The stories of the successful entrepreneurs create hummer among the interested candidates and develop entrepreneurial spirit. They shows dream on a broad unimaginable scale before the Indian Industrialist and young graduates. Their achievements and contribution shows the confidence, courage and motivation which helps for achieving the impossible and make them possible. The Bhagawad Gita states “…the actions of the great men are an inspiration for other. Whatever they do becomes a stander for others to follow.” This certainly applies to the entrepreneurs, which will be covered in this chapter. We are fortunate enough to have various entrepreneurs in our countries. These entrepreneurs having leadership qualities, remarkable foresight, decision making ability, uncompromising excellence, and trust on people which will inspire our young students and future generations in our country. This chapter covers stories of successful entrepreneurship like JRD TATA, Narayan MOUTHY (Infosys), Kiran Muzumdar (BIOCON), Laxmanrao Kirloskar, Vidya Murkumbe (Renuka Sugar), R. M. Mohite and B. G. Shirke for the study.

1. J. R. D. Tata:

A steel man born in Paris, died in Geneva and made the India is a Karma Bhumi for more than seventy years, he is none other than the J. R. D. Tata (1904-1993). He born in 29-7-1904 and died in 29-11-1993. The Jahangir Ratan Dadabhai Tata is the full name of J. R. D. Tata allies “Jeh”. He born in poor Parashi family as a elder son of R. D. Tata and Suni Tata. His father was working with Jamshetaji Tata. The J. R. D’s childhood was not very comfortable. The Tata’s family had moved to France, Japan and other place for business purposes. JRD has purchased a small aeroplane by worth 1200 £ (Pound) and also taken aeroplane driving license in 10 – 2 - 1929. He stared civil aviation in India in 1932 and later in 1948 Air India International.

JRD Tata’s mother tongue was French, he loved the different language. When he settled in India in his early twenties he was decided that he would master in the English language and he proved himself as good in English language. He is always giving smiling look towards the respondent and the respondent feel very happy. He born in Paris, studied in Pairs; Mumbai and Yokohama. He was attended English grammar school for improving his English language.

The JRD Tata was the Chairman of largest industrial group in India. Which has producing and serving Steel, Chemical, Electricity, Automobiles, Air transport, Casting production, Indian tube, Agricultural Equipments, Hotels, Tyres, Cement, Investment
- venture capital, Machine tools and Bullet proof tin, Soap, Textile, Beauty products, Tea etc.

At the beginning of the Second World War, JRD Tata became the President of Tata group having 14 companies and 280 crores turnover. He is first visionary and leading industrialist in India. He has always taken care of rural up-lift-ment and followed business culture. Because of this approach only he can able to create “Tata Culture” in India. JRD Tata had followed social responsibility beyond the welfare for their company employees.

JRD Tata was a student and product of two great pennons, one is his father R. D. Tata and another is Jamsetji Tata, the man who brought the Industrial Revolution in India. The JRD Tata is a ambitious businessman. He always thinking beyond the normal things and because of this vision only he became the great businessman in India. Along with his various industries, he established, “Tata Institute of Fundamental Research (TIFR)”. Where great scientist have been developing and contributing to the nation. He had a vision about atomic energy for industrial use and growth. He is a well known businessman and great thinker in the field of business world. He always tries to make happy people in and around him by way of giving smile makes other happy and it does not cost me anything. The same philosophy has adopted in his business field that he has always in surplus or profit with less expenditures.

After the death of the father, JRD Tata became the Director of the largest Industrial House of India in 1926. When he was thirty four, then he became the Chairman of the Tata Group of Companies. JRD Tata had focused on good and profit making companies along with social responsibilities. In 1929 he was completed Air Flying education and training and stood first in this flying school. He was the first Indian pilot in those days. At that time; there was the competition to fly from India to England and back solely. He contested for this solo flying Aga Khan Trophy in those days. With this experience, Mr. Nevill Vinctent suggested and own dream to start own airline, JRD Tata was launched Tata Airlines in India. This airline is the pioneer one and in 1948 it became Air - India International, a joint venture with Indian Government. He launched Air - India with first overseas route from India to London. Then after, over the next thirty years he contributed and developed one of the world’s best airlines and the total credit goes to JRD Tata.

JRD Tata keeps himself always engaged; he is very sensitive, active, hard working person. He started TELCO, which producing heavy vehicles. In Indian market highest heavy vehicles are produced from TELCO, these vehicles are running on the roads in India. He focused and developed Tata Steels and Tata Sons in his
career. He has getting and gave satisfaction by way of developing industries and following corporate social responsibilities. He always keeps fit himself in physical term and in business world. He has interest in playing tennis and golf. He got awards for his life time activities. Especially he got the “Bharat Ratna” award in 1992 from Government of India as a highest Civilian award.

JRD Tata was great businessman and social contributor. He had involved in airline to various other industries directly and indirectly. He holds shares directly and indirectly more than 50 big companies. The Tata has developed due to textile industries. He had been purchased and sold number of industries due to demand of time and situation. He started his career at small office place “Navasari Chambers” than marched towards Tata’s Corporate House. He had advised to number of companies and Government too. He seen number of ups and downs in the field of business in India and outside India. He did number of experiments in the field of business and societal development. The Harward Review published an article on JRD Tata and mentioned that JRD Tata is the Indian Management Guru”. He had collected very good and talented people form India and outside India for business development. He was the man of opportunity finder and talent searcher. He was the real business men, he never entered into political affairs. He is very much fond of science and technology. He was very much involved in top level decision making process at Tata Group and Government too. He had multi dimensional and multi subject interest. He is very much curious, loyal, helping nature, transference and co-operative attitude are the basic qualities of JRD Tata. He had given life to the passengers who are waiting on bus stop by offering various facilities. He had very good physical personality. He was hard worker with full of energy. He had been working weekly seventy hours up to seventy of his age. He was a good reader, he use to read war science, sports, detective stories etc. He is some what hot tempered man, so he doesn’t want to take any physical help for minor activities. He doesn’t want to depend on others.

JRD Tata has faced number of time financial obstacles and he came up from the obstacles. He purchased and sold different companies’ shares and taken loan from the banks. He also sold his companies shares in the share market for raising the capital. He took appropriate financial decisions when they were required. He was good financial strategy makes. He started Tata Investment Corporation (1937), Venture Capital and Investa Industrial (1941) etc. His father had started with small capital and JRD Tata made it in multi crores capital. He raised funds by way of export and foreign collaboration. His financial management is very excellent and that became a cause of success.
JRD Tata is a Karta of the Tata Business Family. He was respected personality among employees. He had command over the employees and knowing very well the employees problems and their perception. He created a “Tata Culture” for employees point of view. He is a believer of Mahatma Gandhi and Jawarlal Nehru. He had very close relation with Gandhi - Nehru family which affected on his personality, so he always supporting to employees. He always taking care of his employees and officers. The TESCO Company’s financial position was not good in 1934, in this time employees were accepted one rupee wages. It indicates that the good employees - employer relations. In 1970 Tata Workers Union Leader Mr. V. G. Gopal said that, JRD Tata has treating employees’ union is for employee betterment and not to collective bargainer. He handled all labour problems very successfully. He is a follower of ethics and not profit, which shows the ethical labour management in Tata Group. He was very liberal toward employees. He was away from politics and believing an entrepreneurship, although he had very good relations with Congress party. In 1943 he stared Personnel Department by circular and it became foundation for TISCO Employees policy. JRD Tata stared good facilities, salary, wages, bonus, job security, medical facilities, provident fund etc.

