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AEXT 391   ENTREPRENEURSHIP DEVELOPMENT

LECTURE- 1

CONCEPT OF ENTREPRENEUR, ENTREPRENEURSHIP, FUNCTIONS OF ENTREPRENEUR

INTRODUCTION

Entrepreneur is an Economic Agent who plays a vital role in the economic development of a country. Economic development of a country refers steady growth in the income levels. This growth mainly depends on its entrepreneurs. An **Entrepreneur is an individual with knowledge, skills, initiative, drive and spirit of innovation who aims at achieving goals**. An entrepreneur identifies opportunities and seizes opportunities for economic benefits.

Entrepreneurship is a dynamic activity which helps the entrepreneur to bring changes in the process of production, innovation in production, new usage of materials, creator of market etc. It is a mental attitude to foresee risk and uncertainty with a view to achieve certain strong motive. It also means doing something in a new and effective manner.

CONCEPT OF ENTREPRENEUR

The word “Entrepreneur” is derived from the French verb ‘**entrepredre’**. It means ‘**to undertake’**. In the early 16th century the Frenchmen who organized and led military expeditions were referred as ‘Entrepreneurs’. In the early 18th century French economist **Richard Cantillon** used the term entrepreneur to business. Since that time the word entrepreneur means one who takes the risk of starting a new organization or introducing a new idea, product or service to society.

According to J.B. Say, “ An Entrepreneur is the economic agent who unites all means of production, land of one, the labour of another and the capital of yet another and thus produces a product. By selling the product in the market the pays rent of land, wages to labour, interest on capital and what remains is his profit”. Thus an Entrepreneur is an organizer who combines various factors of production to produce a socially viable product.

An entrepreneur can be regarded as a person who has the initiative skill and motivation to set up a business or enterprise of his own and who always looks for high achievements. He is the catalyst for social change and works for the common good. They looks for opportunities, identifies them and seizes them mainly for economic gains. An action oriented entrepreneur is a highly calculative individual who is always willing to undertake risks in order to achieve their goals.

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

According to Cantillon “An entrepreneur is the agent who buys factors of production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future”. To conclude an entrepreneur is the person who bears risk, unites various factors of production, to exploit the perceived opportunities in order to evoke demand, create wealth and employment.

CONCEPT OF ENTREPRENEURSHIP

The term ‘entrepreneurship’ is often used synonymously with the term ’Entrepreneur’ though, they are two sides of the same coin, conceptually they are different.

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

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

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

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

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

TYPES OF ENTREPRENEURS

Following are the classification of entrepreneurs on the basis of common characteristics

Entrepreneur

I	II	III	IV
A. Clarence Danhof Classification	B. Arthur H. Cole Classification	C. On the basis of ownership	D. On the basis of scale of enterprise
1. Aggressive/Innovative	1. Empirical	1. Private	1. Small Scale
2. Imitative/ Adoptive	2. Rational	2. Public	2. Large Scale
3. Fabian	3. Cognitive		
4. Drone			

A. Clarence Danhof Classification:

Clarence Danhof classifies entrepreneurs into four types.

1. **Innovative:** Innovative entrepreneur is one who assembles and synthesis information and introduces new combinations of factors of production. They are characterized by the smell of innovativeness. These entrepreneurs sense the opportunities for introduction new ideas new technology, new markets and creating new organizations. Innovative entrepreneurs are very much helpful for their country because they bring about a transformation in life style.

2. **Imitative/ Adoptive:** Imitative entrepreneur is also known as adoptive entrepreneur. He simply adopts successful innovation introduced by other innovators. These entrepreneurs imitate the existing entrepreneurs and setup their enterprise in the same manner. Instead of innovating, they just imitate the technology and methods innovated by others. These entrepreneurs are very helpful in less developed countries as they contribute significantly in the growth of enterprise and entrepreneurial culture in these countries. Further by adopting the technology, which is already tested, they generate ample employment avenues for the youth and therefore they are treated as agent of economic development.

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

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

B. Arthur H. Cole Classification:

Arthur H. Cole classifies entrepreneurs as

1. **Empirical:** He is an entrepreneur hardly introduces anything revolutionary and follows the principle of rule of thumb.

2. **Rational:** The rational entrepreneur is well informed about the general economic conditions and introduces changes which look more revolutionary.

3. **Cognitive:** Cognitive entrepreneur is well informed, draws upon the advice and services of experts and introduces changes that reflect complete break from the existing scheme of enterprise.

C. Classification on the Basis of Ownership:

1.Private: Private entrepreneur is motivated by profit and it would not enter those sectors of the economy in which prospects of monetary rewards are not very bright.

2. Public: In the underdeveloped countries government will take the initiative to share enterprises.

D. Classification Based on the Scale of Enterprise:

1. Small scale: This classification is especially popular in the underdeveloped countries. Small entrepreneurs do not posses the necessary talents and resources to initiate large scale production and introduce revolutionary technological changes.

2. Large scale: In the developed countries most entrepreneurs deal with large scale enterprises. They posses the financial and necessary enterprise to initiate and introduce new technical changes. The result is the developed countries are able to sustain and develop a high level of technical progress.

In recent years, some new classifications have been made regarding entrepreneurs, which are discussed further.

1. **Solo operators**: These entrepreneurs prefer to set up their business individually. They introduce their own capital, intellect and business acumen to run the enterprise successfully They operate their business mainly in the form of proprietorship type of concern.

2. **Active partners**: Entrepreneurs of this type jointly put their efforts to build enterprise pooling together their own resources. They actively participate in managing the daily routine of the business concern. As such, the business houses or the firms which are managed by the active partners become more successful in their operation.

3. **Inventors:** These entrepreneurs primarily involve themselves in Research and Development (R and D) activities. They are creative in character and feel happy in inventing new products, technologies and methods of production

4. Challengers*:* Entrepreneurs of this type take challenges to establish business venture as mark of achievement. They keep on improving their standard and face boldly the odds and adversities that come in their way. They use their business acumen and talent to convert the odds into opportunities thereby making profit. According to them, if there is no challenge in life, there is no charm in life. Challenges make them bold, and thus, they never hesitate to plunge themselves into uncertainties for earning profit.

5. Buyers (entrepreneurs): These entrepreneurs explore opportunities to purchase the existing units which may be seized or are in running condition. If the units they purchase are sick they turn them around using their experiences, expertise and business acumen. By purchasing these units they make themselves free from the hassles of building infrastructures and other facilities.

6. Life timers: These entrepreneurs believe that business is the part and parcel of their life. They take up the business to reunite successfully as a matter of ego satisfaction. They have a strong desire for taking personal responsibility. Family enterprises which thrive due to high personal skill are included under this category.

FUNCTIONS OF ENTREPRENEURS

An entrepreneur is an opportunity seeker. He is also the organizer and coordinator of the agents of production. He has to execute many a good functions while establishing a small scale enterprise. He not only perceives the business opportunities but also mobilizes the other resources like 5 Ms-man, money, machine, materials and methods. However, the main functions of the entrepreneurs are discussed further.

1. Idea generation: This is the most important function of the entrepreneur. Idea generation can be possible through the vision, insight, observation, experience, education, training and exposure of the entrepreneur. Idea generation precisely implies product selection and project identification. Ideas can be generated through environmental scanning and market survey. It is the function of the entrepreneurs to generate as many ideas as he can for the purpose of selecting the best business opportunities which can subsequently be taken up by him as a commercially-viable business venture.

2. Determination of objectives*:* The next function of the entrepreneur is to determine and lay down the objectives of the business, which should be spelt out on clear terms. In other words, entrepreneur should be very much clear about the following things:

(i) The nature of business

(ii) The type of business

This implies whether the enterprise belongs to the category of a manufacturing concern or a service -oriented unit or a trading business, so that the entrepreneurs can very well carry on the venture in accordance with the objectives determined by him.

3. Raising of funds: Fund raising is the most important function of an entrepreneur. All the activities of a business depend upon the finance and its proper management. It is the responsibility of the entrepreneur to raise funds internally as well as externally. In this matter, he should be aware of the different sources of funds and the formalities to raise funds. He should have the full knowledge of different government sponsored schemes such as PMRY, SGSY, REGP, etc. by which he can get Government assistance in the form of seed capital, fixed and working capital for his business.

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

5. Procurement of machinery*:* The next function of the entrepreneurs is to procure the machineries and equipments for establishment of the venture. While procuring the machineries, he should specify the following details:

(a) The details of technology
(b) Installed capacity of the machines
(c) Names of the manufacturers and suppliers
(d) Whether the machines are indigenously made or foreign made
(e) After-sales service facilities
(f) Warranty period of the machineries
All these details are to be minutely observed by the entrepreneurs.

6. Market research: The next important function of the entrepreneur is market research and product analysis. Market research is the systematic collection of data regarding the product which the entrepreneur wants to manufacture. Entrepreneur has to undertake market research persistently in order to know the details of the intending product, i.e. the demand for the product, the supply of the product, the price of the product, the size of the customers, etc. while starting an enterprise.

7. Determination of form of enterprise*:* The function of an entrepreneur in determining the form of enterprise is also important. Entrepreneur has to decide the form of enterprise based upon the nature of the product, volume of investment, nature of activities, types of product, quality of product, quality of human resources, etc. The chief forms of ownership organizations are sole proprietorship, partnership, Joint Stock Company and cooperative society. Determination of ownership right is essential on the part of the entrepreneur to acquire legal title to assets.

8. Recruitment of manpower*:* Entrepreneur has to perform the following activities while undertaking this function:
(a) Estimating manpower need of the organization
(b) Laying down of selection procedure
(c) Devising scheme of compensation
(d) Laying down the rules of training and development

9. Implementation of the project: Entrepreneur has to work on the implementation schedule or the action plan of the project. The identified project is to be implemented in a time-bound manner. All the activities from the conception stage to the commissioning stage are to be accomplished by him in accordance with the implementation schedule to avoid cost and time overrun, as well as competition. Thus, implementation of the project is an important function of the entrepreneur.
To conclude with, all these functions of the entrepreneur can precisely be put into the following categories: (i) Innovation
(ii) Risk bearing
(iii) Organization and
(iv) Management

LECTURE 2:
ENTREPRENEURIAL CHARACTERISTICS,
DISTINCTION BETWEEN AN ENTREPRENEUR AND A MANAGER,
AGRI-ENTREPRENEURSHIP- CONCEPT, NEED AND SCOPE

CHARACTERISTICS OF ENTREPRENEUR

Entrepreneur is a key figure in economic progress. He is the person who introduces new things in the economy. He is considered as the business leader and not as simple owner of capital. He is a person with telescopic faculty, drive and talent who perceives business opportunities and promptly seizes them for exploitation. **M.M.P. Akhouri,** formerly Executive Director, National Institute for Entrepreneurship and Small Business Development (NIESBUD), New Delhi, describes entrepreneur "as a character who combines innovativeness, readiness to take risk, sensing opportunities, identifying and mobilizing potential resources, concerns for excellence and who is persistent in achieving the goal." To be successful, an entrepreneur should have the following characteristic features.

1. Need to achieve: Entrepreneurs have got strong desire to achieve higher goals. Their inner self motivates their behaviour towards high achievement: most of the people dream of success but do not take any action towards achieving these dreams. Entrepreneurs with high n-Ach factor act continuously to achieve the goal and make their dreams come true. For them, winning is achievement.

2. Independence: Most of the entrepreneurs start on their own because they dislike to work for others. They prefer to be their own boss and want to be responsible for their own decisions.

3. Risk-bearing: Entrepreneurs are the persons who take decisions under uncertainty and thus they are willing to take risk, but they never gamble with the results. They choose moderate risk rather than play wild gamble. They, therefore, undertake calculated risk which is high enough to be exciting, but with a fairly reasonable chance to win.

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

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

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

7. Ability to find and explore opportunities: Entrepreneurs are always alert to opportunities. They are very much quick to see and grab opportunities. They exhibit an innovative turn of mind and convert the problems into viable opportunities. They plan intellectually and anticipate carefully how to achieve their goals in realizing an opportunity.

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

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

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

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

12. Openness to feedback and learning from experience: Successful entrepreneurs like to have immediate feedback of their performance. They modify their plans on the basis of the feedback they receive from the environment around them. They learn from their experience and never get discouraged having received unfavorable information. On the contrary, they are stimulated by unfavorable information to involve themselves sincerely in their own tasks to reach their desired goals.

13. Confronting uncertainty: Successful entrepreneurs are always optimistic and take every odd as the opportunity. They maneuver their environment in such a way that the works get accomplished rationally. Thus, they win by the application of their extraordinary insight and skill.

14. Interpersonal skills: Entrepreneurs are always comfortable while dealing with people at all levels. They interact with raw material suppliers, customers, bankers, etc.. for different activities. As successful entrepreneurs, they should be persons who like working with others possessing the much needed quality of interpersonal skill to deal with people.

15. Need to influence others: Once the entrepreneurs set their goals, they have to play the roles of manager too. For influencing others (n Power), a low need to establish emotional relationship (low n Affiliation), and a high need to discipline one's own self (to inhibit over expression of their personality) are essential.

16. Stress takers: Entrepreneurs are capable of working for long hours and solving different complexities at the same time. As the captain of an industry or an enterprise, an entrepreneur faces a number of problems and in right moment he takes right decisions which may involve physical as well as mental stress. He can face these challenges if he has the capability to work for long hours and keep himself cool under monotony.

17. Time orientation: Entrepreneurs anticipate future trends basing upon their past experience and exposure. They stick to the time pragmatically while doing their jobs.

18. Innovators: Successful entrepreneurs are innovators. They constantly put their efforts in introducing new products, new method of production, opening new markets and recognizing the enterprise.

19. Business communication skill: In order to motivate others in the business entrepreneurs must possess good communication skill. Both written and oral communication skills are necessary for the entrepreneurs for running enterprise efficiently.

20. Telescopic faculty: Successful entrepreneurs always tend to think ahead. They have got telescopic faculties which make them think for the future. Future orientation makes them quite alert to the changing conditions of the time and they tend to produce goods and commodities as per the changing demands.

21. Leadership: Entrepreneurs should possess the quality of leadership. Leadership is the ability to exert interpersonal influence by means of communication towards the achievement of goals. Entrepreneurs as the leaders should provide the necessary spark to motivation by guiding, inspiring, assisting and directing the members of the group for achievement of unity of action, efforts and purpose. Hence, entrepreneurs by their own leadership styles and behaviour reduce the problems by proper handling of situations. Good administrative work depends upon effective leadership of the entrepreneur.

22. Business planning: Planning implies deciding in advance what, when and how to do a thing. Entrepreneurs should be equipped with skill and knowledge to prepare their business plan. A successful entrepreneur always follows the principles of management while planning for his business. The planning can act as a bridge between the present position and expected future shape of the enterprise. It provides a sense of vision to the entrepreneurs to cope with risky and uncertain situation.

23. Decision making: Decision-making skill is a fundamental characteristic of an entrepreneur. This implies the function of choosing a particular course of action at every stage of creation of an enterprise out of several alternative courses for the purpose of achieving specified goals. Hence, decision making is necessary at all times and mostly at conditions of uncertainty and risk.

