MALLA REDDY ENGINEERING COLLEGE(AUTONOMOUS)

ENTREPRENEURSHIP

B.Tech IV-II MR17

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Module I: ENTREPRENEURSHIP

Introduction to Entrepreneurship

The word entrepreneurship originates from the French word entrependre, which means “to undertake”.
Entrepreneurship is the key to innovation, productivity and effective competition.
When a person realizes his ability or capacity and makes its practical use and establishes new business unit this activity is known as entrepreneurship.

“Entrepreneurship is the act of being an entrepreneur, which can be defined as “one who Undertakes innovations, finance and business acumen in an effort to transform innovations into economic goods.”

Entrepreneurship can create new organizations or develop a strategy to revitalize mature Organizations in response to a perceived opportunity.

The most obvious form of entrepreneurship is that of starting a new business also called as “Startup Company”. More recently, the term has evolved to include other types of entrepreneurship such as:

• Social entrepreneurship that applies the “entrepreneurial principles to organize, Create and manage a venture to achieve social change” and

• Political entrepreneurship or “starting a new political project, group, or political Party.”

No society can exist without entrepreneurship. Every society depends on entrepreneurs.

Definition of 'Entrepreneur'
An individual who, rather than working as an employee, runs a small business and assumes all the risk and reward of a given business venture, idea, or good or service offered for sale. The Entrepreneur is commonly seen as a business leader and innovator of new ideas and business Processes.

Concept of Entrepreneurship

Entrepreneurship is an innovative function. It is a leadership rather than an ownership. The process of innovation may be in the form of

- Introduction of a New Product
- Use of a New Method of production
- Opening of a New Market
- The conquest of New Source of supplying Raw Materials

Traditional Concept involves
Ability and aptitude to bear various types of business related risk and facing of uncertainties

Modern Concept involves
The ability to establish new enterprise, and carrying out various new improvements in the enterprise.

Knowledge and Skills Requirement for an Entrepreneurship

- **Risk Bearing Capacity**

i) Risk refers to the **variability of outcomes** (or returns).
ii) Entrepreneurs are **"risk-taker"-** people who don't fear anything in business.
iii) Entrepreneurship involves taking of risks and making the necessary investments under conditions of uncertainty.

- **Organization Building Ability**

i) Entrepreneurship is ability to connect and **c**oordinate the productive resources to organize a venture and Enterprise.
ii) It is bringing together the factors of production and to organize them.
iii) Entrepreneur makes decisions about resource allocations.

- **Managerial and Leadership skills**

i) Entrepreneurship is the process of bringing together creative and innovative ideas and actions with the management & leadership skills to mobilize the appropriate people, money and operating resources to create wealth in the process.
ii) Entrepreneurs can translate their ideas into action with management and leadership skills.

- **Innovative Function**

i) Innovation is the specific function of entrepreneurship.
ii) It is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth.
iii) Joseph Schumpeter revived the concept of entrepreneurship as an innovative function.

- **High Level Need for Achievement**

i) The people who are motivated with the need for high achievement have a high level of entrepreneurial activities.
ii) They have a desire to be successful in competitive situations.

- **Search for Profitable Opportunities**

i) Entrepreneurship is actively searching for opportunities to do new things or to do existing things in new ways for a profitable business.
ii) Potential entrepreneurs are always looking for unique opportunities to fill needs and wants.

- **Wealth Creation**

  Entrepreneurs are economic agents who transform demand into supply and they transform resources into useful goods & services, that lead to creation of wealth and industrial growth.

- **Change Agent**

This is a modern concept of entrepreneurship.

i) The entrepreneur becomes the change agent who transforms the resources into useful Goods and services, often creating the circumstances that lead to industrial growth.

- **Process of Creating New Values**

This is also a modern concept.

i) Through entrepreneurship, new products, services, transactions, approaches, resources, technologies and market are created that contribute some value to a community or marketplace.

ii) Value can be created- When resources are transformed into output such as products & Services.