“He said that when we are purchasing machines and tools, to maintain these machines and tools, we are appointing maintenance staff for repairs but we are appointing thousands of employees but there is no any mechanism to solve the human (employees) issues and problems”. This statement indicates the eager of JRD Tata towards employees. Due to this approach, he started number of training programmes for employees’ betterment. He believed on good salary and good treatment to employees.

JRD Tata has developed very good market in India and abroad. His industries have working in different fields and producing different products, which products have traded in all over the world. He has selling trucks, steel, cement, textile products etc. in India and outside India. He was good strategy maker for marketing. He started very god distribution channels and network for marking of goods and services. He stayed and studied abroad that’s why he knows very well about international market and strategy of international customers. He adopted different acceptable strategies for marking of goods and services. JRD Tata has been producing different products and services. He produces beauty products to trucks. He focused on economic production of steel, truck, cement, beauty products etc.

Qualities:

1. Great dreamiest for business development.
2. Balanced and co-operative attitude.
3. The great creativity having person.
4. Tremendous power, energy and helping natural.
5. Transference in transactions and decision making.
6. Punctuality is the basic quality of JRD, of which people are adjusting their watches.
7. Economical approach and life style.
8. Joyful, sharp, intelligence, handsome personality and hot temperament.
9. Business is not for profit but for service to the society.
10. Great forecaster and planner.
11. Employee care taker and effective problem solving ability.
12. Idea generator and work culture creator.

2. N. R. Narayana Murthy (Infosys):

Nagavara Ramarao Narayana Murthy known as N. R. Narayana Murthy is an Indian industrialist and software engineer. He is the founder and Chairman Emeritus of Infosys Technologies Limited. Mr. Narayana Murthy was born in Brahmin family in Mysore, Karnataaka on August 20, 1946. Murthy graduated with a degree in electrical engineering from the National Institute of Engineering, University of Mysore in 1967 and his Master of Technology (M. Tech.) from Indian Institute of Technology (IIT), Kanpur in 1969. His wife, Sudha Murthy earlier Kulkarni, is an Indian social worker and renowned author. She is known for her philanthropic work through the Infosys Foundation.

A son of a small-town school teacher, he and six partners have running billion dollar (sales) Infosys Technologies. Murthy had a very humble beginning in his life. He has been giving number of lectures in India and outside India and interviews. He is the real motivator and trainer for others' life. He always involved in his work, because of which the seven friends create Infosys. Murthy has lots of hope, confidence, commitment, energy, enthusiasm, hard work, passion and a sense of sacrifice. On the other hand they were short on money for expansion of business. In due course of time the Infosys raised sufficient funds for expansion. His wife Sudha
Murthy became the venture capitalist and provided them with Rs 10,000 as seed capital. In the initial days, Narayan Murthy said that he never thought about size, revenues and profits of the company. The only dream they followed was to build a corporation that was, above all things and respected in the industrial society. Murthy was instrumental in cultivating strong value systems within the team of Infosys. They put the company benefits ahead of their own interest - thus believing in legal, moral and ethical business. Infosys itself has seen consistent growth in revenue and profitability for over 30 years, since it got listed in India. To retain the trust of investors, Murthey has followed a very simple mantra - under promise and over-deliver. Every situation is what one makes it to be. Confidence is half the battle, and leadership is making the impossible things possible, is the philosophy of Narayana Murthy. Speed, imagination and excellence in execution are the three basic attributes for success, he believed. Murthy says that to achieve extra ordinary results, you must surround yourself with people smarter than you - and set them free.

Murthy, a founder member of Infosys has contributed more than a billion rupees for the upgradation of the IIT centers. The Infosys founder member says that unless a person makes a difference to the society and earn their trust, he can never become long-term players. Therefore, he is insisting value addition in your activities for the benefit of the masses. He is a man of vision and hard work. He has been declaring more than 30% dividend to shareholders. At the age 28 suffered impressments due to misunderstanding in Sarbiriya and Bulgaria. Without sufficient food for 72 hours he tackled the issue, this man is none other than the Narayan Murthy, who travelled 20 hours, through the railway guards’ cabin. Who was an Electrical Engineer from Mysore University and IIT Master Degree in 1969. Career started at IIMA as an employee, then as a Chief of Patani Computer, Pune and later the birth of Infosys Consultancy Pvt. Ltd. at Model colony, Pune in 300 sq. ft. officer area with Rs.10,000 initial capital with only two American customer. Today’s revenue is more than 641 million, more then 1,33,000 employees are working in 33 countries. This is the growth of Infosys because of Narayan Murthy and his team.

N. R. Narayana Murthy is the Chairman and Chief Mentor. Mr. Murthy founded Infosys in 1981 and has served on Board since then. Mr. Murthy served as the Chief Executive Officer for over 20 years between 1981 and 2002, and as the Executive Chairperson of the Board from 2002 to 2006. He retired from employment of Infosys in August 2006. Mr. Murthy also serves as a Director on the boards of Infosys China and Infosys Consulting. Mr. Murthy serves as a Director on the board of HSBC Holdings PLC. He is an IT advisor to the Governments of several Asian countries. Additionally, during the past five years, Mr. Murthy has served as a Director on the
boards of DBS Bank Limited, DBS Group Holdings Limited, Unilever PLC and New Delhi Television Limited. Mr. Murthy is a member of the advisory boards and councils of several educational and philanthropic institutions, including Cornell University; Ford Foundation; Indian Institute of Management Technology, Bangalore; Indian School of Business, Hyderabad; Singapore Management University; United Nations Foundation; and many more. He is a Fellow of the Indian National Academy of Engineering and a foreign member of the U.S. National Academy of Engineering. Mr. Murthy was ranked as India’s most powerful Chief Executive Officer for three consecutive years between 2004 and 2006 by the Economic Times. In 2004, TIME Magazine identified him as one of ten global leaders who are helping to shape the future of technology. In 2005, The Economist magazine ranked him among the ten most admired global business leaders. He has appeared in the rankings of businessmen and innovators in several publications, including those by Business Standard, Business Week, Financial Times, Forbes, Fortune, India Today and TIME Magazine. He got number of awards. Mr. Murthy was awarded the Padma Vibhushan, India’s second highest civilian award, by the Government of India in 2008. The Government of France given Honor in 2008 and British Government too. Mr. Narayana Murthy has retired on August 20, 2011 as the Director, and started working as an advisor to Infosys family from August 21, 2011.