24. Ability to mobilize resources: Entrepreneurs must have the ability to marshal all the inputs to obtain the end product. They have to mobilize 6Ms, i.e. Man, Money, Material, Machinery, Market and Method effectively to realize the final product as entrepreneurship is a function of gap filling and input completing.

25. Self-confidence: Entrepreneurs must have self-confidence to accomplish the task effectively and efficiently. They must take decisions on their own in uncertain and risky situation and should stick to it confidently even if there occurs initial setbacks.

DISTINCTION BETWEEN AN ENTREPRENEUR AND A MANAGER

Point for Distinction	**Entrepreneur**	**Manager**
1. Goal Management	An entrepreneur starts a venture by setting up a new enterprise for his personal gratification	But the main aim of a manager is to render his service in an enterprise already set up by someone.
2. Status	Entrepreneur is the owner of enterprise.	A manager is the servant in the enterprise.
3. Risk	An entrepreneur bears all risks and uncertainty involved in the enterprise.	A manager being a servant does not bear ay risk involved in the enterprise.
4. Rewards	Entrepreneur for his risk bearing role he receives profits. It is not only uncertain and irregular but can at times be negative.	A manager receives salary as reward for service rendered which is fixed and regular can never be negative.
5. Innovation	As an innovator he is called as change agent who introduces goods and services to meet changing needs of the customer	A manager executes the plans of the entrepreneur. Thus a manager translates the ideas into practice.

AGRI – ENTREPRENEURSHIP CONCEPT, NEED AND SCOPE

Amidst the changing paradigms and demanding global structure, India, In order to remain a front-runner needs to primarily focus on the agriculture sector, the backbone of the economy. This specialization will develop agri-preneurs with distinct traits and skills to exploit opportunities galore in the field of agriculture. Among the various strategies to promote planned growth in this sector, focus on promoting viable enterprises will certainly help exploit its operational efficiency to the hilt.

Agriculture is the mainstay of the Indian economy because of its high share in employment and livelihood creation. It supports more than half a billion people providing employment to 52 per cent of the workforce. Its contribution to the nation's GDP is about 18.5 per cent in 2006-07. It is also an important source of raw material and demand for many industrial products, particularly fertilizers, pesticides, agricultural implements and a variety of consumer goods.

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

Need for Agripreneurship:

- Increasing demand of organic and quality food both in India and abroad
- Competitive advantages for many primary production activities in agriculture. Ex: Rainfed farming, livestock and wild craft production is through low cost production technologies only.
- Private sector is willing to enter in to agribusiness at all levels of operation.
- To reduce mall nutrition as majority of women and children in the country are mall nourished.

Scope for entrepreneurship development in Agriculture:

- Technologies those reduce the cost of production and increase the benefit of the farmers will open new opportunities for Agri-entrepreneurship.
- New technologies that are simple and time saving and keep away farmers from drudgery of labour will also provide opportunity for entrepreneurship in agriculture.
- Technologies that provide social and psychological benefits to farmers will also provide opportunity for entrepreneurship in agriculture.

On farm Activities:

Depending upon the geographical situation and resources availability, the possible areas of entrepreneurship in agriculture are:

(1) Agro produce processing units: These units do not manufacture any new product. They merely process the agriculture produce.
e.g., Rice mills, Dal mills, Decorticating mills etc.

(2) Agro produce manufacturing units: These units produce entirely new products based on the agricultural produce as the main raw material.
e.g., Sugar factories, Bakery, Strawboard units etc.

(3) Agro-inputs manufacturing units: These units produce goods either for mechanization of agriculture or for increasing productivity. E.g., Fertilizer manufacturing plants, insecticides production units, food processing units, agricultural implements etc.

(4) Agro-service centers: These include the workshops and service centers for repairing and serving the agricultural implements used in agriculture.

Off-Farm Vocations:

Entrepreneurship development is also profitable in different off-farm activities like cloth stitching, knitting, embroidery, cloth printing (tie and dye), carpet making, dari making, envelope and plastic bag making, agarbatti making, candle making, rope making, basket making, bamboo-work, distilled water making, oil extraction, chalk making, biogas mechanic, electric wiring, mason, carpentry, black smithy, solar mechanic, electrician, auto mechanic, welding, pottery, and other rural crafts.

The possible areas of entrepreneurship in allied activities of agriculture

This includes the activities like, Dairying, Sericulture, Goat rearing, Rabbit rearing, Floriculture, Fisheries, Shrimp farming, Poultry farming, Sheep rearing, Vegetable cultivation, Nursery farming, Grafting/budding, Farm forestry, etc...

LECTURE-3

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

ASSESSING OVERALL BUSINESS ENVIRONMENT IN INDIAN ECONOMY

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

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

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

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

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

Post Liberalization

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

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

(i) Devaluation of the Indian rupee in order to increase exports,

(ii) Deregulation or dismantling of government controls over domestic industry,

(iii) Privatization, including formation of jointly owned public private enterprises and sale of public sector enterprises,

(iv) Liberalization or opening up of monopoly markets to increase foreign and domestic competition, and

(v) Globalization by opening the Indian economy to foreign investment.

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

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

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

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

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

Factors Conducive to India's Economic Growth

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

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

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

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

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

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

BUSINESS ENVIRONMENT IN INDIAN ECONOMY

1. **Strong growth momentum**
   - Sustained process of liberalization since 1991
   - Average GDP growth is 6% in last six years
   - Increased openness to foreign trade and investment
   - Rapid growth in export oriented IT and BPO industries
   - Strong balance of payments (rapid buildup of reserves)
2. **Opportunity**
   - Large, rapidly growing domestic market
   - Large, low cost labour force
   - Engineering/IT/English language skills
   - Abundant availability of raw material
   - Political stability, consensus on economic policies
3. **High potential sectors**
   - Software
   - BPO (Business Process Outsourcing)
   - Autos + Components
   - Engineering based manufacturing
   - Steel
   - Textiles/RMG (Ready Made Garments)
   - Pharmaceuticals
   - Alternative to china for companies looking to source merchandise globally
4. **Growth constraints**
   - High fiscal deficits crowd out public and private investment
   - Severe infrastructure bottlenecks
   - Rigidities in labour and land markets
   - Widespread govt. ownership of business, dominance in banking
   - Import tariffs, complex tax regimes
   - Restrictions on FDI (Foreign Direct Investment) in some sectors
   - Excessive regulation increases cost of doing business
   - Private investment is only 15% of GDP
   - Industry contributes less than 25% of GDP
   - Only 7% of total employment in organized sector

GLOBALIZATION AND EMERGING BUSINESS / ENTREPRENEURIAL ISSUES

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

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

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

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

Opportunities

1. Opportunity to produce new and better quality products and services and exporting them to other countries.
2. Generating buoyant market for expansion of industry and services.

Threats

1) Domination of seed market by multinational companies (MNCS) and adverse effect on farmers' traditional rights to save and sell seeds.
2) Reduction/ elimination of input subsidy, resulting in their rising cost and less use by small and marginal farmers.
3) Import and dumping of low cost agriculture and industrial products from outside countries, adversely affecting indigenous production.
4) Benefits mostly accrue to large and rich farmers, as small farmers can not go in for export oriented production.
5) Resource poor farmers may be further marginalized.
6) Rise in the price of food grains.

ENTREPRENEURSHIP IN GLOBAL ENVIRONMENT- ECONOMIC SOCIAL, CULTURAL AND FINANCIAL IMPLICATIONS

- The economic social, cultural, financial and regulatory environment in a country affects the nature and growth of entrepreneurship.
- Accenture survey conducted during 2000-2002 in 26 countries reveled that United States was considered as the most entrepreneurial followed by Japan as a distant second.
- It suggested nations companies should emulate US in this regard.
- Survey indicated that a country can foster entrepreneurial behaviour if they make serious effort to adapt their corporate culture.

The prerequisites of entrepreneurship:

- Access to capital
- Right regulatory and tax environment
- High personal and tax rates can significantly reduce/ discourage risk taking ability of entrepreneurs.
- The social and cultural environment is the most important prerequisite In which achievement and wealth creation are held in high regard.

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

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

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

I. The free market model: Ex: United States and Canada

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

II. Guided individualism model: Ex: Singapore & Taiwan

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

III. Social Democrat model: ex: Sweden & Germany

- It combines encouragement of enterprise with emphasis on social protection
- Countries create a sort of social partnership with agreed up on economic and social frame work by all partners.

Characterizing countries entrepreneurial style/ Culture:

i) while determining the Govt. involvement in the economy Entrepreneurship in any country one should consider

- How high is the taxation rate
- To what extent is state ownership seen as appropriate
- How country manage economy through regulations
- Willingness to protect, promote trade & foreign investments.
- Labour laws, terms & conditions

ii) While determining the social respect for individual Vs collective action one should consider

- Does the country have a fairly homogeneous culture?
- Extent of wealth distribution-equal or unequal
- How does a society react to success or failure?
- Do people generally play active role in their community?

India- the mixed economy model

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

Implications:

- Socially entrepreneurs were not a highly regarded lot
- Small industries grew but did not flourish to the extent desired
- Sectors left to big industries became uncompetitive
- During 90's entrepreneurs started gaining respect

LECTURE-4

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

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

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

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

(i) To set up small scale ventures

(ii) To manage them effectively

(iii) To earn adequate profit from these ventures

(iv) To undertake personal responsibility of the business

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

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

Objectives of EDPs:

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

a) Accelerating industrial development by enlarging the supply of entrepreneurs
b) Developing entrepreneurial qualities and motivating the prospective entrepreneurs to achieve the goal
c) Enhancing the growth of small-and medium-scale enterprise sectors which offer better potential for employment generation and dispersal of industrial unit
d) Providing productive self-employment avenues to a large number of educated and low educated young men and women coming out of schools and colleges
e) Improving performance of small-and medium-scale industries by the supply of carefully-selected and trained entrepreneurs and diversifying sources of entrepreneurship

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

THE INDIAN EDP MODEL

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

PHASES OF EDPs

The EDPs normally pass through following three important phases:

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

Pre-training phase:

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

i) Identification of operationally-promising area, normally a district

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

iii) Arrangement of infrastructural facilities for the programme

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

v) Planning the programmes on various fronts such as:

a) Promotional campaigns through either with the help of print or electric media, leaflets, posters, etc.

b) Establishing contacts with business personalities, NGOs and related agencies which can contribute to the programme both directly and indirectly

c) Getting the application forms printed and making them available at different centers along with instructions.

d) Forming selection committee for selecting the trainees

e) Preparing the budget, obtaining administrative sanctions and organizing other activities which from a part of EDP

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

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

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

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

Training Phase: Programme Design

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

Post-training phase: Post-training phase is otherwise known as the phase of follow-up support. During this phase, post-training support services are rendered to the participants who have successfully completed the Entrepreneurship Development Programme (EDP). This is because of the fact that, very often, the potential entrepreneur after undergoing the training confronts a number of problems while implementing the action plan for grounding the project. So during this phase, the training organization helps the entrepreneur in sorting out the problems through counseling support. A committee is formed consisting of members generally drafted from the leading bank of the district, State Financial Corporation, training organization and above all, the District Industries Centre to help the entrepreneurs with the following objectives during the follow-up:

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

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

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

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

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

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

i) New enterprise creation
ii) Employment generation in quantifiable terms
iii) Creation of job opportunities both directly and indirectly
iv) Increase in sales and profit
v) Enterprise expansion
vi) Enterprise transformation
vii) Improvement in quality of product or services
viii) Repayment of loans

LECTURE-5

GENERATION, INCUBATION AND COMMERCIALIZATION OF BUSINESS IDEAS

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

IDEA GENERATION

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

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

Common sources:

Personal interests or hobbies

Entrepreneur's work experiences, knowledge, and skills.

Look at products and services currently available,

External environment.

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

WAYS TO GENERATE IDEAS.

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

(2)Creativity and creative problem solving: Creativity is defined it as the ability to combine ideas in a unique way or to make unusual associations between ideas. Whereas traditional logical thinking is like parallel railroad tracks – going on forever, but never crossing –creative thinking means linking new concepts in unusual ways. A number of specific creativity approaches can be used. For instance, here are a few specific techniques: the checklist method, in which an entrepreneur uses a list of questions or statements to develop new ideas; free association, whereby an entrepreneur develops a new idea through a chain of word associations; attribute listing, in which an entrepreneur develops a new idea by looking at the positive and negative attributes of a product or service; and so on. Using any of these structured creative problem-solving approaches can help you unlock your creativity and generate potential entrepreneurial ideas.

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

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

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

IDEA INCUBATION

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

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

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

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

The incubation process (Most common incubator services):

- Help with business basics
- Networking activities
- Marketing assistance
- High-speed Internet access
- Help with accounting/financial management
- Access to bank loans, loan funds and guarantee programs
- Help with presentation skills
- Links to higher education resources

- Links to strategic partners
- Access to angel investors or venture capital
- Comprehensive business training programs
- Advisory boards and mentors
- Management team identification
- Help with business etiquette
- Technology commercialization assistance
- Help with regulatory compliance
- Intellectual property management

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

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

COMMERCIALIZATION

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

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

1. **When the company has to decide on the introduction timing.** When facing the danger of cannibalizing the sales of the company's other products, if the product can be improved further, or if the economy is down, the launch should be delayed.
2. **Where the company has to decide where to launch its products.** It can be in a single location, one or several regions, a national or the international market. This decision will be strongly influenced by the company's resources, in terms of capital, managerial confidence and operational capacities. Smaller companies usually launch in attractive cities or regions, while larger companies enter a national market at once. Global roll outs are generally only undertaken by multinational

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

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

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

LECTURE- 6
ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT
MOTIVATION AND ENTREPRENEURSHIP DEVELOPMENT
MANAGING AN ENTERPRISE

ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

“Economic development is the effect for which entrepreneurship is a cause”

Economic development essentially means a process of upward change whereby the real per capita income of a country increases over a period of time .Entrepreneurship has an important role to play in the development of a country. It is one of the most important inputs in economic development. The number and competence of entrepreneurs affect the economic growth of the country.

The economic history of the presently advanced countries like USA, Russia and Japan supports the fact that economic development is the outcome for which entrepreneurship is an inevitable cause. The crucial and significant role played by the entrepreneurs in the economic development of advanced countries has made the people of developing and under developed countries conscious of the importance of entrepreneurship for economic development. It is now a widely accepted fact that active and enthusiastic entrepreneurs can only explore the potentials of the countries availability of recourses such as labour, capital and technology.

The role of entrepreneurs is not identical in the various economies. Depending on the material resources, industry climate and responsiveness of the political system, it varies from economy to economy. The contribution of entrepreneurs may be more in favourable opportunity conditions than in economies with relatively less favourable opportunity conditions. Entrepreneurship helps in the process of economic development in the following ways.

1) Employment Generation

Growing unemployment particularly educated unemployment is the problem of the nation. The available employment opportunities can cater only 5 to 10 % of the unemployed. Entrepreneurs generate employment both directly and indirectly. Directly, self employment as an entrepreneur and indirectly by starting many industrial units they offer jobs to millions. Thus entrepreneurship is the best way to fight the evil of unemployment.