Characteristics of Successful Entrepreneurs:

The characteristics of entrepreneurs are numerous? a successful entrepreneur possesses a combination of traits that show both innovation and leadership qualities. Scholars from around the world have worked tirelessly to discover just what characteristics make a good entrepreneur; what exactly makes up a business founder's x-factor? While a lot of the findings are still pretty much open to debate, there's no questioning that great entrepreneurs have the following traits:

- **Ambition**

A good entrepreneur is driven to make something of himself. He knows what he wants, and he sets a course to get it. His motivation to achieve something can sometimes be overwhelming, and the urge to establish himself can be quite consuming. An entrepreneur's ambition is often the key ingredient that gets him off of his chair and puts him into action, turning his daydreams into reality.

- **Enthusiasm**

Often coming hand-in-hand with ambition, enthusiasm plays a great role in the entrepreneur's motivation. While ambition may be the key to the entrepreneur's ignition, enthusiasm is the gas. Every successful entrepreneur has a positive outlook giving him the energy to pursue his endeavors. Without enthusiasm, an entrepreneurial project will slowly wither into inactivity and failure.

- **Creativity**

When problems do arise, you can count on creativity to bail you out. Creativity is probably what led you to envision your company in the first place, and it'll be creativity that will help you realize the possible solutions to any hitches that might come your way. Successful entrepreneurs find inspiration throughout the entire process, and often discover ways to turn roadblocks into opportunities.

- **Decision-making**

Entrepreneurs call all the necessary shots. While their creativity makes them men of ideas, it's their ability to make decisions that will make them men of action. The decisions that entrepreneurs make will determine the fate of the company, and it's only through decisionmaking that things will actually happen. An entrepreneur with poor decision-making skills will have his company caught in a state of inactivity and degradation; good decision-making skills, on the other hand, will ensure that the best possible measures in putting up the business will be enforced.

- **Perseverance**

Perhaps the most important of all the characteristics of entrepreneurs is the ability to withstand the troubles that come with starting a business. Beginning a new enterprise is an immensely difficult task, and as an entrepreneur, you'll have to stick through the storms and stress if you want your venture to be a success. It sometimes takes years for a good idea to start making you money, but when it does, you'll be glad you stood strong in the face of adversity.

Entrepreneurial traits

1. Passionate

Strong and barely controllable emotion You need to be driven by a clear sense of purpose and passion. Typically, that passion comes from one of two sources: the topic of the business, or the game of business-building itself. Why do you need passion? Simply because you’re likely to be working too hard, for too long, for too little pay with no guarantee that it’ll work out… so you need to be motivated by something intrinsic and not money-related.

2. Resilient

If you’re going to build a startup, you’ll need a spirit of determination coupled with a high pain tolerance. You’ll need to be willing and able to learn from your mistakes – to get knocked down repeatedly, get up, dust yourself off, and move forward with renewed motivation.People will constantly tell you your baby’s ugly, that your business won’t work. Now,you should listen carefully and be open to constructive criticism. But after a while, having the door slammed in your face repeatedly can be withering, and the best entrepreneurs learn to feed off the negativity and actually gain strength from it.

3. Self-Possessed

You need a strong sense of self. You can’t be threatened by being surrounded by talented, driven people. To truly succeed, you’ll need the self-confidence to surround yourself with people “who don’t look like you”… that is, people with skills, background and domain knowledge that complement your own. And check your ego at the door: you shouldn’t be too proud to make coffee for the team, empty the waste baskets, or do the bank runs.

4. Decisive

You’ll need to develop a comfort-level with uncertainly and ambiguity. Entrepreneurs gather as much information as they can in a short period of time, and then MOVE, MOVE, MOVE!! The attitude is that it’s not going to be perfect… We only have 9% or so of the data from which to base our decision… but if we wait to have all the information, we’ll never get moving… and be mired in indecision. (Big organizations are really good at this – the mired thing – saying, We don’t have enough information, so let’s continue to study… form a committee or a task force)

5. Fearless

On the sliding scale from “risk-averse” to “risk-seeking,” it shouldn't surprise anyone that entrepreneurs tend to be closer to the latter. But you don’t need to be a nutcase, the sort who bungee-jumps without a helmet. Smart entrepreneurs develop an intuitive ability to sniff out and mitigate startup business risk. But you know you’re going to fall down, and feel comfortable with that fact and that you’re going to learn from your failures and adjust as you go.