His first position was at IIM Ahmadabad as chief systems programmer where he worked on a time-sharing system and designed and implemented a BASIC interpreter for ECIL (Electronics Corporation of India Limited). After IIM Ahmadabad, he joined Patni Computer Systems in Pune. Before moving to Mumbai, Mr. Murthy met his wife Mrs. Sudha Murthy in Pune, who was as an Engineer with Tata Engineering and Locomotive Co. Ltd. (Telco, now known as Tata Motors) in Pune. Mr. Murthy founded Infosys in 1981 in Pune with an initial capital of Rs 10,000, most of which was borrowed from his wife Mrs. Sudha Murthy. At its inception, he invited six other engineers to join the company. Murthy served as the founder CEO of Infosys for 21 years, and was succeeded by co-founder Mr. Nandan Nilekani in March 2002. At Infosys he articulated, designed and implemented the Global Delivery Model which has become the foundation for the huge success in IT services outsourcing from India. He also run the company through several key decisions including its listing on the Indian stock exchange, etc. He served as Chairman of the National Association of Software and Service Companies from 1992 to 1994.
### Awards and Honours:

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<th>Year</th>
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<td>2010</td>
<td>IEEE Honorary Membership</td>
<td>Institute of Electrical and Electronics Engineers.</td>
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<td>2010</td>
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<td>2008</td>
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<td>2003</td>
<td>Asia’s Businessmen of the Year</td>
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<td>2003</td>
<td>World Entrepreneur of the Year</td>
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<td>1998</td>
<td>Distinguished Alumnus Award</td>
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<td>1996</td>
<td>JRD Corporate Leadership Award</td>
<td>All India Management Association (AIMA).</td>
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### Quotes Made by Narayana Murthy:

1. “Our assets walk out of the door each evening. We have to make sure that they come back the next morning.”

2. “Performance leads to recognition. Recognition brings respect. Respect enhances power. …”

3. “The real power of money is the power to give it away.”

4. “Progress is often equal to the difference between mind and mindset.”

5. “I want Infosys to be a place where people of different genders, nationalities, races and religious beliefs work together in an environment of intense
competition but utmost harmony, courtesy and dignity to add more and more value to our customers day after day."

6. “A clear conscience is the softest pillow in the world.”

Qualities:
1. Dreamiest and flying and connecting with dreams of Information Technology.
2. Innovative mind, quick and drastic decision maker, persistence, very determinant, very confident and idea generator.
3. Continuous hard working ability.
4. Diplomatic, Séance of judgment and team building ability.
5. New path maker.
6. Extra ordinary man with extra ordinary vision and efforts.

3. Kiran Mujumdar - Show

Kiran Mujumdar - Show has born and brought-up in common and cultured family at Bangalore on 23 March 1953. Her school education has completed in Bishop Cotton Girls School and College education has completed in Mount Carmel College, Bangalore. She completed her graduation in Zoology from Bangalore University, Karnataka State. Her father was working with “United Beverage Company” which is a Vijay Malya’s group of companies. He took care of his daughter very properly according to her liking and interest.

After completion of her college education she went to Australia for getting medical education but destiny has decided different noble career from Mrs. Kiran Mujumdar. She won’t get admission for medical education, so she joined for Beverage Science education in Belard University, Australia. She was the first leady in India who completed her education in Beverage Science. Due to different education background, she had good number of opportunities in the Beverage companies in India and abroad.

Although this is the situation to become successful women, also she had thoughts, efforts and vision to develop herself. Because of these qualities, she became the successful entrepreneur. She created her own image in the male dominated society. She really started social work by way of research in medicines and production through the “Biocon Company”. She wants to become doctor but faith made her medicines manufacturer and researcher. Instead of serving for one patient becoming a doctor, faith forced her to produce medicines and serve to number of patents. She converted this situation into golden opportunity.
At present she is a Chairman and Managing Director of one of the largest Bio-
Technology company, Biocon Company Ltd. In the year 2004 she was the richest
women entrepreneur in India. She started her professional career in the year 1974
as a trainee in “Caolarton and United Beverage Company. In 1978 she was working
with “Bayacon Bio-chemicals Company” at Ireland as a trainee manager. Although
she was working in good position, with handsome salary but she was not very much
busy in research and getting scientific knowledge. Research is a hard currency,
she believed, so, to get scientific knowledge and skills, she purchased a small shed
at Kormangala near Bangalore. She invested Rs.10,000/- from her own pocket and
started production of fermentation and distillation of material. Due to the shortage of
capital with herself, she decided to involve Biocon Bio-chemicals Company, Ireland
as a partner in her company. In those days Biotechnology was the new concept. So,
Bankers were not interested to provide loan facility to this company. Due to this
scenario in capital market, she took lot of efforts for raising the initial capital for the
company. At the same time another challenge before them was to get trained
manpower in the concern sector. Due to facing these number of challenges she
said, “Success is about pursuing a vision with a sense of purpose and a spirit of
challenges. There are no short cuts to success and there is no substitute for her
work. I also believe success is about doing things in a differentiated way, dare to be
different, so that you stand out Biocon’s by line is ‘The difference lies in out DNA’
and we all believe in it. We don’t imitate other companies but have charted our own
business destiny.”

Mrs. Kiran Mujumdar is living in “Biology” by way of Biocon India due to her
vision. The challenges and awareness of cause made her to go on top position. To
accept the challenges and to complete the complicated function is indication to
become an entrepreneur.

The nature is gifted pecans, functionality, sacrifice and hard work to female. It
is said that the women is mother for longer time and Mrs. Mujumdar has started her
activities in a motherhood role. Women’s are facing number of barriers in a male
dominated society, she find the successful way for her activities. She is bold and
strong in her activities and decision making. Business world has honored to Mrs.
Kiran as, “Mother of Invention” and Economists are named her, “Biotech Queen”. She
proved herself by way of these two honors. She saw number of ups and downs
in the company’s progress including capital to skilled manpower shortage. In due
course of time, Uniliver has purchased all shares of Biocon Chemicals, which helped
for more development of the company. She has good people searching ability amongst
visitors and other companies’ employees. If we see the top executives of Biotech
India Company, it is found that they all are expert and skillful officers. Also there is a freedom in Biocon India Company to work freely in the company. Once the company executives have decided unanimously about company’s policy, then every one is free to work, within the predetermined policies. Due to this policy in the company, every head of the department is working just like independent entrepreneur, due to this approach; Mrs. Kiran Mujumdar is working as like a Company Ambassador. Because of this “Work Culture” approach, she motivated to all employees to work together.

Biotechnology is the combination of Biology and Technology. The basic three objectives of Biotechnology are increasing agricultural production, production of medicines on complicated diseases and pollution control. Very beginning the Biocon India Company was involved in research only, then after, as per the need of time, the company has started production of medicines. Due to this, at present, the nature of company became the “Biotechnological Pharmaceutical Company”.

To produce medicines for Cholesterol, Diabetes, Kidney problems in the human body, the company has invented number of formulas. At present the company has more than 130 invention patents, because of this, the company became highest patent holder company in Biotechnology. Mrs. Kiran Mujumdar having highest patents in important sector, so one can say, she is having highest property and assets i.e. having scientific Hard Currency. H.S.B.C. Securities and Capital Market Vice-President Naina Lal Kidwai said that Mrs. Kiran Mujumdar seated on, “Gold Mine”. In brief, because of her sincerity and hard efforts Mrs. Kiran Mujumdar has reached at the top of the business world.