2) National Income

National Income consists of the goods and services produced in the country and imported. The goods and services produced are for consumption within the country as well as to meet the demand of exports. The domestic demand increases with increase in population and increase in standard of living. The export demand also increases to meet the needs of growing imports due to various reasons. An increasing number of entrepreneurs are required to meet this increasing demand for goods and services. Thus entrepreneurship increases the national income.

3) Balanced Regional Development

The growth of Industry and business leads to a lot of Public benefits like transport facilities, health, education, entertainment etc. When the industries are concentrated in selected cities, development gets limited to these cities. A rapid development . When the new entrepreneurs grow at a faster rate, in view of increasing competition in and around cities, they are forced to set up their enterprises in the smaller towns away from big cities. This helps in the development of backward regions.

4) Dispersal of economic power

Industrial development normally may lead to concentration of economic powers in a few hands. This concentration of power in a few hands has its own evils in the form of monopolies. Developing a large number of entrepreneurs helps in dispersing the economic power amongst the population by weakening the harmful effects of monopoly.

5) Better standards of living

Entrepreneurs play a vital role in achieving a higher rate of economic growth. Entrepreneurs are able to produce goods at lower cost and supply quality goods at lower price to the community according to their requirements. When the price of the commodities decreases the consumers get the power to buy more goods for their satisfaction. In this way they can increase the standard of living of the people.

6) Creating innovation

An entrepreneur is a person who always looks for changes. apart from combining the factors of production, he also introduces new ideas and new combination of factors. He always try to introduce newer and newer technique of production of goods and services. An entrepreneur brings economic development through innovation.

7) Capital formation

Entrepreneurship promotes capital formation by mobilizing the idle saving of the public and put it under continues transaction so as to improve the value of the capital by utilizing in a profitable way under different stages of enterprise.

8) resource mobilization

The natural resources including the human resource skill can be effectively utilized for functioning of an enterprise towards economic development which might otherwise remain unutilized and idle.

9) backward and forward linkages

Entrepreneurship will give the opportunity for the people to involve at different levels starting from production to ultimate consumption, the backward and forward linkages which stimulate the process of economic development in the country.

10) promotes country's export trade

Last but no means the least, it also promotes country's export trade i.e., an important ingredient to economic development.

MOTIVATION AND ENTREPRENEURSHIP DEVELOPMENT

MOTIVATION means movement or motion, an inner state that energizes, activates or moves and directs human behaviour towards goals. It is a need satisfying and goal seeking behaviour. **David McClelland** identified several motivating needs which are basic to entrepreneurship development.

Need for Achievement

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

Need for Independence

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

Need for Power

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

MANAGING AN ENTERPRISE:

The basics of management of an enterprise are as follows

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

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

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

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

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

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

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

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

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

LECTURE- 7

IMPORTANCE OF PLANNING, BUDGETING, MONITORING, EVALUATION AND FOLLOW UP IN RUNNING AN ENTERPRISE

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

Planning-Importance

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

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

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

Project Plan – A Basic Document

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

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

Project Plan-Benefits and Utilities:

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

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

IMPORTANCE OF BUDGETING

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

The purpose or importance of budgeting:

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

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

Budgetary control:

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

MONITORING AND EVALUATION OF AN ENTERPRISE

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

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

Monitoring

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

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

Evaluation

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

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

Impact assessment

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

Why should we undertake M&E?

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

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

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

  Are we achieving these benefits as efficiently and effectively as we can?
- M&E as a learning function - **IMPROVING**

  Are we doing things right? Are we doing the right things?

  Could we do things better?

  Could we do better things?

IMPORTANCE OF MONITORING AND EVALUATION

1. Provide constant feedback on the extent to which the projects are achieving their goals.
2. Identify potential problems at an early stage and propose possible solutions.
3. Monitor the accessibility of the project to all sectors of the target population.
4. Monitor the efficiency with which the different components of the project are being implemented and suggest improvements.
5. Evaluate the extent to which the project is able to achieve its general objectives.
6. Provide guidelines for the planning of future projects.
7. Influence sector assistance strategy. Relevant analysis from project and policy evaluation can highlight the outcomes of previous interventions, and the strengths and weaknesses of their implementation.
8. Improve project design. Use of project design tools such as the log frame (logical framework) results in systematic selection of indicators for monitoring project performance.
9. Incorporate views of stakeholders. Awareness is growing that participation by project beneficiaries in design and implementation brings greater “ownership” of

project objectives and encourages the sustainability of project benefits. Ownership brings accountability. The emergence of recorded benefits early on helps reinforce ownership, and early warning of emerging problems allows action to be taken before costs rise.

10. Show need for mid-course corrections. A reliable flow of information during implementation enables managers to keep track of progress and adjust operations to take account of experience.

FOLLOW UP

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

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

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

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

LECTURE-8

RESEARCHING / MANAGING COMPETITION- WAYS TO DEFINE POSSIBLE COMPETITORS, COMPETITIVE INFORMATION

SWOT ANALYSIS-CONCEPT, MEANING AND ADVANTAGES

RESEARCHING / MANAGING COMPETITION

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

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

WAYS OF DEFINING POSSIBLE COMPETETORS

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

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

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

This approach suggests that strategic groups are important to understand who your competitors are because your most relevant competitors are those in your particular strategic group. Although competition might come from organizations in other strategic groups, your main competitive concerns are the organizations in your own strategic group. The intensity - of competition according to this perspective depends on how effectively each competitor has been able to develop a competitive advantage and on the specific competitive actions being used. by each competitor to capture the desired outcome be it customers, resources, or whatever.

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

COMPETITOR INFORMATION

a) Type of Competitive Information to be collected:

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

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

Then, you want to assess how your proposed entrepreneurial venture is going to "fit" into this competitive mix. Once you've decided what type of competitive information you'd like to have, you're ready to find it. Now, where can you find this type of information?

b) Sources of getting Competitive Information:

Published financial sources, former employees; dealers, representatives, and distributors; suppliers; professional meetings; market surveys; trade fairs and exhibits; competitors' brochures; competitors' Web-pages; technical analysis of competitors' products (called reserve engineering); comparison shopping; news stories found in newspapers or other printed publications and on broadcast media news programs; competitive intelligence firms; interviews with consultants; and so forth. One thing you should be concerned with as you gather competitive information, however, is whether or not your information gathering is ethical.

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

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

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

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

SWOT ANALYSIS

INTRODUCTION AND MEANING

The process of liberalization and economic reforms, while creating tremendous opportunities for growth of many industries have also thrown up new challenges to the industries. Building competitive strengths, technology up gradation and quality improvement are the vital issues that need to be looked into, to build capabilities, to withstand emerging pressures and ensure sustained growth.

The 21st century, would ensure a bright future for industries only if a conscious and sincere effort is initiated for overcoming hardships faced. The entrepreneurs have to lay more emphasis on the quality of their production. The gospel truth is, ‘Better quality and Better productivity’. Therefore, entrepreneurs have to devote sufficient attention on Research and Development. Innovation is the real step towards continued progress.

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

Analysis of External and Internal Environment together is called SWOT Analysis. SWOT Analysis refers to identifying the strengths, weaknesses, opportunities and threats of an organization.

SWOT Analysis is a tool, often used by organizations in planning its future. This tool can be explained in a simplified manner as follows:

S	-	Strengths	of the organization
W	-	Weaknesses	
O	-	Opportunities	of the environment
T	-	Threats	

The Internal Analysis of the organization will cover the organizational position with respect to different functional areas like production, finance, marketing, R & Distribution and so on. More specifically, this may look into a company's sales volume, market share, profitability and so on. This will reveal its strength and weakness.

The External Analysis will do the necessary scanning of the business environment to identify any threat and opportunities posed on the company, its products or services. More specifically, this will include the industry performance, competitive activity and a review of the growth and decline of the user industries.

STRENGTHS AND WEAKNESS

Every business needs to evaluate its strengths and weaknesses periodically. The management or an outside consultant reviews the business's marketing, financial, manufacturing and organizational competencies. In examining its strengths and weaknesses clearly, the business does not have to correct all of its weaknesses nor gloat about all of its strengths. They have to slowly overcome their weakness and convert it into its strength.

Some of the **strengths** of an organization are:

a) Availability of necessary infrastructure
b) Adequate production capacity
c) Skilled manpower
d) Good manufacturing practices, quality assurance and quality control
e) Low cost of manufacture
f) Facilities for product and process development
g) Good location
h) Wide distribution network
i) Motivated staff
j) Liquidity position
k) Brand image
l) Consistency in earning profits
m) Good corporate image
n) Efficient management
o) Philosophy and human resource development

If an organization lacks any of these, it will obviously result into its weakness.

Let us now look at some of the **weaknesses** of an organization:-

a) Rising cost of operations
b) Growing union pressures
c) Low level of motivation of staff
d) Non-availability of raw material
e) Scarcity of capital
f) Weak credit worthiness
g) Problem of under utilization of capacity
h) Outdated technology
i) Poor project planning
j) Inadequate infrastructure
k) Shortage of trained technicians
l) Insufficient managerial expertise
m) Unorganized nature of operations
n) Lack of effective co-ordination
o) Inadequate training in skills
p) Feeble structure/poor organization
q) Problems of delegation of authority

OPPORTUNITIES AND THREATS

An entrepreneur has to know the parts of the environment to monitor, if the business is to achieve its goals. A business has to monitor key macro environmental forces like demographic, economic, technological, political, legal, social and cultural factors, and, also significant micro environmental forces like customers, competitors, distribution channels, suppliers, etc. that will affect its ability to earn profits. The business unit should set up a marketing intelligence system to track trends and important developments. For each trends or development, management needs to identify the implied opportunities and threats.

An opportunity is an area of need in which a company can perform profitably. Some of the **opportunities** of an organization are:

a) Growing population
b) Increase in disposable income
c) Good monsoon
d) Easy availability of money
e) Availability of appropriate technology
f) Favourable government policies
g) Availability of different task environment like market information, distribution outlets and media.
h) Presence of favourable cultural environment.

Some developments in the external environment represent threats. An environmental threat is a challenge posed by an unfavourable trend or development that would lead, in the absence of defensive marketing action, to sales or profit deterioration. Some of the **threats** of an organization are:

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

On completion of a SWOT Analysis, an organization can know ‘where it stands’. Therefore, it can proceed to develop specific objectives and goals for the future.

ADVANTAGES OF SWOT ANALYSIS

The advantages for conducting a SWOT Analysis for innovating are

1. An entrepreneur can know in which field, there is demand, and, can venture into the respective field, keeping their strengths in mind.
2. It helps in the development of new technology.
3. An entrepreneur can make an analysis as to develop a completely new product, or to just change the existing product.
4. There can be improvements brought about in the process of production.
5. On the basis of information collected through SWOT analysis, the goals which the firm wants to achieve in future can be decided.
6. Short term mission and long term mission of the organizations can be farmed.
7. Alternatives can be selected and decided to exploit opportunities and to face threats in the environment.
8. Priorities can be given to different goals and the courses of action to achieve the goals can be timed.
9. Plans can be formalized for effective communication & implementation of plans.
10. Major functions & sub-functions can be determined in achieving the objectives of the firm.
11. Expansion of the range of services and benefits.
12. The social, political, legal, economic, technological factors can be analysed.
13. An analysis of the competitor’s strategies can be made and their policies can be known.

CASE STUDY

To understand SWOT analysis better, let us look at a case study of **SWOT Analysis** conducted in a **five star Hotel in Bangalore:**

The **strengths** of this five star Hotel are

1) It has got more than 95 years of experience
2) It has hotels in different places in India
3) It has many heritage properties which adds to its charm and represents Indian culture
4) It has a few low budgeted hotels, which caters to the needs of middle class tourists
5) It has hotels not only in big cities but also in small cities which are of tourist importance

The **weaknesses** are

1) It has tough competition form rivals, and hence their concentration is diverted.
2) It has very few low budget hotels, which are of need today.
3) It has more than one hotel in one city, which is a waste of investment.

Its **opportunities** are

1) There is availability of government support in the form of land and financing of projects.
2) There is an increase in the tourist inflow in India, India is expecting to receive 2.4 million tourists, i.e., there will be lot of business.

Its **threats** are

1) Its competitors are also located near the hotel.
2) It has to face the threats of various resorts, which people are looking for now-a-days.
3) It also has threats from smaller hotels, which tourists prefer, because of cheaper rates and almost the same kind of hospitality.

Therefore, this hotel has to overcome its threats and weaknesses and concentrate more on its strengths and opportunities available.

LECTURE-9

VENTURE CAPITAL- CONCEPT, AIMS, FEATURES, FINANCING STEPS SOURCES, CRITERIA TO PROVIDE VENTURE CAPITAL FINANCE EXPORT & IMPORT POLICIES RELEVANT TO AGRICULTURE SECTOR

VENTURE CAPITAL

Origin and Evolution

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

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

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

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

Concept, Aims and Features of Venture Capital

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

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

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

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

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

a) It assumes a high degree of risks in the expectation of earning a high return.
b) It finances high-technology projects.
c) It takes active interest in guiding the assisted enterprise.
d) The gestation period is usually high. It takes generally 4 to 5 years to yield the desired level of profit.

e) It is basically long-term investment and the returns are in the form of capital gains.
f) Venture capitalists normally liquidate their investment in the assisted company when it reaches a certain stage of profitability.
g) It has provisions to have conditional financial assistance, which, unlike the traditional loans, does not carry interest charges. Instead, it carries a royalty linked to sales generated by the company after commercialization.

VENTURE CAPITAL: FINANCING STEPS

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

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

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

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

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

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

SOURCES OF VENTURE CAPITAL

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

1. **Programme for Advancement of Commercial Technology (PACT):** The first venture capital funding in India was US AID's Programme for Advancement of Commercial Technology which started in 1995 to provide finance to Indian firms in commercializing the innovative technologies by Indo-US joint ventures.

2. **Technology Development and Investment Corporation of India (TDICI):** This was the first venture capital company of India and was promoted by ICICI in 1986.

3. **Risk Capital and Technology Finance Corporation (RCTFC):** This institution is an independent body launched by Industrial Finance Corporation of India (IFCI) to enhance the purview of venture-capital operations. It assists the entrepreneurs especially those who engage themselves in technological development.

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

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

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

CRITERIA ADOPTED BY VENTURE CAPITALISTS TO PROVIDE VENTURE CAPITAL FINANCE:

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

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

Merits of venture capital:

The following are the merits of venture capital:

(a) Venture capital helps in accelerating the pace of industrialization in the country.
(b) It helps in developing new technologies and new methods of production.
(c) It helps the first-generation entrepreneurs both small and medium scale to translate their ideas into reality.
(d) It generates employment opportunities.
(e) It promises entrepreneurship in the country.

EXPORT & IMPORT POLICIES RELEVANT TO AGRICULTURE SECTOR

EXIM Policy is the **export import policy** of the government that is announced every five years. It is also known as the **Foreign Trade Policy**. This policy consists of general provisions regarding exports and imports, promotional measures, duty exemption schemes, export promotion schemes, special economic zone programs and other details for different sectors. Every year the government announces a supplement to this policy.