6. Financially Prepared

You’ll need the right personal financial profile to make the leap. This doesn’t mean that only the rich can be entrepreneurs. But unless and until you’ve got the personal financial ‘runway’ (ability to go without a steady paycheck and subsidized benefits) of at least 18 to 24 months (ideally longer), you might hold off on quitting your day job.

Consider launching the startup as a side-business if that's possible, while continuing to work the 8-to-5 shift to cover the bills. Or approach your boss about going part-time. Then, once your business generating cash flow, you can dial back on your hours, or submit your resignation and go full-time with your startup.

7. Flexible

I challenge you to find an entrepreneur running a startup four or more years old where that business doesn't differ dramatically from the vision sketched out in their original business plan. The point is that the folks who stay on their feet are the ones who stay flexible and adjust to new information and changing circumstances.

8. Zoom Lens-Equipped

You may not start out with a fool-proof gyroscope, but to survive as an entrepreneur, you'll need that strong sense of perspective. How to maintain simple, clear focus. How to be at peace with, and learn from, a failure. Understanding that not all battles are worth winning, and when to walk away. Knowing that most in your startup aren't as entrepreneurial as you – that this may be a very cool job for them, but it's still a job. Knowing when to go home and give your loved ones a hug. When to go for a run.

Can you 'pan out' to see a compelling big vision for your business, then 'zoom in' and focus on near-term startup goals? Successful entrepreneurs can facilely move back and forth between these two views. They're able to articulate the big picture, while simultaneously managing and executing to the 'zoom-in' picture.

9. Able to Sell

Whether you're a born extrovert or introvert, as a founder/CEO, you'll find yourself always selling. You'll be selling your vision to prospective partners and funding sources. You'll be selling prospective recruits on why they should quit their day jobs and join this startup they've never heard of. You'll be selling your products and services (yes, you'll probably be personally closing at least the first few sales). You'll be selling your employees on why they should remain calm and stay with the ship when the seas inevitably get rough.

10. Balanced

You may not start out with a fool-proof gyroscope, but to survive as an entrepreneur, you'll need that strong sense of perspective. How to maintain simple, clear focus. How to be at peace with, and learn from, a failure. Understanding that not all battles are worth winning, and when to walk away. Knowing that most in your startup aren't as entrepreneurial as you – that this may be a very cool job for them, but it's still a job. Knowing when to go home and give your loved ones a hug. When to go for a run.

Some of the Real Entrepreneurs

Azim Premji

- *Chairman of Wipro Technologies (one of the largest software company in India)*
- *Honored with Padma Bhushan in 2005*

Dhirubai Ambani

- *Founder of Reliance Company*
- *Built India's largest private sector company*

JRD Tata

- *Chairman of "Tata & Sons"*
- *Launched Air India International*
- *Received Bharat Ratna in 1992*

Narayana Murthi

Founder of Infosys Technologies Limited

- *Chosen as World Entrepreneur of the Year 2003*
- *Non-Executive Chairman & Chief Mentor of Infosys*

Rahul Bajaj

- *Chairman of Bajaj Group*
- *One of the most distinguished business leaders*

Sunil Mittal

- *Chairman & Managing Director of Bharati Group(Airtel)*
- *India's largest mobile phone service provider*
- *IT Man of the Year Award 2002*
- *CEO of the Year: 2002*
- *Called as originator of cellular phone revolution in India*

Steve Jobs

- *Founder of Apple Computer*
- *Founder of Pixar, Next also*

Entrepreneurial Decision Process:

• Entrepreneurial Decision Process is about deciding to become an entrepreneur by leaving present activity i.e. a movement from the present lifestyle to forming a new enterprise. The decision to start a new company occurs when an individual perceives that forming a new enterprise is both desirable and possible.

The decision to become an entrepreneur to start a new business consist of several
sequential steps-

1. The decision to leave a present career or lifestyle (Pushing and pulling influences active in the decision to leave a present career or lifestyle

2.The decision about desirability of new venture formation i.e. the aspects of a situation that make it desirable to start a new venture and this relates to culture, subculture, family, teachers and peers.

3. The decision about possibility of new venture formation i.e. factors making it possible to create a new venture like government, background, marketing, financial, role models.

Desirability of New Venture Formation :- (Aspects of a situation that make it desirable to start a new company)

1. The perception that starting a new company is desirable results from an individual's culture, subculture, family, teachers and peers.