According to survey of International famous “Nature” magazine, Mrs. Kiran Mujumdar - Show took India in Biotech sector, at highest position in the world. At present Mrs. Kiran Mujumdar is the President of “Association of Biotech Enterprises” and her target is to make Biocon India as the millennium dollar turnover company. Not only this, but also she wants to take her company in first top five companies in the biotechnological pharmaceutical sector in the world.

Mrs. Kiran Mujumdar is the great women entrepreneur in India. She handled great and respectful positions. She was the leader for Prime Minister’s Trade and Industries Corporation for Government of India. She was also member of IIM, Bangalore.

Received Awards and Honors:
- Institute of Marketing Managements Gold Medal for “Best Women Entrepreneur” (1982).
• Rotary award for the “Best Model Employer” (1983).
• Padma Shri (1989).
• Ernst and Young Entrepreneur of the year Award in Health care and life Sciences Category (2002).
• Karnataka Rajyotsava Award for “Business Woman” of the year (2002).
• Australian Alumni High Achiever Award from the IDP Australian Alumni Association (2003)
• The Economic Times Business Woman of the year Award (2004).
• ‘Corporate Leadership Award’ by American India Foundation (2005).
• Honorary Doctorate of science, from Ballart University (2004).
• Padma Bhushan (2005).
• Honorary Doctorates from University of Adertay, Dundee, UK (2007), University of Glasgow, UK (2008) and Heriot - Watt University, Edinburgh, UK (2008).
• Nikkei Asia Prize (2009) for Regional Growth.
• Pharmaceutical Leadership Summit Award for “Dynamic Entrepreneur” (2009).

Mrs. Kiran Mujumdar deserves for above all awards and honors, although she is humble great entrepreneur. She has been working in various sectors. Social formation, employment generation, to minimize pains of patients by way of doing research in medicine is the prime objective of this women entrepreneur.

Mrs. Kiran Mujumdar is the great women entrepreneur in the field of biotechnology and production of medicines. She is a social worker. She established “Biocon Foundation” in the year 2004 for betterment of economically weak and deprived society by way of organizing health, education, cleanliness and environment related activities. In this foundation, till today, more than 70,000 rural based members have benefited by Micro Health Insurance. The foundation has provided mobile medical service, health education etc. for more than 3 lakhs people. They started 5,00,000 sq.ft. and 1400 beds Cancer Hospital in the name of “Mujumdar-Show Cancer Center”(MSCE). Considering these all activities it is found that Mrs. Kiran Mujumdar-Show is ahead in social activities along with industrial activities. She is not merely working for profit but also contributing social services towards the society.

For starting any business, optimum capital is required. She started her business
with Rs.10,000 and now it reached about Rs.10,000 crores. This shows her financial management skills. She is very economical and wherever and whenever required she is spending huge amount is the mentality of this leady. Not to spend on decoration, not to spend on gold - silver ornaments, but to spend on research, marketing and she spend huge amount, for beautification of Bangalore city. To produce medicines in minimum cost and made available to the patients in lesser price, offer attractive salary-wages to employees and offer maximum dividend to the members. This magic is done by the Mrs. Kiran Mujumdar-Show. It shows the ability of professional financial management.

Success of any business is depending on employees and officers working in the business. Mrs. Kiran Mujumdar-Show has appointed clever, sharp, devoted and hard working employees in her Biocon India Company. She offered good freedom to her employees. She is following participative management style for her company. She has appointed Mr. Suryanarayan as a Research and Development Head who knows from studentship, Mr. Arun Chandavarkar - Production Department Head, Mr. Bhardwaj for Marketing and Mr. Murali Krishnan - President in Finance Department. It shows that Mrs. Kiran Mujumdar’s “head hunting” ability. Without good people, company will not stand, so Mrs. Kiran Mujumdar has searched good people for her company. The speedy growth of Biocon India is because of respect to employees, affiliation with employees, freedom for work and employees participation in policy decisions etc. Mrs. Kiran Mujumdar has very good skills for employees handling which helped for creation of work culture in the company. The company is working with the thought that employees are “invited guest”.

Mrs. Kiran Mujumdar-Show has contributed a lot in marketing sector. To get medicines to the needy people, she established very effective distribution network. They are distributing through respected employees with research and varieties etc. They were introduced on the auspicious hands of Mr. Shahrukh Khan - A film actor, newly developed “Bayomeb” Cancer Medicine. It indicates that the patents should get different effective medicines at right time, right place, right quantity, with right price by way of effective distribution network which has established by Mrs. Kiran Majumdar-Show.

The production has started in small shed and today it expanded like a banyan tree. The company has been doing research for various diseases and producing medicines on different diseases, formulas have developed for cancer disease, cholesterol reduction medicine, oral medicine for diabetes etc. Mrs. Kiran Majumdar - Show is a genius entrepreneur because she fulfilling the social responsibilities.
Qualities:

1. Advocating integral management approach.
3. Having the skill to attract the people towards business.
4. She developed ‘work culture’.
5. Biocon India is one family concept.
6. Founder entrepreneur followed by economic management.
7. Follower of social responsibilities.
8. Entrepreneur having more than 130 patents on her credit.
9. Like diamond entrepreneur setting on gold mine of medical services and knowledge patents.
10. Concentration is the special quality of this entrepreneur.

4. Laxmanrao Kirloskar:

Laxmanrao Kirloskar was born on 20-06-1869 at Hosur in Karnataka state. He completed his schooling at Dharwad in Karnataka. In those days he was very much interested in art and drawing, especially he was very interested in preparation of sport equipments. He was interested in machine work, repairs and maintenance etc. He was learned drawing subjects from J.J. School of Art, Mumbai, which in one of the most popular Art college in Mumbai, Maharashtra.

After completion of his education he was joined as drawing teacher in Victoria Jubily Technical Institute (VJTI) in Mumbai in the year 1887. The VJTI offering technical education to the students. Laxmanrao Kirloskar started his career as a drawing teacher and became pioneer in industrial development. He became renowned industrialist of Maharashtra. Laxmanrao Kirloskar in popularly knows as Henry Ford, of Maharashtra. His full name is Laxmanrao Kashinath Kirloskar and called him as the “Lakaki”. He really proved himself as a “Lakaki” in the field of industries. He marched from drawing teacher to industrialist and it is “Lakaki”.

In the year 1888, he started he bye-cycle business under the name of ‘Kirloskar Brothers’ at Mumbai along with his service. He collected lot off information about bye-cycle from England and America. In due course of time his elder brother also started bye-cycle shop at Belgaum in Karnataka state. Due to his business activities, clashes with the management of J. J. School of Art, Mumbai, so he resigned and involved into various business activities. Due to plague disease in Mumbai in 1896
he came back to Belgium and started working in bye-cycle shop along with his elder brother Ramuanna. Belgaum, Kolhapur, Sangli are totally agriculture belt in those days. Considering the local needs and avenues he has started manufacturing of grass cutting machine which is most required and suitable to the farmers in the year 1901 at Belgaum in small workshop. Being the visionary and technical mind he has started manufacturing of grass cutting machine in those days. He studied local needs and entered into manufacturing of farm equipments. He started production of steal plau which was very useful to the farmers. He started his manufacturing activates in small workshop with one small foundry, one lathe machine and are drilling machine with six employs. Later on 8 horse power engin has installed with 40 employs for manufacturing farm equipments.