Export-Import Policy, 1992-97

The Government of India announced a new five year export-import policy effective from April 1, 1992 which gave further push to liberalization of imports and intended to give significant boost to exports. Under this policy, the international trade was made free subject to a negative list of imports and exports. But as far as farm products and related goods are concerned, most of them remained a part of the negative list, as per the following details:

Negative List of Exports

i) Permitted Subject to Licensing: Coconut, Copra, seeds and planting materials, cotton seed, vegetable oils, groundnut cakes, rice bran, milk, cattle, camels, chemical fertilizers.

ii) Permitted through Canalizing Agency: Onion (NAFED), Niger Seed (NAFED/TRIFED), Powdered Milk (NDDB), Ghee (NDDB).

(iii) Permitted without a License but subject to terms and conditions : Basmati rice, non-basmati rice, wheat, barley, maize, bajra, jowar, ragi, HPS groundnut, raw cotton (Bengal desi, Assam comilla, staple cotton, yellow picking), sesame seed, sugar, gram and gram flour, wheat flour, deoiled groundnut cake, deoiled rice bran, VFC tobacco, soybean extractions, cotton yarn, black pepper etc.

Negative List of Imports

i) Canalized Items: All fertilizers (MMTC), edible oils (STC, HVOC), seeds of oilseed crops (STC, HVOC), Cereals (FCI).

ii) Restricted Items: Livestock, plants seeds and other materials (license from the Department of Agriculture). The import of pulses, raw cashew nut, seeds of vegetables and flowers, plants, tubers and bulbs of flowers etc. were placed in the negative list.

The philosophy underlying this massive trade policy reforms include the following:

i) Trade – both exports and imports can flourish in a free regime.

ii) Trade policy should go far beyond balancing of imports and exports and should lead to better technology, greater investment and more efficient production at home.

iii) Liberalization and removal of licensing, quantitative restrictions and other discretionary controls on matters relating to exports and imports are essential to trade policy reforms. This meant fewer governmental restrictions, greater freedom to trade and lesser administrative controls.

The process of liberalization of import-exports of farm commodities, which started in mid-nineties got momentum after 1997. Year after year, the negative list was pruned and quantitative restrictions were withdrawn. The process of pruning the negative list and decanalization has continued in recent years.

MAIN FEATURES OF EXPORT-IMPORT (EXIM) POLICY, 2002-07

- Removal of all quantitative restrictions and decanalization of exports (except a few sensitive items) of farm products
- Scheme of Special Economic Zones (SEZ) strengthened
- Major thrust to promote agricultural exports by setting up of Agri Export Zones and by removing export restrictions on designated items (agro & agro-based products)
- Transport subsidy provided for export of fruits, vegetables, floriculture, poultry and dairy products
- Simplification of procedures to further reduce transaction costs
- Widening of the scope of Market Access Initiative Scheme to include setting up of business centres in Indian Missions abroad for focused market promotion of exports.
- Dereservation from small scale industry provisions of over 50 items including agricultural implements.

Export and Import Policies Relevant to Horticulture and Agriculture Sectors:

Setting up Special Economic Zones (SEZs)

Special Economic Zone (SEZ) is a specific area notified by an appropriate authority for the purpose of conducting economic activities like manufacturing, processing etc., exclusively for export. Infrastructural facilities like roads, water supply, sanitation, electricity, communication, banking, insurance etc. are provided in these areas so that the entrepreneurs can perform without any hindrance.

An SEZ is a trade capacity development tool, with the goal to promote rapid economic growth by using tax and business incentives to attract foreign investment and technology. The Govt. of India in April 2000 announced the introduction of Special Economic Zones policy in the country, deemed to be foreign territory for the purpose of trade operations, duties and tariffs. The policy provides for setting up of SEZs in the public, private, joint sector or by State Governments. SEZs generate employment, income and earn foreign exchange and boost up economic development of the country.

i) SEZ units would be able to import capital goods and raw materials duty free.

ii) SEZ units shall be deemed to be foreign territory for the purpose of trade operations and tariffs. Goods going to the SEZ area would be treated as deemed exports.

iii) SEZ units would be able to obtain products from the Domestic Tariff Area (DTA) without paying terminal excise duty.

iv) SEZ units would be required to export the whole of their production. The basic rationale is to provide a totally free atmosphere conducive for exports of SEZ.

AGRI-EXPORT ZONES

The Government announced the proposal to set-up Agri-Export Zones in the **EXIM Policy 2001-02** for the purpose of developing and sourcing raw materials and their processing/packing leading to final exports. The concept essentially embodies a cluster approach of identifying the potential products and the geographical regions in which such products are grown and adoption of end-to-end approach of integration of the entire process. Under the scheme, the state government would identify products with export potential which have comparative advantage in the local area. APEDA is the nodal agency of the Central Government to promote setting up of Agri-Export Zones.

Till December, 2002, the Central Government has sanctioned and notified 41 Agri-Export Zones (AEZs) which being set up in 16 states-West Bengal, Uttaranchal, Karnataka, Punjab, Uttar Pradesh, Tamil Nadu, Maharashtra, Andhra Pradesh, Tripura, Jammu & Kashmir, Madhya Pradesh, Bihar, Gujarat, Sikkim, Himachal Pradesh, Orrissa and Jharkhand.

Aligning EXIM procedures with WTO norms: Production and demand of various items in the country and their prices determine from time to time the EXIM policy. Care is taken to prevent shortfall of essential items in the country and dumping of goods by foreign countries.

Employment oriented measures: EXIM policy should initiate measurers which would help employment generation.

Diversification of markets: Exploration of new markets is an essential component of EXIM policy. For example: Focus LAC (Latin American countries) was launched in November, 1997 and Focus Africa was launched in April, 2002.

Making exports more competitive: EXIM policy should facilitate improvement of technology in the export sector and the development of an efficient infrastructure.

EXIM BANK

The Export-Import Bank of India (EXIM) set up for promoting India's foreign trade has the following functions, segmented into three operation groups.

- **Overseas Investment Finance,** which handles a variety of financing programmes for Export Oriented Units (EOUs), importers and overseas investment by Indian companies.
- **Project Finance / Trade Finance** handles the entire range of export credit services such as supplier's credit, pre-shipment credit, buyer's credit,
- **Finance for export of projects** and consultancy services, guarantees, forfeiting etc.

Export Services Group offers a variety of advisory and value added information services aimed at investment promotion.

EXIM Bank offers a diverse range of financing services for the Indian exporter, including a variety of Export Credit facilities and Finance for Export Oriented Companies.

EXIM Bank offers term loans for setting up new projects, and for acquisition of assets for modernization / up gradation / expansion of existing units. The Bank also extends 100 percent refinance to commercial banks, for term loans sanctioned by the lending bank to an export oriented unit.

EXIM Bank offers term loans to export oriented units for development of new technology to satisfy domestic and international environment and standards, and to help them develop and / or commercialize new product / process applications.

EXIM POLICY OF 2004 – 2009

After, a change of government at the centre, a new **EXIM policy 2004-09** was announced. This policy came up with export promotional measures such as Towns of Export Excellence, Target Plus, Free Trade and Warehousing Zones and the Vishesh Krishi Gram Udyog Yojana. Here are details on these schemes:

a. **Towns of Export Excellence** - Here, towns in specific areas that produce goods of Rs.250 crores and above in the handloom, agriculture, handicraft and fisheries sector will be notified as Towns of Exports Excellence on the basis of their potential for growth in exports. They will be granted this recognition to maximize their potential, enable them to move higher in the value chain and tap new markets.
b. **Target Plus** - In this scheme, exporters who have attained a large increase in growth of exports would be allowed duty free credit based on incremental exports substantially higher than the general actual export target fixed. Rewards will be granted according to a tiered approach. For incremental growth of over 20, 25 and 100 per cent, the duty free credits would be 5, 10 and 15 per cent of Free on Board (FOB) value of incremental exports.
c. **Vishesh Krishi Gram Udyog Yojana** - It aims to promote exports of fruits, vegetables, flowers, fruits, and other value-added products. This year it has been expanded to include soybean and coconut oil as well as food preparations such as soups. Plus, the benefit of the scheme has been extended to 100 per cent export-oriented units.

Foreign Trade Policy 2009 - 2014

Foreign Trade Policy 2009 - 2014 announced to reduce transaction and handling costs, a single window system to facilitate export of perishable agricultural produce has been introduced. The system will involve creation of multi-functional nodal agencies to be accredited by APEDA.

LECTURE-10

FORMS OF BUSINESS-CONTRACT FARMING, PUBLIC PRIVATE PARTNERSHIP AND JOINT VENTURE

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

1) Sole proprietorship

2) Partnership and

3) Corporation

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

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

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

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

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

CONTRACT FARMING

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

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

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

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

Merits and problems of Contract farming:

FARMERS

Advantages for farmers

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

Problems faced by farmers

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

SPONSORS

Advantages for sponsors

- Contract farming with small farmers is more politically acceptable than, for example, production on estates
- Working with small farmers overcomes land constraints
- Production is more reliable than open-market purchases and the sponsoring company faces less risk by not being responsible for production
- More consistent quality can be obtained than if purchases were made on the open market

Problems faced by sponsors

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

TYPES OF CONTRACT FARMING:

Contract farming agreements can be classified into three, not mutually exclusive categories: i) market–specification, ii) resource providing, and iii) production management. **Market specification contracts** are pre-harvest agreements that bind the firm and grower to a particular set of conditions governing the sale of the crop. These conditions often specify price, quality and timing.

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

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

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

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

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

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

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

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

SUCCESSFUL VENTURES IN INDIA:

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

PUBLIC PRIVATE PARTNERSHIP IN AGRICULTURE

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

Kinds of partnerships:-

Permanent	-	Temporary
Long term	-	Need based
Bilateral	-	Indo-swiss, Indo-dutch etc.
Multilateral	-	world Bank, EU and other countries

Foreign donor	-	External donor + Govt + NGO
MNCs + Industry	-	De-Nocil, Kesoram, Nagarjuna.
NGO	-	Adarsh gaon (AnnaHazare), BAIF, Myrada, RDT etc.
Professional bodies	-	Univ. & Res. Institutes – ICAR, SAU, IVRI other universities.

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

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

IMPRTANCE OF PUBLIC PRIVATE PARTNERSHIP

1. Public sector capital resources are getting scarce Hence it becomes necessary to utilize funds available with private sector.
2. Climate change, natural resource management, etc. are some important areas where concept of PPP can be used or employed.
3. PPP can enhance the process of development because of higher investment by two sectors.
4. General resistance by people towards privatization can be greatly reduced by resorting to PPP mode.
5. Expertise available with private sector may be properly used to build required infrastructure.
6. Public sector organizations are generally under funded, Hierarchical and follow standard packages.
7. While private sector is characterized by flexibility, decentralization being more innovative and demand driven.
8. Growing commercial and specialized nature of agriculture demands sound R & D, quick and technically sound advice with appropriate market information. Neither private sector nor public sector can fully shoulder this. A PPP mode is appropriate to take this challenge.

PARTNERSHIP SUCCESS FACTORS:

- Need & demand based partnerships with common interest and objective are successful.
- There must be compatibility among partners in the areas of their functioning.
- Team spirit, Trust and Credibility sustain the partnerships longer.
- All partners should have role clarity
- Activity / project should be cost effective and must meet requirements of national & global policies.
- Partners should be constantly innovative & dynamic to face emerging challenges.

Examples of PPP IN Agricultural Extension

NGO, MARI, Warangal district:

Activities taken up:-

Seed production Societies	: 3, Farmers training in 38 villages
Organic farming in cotton & chillies	: 3 villages
Animal health camps	: 38 villages
Rythu Sanghas	: 400

Vermi composting, tank restoration etc.

Partnership is between NGO MARI+Govt. depts.,PR, Agriculture, A.H & Irrigation depts.

- International NGO-OXFOAM.
- ANGRAU – Research station & DAATT centre.

Villagers + Farmers of 38 villages in 10 mandals and staff of MARI

JOINT VENTURE

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

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

Characteristics:

- Contribution by partners of money, property, effort, knowledge, skill or other assets to the common undertaking.
- Joint property interest in the subject matter of the venture.
- Right of mutual control or management of the enterprise.
- Right to share in the property.

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

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

Reasons for forming a joint venture:

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

Few examples of joint ventures in agriculture:

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

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

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

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

NAFED joint venture with cooperative federations/marketing societies

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

KRIBHCO Reliance Kisan Limited Joint Venture

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

Benefits of Joint Venture:

- Joint ventures perform a useful role in assisting companies in the process of restructuring.
- It can enable a firm to achieve market penetration into new areas overtime, enter and develop new product markets, expand into new geographic areas and participate in new technology driven value activities.
- They can also be used by smaller firms protectively as an element of long-range strategic planning. Thus, a small firm in a highly concentrated industry can negotiate joint ventures with several of the industry's dominant firms to form a self-protective network of counterbalancing forces.

Joint ventures are formed with several motives:-

- It reduces the risks in a number of ways as the activities can be expanded with smaller investment outlays than if financed independently.
- It helps to increase the competitive strength of the business.
- The expressed purpose of most of the joint ventures is knowledge acquisition. Advanced technology, new knowledge that is not available with the firm can be better utilized.
- It provides the benefit of scale of economy by reducing production & marketing costs and increase

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

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

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

LECTURE-11

AN OVERVIEW OF AGRICULTURAL INPUT INDUSTRY IN INDIA

FERTILIZER, PESTICIDE, SEED AND FARM MACHINARY INDUSTRY

India is primarily agriculture oriented country and its economy is highly dependent on the agrarian produce. Developments pertaining to different industries are being made on a massive scale to change the country's economy. The agricultural input industry has immense scope in India. The agricultural input industry mainly consists of industries pertaining to main agricultural inputs viz., seed, fertilizer, pesticides or agro chemicals, farm machinery and food processing. To get an overview of agricultural input industry in the country, it is essential to understand seed industry, fertilizer industry, pesticide industry, farm machinery industry and food processing industry.

An overview of the Indian seed industry

Seeds form the fundamental and crucial input for sustained growth in farm production, often stimulating the use of new methods, machinery and yield-enhancing agro-inputs. India is the **fifth-largest seed market** in the world with an estimated size of about **US$1,500 million** and growing at **12–13%** annually. Governmental agencies only catered to the seed market until the easing of regulations and implementation of a **new seed policy in 1988,** after which the private-sector seed companies started to play a major role in seed development and marketing. The New Policy on Seed Development (NPSD), established in 1988 with the **objective of augmenting productivity and output quality**. The seed industry was probably half this size in the early part of the 1990s (Shiva and Crompton, 1998). It has therefore grown rapidly in the last decade. The government regulates the seed industry and the seed trade in various respects. The **Seed Act of 1966**, the **Seeds Control Order of 1983**, and the **Seeds Policy of 1988** are the major components of policy specific to the industry. The Seed Act of 1966 and the Seeds Control Order of 1983 provide statutory backing to the system of variety release, seed certification and seed testing. There have been two recent developments. In **September 2001**, the **Plant Variety Protection and Farmer's Rights Act** came into being. **In June 2002**, the government announced a new seeds policy that significantly alters the framework of regulation. Major changes in this system of regulation proposed in the **National Seeds Policy of 2002** are-

- Variety registration will now be mandatory for all varieties, new and extant.
- The evaluation will be done over three seasons of field trials.
- However, certification will continue to be voluntary.
- The emphasis on registration in the new seeds policy ties in with the demands of the Plant Variety Protection and Farmer's Rights Act passed in 2001.
- This Act provides for plant breeder's rights, which requires extant and new plant varieties to be registered on the basis of characteristics relating to novelty, distinctiveness, uniformity and stability.