On the other hand in some countries making money is not as valued and failure may be a disgrace. The rate of business formation in these countries is not as high.

2. Many subcultures that shape value systems operate within a cultural framework. These subcultures support and even promote entrepreneurship.
3. Studies indicate that a high percentage of founders of companies had fathers and/or mothers who valued independence.
4. Encouragement to form a company is also gained from teachers, who can significantly influence individuals.
5. An area having a strong educational base is also a requirement for entrepreneurial activity.
6. Peers are important, also, as is an area with an entrepreneurial pool and peer-meeting place.

Possibility of New Venture Formation : **-** (Factors making it possible to create a new venture)
_ Although the desire of new venture formation derived from the individual’s culture,subculture, family, teachers and peers needs to be present before any action is taken, the second feature necessary centers around this question “What makes it possible to form a new company?”
o He government contributes by providing the infrastructure to help a new venture.
o The India has the necessary roads, communication and transportation systems, utilities, and Economic stability
_ Formal education and previous business experience give a potential entrepreneur the skills needed to form and manage a new enterprise.
_ Although educational systems are important in providing the needed business knowledge, individual will tend to be more successful in forming in fields in which they have worked.
_ The market must be large enough and the entrepreneur must have the marketing know how to put together the entire package.
_ The entrepreneur must have the marketing know-how to put together the entire package.
_ A role model can powerfully influence the perception of venture possibility.
_ Finally, financial resources must be readily available.
o Although most start-up money comes from personal savings, credit, and friends,but there is often a need for additional capital.
_ Risk-capital availability plays an essential role in the development and growth of entrepreneurial activity.

Role of Entrepreneurship in economic development or Factors impacting emergence of Entrepreneurship

The entrepreneur who is a business leader looks for ideas and puts them into effect in fostering economic growth and development. Entrepreneurship is one of the most important input in the economic development of a country. The entrepreneur acts as a trigger head to give spark to economic activities by his entrepreneurial decisions. Heplays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector. The major roles played by an entrepreneur in the economic development of an economy are discussed in a systematic and orderly manner as follows.

(1) Promotes Capital Formation:

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

(2) Creates Large-Scale Employment Opportunities:

Entrepreneurs provide immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations. With the setting up.of more and more units by entrepreneurs, both on small and large-scale numerous job opportunities are created for others. As time passes, these enterprises grow, providing direct and indirect employment opportunities to many more. In this way, entrepreneurs play an effective role in reducing the problem of unemployment in the country which in turn clears the path towards economic development of the nation.

(3) Promotes Balanced Regional Development:

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

(4) Reduces Concentration of Economic Power:

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

(5) Wealth Creation and Distribution:

It stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographic areas, thus giving benefit to larger sections of the society. Entrepreneurial activities also generate more activities and give a multiplier effect in the economy.

(6) Increasing Gross National Product and Per Capita Income:

Entrepreneurs are always on the look out for opportunities. They explore and exploit opportunities,, encourage effective resource mobilization of capital and skill, bring in new products and services and develops markets for growth of the economy. In this way, they help increasing gross national product as well as per capita income of the people in a country. Increase in gross national product and per capita income of the people in a country, is a sign of economic growth.

Entrepreneur vs. manager:

The terms Entrepreneur and Manager are considered one and the same. But the two terms have different meanings.

The following are some of the differences between a manager and an entrepreneur.

· The main reason for an entrepreneur to start a business enterprise is because he comprehends the venture for his individual satisfaction and has personal stake in it where as a manager provides his services in an enterprise established by someone.

· An entrepreneur and a manager differ in their standing, an entrepreneur is the owner of the organization and he bears all the risk and uncertainties involved in running an organization where as a manager is an employee and does not accept any risk.

· An entrepreneur and a manager differ in their objectives. Entrepreneur's objective is to innovate and create and he acts as a change agent where as a manager's objective is to supervise and create routines. He implements the entrepreneur's plans and ideas.

· An entrepreneur is faced with more income uncertainties as his income is contingent on the performance of the firm where as a manager's compensation is less dependent on the performance of the organization.

Intrapreneur vs. Entrepreneurs

Meaning of Intrapreneur:

"A person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation"

• Entrepreneurs provide the spark. Intrapreneur keep the flame going.