Laxmanrao Kirloskar is a visionary corporate leader for Kirloskar Group. Due to problems in Belgaum he shifted to Kirloskarwadi near Kundal station at Palus in Sangli district of Maharashtra state. The Kirloskarwadi is about 45 kms from Sangli. The new unit at Kirloskarwadi has spread in 36 acres of land for factory which was given by His Highness Maharaja of Aundh to the Laxmanrao Kirloskar. During the second world was, Kirloskar Company has considerabely expanded. Later on company started their factory units at Pune, Harihar, Bangalore, Nashik and Kolhapur. To do expansion and development of the company, Laxmanrao has raised funds through public issue. Due to goodwill and reputation in the business world, the public issue was over subscribed. It proved the vision of Laxmanrao Kirloskar and he proved as LaKaKi.

Laxmanrao Kirloskar was the founder leader of Kirloskar group. He handled largest business group in India, who are involved in agro-machinery production. He was very optimistic entrepreneurial spirit. He can made impossible things possible by way of 3 C's like Courage, Conviction and Confidence. He run his all units on professional manner. Modern management touch, he has applied in his industries. He awarded prestigious award “Kaisar - E - Hindi” by Government of Maharashtra. He really contributed to the Indian farmers by way of agriculture equipments including steel plau, electric motors, tractor, oil engine, grass cutting machine, Kirloskar Finance, etc. Kirloskar group has taken number of industries for operations. He has taken major policy decision for the company. He worked in the company as a father of the Kirloskar group. He struggled a lot, he achieved a lot and he contributed a lot to the society and country.

Qualities:

1. Hard worker and very firm about own opinions.
2. Exceptional human being and outstanding leader.
3. “LaKaKi” in the quest i.e. always he is lighting for others.
4. Vision and power.
5. Empire Builder.

5. Mrs. Vidya Murkumbe:

“Search for profit in loss
through non performing sugar units
and converting into profit making units,
such versatile lady called with due respect as

“Belgaum Amma (Mata)” is non other than Mrs. Vidya Murkumbe.

Mrs. Vidya Murkumbe born in 1949 in Karnataka, in well-to-do family. She is B.Sc. and entered in Kirana shop business then after she entered into sugar production and marketing of sugar in Karnataka and subsequently in Maharashtra, India and international market too. She started her own factory in Belgaum district of Karnataka state and also undertaken Sugar factories and Ethanol projects on lease basis. She taken co-operative based sugar and ethanol units and run in private sector and she proved that it is possible. She taken loss making and sick sugar factories and convert them into profitable enterprises, this “Knowledge and Skills” are having leady means Mrs. Vidya Murkumbe. She called with due respect as Belgaum Amma (Mata). She find a path in sugar production and marketing. She captured very good market share in Indian Sugar Export.

She has set the target of sugar production, by-products production, re-processing of sugar, production of refined sugar and she achieved the same with great profit. She has producing sugar in India and exporting it, because of which the Indian Government has getting foreign currency, which is a great contribution to the nation from Mrs. Murkumbe. In India more than 30,000 crores turnover has taken place in sugar industrial sector. This sugar industry is classified in to co-operative and private. It is also classified into two sectors, one is Southern India and another is Northern India. It is found that majority of the co-operative sugar factories are located in Southern India and majority of private sugar factories are working in Northern India. Considering popularity of co-operative sector in Southern part of India, especially Maharashtra and Karnataka, the Mrs. Vidya Murkumbe has started and successfully
implemented and run private sugar factories. It is a unique quality of this leady is that she is taking “non profitable co-operative based units and make them profitable”.

Sugar industry is agro based seasonal industry which is directly and totally depend on natural environment and rain falls. One important characteristic in co-operative sugar factory is lack of productivity and excessive manpower. Under this circumstances she proved her capability in co-operative sugar factories through private management. She is a good strategy maker, instead of investing more than 100 crores of rupees for construction of sugar factor and spending lot off time for all permissions and licenses for new sugar factories, she taken wise decision that the co-operative sugar factories taken on lease basis for production of sugar and other by-products i.e. contractual basis i.e. BPO (Business Process Outsourcing) basis. She proved that less efficient sugar factories can be made efficient, which is the secret of her business strategy. She is running her own Private Sugar factory in Karnataka near-Yallama with the name “Ranuka Suagar”. This name has given due to “place importance” which is formal in Industrial Management. At present the common people are recognizing Mrs. Vidya Murkumbe means Renuka Sugar and viz-a-viz. It is a good strategy of this leady to give “Renuka” name to her sugar factory and focus location importance in the mind of the people, which is a real management style. It indicates the professionalization and strategies decision making ability of this leady.

At present the majority of the sugar factories are using sulfur for sugar production, which sugar has not accepted by Pepsi, Cock-Cola, Cadbury, producing companies etc. They are not ready to purchase and use sulfur mixed sugar for their products. This problems has studied by Mrs. Murkumbe and converted problem into opportunity. She started less use of sulfur for sugar production for capturing local and export market. To get good money, to earn good profit and the give sufficient and in time sugar cane price to farmers, she have been following different strategies in sugar industries. It is found there are some limitations in co-operative sugar factories, she studied and analyzed these limitations and to overcome from these limitations, she taken co-operative sugar factories and by products producing units on contractual basis and it is the unique activity in the history of co-operative sugar factories. She observed lacunas in functional activities of co-operative sugar factories and came out of these lacunas by way of privatization of co-operative sugar factories management like Finance, HR, Production, Marketing and Technology. Considering there limitations, co-operative sugar factories are in trouble, under this circumstance Mrs. Murkumbe has undertaken and proved that one can overcome from there short comings.
Madam is very perfect in marketing, his son and the team of Renuka Sugar is helping for capturing National and International market with good price. She is vary particular about marketing strategy. On the basis of marketing condition, supply-demand of sugar in National and International market, she is preparing production schedule. In time sugar production, qualitative sugar production, less chemical and chemical free sugar production, high recovery of sugar, she is preparing very strict and time bound perfect sugar cane harvesting schedule, which become the success mantra of co-operative - private (co-operative sugar run by private management) sugar factories. She is very perfect and particular in H.R. management. She has provided latest means of communication equipments to the sugar cane field supervisors for effective implementation of harvesting schedule.

Mrs. Vidya Murkumbe is a genius leady in the field of business world. She is really H. R. manager in the field of sugar industry. She has been handling very nicely and attentively the human resource available in the sugar factory and on field. Other co-operative sugar factories are having huge manpower but she is running her sugar factory in 50% manpower (in companion with present co-operative sugar factories manpower). She have been motivating to the employees and providing very attractive salary and perks to the employees. She is very strict about H R performance and productivity. In shout she in handily HR in her factories like a mother hood approach, which is a unique characteristic in the success of Shri Renuka Sugar. There in a saying that ”Happy employees are productive employees”. She has been keeping happy employees, which result into excellent productivity.