The overall emphasis of the new seed policy seems more favourable to the private sector than in the past. The goal seems to be to facilitate private enterprise rather than to control it.

The seed industry is its heterogeneity in many dimensions. The product segments correspond to all the major field crops and vegetables. The seed industry consists of a large public sector and a growing private sector. Seed firms, whether in the private or public sector, outsource the production of seeds to contract growers. These growers are supplied with the foundation seed that is used to produce commercial seed. The seed industry is one of the earliest examples of contract farming in India.

India has sizeable public and private sector seed businesses. Giant public sector players include the National Seeds Corporation (NSC), the State Farms Corporation of India (SFCI) and the fourteen State Seed Corporations (SSCs). NSC was the first public sector organization, established in 1963, and remained virtually the only agency for seed production for around 13 years. These corporations engage principally in production and marketing of seeds of high yielding and hybrid varieties developed by the public sector (ICAR & SAU). R&D in public-sector companies is dependent on public research institutions that are under the aegis of the Indian Council of Agricultural Research (ICAR) and state agricultural universities (SAUs) and is separate from seed production & marketing. The public-sector companies are mostly confined to certified seeds of high-volume, low-value products such as pulses, wheat and soybean. About 75% of farmers use farm-saved seeds and the balance use commercial seeds.

Private seed companies in India are highly fragmented and are both organized and unorganized. There are no firm estimates of their numbers but unofficial estimates vary between 200 and 500. Private companies give high importance to R&D, investing 5–10% of their turnover in such activities. Unlike the public sector, where research is separate from seed production and marketing, these functions are integrated in private firms. The private sector has been focusing on development of hybrids/high-yield varieties, as these are of a higher value and offer better margins. The private sector accounts for about 70% of the total commercial seeds turnover. Most companies in the seed industry were primarily into agrochemicals and diversified into seeds, which has now become an important part of their portfolios.

The regulatory environment in India allows mass selling of seeds (that are not genetically modified) at market determined prices. Genetically modified (GM) seeds—except for cotton—are disallowed for cultivation. However, research on genetically modified seeds is under way in many public-sector institutions. India has some advantages when it comes to vegetable seed production like varied agro-climatic conditions and availability of skilled labour. Furthermore, India is endowed with second largest area of farmland, and the largest area of irrigated land, in the world and, with its huge germplasm diversity, its seed industry is well placed and has potential to serve both domestic and international markets.

An overview of the Indian Fertilizer industry:

Indian Fertilizer industry is one of the vital industries for the Indian economy, since it manufacturers a very critical raw material for agriculture. India fertilizer industry is one industry with immense scopes in the future. It is extremely important for the fertilizer industry India to have development in terms of technologically advance manufacturing process and innovative new-age products. The **first fertilizer manufacturing unit in India** was set up in the year **1906 at Ranipat in Chennai**. The Indian fertilizer industry has played a pivotal support role to the Indian agricultural industry. The growth in the use of chemical fertilizers amongst farmers has been the secret of the nation's so called green revolution of the late sixties. The fertilizer industry in India has performed a vital role in enabling the necessary increase in the use of plant nutrients for achieving the objectives of self sufficiency in food grains production and accelerated and continuous agricultural growth.

In the present scenario, there are more than 57 large and 64 medium and small fertilizer production units under the India fertilizer industry. The main products manufactured by the fertilizer industry in India are phosphate based fertilizers, nitrogenous fertilizers, and complex fertilizers. The fertilizer industry in India with its rapid growth is all set to make a long lasting global impression.

There are three major players in the Indian fertilizer industry namely the government owned public sector undertakings, private sector units and cooperative societies. The Government of India subsidized fertilizers to ensure that fertilizer is easily available to farmers and the country remains self sufficient in agriculture and food grain production. This is achieved by controlling the price of the fertilizer and the amount of production. The Indian Fertilizer Association is a body that coordinates with the Government of India to ensure that the government's macro economic objectives for Indian agriculture are met.

Some of the public sector companies in India fertilizer industry:

- National Fertilizers Limited
- Fertilizers & Chemicals Travancore Limited
- Rashtriya Chemicals &Fertilizers Limited
- Madras Fertilizers Limited
- Steel Authority Of India Limited
- Neyveli Lignite Corporation Limited
- Paradeep Phosphates Limited
- Pyrites, Phosphates & Chemicals Limited
- Hindustan Fertilizer Corporation Limited

Some of the private sector companies in India fertilizer industry:

- Chambal Fertilizers & Chemicals Limited
- Ajay Farm-Chem Private Limited
- Balaji Fertilizers Private Limited

- Deepak Fertilizer and Petrochemicals Corporation Limited
- Bharat Fertilizer Industries Limited
- Coromandal Fertilizers Limited
- Gujarat Narmada Valley Fertilizer Co. Limited
- Meerut Agro Chemicals Private Limited
- Duncans Industries Limited
- Karnataka Agro Chemicals
- Godavari Fertilizers & Chemical Limited
- Shri Amba Fertilizers (I) Private Limited
- Tuticorin Alkali Chemi & Fertilizer Limited
- Gujarat State Fertilizers & Chemicals Limited
- Indo-Gulf Fertilizers & Chemicals Corporation Limited
- Southern PetroChemical Industries Corporation Limited
- Maharashtra Agro Industrial Development Corporation
- Zuari Industries Limited- Fertilizer Limited
- Mangalore Chemicals & Fertilizers Limited

Future Trends:

- India's demand for fertilizers in 2007-08 was 26 MM tons, which went up to 29 MM tons in 2008-09 against a supply of 20 MM tons in 2008-2009.
- The demand for fertilizers in 2011-12 is forecasted to be around 35.5 MM tons.
- More fertilizer projects are in the pipeline.
- Gujarat is expected to play a leading role in fertilizer production.
- Indian companies have penetrated the overseas market, signaling a new phase for the industry.

HIGHLIGHTS

- **India** is the **third largest producer** and **consumer of fertilizers in the world** with an installed capacity of Nitrogen (N) and Phosphate (P) nutrients at **14 million tones p.a**.
- The Indian Fertilizer Industry is broadly divided into **Nitrogenous, Phosphatic and Potassic segments**. In addition to these, nutrients are combined to produce several complex fertilizers.
- **Urea**, a nitrogenous type of fertilizer, is most widely consumed in India. Currently the **urea capacity** is **20.2 million tonnes** while **consumption** is **21.7 million tonnes**. The demand of urea is expected to grow at a CAGR of 4 percent. **Urea segment** currently subsidized under the Retention Price Scheme, with controls on distribution, to be **decontrolled by 2006**. First phase of reform in this segment initiated through a move towards Group Retention Scheme, as announced in FY02 Budget.

- The total **production of phosphate** in the country was **3.36 million tonnes per annum** in FY00–at 6 percent increase over FY99. Main phosphatic fertilizers produced in India are **Di-ammonium Phosphate (DAP)** and **Single Super Phosphate (SSP)**.
- **Entire requirement of potassic fertilizers is imported**. The major potassic fertilizer consumed in the country is Muriate of Potash (MOP).
- Fertilizer production is highly energy intensive with **cost of feedstock** and **fuel** alone accounting for between **55 to 80 per cent** of the **cost of production**. High cost feedstock and increased production / consumption have caused a steady increase in fertilizer subsidy.

Indian Pesticide or Agrochemical Industry

Agrochemicals also known as Pesticides are substance or mixture of substances that are used to avert, destroy or control any kind of pests or unwanted type of plants or animals that cause harm to crops or hampers the normal growth process of a crop. As per a Government of India estimate of 2002, value of crop losses caused due to non-usage of pesticides was around Rs 90,000 crore. Thereon, assuming losses grew at an average 2%, total losses would have amounted to Rs 101,355 crore in 2009, a staggering 2.2% of India's GDP.

The pesticide industry in India started with import of BHC in 1952.By 1958 five basic pesticides were manufactured in India. As of now , 44 technical grade pesticides having 110 formulations are manufactured. Pesticides in India are manufactured by private sector as well as public sector companies or corporations. There are 25 large units apart from 450 smaller ones manufacturing Pesticides. Currently the level of production is 80,000 tonnes as against the capacity of 1.07 lakh tones. Presently the average per hectare consumption of pesticides is about 328 grams which is lower than the advanced countries USA- 1600 gms & Japan 2000gms/ hect. There has been rapid increase in the consumption of pesticides till 90's. How ever during 90's a greater emphasis was given to IPM and biological control. There fore use of pesticides has not increased further. Of the total PP chemicals used in India 80% constitute insecticides, 12% fungicides and 5% herbicides.

The state wise consumption of pesticides indicates 33.6% of total consumption was in AP followed by Karnataka 16.2%. The crop wise consumption indicates 50% is used in cotton followed by paddy -18% and vegetables-14%. The studies have shown that for every one rupee spent on plant protection the crop worth about Rs. four is protected which otherwise would have been lost due to pests & diseases. The demand for PP chemicals is more compare to production as farmers are moving towards market oriented farming system. Our country imports 40 types of pesticides.

For regulating the manufacture, import, sale and use of pesticides, the Insecticides Act, 1968 was operative in the country. Every formulation has to be registered with MoA GOI. For marketing of pesticides, the manufacturers appoint distributors for each region either in co operative or private sector and are supplied through dealers to farmers. Dealers may be from private sector, Agro service centers, Agri-clinics or Agribusiness centers or cooperatives.

Indian Farm Machinery Industry

There has been a progressive shift from Draft Animal Power (DAP) to mechanical power in Indian agriculture because DAP and manual labour were not sufficient to cope with the workload of intensive agriculture. The use of mechanical power is becoming indispensable for making an optimal use of other resources and timely completion of various operations under intensive farming. Hence, mechanization has become a very crucial input to further the development of agriculture. Power operated equipments like tractor drawn mould board ploughs, cultivators, disc harrows, seed drill, farmers in most of the States. Self-propelled and tractor operated combines, reaper harvester, potato and groundnut diggers are also commercially available.

The manufacture of farm machinery in India is quite complex which comprises village artisans, small scale industries, State Agro-Industries Corporations, and organized tractor, power tiller and engine manufacturers. The organized farm machinery manufacturers deal with – Agricultural tractors, Power tillers, Agricultural tools and implements, Combines, Reapers, Tractor parts and accessories of agricultural machinery, Sprinkler, Earth moving machinery and parts, Diesel engines, Rice processing machinery, and machines for Dairy and Food industries.

In addition, there are about one million village craft persons who handle bullock drawn implements and equipments, such as –Steel plough, Cultivator, Puddler, Sowing devices, Cane crusher, Bullock carts etc. They also manufacture and repair indigenous hand equipments such as spade, sickle, nirani, khurpi, sabal, dao etc.

Diversification of agriculture needs introduction of new machines and the trend among the farmers to use increasingly larger tractors will vastly expand the scope of custom hiring of farm equipments because in future, multi-farm use will be the only way to keep the operating cost of farm equipments at a reasonably low level.The farm equipments which have done well in the field in recent years are listed here, and they have good potential to be used on large scale in future.

Zero till seed-cum-fertilizer drill, Pulverising roller-cum-puddler, Rotavator, Sub-soiler, Hole digger, Ridger planter, Multi-crop seed drill, Sugarcane planter, Sugarcane stripper, Sunflower thresher, Tractor operated high capacity sprayers, Combine etc.

Equipments for drip irrigation, control of temperature in nurseries, refrigerated vans and cold storages for ‘cold chain’ are getting popular. In fish trade, mechanized boats and trawler with refrigeration facility are already popular.

LECTURE-12

OVER VIEW OF INDIAN AGRICULTURAL PROCESSING INDUSTRY

The food processing industry is one of the largest industries in India – it is ranked fifth in terms of production, consumption, export and expected growth. It covers activities such as agriculture, horticulture, plantation, animal husbandry, fisheries, etc. It also includes other industries that use agriculture inputs for manufacturing of edible products.

Processed food industry in India contributes 6.3 percent of the GDP, and accounts for 13 percent of export and 6 percent of the capital investment. There are an estimated 40,000 food processing units in India. Besides, there are 1,000 cold storages, 369 units for freezing fish, 499 frozen storage, 165 units of meat processing, 144 pork processing units, 54,000 bakery production units and 530 dairy products processing units.

In addition, there are 100 units for aerated cold beverages, 215 units for packaged drinking water, 12 joint ventures for production of alcoholic beverages and 56 beer units.

(Source: Virtual University for Agricultural Trade; http://www.vuatkerala.org.)

In spite of these facilities, the level of processing has been as low as 2 percent in case of fruits and vegetables, in comparison to 60 percent in U.K. and U.S.A., 70 percent in Brazil, 78 percent in the Philippines and 80 percent in Malaysia. The level of processing in other commodities has been to the tune of 14 percent in milk, 4 percent in fish and 1 percent in meat and poultry. Thus India's contribution to processing of farm produces in the year 2004-05 has been only about 1 percent at the global level and 2 percent at the national level.

The biggest bottleneck in expanding the food processing sector, in terms of both investment and exports, is lack of adequate infrastructure. Without a strong and dependable cold chain, vital sector like food processing industry can not survive and grow. Even at the current level of production, 30-35 percent farm produce, particularly fruits and vegetables, is being wasted every year, because of lack of adequate storage, transportation, cold chain facilities, and other infrastructural support.

Essential conditions for processing industry in Agriculture, Horticulture, Fishery, Dairy and different Foods

Irrespective of the nature of raw materials or finished products, the food processing industry should have the following basic conditions.

1. Food processing industry should be set up and run in a clean and Hygienic environment.
2. Availability of raw materials and infrastructural facilities, including trained manpower must be ensured.
3. Strict quality control all through, form collection of raw materials to finished product, and must be enforced.

4. Enhance shelf-life of products, with no contamination or deterioration of the product.
5. The food produced should be hygienic, wholesome and tasteful and Suit the taste of consumers.
6. The produce should have good market demand and generate employment and income.
7. The endeavor should be economically viable and socially desirable.

Characteristics of Food Processing Industry:

- The food processing industry in India ranks fifth in terms of production, consumption export and expected growth and contributes 6.3% of GDP.
- Food processing industry / Sector is highly fragmented comprising of Fruits & vegetables, milk & milk products, meat & poultry, marine products, grain processing, beer & alcoholic beverages and convenience food & drink
- Entrepreneurs in this sector are small & unorganized & this sector constitutes 42%
- Though organized sector is small (25%) it is growing at a much faster rate.
- Small scale Industries in Food processing sector constitutes 33%
- Fruits & vegetables processing industry is also fragmented with large number of units in house hold & small scale sector with low capacity up to 250 tonnes per annum.
- Primary milling of grains is important activity of Grain processing industry.
- Oil seed processing is largely concentrated in cottage industry.
- Branded grains as well as processed products is gaining popularity due to hygienic packaging
- Products of bakery & bread manufacturing are reserved for small – scale sector. In Biscuits 80% is under unorganized sector only.
- India's Dairy Industry was considered as one of the successful development industries in Post – Independent era with total milk processing around 35% of which organized sector accounts 13% & remaining at (farm level) unorganized
- Dairy cooperatives account for major share in organized sector
- Since 2001 exports of dairy products is increasing at 25%.
- Poultry industry is also among faster growing sectors with 8% increase per year
- Meat export is largely driven by poultry, buffalo, sheep & goat growing at 30% per annum
- Exports of marine products have been inconsistent and declining trend due to adverse European & American markets. Ex: Antidumping initiated against Indian shrimp by America.
- Changing life styles, food habits, post liberalization trends, organized food retail gave boost to processing sector.
- In India processing sector is characterized by poor infrastructure, in adequate quality control, inefficient supply chain, high transportation, high taxation & packaging cost.