• Entrepreneurs are found anywhere their vision takes them. Intrapreneur work within the confines of an organization.

• Entrepreneurs face many hurdles, and are sometimes ridiculed and riddled with setbacks. Intrapreneurs may sometimes have to deal with conflict within the organization.

• Entrepreneurs may find it difficult to get resources. Intrapreneurs have their resources readily available to them.

• Entrepreneurs may lose everything when they fail. Intrapreneurs still have a paycheck to look forward to (at least for now) if they fail.

• Entrepreneurs know the business on a macro scale. Intrapreneurs are highly skilled and specialized.

Understanding individual Entrepreneurial Mindset and Personality

Your entrepreneurial venture begins with you. Entrepreneurship is a challenging and rewarding path. Are you cut out for it? What will give you the ability to grow through failures, carry on when things get tough, boost your spirits in difficult moments, and ultimately achieve success? Although research on the psychology of entrepreneurs shows there is no single set of characteristics suggesting success, here are seven characteristics often shared by successful entrepreneurs.

Curiosity. Inquisitiveness is extremely common among successful entrepreneurs. Keep your mind active. Investigate how the world works and where things tie together. This will strengthen your ability to see things with a fresh perspective. Learn from achievers. Examine their lives and accomplishments. Note what made them great. Question what they did that you could do. Consider what you would do differently if you were in their position. Ask questions, check out competition, look for new ways to do things. View your surroundings as inspiration for value creation.

Commitment. While passion may lead you to start your own business, commitment will keep you going and allow you to persevere through every dilemma. The ability to withstand repeated rejection and disappointment is an essential part of an entrepreneur's makeup. Successful entrepreneurs draw lessons from rejection, as well as prevent it from damaging their self-esteem. Deflect the rejection away from yourself and use it as an indication to fix flaws in your business ideas. Focus on comparing yesterday to today with an attitude of "look how far I've come." When you see what you have achieved, it fuels motivation. It drives you to continue to moving forward. Continues to produce results. Helps you persevere.

Optimism. Despite challenges, successful entrepreneurs maintain a buoyant attitude. Being optimistic about a situation means approaching it as a possibility to be explored. When a problem occurs, an entrepreneur sees it as a learning opportunity. Build your confidence. Use the lessons taken from each situation to develop and refine your ideas. Be optimistic. Know that there is a solution to every complication.

Flexibility: We know that entrepreneurship is a challenging arena. Unexpected demands and problems appear constantly. To battle on, it helps to be flexible in your thinking so you can roll with punches, solve problems readily, and recover quickly from setbacks. To become more agile, build a structured critical approach to problem solving. Keep a journal and record your thoughts. List the challenges that you face—stumbling blocks or perceived limitations that prevent you from advancing. For each of these, one at a time, write down everything that you know about it. Ask yourself what you need to know. List all of your ideas and act on them, developing a time line to overcome this hurdle.

Ownership. Successful entrepreneurs have a high internal locus of control—they trust in their ability to determine their success. Entrepreneurs have an almost pathological need to control their own fate. They see that their own actions, decisions, and responses—despite what life throws at them—will make or break them. This means taking responsibility for doing the things that need to be done. Hone the understanding that you are in complete control of your responses to the experiences life throws at you. Build confidence that you can conquer and carry out your dream.

Leadership. As an effective entrepreneur, you must guide and motivate your team, empower them and lean on them for support. It is critical to share your vision in a way that inspires. Clear, compelling communication is key. By developing focus and involvement for the team, entrepreneurs have a greater chance of realizing their visions of greatness. Create your vision, your compelling call to action, and model it consistently.

Connection. If you think or act like you're an island, you're bound to fail. Entrepreneurs must break out of the silo that entrepreneurs often unknowingly build. Create a network, a tribe. Choose individuals who will help form the collaborative bonds needed to grow your idea. Make emotional connections that do more to generate effort than any financial reward could create. Cultivate strong ties to family, friends and colleagues. Take time to invest in the relationships that matter. And then fortify your ability and willingness to reach out for support when you need.

Self respect. Care for your body and mind as much as for your business. Take care of your self as a pillar of your daily practice. Three key areas to uphold are: Rest—get adequate sleep and time to renew; Exercise: walk, run, go to the gym, whatever you enjoy; and Diet: nourish your body with healthy choices and a few treats. Pleasure is important too. Tend to your body and spirit to be successful in your life.