She is very particular about financial matter of Shri Renuka Sugar. She has been taking keen interest in financial matters of the sugar factories. She is B. Sc. - Chemistry but having very good knowledge about finance and accounting matter. She listed her factory shares in Stoke Exchange, which is a unique step in the field of sugar factories and especially in financial matter. Her company’s shares are traded with considerable amounts of premium in the shares market. She has offered very good amount of dividend to the shareholders of the company. In short she raised good amount of funds for long period from the open market by way of share and which is possible only when company’s Balance sheet is strong and having very good goodwill in the market, which is achieved by Mrs. Murkumbe. Her financial strategies are very excellent like a qualified, renowned and knowledgeable Chartered Accountant. It is said that capital is the blood of the business, which is really proved and implemented by this leady. She is the real, “Yashda” for farmers and rural masses. Her financial management is very perfect, costing is marvelous and funds inflow and outflow in very excellent. Due to effective financial management,
she became successful entrepreneur in the vicinity of Maharashtra and Karnataka states.

Being a science graduate and specialization with Chemistry, she proved herself in the area of production of sugar, refined sugar, by products including co-generation, ethanol etc. She is visionary in the production of sugar and other by-products. Value addition, maximization of profit, optimum utilization of resources and production of “best from waste” is the mantra of this leady. Her style of working is to take sick sugar factories on rental basis and run them in profit by effective implementation of functional areas of management. She is continuously touched with international market and international consumers of sugar and according to that she has been preparing sugar production strategy. She has been producing sugar without sulfur, which sugar and syrup of the sugar is more suitable for cold drinks production and having tremendous market in the world.

Quality is the back bone of any business and Madam is following the quality in production of sugar and allied products. Due to her qualitative production of sugar, she can able to export the sugar at the International Market. She has been following Total Quality Management (TQM) concept in her sugar business. She has maintained quality in sugar cane cultivation and harvesting, transportation of sugar cane and refined sugar, human resource management, marketing and finance too. It indicates that her quality conscious approach about sugar industry. It is an indication of professional management approach followed by Mrs. Murkumbe.

Qualities:
1. Zeal for development of sugar cane grower farmers and rural masses.
2. Professional management follower and implementer with strategic management approach.
3. Risk taker and very good strategy maker.
4. Good leadership quality with social involvement.
5. Searching profit in loss making organizations.
6. Hard working leady with smart approach. Impossible things - make them possible is the unique qualify of Mrs. Murkumbe madam.
7. Innovative and enterprising approach. Work for mass and mass will work for you is the mantra adopted by this leady.
8. Rural people development through sugar and by - production industries.
9. Opportunity finder and in-cashing the opportunities by converting problems into opportunities.

10. Co-operative spirit in private sugar factory and Professional spirit in co-operative sugar factories for quick decision making and management.

6. R. M. Mohite:

Kolhapur is called as “Dakashin Kasha” having very good historical background with Goddesses Mahalaxmi Temple in Kolhapur. Kolhapur has given great freedom fighter and business people to the Nation. Kolhapur district has contributed good thoughts provoking people to the State and Nation. This district has very good fertile black deep soil land with good number of rivers. The specialty of the Kolhapur people is very famous for hospitality, innovative and creative mind. The outcome of creative mind leads to good people like Shri R. M. Mohite. He has born on 16th March 1935, at village Kerli, very near to Kolhapur city, towards Jotiba and Panhala about 8 kms away from Kolhapur city. He born in rural area in very – very poor family. The Family business is breaking the stones for road construction at road side. Shri R. M. Mohite has started road constriction, building construction, dam constriction and textile business in Maharashtra and other states of the country. Today he is one of the great entrepreneurs in Kolhapur and become one of the largest groups i.e. ‘Mohite Group’ as a private corporation in Kolhapur. Ramchandra Maruti Mohite alias R. M. Mohite alias Anna become a path finder in business world, especially in construction business. He was not interested in school education and practically not possible to take god education through formal system of education. He was started his work along with his father when he was about 7-8 years old. At initial stage he was stared stone breaking work along with his father. He was not taken any formal education of any functional area of management but he is expert in all areas of management for establish and running business empire. He developed himself as an authority in the dam and road constrictions business. He is really “Path Maker” for others and also constructed ‘Path’ for him in a unfavorable situation. He started working in 1942-43 for small – small activities and during 1962-1976 he completed major projects in Maharashtra and outside Maharashtra. He completed very difficult road constriction project of 40 kms distance in a ghat section and hilly area in Rajapur of Ratnagari district of Maharashtra state. This project was time bound with financial constrains. The project has its own limitation epically the hilly area, Saiyadri platoon and lack of modern machinery for road construction. People were laughed on and fear about the completion of project but R. M. Mohite did it and
proved as the leader in the construction business. The basic quality of R. M. Mohite is hard worker and I can say that the stone is talking with him about stone quality and suitability of the stone in the construction business. It is a miraculous in the field of construction business.

The Government of Maharashtra has decided to construct a dam at Bansapawadi at taluka Jat in Sangli district of Maharashtra state in 1977 for irrigation purpose. This is also time bound project and the irrigation dam project has constructed by R. M. Mohite in two years of record period. It is a great achievement of R. M. Mohite because in a short period construction of irrigation purpose dam is difficult. For the construction of this dam R. M. Mohite used advance technology and new machineries, because of new machinery he could complete the project in time. In this construction he perfectly managed all resources which are with him. This is a unique project and gave him positive turn to his constructive business and it become solid foundation for other business activates. He is a unique business man because he don't have educational qualification, don't have right family background, don't have any political support, and don't have any financial support although he became the leading businessman in the field of construction, textile, bank and now in education.