- Availability of raw material, priority sector status to agro processing by Govt. and vast domestic market are major strengths of processing industry
- Setting up of SEZ/AEZ, food parks & mega food parks and promotional schemes, opening of global markets provide lot of opportunity for entrepreneurs in this sector.

Policy Initiatives For Food Processing Industry

In order to promote investment in the food processing sector, several policy initiatives have been taken. These include:

1. Food processing industry has been declared a priority area. So, it qualifies for a number of fiscal relief and incentives to encourage commercialization and value addition to agricultural products.
2. Full repatriation of profits and capital is allowed.
3. Almost the entire sector is delicensed, freeing it from bureaucratic hassles.
4. Automatic approvals for foreign investment up to 100 percent, except in few cases, and also technology transfer.
5. Zero-duty import of capital goods and raw materials for 100 percent export-oriented units.
6. Government grants given for setting up common facilities in Agro Food Park.
7. Vision 2015 adopted by the Ministry of Food Processing Industries envisages:

a) Trebling the size of the processed food sector.
b) Increasing level of processing of perishables from 6 percent to 20 percent.
c) Value addition to increase from 20 percent to 35 percent.
d) Share in global food trade to increase from 1.5 percent to 3 percent.

Mega Food Park:

Mega Food Park is an industrial park meant for the food processing industry only. The government has planned to set up 30 mega food parks to help India double its share in global trade of processed food by 2015, out of which 10 are under implementation in the first phase. These are –

1. Shirwal (Maharashtra)
2. Ranchi (Jharkhand)
3. Chikmagalur (Karnataka)
4. Dharmapuri (Tamil Nadu)
5. Jalandhar (Punjab)
6. Haridwar (Uttarakhand)
7. Jagdishpur – Raibareily (UP)
8. Jangipur (West Bengal)
9. Chittor (Andhra Pradesh)
10. Nalbari – Assam (North East)

The Mega Food Parks are envisaged to be a well defined agri/horticultural processing zone continuing state of the art processing facilities with support infrastructure and well established supply chain. The proposed scheme aims to provide a mechanism to bring together farmers, processors and retailers, and link agricultural production to the market so as to ensure maximum value addition, minimize wastage and improve farmers' income.

The Mega Food Park is designed to link the farmers with the retail markets with minimizing the intermediaries, thus helping farmers earn higher returns from their produce. These food parks will be spread over 10 to 100 hectares. Minimum size of 10 hectares shall enable smaller food processing units to start operation within the SEZ. The government will provide a subsidy of Rs. 50 crore per park to private investors and will have cold warehousing, grading centers and research laboratories.

The Mega Food Parks will create an integrated value chain from the farm gate to the consumer and will envisage complete backward and forward linkages along with common processing facilities.

Opportunities & Scope in Food Processing Industry In India

- Vast source of raw materials is available: India is one of the largest producers of wheat & rice, second largest producer of Groundnut, fruits & vegetables and tops in production of mangoes and bananas. India is the world's largest producer of milk. India has potential to be leading global food supplier if it creates efficient supply chain & marketing.
- Shift from conventional farming to commercial farming
- With huge population of 1.08 billion India has large growing market with 350 million strong urban middle class and changing food habits.
- A large part of shift in consumption is to processed food market accounting 32% of total food market.
- According to the confederation of Indian Industry (CII), the food processing sector has potential of attracting US $33 billion of investment in 10 years & generates employment of 9 million person days.
- Government has introduced several schemes to promote food processing sector.
- Foreign Direct Investment in the country's food sector is poised to hit the US $ 3 - billion mark in coming year. FDI approvals in food processing have doubled in last one year alone.
- In an effort to boost food sector Government is working on Agri-zones & concept of mega food parks.
- Conducive food policy environment: National policy on food processing aims at increasing the level of food processing from present 2% to 10% by 2010 & 25% by 2025. Government has allowed 100% FDI in processing sector. The policy seeks to create an appropriate environment for entrepreneurs to set up food processing units through infrastructure development, promotion of farward, backward linkages.
- The vision 2015 of GOI for the food processing sector aims at target increase of Level processing of perishables from 6 % to 20% value addition from 20 to 35% share in Global trade from 1.5 to 3% (by 2015).

LECTURE-13

SOCIAL RESPONSIBILITY AND BUSINESS ETHICS

Introduction and meaning of social responsibility

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

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

Definition of social responsibility

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

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

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

Evolution of social responsibility

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

The social responsibility has evolved over a period of time. In the Eighteenth century, businesses were small and few. Even then the businessmen made contributions to schools, institutions and to poor. During the nineteenth century, businesses charitable contributions increased as great fortunes were made in business.

During the latter part of the 19th century and 20th vigorous industrial growth had many negative social impacts. Due to new rigid governmental rules and regulations many businessmen started manipulating the accounts. By 1920's, government brought about rules that large scale organizations have to compulsorily contribute towards the welfare of the society or donate to governmental funds which will be exempted from tax.

Gradually, many new rich business families started setting up trusts or contribute towards schools, colleges, hospitals, orphanages, art galleries, museums etc. During the freedom movement period, business contributed to many of the social and cultural causes associated with the movement. Many of Indian leading businessmen-GD Birla, Jamnalal Bajaj, Lala Shri Ram, Ambalal Sarabhai and others came under the influence of Mahatma Gandhi and contributed liberally to his programmes for the removal of untouchability, rural reconstruction, etc. They have started many scientific and technical research and art academies. For eg-Tata Institute of Fundamental Research, the Birla Institutes of Technology at Pilani and Ranchi, the Calico Textile Museum in Ahmedabad, etc.

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

SOCIAL RESPONSIBILITY

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

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

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

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

3. **Responsibility towards customers:** An entrepreneur has to satisfy his customers by the following two ways:
   (i) Providing quality products to the customers
   (ii) Charging reasonable and affordable price for the product

5. **Responsibility towards employees:** Social responsibility of an entrepreneur is to provide adequate measures to make the employees contented in all respects so as to encourage them to contribute their best. The responsibility of an entrepreneur towards the employees may include the following:
6.

(a) Providing at least minimum wages to the employees

(b) Providing conducive working environment for good work culture

(c) Provision of social security measures

(d) Granting weekly holidays

(e) Settling employees grievances

(f) Giving opportunity to employees participation and management

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

   (a) Regular repayment of principal and interest

   (b) Effective utilization of funds

   (c) Adhering to the repayment schedule without any default.

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

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

   (a) Generation of employment opportunities for local youth

   (b) Prevention of environmental pollution

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

   (d) Creating awareness about population pressure and the family welfare measures

   (e) Reducing the deleterious effects of industrial products on human health and environmental balance

   (f) Reduction of illiteracy among the people, both for men and women.

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

   (a) To pay taxes, duties in time and discourage tax evasion

   (b) To comply with the government rules, procedures and legal requirements

   (c) To support the socio-economic development policies of the government

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

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

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

   (b) Fair play in marketing and establishing enterprises

   (c) Due respect towards secularism

   (d) Emancipation of weaker sections of the society

   (e) Empowerment of women in the society

   (f) Highlighting technological dynamism

The following are the arguments cited against social responsibility:

- The concept of social responsibility is vague. It is difficult to distinguish it from economic responsibility.
- Entrepreneurs and business managers are familiar with economic aspects of the activities. They are not social scientists and, therefore, lack social skills.
- It would be unjust to overburden the businessmen since they have several economic responsibilities like payment of tax, payment of tariff, etc.
- A social responsibility approach may not always be viable and hence be suicidal in the long run.
- Business enterprises have hardly any social power. No responsibility can be accepted without the necessary power.
- Private entrepreneurs are essentially responsible only to their shareholders.
- Social responsibility influences the decision-making process and would involve additional cost.
- It would entail certain division of resources meant for economic activities.

BUSINESS ETHICS: MEANING

"Earning of profit cannot be the objective of a business any more than eating is the objective of living". A truly successful business can be built up only if the objective of service to community is constantly kept in view. Then, profit will come automatically. Therefore, business ethics are of much importance to business.

Business ethics refers to the moral principles which are considered right by the society, and so; should govern and guide the activities of a business. They are the moral principles and rules of conduct which should guide the activities of a business. Business ethics are derived from social values. They lay down the norms of behaviour for the business. In short, business ethics is the study of good and evil, right and wrong, and just and unjust actions of businessmen.

APPLICATION OF ETHICS TO BUSINESS

In the past, it was assumed in most companies that ethics was a matter of individual conscience. Today, many companies are using managerial techniques that are designed to encourage ethical behaviours. Every organization should have a culture that it exercises, so that, it can influence the employees to follow the same. Employees pick up subtle hints and clues that tell them what behaviour is approved and what is forbidden. Therefore, a company culture is a blend of ideas, customer traditional practices, company values and shared meanings that help define normal behaviour for everyone who works in a company. Nearly 95% of fortune 500 companies have code of conduct which they follow.

The council for Fair Business Practices (CFBP) established in 1966, by leading private sector industrialists in western India, have given certain ethics applicable to business. They are

(1) To Charge only fair and reasonable price and take every possible step to ensure that the prices to be charged to the consumer are brought to his notice.
(2) To take every possible step to ensure that the agents or dealers do not charge prices higher than fixed.
(3) In times of scarcity, not to withhold or suppress stocks of goods with a view to hoarding or profiteering.
(4) Not to produce or trade in spurious goods of standards lower than specified.
(5) Not to adulterate goods supplied.
(6) Not to publish misleading advertisements.
(7) To invoice goods exported or imported at their correct prices.
(8) To maintain accuracy in weights and measures of goods offered for sale.
(9) Not to deal knowingly in smuggled goods.
(10) Providing after-sales service where necessary or possible.
(11) Honoring the fundamental rights of the consumers like, Right of safety, Right to choose, Right to information and Right to be Heard.
(12) Discharging social responsibilities and the responsibility to protect the environment and nature's infrastructure.
(13) Ensuring that the product warranty is offered in simple, unambiguous and concise language, highlights the rights of consumer under it.

The CFBP has instituted a set of prizes and awards called **'Jamnalal Bajaj Uchit Vyavahar Puraskar'** to promote exemplary application of the above norms.

The Federation of Indian Chambers of Commerce and Industry has recently issued a declaration of 'Norms of Business Ethics', which is almost identical to that of CFBP. The Punjab, Haryana and Delhi Chamber of commerce has also lately formulated a 'Code of Ethics' applicable to business. The code says -

(1) Business must maintain the highest standards of behaviour for the benefit of industry, employees, customers, shareholders and the society.
(2) Goods and services must conform to the commitment promised to customers. Business must be realistic and truthful in stating claims.
(3) Customers must be given best possible service and treated with respect and fairness.
(4) Business must understand and respect the needs, concerns and welfare of the community and society. It should use knowledge and experience for upgrading the quality of life. All business endeavours must combine the qualities of private excellence for public good.
(5) The best way of promoting high standard of business practices is through self-regulation.

Therefore, it is mandatory for all business firms to follows Business Ethics, which will result in its own welfare.

LECTURE-14

PROJECT- MEANING, IMPORTANCE, COMPONENTS AND PREPARATION

MEANING OF PROJECT REPORT

Formulation of project report./business plan is one of the first corner stones to be laid down in setting up an enterprise. Webster Dictionary defines a **project** as a scheme, design, a proposal of something intended or devised. In simple words, **project report or business plan** is a written statement of what an entrepreneur-proposes to take up. It is a kind of guide frost or course of action what the entrepreneur hopes to achieve in his business and how is he going to achieve it. In other words, project report serves like a kind of big mad map to reach the destination determined by the entrepreneur. Thus, a **project report** can best be defined as a well evolved course of-action devised to achieve the specified objective within a specified period of time. So to say, it is an operating document.

IMPORTANCE OR SIGNIFICANCE OF PROJECTREPORT

The preparation of a project report is of great significance for an entrepreneur. The project report serves the two essential functions:

First and most important function is, it describes the direction the enterprise is going in, what its goals are, where it wants to be, and how it is going to get there. It also enables an entrepreneur to know that he is proceeding in the right direction.

The second function of the project report is to attract lenders and investors. The preparation of project report is beneficial for those small enterprises which apply for financial assistance from the financial institutions and the commercial banks. It is on the basis of project report that the financial institutions make appraisal if the enterprise requires financial assistance or not.

COMPONENTS OF A PROJECT REPORT

There is no substitute for a well-prepared business plan or project report and also there are no shortcuts to preparing it. The more concrete and complete the business plan, the more likely it is to earn the respect of outsiders and their support in making and running an enterprise. Therefore, the project report needs to be prepared with great care and consideration. A good project report should contain the following components.

1. General Information: Information on product profile and product details.

2. Promoter: His/her educational qualification, work experience, project related experience.

3. Location: Exact location of the project, lease or freehold, locational advantages.

4. Land and building: Land area, construction area, type of construction, cost of construction, detailed plan and estimate along with plant layout.

5. Plant and Machinery: Details of machinery required, capacity, suppliers, cost, various alternatives available, cost of miscellaneous assets.

6. Production Process: Description of production process, process chart, technical know how, technology alternatives available, production programme.

7. Utilities: Water, power, steam, compressed air requirements, cost estimates, sources of utilities.

8. Transport and Communication: Mode, possibility of getting, costs.

9. Raw Material: List of raw material required by quality and quantity, sources of procurement, cost of raw material, tie-up arrangements, if any

10. Manpower: Manpower requirement by skilled and semi-skilled, sources of manpower supply, cost of procurement, requirement for training. and its cost.

11. Products: Product mix, estimated sales, distribution channels, competitions and their capacities, product standard, input-output ratio, product substitute.

12. Market: End-users of product, distribution of market as local, national, international, trade practices, sales promotion devices, and proposed market research.

13. Requirement of Working Capital: Working capital required, sources of working capital, need for collateral security, nature and extent of credit facilities offered and available.

14. Requirement of Funds: Break-up of project cost in terms of costs of land, building, machinery, miscellaneous assets, preliminary expenses, contingencies and margin money for working capital, arrangements for meeting the cost of setting up of the project.

15. Cost of Production and Profitability of first ten years.

16. Break-Even Analysis

17. Schedule of Implementation

PREPARATION OR FORMULATION OF A PROJECT REPORT

The process of Project formulation can be divided in to eight distinct and sequential stages. These stages are:

1. General Information.
2. Project Description.
3. Market Potential.
4. Capital Costs and Sources of Finance.
5. Assessment of Working Capital Requirements.
6. Other Financial Aspects.
7. Economic and Social Variables.
8. Project Implementation.

The nature of information to be collected under each one of these stages has been given below.

1. **GENERAL INFORMATION:** The information of general nature given in the project report include the following:

a) **Bio-data of Promoter/s:** Name and address of entrepreneur/s; the qualifications, experience and other capabilities of the entrepreneur/s;

b) **Industry Profile:** A reference of analysis of industry to which the project belongs, e.g., past performance; present status, its organization, its problems etc.

c) **Constitution and Organization;** The constitution and organizational structure of the enterprise; in case of Partnership firm, its registration with the Registrar of Firms; application for getting Registration Certificate from the Directorate of Industries/District Industry Centre.

d) **Product Details:** Product utility, product range, product design; advantages to be offered by the product over its substitutes, if any.'

2. PROJECT DESCRIPTION

A brief description of the project covering the following aspects is given in the project report.

a) Site: Location of enterprise; owned or leasehold land; industrial area; No Objection Certificate from the Municipal Authorities if the enterprise location falls in the residential area.

b) Physical Infrastructure: Availability of the following items of infrastructure should be mentioned in the project report:

i) Raw Material: Requirement of raw material, whether inland or imported, sources of raw material supply.

ii) Skilled Labour**:** Availability of skilled labour in the area, arrangements for training labourers in various skills.

c) Utilities: These include:

(i) Power: Requirement for power, load sanctioned, availability of power.

(ii) Fuel: Requirement for fuel items such as coal, coke, oil or gas, state their availability.

(iii) Water: The sources and quality of water should be clearly stated -in the project report.

d) Pollution Control: The aspects like scope of dumps, sewage system and sewage treatment plant should be clearly stated in case of industries producing emissions.

e) Communication System: Availability of communication facilities, e.g., telephone, telex etc. should be stated in the project report.

f) Transport Facilities: Requirements for transport, mode of transport, potential means of transport, distances to be covered, bottlenecks etc., should be stated in the business plan.

g) Other Common Facilities: Availability of common facilities like machine shops, welding shops and electrical repair shops etc., should be stated in the report.

h) Production Process: A mention should be made for process involved in production and period of conversion from raw material into finished goods.

i) Machinery and Equipment: A complete list of items of machinery and equipments required indicating their size, type, cost and sources of their supply should be enclosed with the project report.

j) Capacity of the Plant: The installed licensed capacity of the plant along with the shifts should also be mentioned in the project report,

k) Technology Selected: The selection of technology, arrangements made for acquiring it should be mentioned in the business plan.

l) Research and Development: A mention should be made in the project report regarding proposed research and development activities to be undertaken in future.

3. MARKET POTENTIAL

While preparing a project report, the following aspects relating to market potential of the product should be stated in the report

i) Demand and Supply Position-State the total expected demand for the product and present supply position. This should also be mentioned how much of the gap will be filled up by the proposed unit.

ii) Expected Price-An expected price of the product to be realized should be mentioned in the project report.

Marketing Strategy-Arrangements made for selling the product should. be clearly stated in the project report.

After-Sales Service-Depending upon the nature of the product, provisions made for after-sales service should normally be stated in the project report.

Transportation- Requirement for transportation means indicating whether put transport or entrepreneur's own transport should be mentioned in. the project report.

4. CAPITAL COSTS AND SOURCES OF FINANCE

An estimate of the various components of capital items like land and buildings, plant and machinery, installation costs, preliminary expenses, margin for working capital should be 'given in the project report. The present probable sources of finance should also, be stated in the project report. The sources should indicate the owner's funds together with funds raised from financial institutions and banks.

5. ASSESSMENT OF WORKING CAPITAL REQUIREMENTS

The requirement for working capital and its sources of supply should be carefully and clearly mentioned in the project report. It is always better to prepare working capital requirements in the prescribed formats designed by limits of requirement. It will minimize objections from the banker's side.

6. OTHER FINANCIAL ASPECTS

In order to adjudge the profitability of the project to be set up, a projected Profit and Loss Account indicating likely sales revenue, cost of production, allied cost and profit should be prepared. A projected Balance Sheet and Cash Flow Statement should also prepared to indicate the financial position and requirements at various stages of the project

In addition to, above, the Break-Even Analysis should also be presented in the project report. Break-even point is the level of production/sales where the industrial enterprise shall earn neither profit nor incur loss. In fact, it will just break even. Break-even level indicates the gestation period and the likely moratorium required for repayment of loan. Break-even point (BEP) is calculated as follows:

$$BEP = \frac{F}{S - V} \times 100$$

where, F= Fixed Cost

S= Sales Projected

V= Variable Costs

Thus, the break-even point so calculated will indicate at what percentage of sales, the enterprise will break even.

7. ECONOMIC AND SOCIAL VARIABLES

In view of the social responsibility of business, the abatement costs, i.e., the costs for controlling the environmental damage should be stated in the project. Arrangement made for treating the effluents and emissions should also be mentioned in the report. Besides, the socio-economic benefits expected to accrue from the project should also be stated in the report itself. Following are the examples of socio-economic benefits.

I. Employment Generation.
II. Import Substitution..
III. Ancillarisation.
IV. Exports.
V. Local Resource Utilization.
VI. Development of the-Area.

8. PROJECT IMPLEMENTATION

Last but no means the least, every entrepreneur should draw an implementation scheme or a time-table for his project to ensure the timely completion of all activities involved in setting up an enterprise. Timely implementation is important because if there is a delay, it causes, among other things, a project cost overrun. Delay in project implementation jeopardizes the financial viability of the project, on the one hand, and props up the entrepreneur to drop the idea to set up an enterprise, on the other. Hence, there is a need to draw up an implementation schedule for the project and then to adhere to it. Following is a simplified implementation schedule for a small project.

An Illustrative Implementation Schedule

Tasks /Months	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Formulation of Project Report														
2. Application for Term-Loan														
3. Term Loan Sanction														
4. Possession of Land														
5. Construction of Building														
6. Getting Power and Water														
7. Placing Order for Machinery														
8. Receipt and Installation of Machinery														
9. Manpower Recruitment														
10. Trial Production														
11. Commencement of Commercial Production														

The above schedule can be broken up into scores of specific tasks involved in setting up the enterprise. Project Evaluation and Review Technique (PERT) and Critical Path Method (CPM) can also be used to get better insights into all activities related to implementation of the project.

LECTURE-15

GOVERNMENT SCHEMES AND INCENTIVES FOR PROMOTION OF ENTREPRENEURSHIP AND GOVERNMENT POLICY ON SMALL AND MEDIUM ENTERPRISES

Government schemes and incentives for promotion of entrepreneurship

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

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

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

Objectives

I. To generate employment opportunities in rural as well as urban areas of the country through setting up of new self-employment ventures/projects/micro enterprises.

II. To bring together widely dispersed traditional artisans/ rural and urban unemployed youth and give them self-employment opportunities to the extent possible, at their place.

III. To provide continuous and sustainable employment to a large segment of traditional and prospective artisans and rural and urban unemployed youth in the country, so as to help arrest migration of rural youth to urban areas.

IV. To increase the wage earning capacity of artisans and contribute to increase in the growth rate of rural and urban employment.

Eligibility Conditions of Beneficiaries

(i) Any individual, above 18 years of age

(ii) There will be no income ceiling for assistance for setting up projects under PMEGP.

(iii) For setting up of project costing above Rs.10 lakh in the manufacturing sector and above Rs. 5 lakh in the business /service sector, the beneficiaries should possess at least VIII standard pass educational qualification.

(iv) Assistance under the Scheme is available only for new projects sanctioned specifically under the PMEGP.

(v) Self Help Groups (including those belonging to BPL provided that they have not availed benefits under any other Scheme) are also eligible for assistance under PMEGP.

(vi) Institutions registered under Societies Registration Act,1860;

(vii) Production Co-operative Societies, and

(viii) Charitable Trusts.

(ix) Existing Units (under PMRY, REGP or any other scheme of Government of India or State Government) and the units that have already availed Government Subsidy under any other scheme of Government of India or State Government are not eligible.

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

The scheme offers funding for:

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

Objectives:

(i) To encourage Small & Micro exporters in their efforts at tapping and Developing overseas markets.

(ii) To increase participation of representatives of small/ micro manufacturing Enterprises under MSME India stall at International Trade Fairs/ Exhibitions.

(iii) To enhance export from the small/ micro manufacturing enterprises

(iv) To popularize the adoption of Bar Coding on a large scale.

3. SCHEME FOR ASSISTANCE TO TRAINING INSTITUTIONS

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

4. RAJIV GANDHI UDYAMI MITRA YOJANA

A Scheme of "Promotion and Handholding of Micro and Small Enterprises"

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

Objective

The objective of **Rajiv Gandhi Udyami Mitra Yojana (RGUMY)** is to provide handholding support and assistance to the potential first generation entrepreneurs, who have already successfully completed EDP/SDP/ESDP or vocational training from ITIs, through the selected lead agencies i.e. **'Udyami Mitras'**, in the establishment and management of the new enterprise, in dealing with various procedural and legal hurdles and in completion of various formalities required for setting up and running of the enterprise. Under RGUMY, financial assistance would be provided to the selected lead agencies i.e. **Udyami Mitras** for rendering assistance and handholding support to the potential first generation entrepreneurs.

Role and Responsibilities of Udyami Mitras

The selected lead agencies i.e. Udyami Mitras would be expected to render following services:

(i) Networking, coordinating and follow up with various Government departments/ agencies/ organizations and regulatory agencies on the one hand and with support agencies like Banks/financial institutions, District Industries Centers (DICs), technology providers, infrastructure providers on the other hand, to help the first generation entrepreneurs in setting up their enterprise. Udyami Mitras are expected to help the first generation entrepreneurs in:

- Identification of suitable project/product/enterprise and preparation of bankable project report for the same;
- Creation of the proprietorship firm/ partnership firm/ Company/ Society/ SHG etc;
- Filing of Memorandum (as prescribed under MSMED Act 2006);
- Accessing bank loans, admissible capital subsidy/ assistance under various schemes of the Central /State Government and other agencies/ organizations/ financial institutions/ Banks etc. by networking with respective agencies
- Assistance and support in establishment of work shed/office;
- Sanction of Power load/connection;
- Selection of appropriate technology and installation of plant and machinery/office equipment etc;
- obtaining various registrations/ licenses/ clearances / No Objection Certificates (NOCs) etc. from the concerned regulatory agencies/ Government departments/ local bodies/ Municipal authorities etc.;
- Allotment of Income Tax Permanent Account Number (PAN) and Service Tax/ Sales Tax/ VAT registration etc;
- Sanction of working capital loan from the banks;
- Arranging tie up with raw material suppliers;
- Preparation and implementation of marketing strategy for the product/ service and market development; and
- Establishing linkage with a mentor for providing guidance in future
- Creation of web page and email identity;

(ii) Once the enterprise has been successfully set up, the Udyami Mitras would also monitor and follow up on the functioning of the enterprise for a further period of minimum 6 months and provide help in overcoming various managerial, financial and operational problems.

The organizations of Ministry of MSME engaged in the task of entrepreneurship development i.e. the three national-level EDIs, (i.e. NIESBUD Noida, IIE Guwahati and NIMSME Hyderabad) MSMEDIs/ Branch MSMEDIs, KVIC and NSIC (hereinafter referred as Category-I Udyami Mitras) are deemed to have been empanelled as Udyami Mitras under the scheme. Udyami Mitras would enroll the potential entrepreneurs for providing them handholding support. Only those beneficiaries would be enrolled who have already undergone EDP/SDP/ESDP of at least two weeks or who have successfully completed the vocational training in ITIs.

7. CREDIT LINK CAPITAL SUBSIDY SCHEME FOR TECHNOLOGY UPGRADATION

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

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

Office of the Development Commissioner(MSME) launched Micro and Small Enterprises Cluster Development Programme (MSE-CDP) for holistic development for selected MSEs Clusters through value chain and supply chain management on co-operative basis. Designed on need assessment, the major component of the scheme are Technology Upgradation, Quality Upgradation and Certification, Credit Facilitation, Marketing Support, including exposure to the global markets and Collective Capacity Building of the cluster units with a view to enabling them to ultimately operate as collectives of their own. Establishment and operation of Common Facility Centres (CFCs), organized procurement and marketing continuous skill and technology upgradation are the deliverables of any intervention under MSE-CDP. Recently, support for infrastructural upgradation for resurgence of the clusters has also been included in the MSE-CDP.

Objectives of MSE-CDP:

- Key Strategy for enhancing productivity/Competitiveness of small enterprises.
- To Facilitate economies of scale
- For integrated and focused development of MSEs.
- Interventions for large number of units with higher gains at lower cost

9. CREDIT GUARANTEE FUND SCHEME FOR MICRO AND SMALL ENTERPRISES

The Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGMSE) was launched by the Government of India to make available collateral-free credit to the micro and small enterprise sector. Both the existing and the new enterprises are eligible to be covered under the scheme. The Ministry of Micro, Small and Medium Enterprises and Small Industries Development Bank of India (SIDBI), established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Fund Scheme for Micro and Small Enterprises. The scheme was formally launched on August 30, 2000 and is operational with effect from 1st January 2000. The corpus of CGTMSE is being contributed by the Government and SIDBI in the ratio of 4:1 respectively and has contributed Rs.1754.05 crore to the corpus of the Trust up to March 31, 2009. As announced in the Package for MSEs, the corpus is to be raised to Rs.2500 crore by the end of 11th Plan. As on March 31, 2009, 1,50,034 proposals from micro and small enterprises have been approved for guarantee cover for aggregate credit of Rs.4824.34 crore.

10. NATIONAL AWARD SCHEME

The Micro, Small &Medium Enterprises (MSMEs) in India have seen a vast development in the last five decades. The MSMEs have registered tremendous growth as also progress in terms of quality production, exports, innovation, product development and import substitution, very much beyond the expected objectives of setting up MSMEs by the planners of industrial production base in the country. Entrepreneurial efforts have made it possible to produce number of items, which hitherto were imported. In quite a few cases new variants so produced are having additional attributes than their original versions and are capable of solving a multitude of user problems. This all has become possible owing to the ambitions and visionary spirit of entrepreneurs of MSMEs

Objective

The ministry of Micro, Small and Medium Enterprises with a view to recognizing the efforts and contribution of MSMEs gives National Award annually to selected entrepreneurs and enterprises under the scheme of National Award.

11. SCHEME TO SUPPORT 5 SELECTED UNIVERSITIES / COLLEGES TO RUN 1200 ENTREPRENEURSHIP CLUBS.

The scheme is to support 5 universities to run Entrepreneurship Clubs (one each from Northern, Western, Eastern, Southern and North East region). Each university will have to run 240 clubs per year and each club may have a membership of 50 entrepreneurs. In a period of 5 years, 3 lakh entrepreneurs are to be benefited in all.

Objectives:

The scheme has been devised to encourage entrepreneurs to run self-employment ventures of Micro or Small Enterprises.

Moreover, this will be a very important scheme bringing the entrepreneurs, universities and MSME-Development Institutes (MSME-DI) together.

In addition, this will create a base to entrepreneurs for coming together to solve their common problems a shift from Lobbying Mode to Facilitation Mode, giving hard intervention in the form of technology and soft intervention like arranging workshops, seminars, guidelines to obtain ISO certification, ISI Marks, participation in Trade Fairs, implementation of Quality Management Tools.