R. M. Mohite came from small village started small – small construction work, bridge construction work and subsequently big projects. In 1980 he was undertaken dam construction at Bhira at Roha taluka in Raigad district. He completed this project with seven years. In the year 1987 he constructed dam at Kasari, taluka Shahuwadi in Kolhapur district within one year. He also successfully completed dam projects at Jangamhath, taluka Chandgad in Kolhapur district and Charagewadi, taluka Kundal in Sindhudurga district. Along with the dams construction he also constructed big roads. He has own machinery and modern equipments. With the help of modern machineries and vast experience he has completed one big project in 2007 as a “Morabe Project” at Chowk, taluka Khalapur in Raigad district. This dam project gave him name and fame in the state and national level. He proved himself as a professional and quality dam builder in Maharashtra. He came from small village and ordinary family, no educational facility in the village. Under such unfavorable background person came in the construction business and proved himself as great contractor. Today he is a capable contractor. Due to qualitative work, devotion, sincere work he proved himself as good contractor. He became role model for others in the construction business. Some time he could not afford an office of his own due to financial problem but today he has his well furnished and well equipped corporate office at Kolhapur.
R. M. Mohite entered into textile business in 1991 at Kolhapur in Maharashtra State. He started “R. M. Mohite" textile Ltd” Company in Kolhapur. He diversified his business activities from construction to textile. He purchased modern and automatic textile machineries from LUWA, USTER, RIETER and VOLKMANN etc. for quality production. He believing on quality so, he has not compromised in textile machinery purchases and installation. His aim is to export 100% cotton yarn to the International Market. He made expansion and modernization, time to time from 1991 to till today. At present company has installed more than 35,216 spindles capacity for this textile unit. He started another textile mill named as “Abhishek Cottspin Mill Ltd” at Tamgaon near Kolhapur in Maharashtra state. The company has developed factory, residential quarters and garden in 200 acres of beautiful campus at the site. He also puts a new textile plant named as “Maruti Coatex Ltd” at five starts MIDC, Kagal in Kolhapur district of Maharashtra state. The unit has named on name of his father “Maruti” Mohite. At present he and his children are taking care of construction and textile business activities. He also started manufacturing of grey knitted fabrics by knitting machines. The company has found that the grey fabric has accepted by the market so, they are decided to install processing unit. The R. M. Mohite is very particular about research and development activates. The company is always keen about R & D in all technical aspects of textile business. R. M. Mohite is a man of vision, because of clear vision he entered in different fields and diversified his businesses.

Along with Construction and Textile business R. M. Mohite has ventured into Education and Banking sector. He realized the importance of Education and Banking and he entered into this filed. He started Subhadra Local Area Bank in Kolhapur in 2003 and “Fort International Academy” at Waghbeel, Panhala near Kolhapur in 2004. The Subhadra Bank is working very well with good amount of deposits and loans. To help the poor masses he started this bank. At the same time he started International standard residential school near Panhala fort with beautiful campus and buildings. This school has been providing good education to the students. The school is taking care of overall development of the students. Regular subjects’ teaching, soft skills education, games, horse riding, swimming etc. education has imparted from this school. It is surprise to note here that a non literate man started an International Standard School at hill station. The Kolhapur, Pune, Mumbai based children are enrolled their names in this school for getting education. It indicates that the R. M. Mohite has providing quality education to their students.

R. M. Mohite is a man of stone, cotton, money and education. He entered into stone, cotton, money and education related business and activities. It reveals that he is a man of vision and forecast. He developed from base to top in the business
world. He ventured into basic projects and activities which are helping to the society and masses. For the betterment of the society he has been contributing in the various fields. He is very expert in finance, because of which he could service and able to work in construction business. Financial management in construction business is very difficult which he made possible and proved himself as a competent businessman. Considering the Human Resource Skills with R. M. Mohite, it has found excellent. Managing H. R. at different construction projects is very – very difficult. Because these projects are not at one place and not continuous nature. Under such circumstances the R. M. Mohite proved himself as a good HR Manager. At difficult projects, at different places, at different situations handling HR is difficult. In construction business majority of workers are illiterate and handling them is difficult. Such a difficult task has done by R. M. Mohite. He has very good HR handling skills. He has created loyal and hard working team for his all business activities. R. M. Mohite has established very good rapo in all his business activities. Due to this rapo, marketing of all services and products become easy. Mohite has adopted very good strategies for marketing of products and services. It indicates that the growth of his business activities and study of the customers in the respective fields. He knows very well the nerves of the market which provides him success in all selected fields of businesses. R. M. Mohite is also particular about production. He has produced and constructed quality roads, bridges, dams, bank products, textile products and educational products too. Due to his qualitative work in construction, bank, textile and education he got good scope in all selected businesses. Became of good production Mohite could do this much development in Kolhapur and Maharashtra. He can prove himself in last 76 years of his career in construction, textile, banking and education activities.

Qualities:

1. Hard working personality.
2. Visionary and very strong determination.
3. Very sharp memory and punctuality.
4. Loyalty towards supports and helpers.
5. Own strategy maker and situation handler.
6. Good human resources manager.
7. Good Production and Finance Manager.
7. B. G. Shirke:

Shri B. G. Shirke born in 1918 in the month of ‘Dhonda’ which is coming as per the Hindu Calendar, once in a three years. Shri Shirke is the 7th child in the family and born in Dhonda month, so, parents, brothers and sister are calling him as a “Dhondaya”. Shri Shirke don’t have exact registered birth date. At the time of enrolling his name in village school, his birth data is noted as 9-7-1918 and birth date is mentioned at Government office, Wai is 1-8-1918. Shri Shirke born in ordinary family in the village. Due to pleg disease in the period from 1928 to 1945, his school and college had not attended for months together in those days. His school education has completed at Pasarani, Wai and Pune. He became B.E before independence of India the year 1943. Shri B. G. Shirke is the youngest child in the family, so the family member expectation from this boy was he should learn a lot. Home and agriculture care was taken by parents and elder brothers, so, he was not supposed to go to agriculture and cattle care, except holidays.

His father had 3-4 acres of land for cultivation, also he was taken others’ land for cultivation. Expect elder brother, no one in the family means mother – father and all other brothers and sisters, were unable to read – write a single world. Under such odd situation Shri B. G. Shirke had taken education became his father was very much fond of education, who was supported and motivated for education.

Wai is the place of knowledge and Sanskrit pandit people. Shri. B.G. Shirke, his parents were not allowed him to mix up with other students in the village. Daily he was walking 8-9 kms from Pasarni to Wai and going back for school and he completed vernacular final in the year 1936. In those days Britishers were ruling India and their summer head office at Mahabaleshwar, rainy season head office was at Pune and at other period head office at Mumbai. In those days there were no transport facilities. Due to lack of transport facility, so the transport was through horses. The Parasani village of Shri B. G. Shirke is on the way of Wei and Mahabaleshwar. Shri B. G. Shirke and his family member were selling grass to the transporting horses and doing sand selling business at Pachgani and Mahabaleshwar in agriculture off season.

Shri Shirke’s village Pasarni is at the base of Pachagani and Mahabaleshwar and near the Wai. Different cast, religion and different nature business man are living in Pasarani. The village with 2-3 feel width muddy constructed houses walls, where from the great construction businessman has developed is a specialty of Shri B. G. Shirke.
Shri B. G. Shirke always occupying first - second row in the class. He was very clever in class. Always he stood first - second in the class. Shri Shirke learned his school education under eminent scholars at Wei. Here his career building had been started. He was doing very good study also he was taking very early sleep and got up earlier was the habit of Shri B. G. Shirke, till today he has maintained this good habit. Shri Shirke likes mathematics and languages. He struggled a lot for school education. In those days vernacular final exam was conducted at Satara and going to Satara was difficult. There were no any known person at Satara. He stayed with Mrs. Gojubai Kharade, at Satara at the age 12 and completed Vernacular final examination successfully in the year 1931-32. His journey of education had started from Pasarni to Dravid High school Wei then Ferguson college Pune and later Engineering.

He was helping to the parents and brothers for farming in vacation. A boy completed vernacular Final in 1932, when he was 14 years old, the rural parents of the daughters were asking for marriage, such a boy Shri B. G. Shirke became a great businessman in construction field.