12. SCHEMES FOR WOMEN ENTREPRENEURS:

A. Mahila Udyami Yojana (MUY): IDBI has set up special fund under this scheme with corpus fund of Rs.5Crore to provide seed capital assistance to the women entrepreneurs intending to start projects in SSI sector. This scheme is implemented by SIDBI. 51% of equity should be managed by women.

- Seed capital is provided as soft loan- 15% of fixwd cost without insisting security.
- Promoter should contribute atleast10% of fixed cost.
- Repayment is for 10 years with moratorium period of 5 yrs.
- Debt equity ratio should be 3:1

B. SBI Stree Sakthi Package: Under this EDPS are exclusively designed and conducted for women entrepreneurs .Rs.25000/- is provided without collateral security.

C. Priya darshini yojana: It is implemented by Bank of India. Financial assistance is provided to women entrepreneurs who take up small business, retail traders, transport (auto rickshaws), professional and self employed, and who take up allied agricultural activities.

- Max. loan is upto 2 lakhsfor term loan and 1 lakh for working capital.
- Assets acquired with finance are hypothecated as security.
- Repayment period is 3-5 years.
- Margin money is 20% depending on type of activity.

Besides these programmes other schemes like PMRY, SEPUP (Self Employment Programme for Urban Poor.),SGSY, IRDP and Rashtriya Mahila Kosh help women entrepreneurs in providing financial assistance.

In conclusion Government incentives available are of two types of subsidies.

- Investment subsidy to establish more enterprises. It includes capital investment subsidy, transport subsidy, power generator subsidy, social subsidy to women entrepreneurs.
- Other subsidies include Export / import subsidy, tax subsidy, excise subsidy/ duty exemption, and capital subsidy for technology upgradation.

GOVERNMENT POLICIES ON ENTREPRENEURSHIP

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

a. IPR 1948 –aimed at Post independent national reconstruction through industrialization. Envisaged the importance of cottage & small enterprises for employment creation and utilization of local resources and skills. **The main thrust in small scale sector was centered round Protection.**

b. IPR 1956 – Provided a clear emphatic policy and incentive support to small scale & cottage industries. **It aimed at Protection plus Development of small industrial sector.**

c. IPR 1977 – Establishment of DICs focusing on regional growth of industries & utilization of local resources and skill. IDBI & KVIB are established & small scale sector was given priority. This policy focused on promotion. Thus **Protection, Development plus promotion became its focus.**

d. IPR 1980- Thrust areas were Industrial infrastructure, higher productivity promotion of agro based industries, consumer protection & quality control. For generation of wage employment & **development of entrepreneurial spirit among people small scale sector was again treated most important.**

e. IPR1990- Policy of economic liberalization & Introduce simple procedures, formalities, rules & regulations. More emphasis to women & youth was given under entrepreneurship. **SIDBI was established to assist entrepreneurs in the small scale sector.**

NEW SMALL ENTERPRISE POLICY (NESP) :

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

1. Inclusion of industry- Business & service related enterprises irrespective their location as small scale industries
2. Widen scope of National Equity Fund, enlarge Single window scheme and associate commercial banks with provision of composite loan scheme
3. Financial support to entrepreneurs by allowing equity participation up to 24% of share
4. Setting up of technology development cell in SIDO
5. Setting up of Export development centre in SIDO
6. Liberalization by limited partnership act
7. Integrated infrastructure development system
8. Technology development and equitable distribution of local & imported raw material on a priority to small & tiny sector
9. Improvement in incentive delivery system.
10. Marketing, market promotion and export support modernization.
11. Quality upgradation and procedural simplification.
12. Increase in investment limit from 2 to 5 lakhs for plant & machineries and tiny industrial units.

LECTURE-16

SUPPLY CHAIN MANAGEMENT- MEANING, ADVANTAGES, STAGES, PROCESS, DRIVERS AND SCOPE OF AGRI-SUPPLY CHAIN MANAGEMENT

WOMEN ENTREPRENEURSHIP- CONCEPT, PROBLEMS AND DEVELOPMENT OF WOMEN ENTREPRENEURS

SUPPLY CHAIN MANAGEMENT

Supply chain management (SCM) represents the management of the entire set of production, manufacturing/transformations, distribution and marketing activities by which a consumer is supplied with a desired product. The practice of SCM encompasses the disciplines of economics; marketing, logistics and organizational behaviour to study how supply chains are organized and how institutional arrangements influence industry efficiency, competitions and profitability.

SCM provides a means to conceptualize management of the changes required in the system to efficiently respond to consumer needs, based on integration and co-ordination of the efforts of all the business units involved in the production and delivery processes.

INPUT INDUSTRY → FARMER → TRADE → DISTRIBUTION CENTER → RETAILING

Managing supply chains requires an integral approach in which chain partners jointly plan and control the flow of goods, information, technology and capital from ‘farm to fork', meaning from the suppliers of raw materials to the final consumers and vice versa. Supply chain management results in lower transaction costs and increased margins. Because of the many activities and aspects involved it demands a multidisciplinary approach and sustainable trade relations.

Advantages of supply chain management:

1. Reduction of product losses in transportation and storage.
2. Dissemination of technology, advanced techniques,
3. Capital and knowledge among the chain partners.
4. Better information about the flow of products, markets and technologies.
5. Transparency, Tracking & tracing to the source.
6. Better control of product safety and quality.
7. Large investments and risks are shared among partners in the chain.

Stages of Supply chain

In general, supply chain may involve a variety of stages. The supply chain stages include;

Customers
Retailers
Wholesalers/Distributors
Manufacturers
Component / Raw material suppliers

Process of a supply chain

A supply chain is a sequence of processes and flows that take place within and between different stages and combine to fill a customer need for a product. There are two different ways to view the processes performed in a supply chain.

1. Cycle view: The processes in a supply chain are divided into a series of cycles, each performed at the interface between two successive stages of a supply chain.

2. Push/pull view: The processes in a supply chain are divided into two categories depending on whether they are executed in response to a customer order or in anticipation of customer orders. Pull processes are initiated by a customer order whereas push processes are initiated and performed in anticipation of customer orders.

Cycle view of supply chain processes

All supply chain processes can be broken down into the following four process cycles.

Customer order cycle: The customer order cycle occurs at the customer / retailer interface and includes all processes directly involved in receiving and filling the customer's order. Typically, the customer initiates this cycle at a retailer site and the cycle primarily involves filling customer demand.

Replenishment cycle: The Replenishment cycle occurs at the retailer/distributor interface and includes all processes involved in replenishing retailer inventory. It is initiated when a retailer places an order to replenish inventories to meet future demand.

Manufacturing cycle: The manufacturing cycle typically occurs at the distributor/manufacturer (or retailer/manufacturer) interface and includes all processes involved in replenishing distributor (or retailer) inventory.

Procurement cycle: The procurement cycle occurs at the manufacturer/supplier interface and includes all processes necessary to ensure that materials are available for manufacturing to occur according to schedule. During the procurement cycle, the manufacturer order components from suppliers that replenish the component inventories.

Push / Pull View of Supply Chain Processes

Pull processes, execution is initiated in response to a customer order. With push processes, execution is initiated in anticipation of customer orders. Therefore, at the time of execution of a pull process, customer demand is known with certainty whereas at the time of execution of a push process, demand is not known and must be forecast. Pull processes may also be referred to as reactive processes because they react to customer demand. Push processes may also be referred to as speculative processes because they respond to speculated (or forecasted) rather than actual demand.

DRIVERS OF SUPPLY CHAIN PERFORMANCE

Four key drivers of supply chain performance are facilities, inventory, transportation and information. These drivers not only determine the supply chain's performance in terms of responsiveness and efficiency, but also determine whether strategic fit is achieved across the supply chain.

Inventory

Inventory is nothing but raw materials, work in process and finished goods within a supply chain. Inventory is an important supply chain driver and it is one of the factors that decide the supply chain's efficiency and responsiveness.

Transportation

Transportation entails moving inventory from one point to another point in the supply chain. Transportation choices have a large impact on supply chain responsiveness and efficiency.

Facility

These are locations where raw materials, finished goods are stored or fabricated and distributed. The two major types of facilities are production sites and storage sites. Whatever the function of the facility, decisions regarding location, capacity and flexibility of facilities have a significant impact on the supply chain's performance.

Information

Information consists of data and analysis concerning facilities, inventory, transportation, and customers throughout the supply chain. Information is potentially the biggest driver of performance in the supply chain as it directly affects each of the other drivers.

SCOPE OF AGRI-SUPPLY CHAIN MANAGEMENT

At the farmer level a key preliminary step is often the development of relationships between individual farmers to create a trading entity with capacity to supply sufficient quantity and continuity to be a credible supply chain member. This may be championed by a farmer, by another member of the chain, or by an external facilitator or manager. Hence the technical and professional issues in supporting the operation of supply chains may include facilitating:

- the development of relationships between farmers to allow their participation
- the development of relationships between members of the supply chain
- information flows between members of the supply chain
- establishing common standards between members of the supply chain
- Optimizing performance within each level of the supply chain and in the linkage processes.

Promotion activities needed in Agri-Chain Development

- Public private partnership in needed.
- Investing in transportation, communication and electricity.
- Subsidies or co-financing supply for high -risk investments.
- Ensure the availability of (production, price, industry) information and statistics to facilitate market activity and to monitor market progress.

WOMEN ENTREPRENEURSHIP- CONCEPT, PROBLEMS AND DEVELOPMENT OF WOMEN ENTREPRENEURS

Women constitute around half of the total world population. So is in India also. They are, therefore, 'regarded ' as the better half of the society. In traditional societies, they were confined to the four walls of houses performing household activities. In modem societies, they have come out of the four walls to participate in all sorts of activities. The global evidences buttress that women have been performing exceedingly well in different spheres of activities like academics, politics, administration, social work and so on. Now, they have started plunging into industry also and running their enterprises successfully. Therefore the development of women entrepreneurs in the country is of paramount important for economic development.

CONCEPT OF WOMEN ENTREPRENEURS

Based on the general concept of entrepreneur just discussed in the previous chapter, women entrepreneurs may be defined as a woman or group of women who initiate, organize and run a business enterprise. The Government of India has defined women entrepreneurs based on women participation in equity and employment of la business enterprise. Accordingly, a women entrepreneur is defined as "an enterprise owned and controlled by a women having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of the employment generated in the enterprise to women”.

In nutshell, women entrepreneurs are those women who think of a business enterprise, initiate it, organize and combine the factors of production, operate the enterprise and undertake risks and handle economic, uncertainty involved in running a business enterprise.

In India, women entry into business is a new phenomenon. Women entry into business or entrepreneurship is traced out as an extension of their kitchen activities mainly to 3 Ps, viz., Pickles, Powder and Pappad. Women in India plunged into business for both pull and push factors. **Pull factors** imply the factors which encourage women to start an occupation or venture with an urge to do something independently. **Push factors** refer to those factors which compel women to take, up their own business to tide over their economic difficulties and responsibilities. With growing awareness about business and spread of education among women over the period, women have started shifting from 3 Ps to engross to 3 modern Es, viz., Engineering. Electronics and Energy. They have excelled in these activities. Women entrepreneurs manufacturing solar cookers in Gujarat, small foundaries in Maharashtra and T.V. capacitors in Orissa have proved beyond doubt that given the opportunities, they can excel their male counterparts. Smt. Sumati Morarji (Shipping Corporation), Smt. Yarnutai Kirloskar (Mahila Udyog Limited), Smt. Neena Malhotra (Exports) and Smt. Shahnaz Hussain (Beauty Clinic) are some exemplary names of successful and accomplished women entrepreneurs in our country.

PROBLEMS OF WOMEN ENTREPRENEURS

Women entrepreneurs encounter the following general problems of entrepreneurs and problems specific to women entrepreneurs.

1. **Problem of Finance:** Finance is regarded as "life-blood" for any enterprise, be it big or small. However, women entrepreneurs suffer from shortage of finance on two counts. Firstly, women do not generally have property on their names to use them as collateral for obtaining funds from external sources. Thus, their access to the external sources of funds is limited. Secondly, the banks also consider women less credit-worthy and discourage women borrowers on the belief that they can at any time leave their business. Given such situation, women entrepreneurs are bound to rely on their own savings, if any, and loans from friends and relatives which are expectedly meagre and negligible. Thus, women enterprises fail due to the shortage of finance.

2. **Scarcity of Raw Material:** Most of the women enterprises are plagued by the scarcity of raw material and necessary inputs. Added to this is the high price of raw material, on the one hand, and getting raw material at the minimum of discount, on the other.

3. Stiff Competition: Women entrepreneurs do not have organizational set-up to pump in a lot of money for canvassing and advertisement. Thus, they have to face a stiff competition for marketing their products with both organized sector and their male counterparts. Such a competition ultimately results in the liquidation of Women enterprises.

4. Limited Mobility: Unlike men, women mobility in India is highly limited due to various reasons. A single woman asking for room is still looked upon suspicion. Cumbersome exercise involved in starting an enterprise coupled with the officials' humiliating attitude towards women compels them to give up idea of starting an enterprise.

5. Family Ties: In India, it is mainly a woman's duty to look after the children and other members of the family Man play a secondary role only. In case of married women, she has to strike a fine balance between her business and family Her total involvement in family leaves little or no energy and time to devote for business. Support and approval of husbands seem necessary condition for women's entry into business. Accordingly, the educational level and family background of husbands positively influence women's entry into business activities.

6. Lack of Education: In India, around three-fifths (60%) of women are still illiterate. Illiteracy is the root cause of socio-economic problems. Due to the lack of education and that too qualitative education, women are not aware of business, technology and market knowledge. Also, lack of education causes low achievement motivation among women. Thus lack of education creates problems for women in the setting up and running of business enterprises.

7. Male-Dominated Society: Male chauvinism is still the order of the day in India. The Constitution of India speaks of equality between sexes. But, in practice, women are looked upon as *abla,* i.e. weak in all respects. Women suffer from male reservations about a woman's role, ability and capacity and are treated accordingly. In nutshell, in, the male dominated Indian society, women are not treated equal to men. This, in turn, serves as a barrier to women entry into business.

8. Low Risk-Bearing Ability: Women in India lead a protected life. They are less educated and economically not self-dependent. All these reduce their ability to bear risk involved in running an enterprise. Risk-bearing is an essential requisite of a successful entrepreneur.

In addition to above problems, inadequate infrastructural facilities, shortage of power, high cost of production, social attitude, low need for achievement, and socio-economic constraints also hold the women back from entering into business.

DEVELOPMENT OF WOMEN ENTREPRENEURS-RECENT TRENDS

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 Government of India further stressed the need for conducting special entrepreneurship development programmes for women with a view to encourage women to enter industry. Product and process-oriented courses enabling women to start small-scale industries are also recommended.

There are several institutional arrangements both at the centre and the state levels like nationalized banks, state financial corporations, state industrial corporations, district industry centres and voluntary agencies like FICCI's Ladies Organization (FLO), National Alliance of Young Entrepreneurs (NAYE) which have been engaged in protecting and developing women entrepreneurs in the country. Added to these are national and international women associations set up with a purpose to create a congenial environment for developing women entrepreneurship in rural and urban areas.

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