He travelled from Wai to Pune for matriculation examination in the year 1935-36. In those days matriculate examination center were only at Mumbai, Ahmadabad and Pune. It was very difficult to go and attain examination at Pune. One known person Mr. M. M. Yawale, at Tilak road, Pune was staying at Satara. Mr. B. G. Shirke stayed at Mr. Yawale’s home at Pune and gave Matrix examination. Shri B. G. Shirke always got up at 3.00 am for study. His hard work and very long years of business experience, he made one statement that after 10th slandered majority of the students are taking admission for higher education without any goal. He mentioned that only meritorious and deserve students should be admitted for higher education with predetermined goals.

Mr. Shrike admitted in FY B class in Ferguson college, Pune in 1936 after making lot of struggle. He completed his 12th science in 1939 and admitted himself in Engineering college. When he was in second year Engineering in the year 1942, he was joined the Quiet India Movement started by Mahatma Gandhi. He completed his B. E. Civil education in the year 1943. He got Rs.150 scholarship per month for B. E. Education after completion of his Engineering education he started his career at Pune and Mumbai as an employee. Then after he started his own contraction business and got married with Kolhapur based girl on 10-3-1947. He seen ups and downs in construction business. He has been constructed roads, buildings, sugar factories, drama theater, cinema theaters, textile mills, irrigation dams, government
building, bungalows, flats, universities, other factories etc. Due to good and bad experiences in construction business, he mentioned that Civil Engineering Panchshilas are

1. Cheat on cement
2. Cheat on steel
3. Cheat on measurements
4. Cheat Fictitious extra items
5. Substandard work.

He learned a lot from Kirlosker, Sandvic Asia and other business man. He learned regarding construction and other business tactics with the help of 1961 onwards experiences. He humbly mentioned that due to learnt and cultured wife, he could do great development. He has three sons namely Pratap, Vijay and Ajay. He gave very good education to the children. He said, the role of mother is very important in the children’s education in comparison with role of father. He gives credit to his wife for building the career of the children. It shows the greatness of mind of Shri B. G. Shirke. Shri Pratap is Civil Engineer, Shri Vijay is Mechanical Engineer and Shri Ajay is commerce graduate. Shri Pratap completed his M.S. and M. B. A. from U.S.A. and he is handling construction business at outside India. Shri B. G. Shirke is very great man in construction business and very particular about financial records. He did innovative experiments in construction field. He did research on qualitative construction in minimum cost and developed Siporex material which is light in weight, strong and fire protecting construction material. It shows the research efforts of Shri Shirke. He started a “Shirke-Siporex” an ISO 9002 certified factory for getting low cost horses through low cost construction. He travelled European countries. He studied and discussed with other countries’ Engineers and developed less cost, minimum time and less risky construction material. He studied deeply the size of crushed stone (khadi), proportion of cement, quantity of steel, proportion of water and mixing nature etc. He saw number of construction material and machineries exhibitions in the world. It shows the modern vision of Shri Shirke. In 1975 Shri Shirke was about to bank-corrupt due to heavy expenditure, research, ups and downs in construction business, delay in government licensees, Government policies and Siporex production and marketing problems. This situation shows the, ups and downs in construction business which seen by Shri Shirke. He produced different production, which are related to construction business. He has very good relations with his bankers, appreciated by political parties, Minister, Government officer, Indian
and outside Indian companies to Shri Shirke. He is exporting construction material to various countries. He did very good number of construction work in Middle East Countries.

Worker and officer are very important in civil engineering business. Because of this, Shri Shirke is appointing answered employees very particularly. If applicant answered nicely and completely in the beginning interview then only Shri Shirke was conducting remaining successive interview of the same candidate. Mr. G. R. Bharitkar came for Engineer job, worked last 37 years with Shri Shirke with beginning salary of Rs 150. This indicated the candidate searching quality of Shri B. G. Shirke. He is give incentives to the workers along with the salary. He asked to all employees be present for site meeting and workers contractor will be the chief of this meeting. It gives training to new supervisors and engineers, number of officer and supervisors and thousand of workers are happily working with Shri Shirke group. All employees in a Shri Shirke group feeling belongings and working loyally. He established “Shirke Engineering Research Center” at Pune and giving countries training in his employees. He is always appointing nearby people, who are living near the construction site, become they knows the local language and don’t want to provide accommodation facility to the local employees. Shri Shirke has very excellent skills to get it done work at different sites, at different work situation with knowing Indian worker psychology.

Shri Shirke is doing marketing of construction and construction related material through 12-13 companies in India. He marked his different products and services in India and abroad. He got good-bad experiences in marketing. He suffered from Government officer and also got positive help from them. Shri Shirke has adopted modern marketing strategies and doing effective marketing. He able to face number of ups and downs due to quality consciousness.

Shri Shirke has produced number of construction related products. He produced different construction material on modern technology, in minimum time and minimum cost. For deferent places and locations, for various production B. G. Shirke and company, Siporex India Ltd, B. G. Shirke construction equipment Ltd, Shirke structural Pvt. Ltd., Shirke paper mills Ltd, Eclipse, Own your green House, Co-generation of energy, Shirke farm, Sand crushing plant, Shirke Engineering Research center etc. 13 companies are running by the B. G. Shirke.

Qualities:
1. Punctuality and ability of hard work.
2. Quality conscious nature.
3. More concentration on research and Development.
4. Very good skill to handle Employees.
5. A businessman who seen the big dream and bring there into reality.
6. He followed social responsibility.
7. Polite, innovation and interest in idea generation.

Summary

TATA, Narayan Mmouthy, Kiran Muzumdar, Laxmanrao Kirloskar, Vidya Murkumbe, R. M. Mohite and B. G. Shirke are the great entrepreneurs in India. They have gifted with the power and they have vision to change the destiny of nations. They are the empire builders and creator of ethics like J.R.D. Tata. Laxmanrao Kashinath Kirlosker namedas LaKsKi i.e. shine, which shows their brilliance in the industrial field. They are icons, role models for the young and prospective entrepreneurs. The stories of these entrepreneurs were claimed as the top businessmen of the ninetieth and twentieth century and their dynamic, pioneering and innovative genius, they became great entrepreneur. These success stories supported to the imagination of the younger generation of Indian Entrepreneurs, business leaders and progressive companies.

Self Assessment Exercise:

1. Discuss the stories of successful entrepreneurs with their qualities in brief.
2. Explain the contribution of JRD TATA in the Indian industries in various sectors and state the qualities of Tata.
3. Discuss the role of Narayana Murthys in the IT sector.
4. State the contributions made by Mrs Kiran Mujumdar of BIOCON limited in the field of Biotechnology.
5. How Mr. Laxmanrao Kirloskar contributed to the society?
6. “Mrs. Vidya Murkumbe of Renuka Sugar - A role model in private sugar industries: Discuss
7. Explain the contribution of R. M. Mohite in the social and industrial development.
8. “Mr. B. J. Shirke – A man of construction” Discuss

References:


5. The CRUSADE – Autobiography of B. G. Shirke, Published By Ameya Prakeshan, Pune.