Entrepreneurs see the world differently. Find and nurture your authentic self, heighten your awareness, and devote yourself to the pursuit of your idea. Develop these characteristics as part of who you are as aligned with where you want to go.

Recent trends in Entrepreneurship

Now that there is more education and research dedicated to this discipline, we are noticing more innovation, creativity, and change taking place. **Here are 6 examples of emerging trends in entrepreneurship:**

· **Startup accelerators:** This concept was not even in our vocabulary a few years ago, and now startup accelerator programs are popping up all over the country. Often privately funded and mostly used by tech startups, these accelerators help companies with the strongest potential of success obtain funding in exchange for equity.

· **Student Sandbox and Business Lab:** More Universities are developing student sandboxes on and off their campuses to support student startups. Sandboxes operate like business incubators except that they are more focused on developing and mentoring student startup teams and are often tied into some type of entrepreneurship degree program or course. Many sandbox programs provide students with the opportunity to win seed money, grants, business services and receive coaching and mentorship from successful startup founders. Some examples include Student Sandbox, Student Startup and Venture Lab.

· **Crowd Funding:** Crowd funding, also known as social funding, is a pretty new phenomenon as well. Startups were typically funded by way of bootstrapping, investors (venture capital or angel) and bank loans. Now entrepreneurs and business owners, along with artists, nonprofit leaders and community groups, are using their social networks to raise money for their businesses, community projects, and events or to develop a new product. ArtistShare, Indiegogo, Kickstarter, RocketHub and othercrowdfunding Companies help individuals pitch their ideas to the masses to get financial support. Investments could be as little as Rs 5 or as large as Rs1,00,000. Think of it as campaigning for investors and donors of a start-up.

· **Coworking spaces:** Also known as coworking communities, these spaces provide entrepreneurs and small business owners with a collaborative, open environment to work in. The concept is similar to a business incubator, except there are no actual office spaces or cubicles for individual businesses, and tenants are encouraged to collaborate and support one another. It is described as "loft-style" incubator for entrepreneurs seeking a collaborative workspace, an alternative from the noise of working at a coffee shop, or a way to prevent feeling isolated when working at home. Visit coworking.com for best practices and recommendations on how to promote your collaborative efforts.

· **Bootcamps:** An entrepreneurship bootcamp is an intense hands-on program for small business owners, startup founders and new entrepreneurs. Bootcamps will focus more of their attention on teaching the practical application for new venture creation and small business management within a short period of time. Their aim is to help teach, equip and direct entrepreneurs. There is a growing trend in entrepreneurship bootcamps dedicated to teaching and training military veterans. Some examples include Cowboy Bootcamp for Entrepreneurs, Entrepreneurship Bootcamp for Veterans (EBA) and Fast-Trac (Kaufman Foundation – partners).

· **Fully Online Entrepreneurship Degree:** There used to be a lot of resistance to the idea of offering an entrepreneurship major fully online in higher education. Many academics and institutions felt that entrepreneurship must be taught in a traditional classroom by a fulltime business faculty. With the innovation in technology, growth in social media interaction for startups and funding options that are being generated online, more Universities have adopted a virtual option for their entrepreneurship seeking students. A few examples of these institutions include Whitman School of Management, Spears School of Business, Ross School of Business and Colorado Technical University.

Universities have identified these trends and continue to adapt and adjust to the changing entrepreneurial landscape. By actively providing more conferences, research journals, tradeshows, awards and publications dedicated to entrepreneurship, they are creating high-quality learning opportunities and supportive learning environments.

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ENTREPRENEURSHIP

MODULE II

AKOJU RAMU

ASSISTANT PROFESSOR

MODULE II: Starting the new venture Starting the venture: generating business idea – sources of new ideas, methods of generating ideas, creative problem solving, opportunity recognition; environmental scanning, competitor and industry analysis; Feasibility study – market feasibility, technical/operational feasibility, financial feasibility; drawing business plan; preparing project report; presenting business plan to investors.

MODULE-II

STARTING THE NEW VENTURE AND FEASIBILITY STUDY

Starting the Venture

<u>Generating Business Idea</u>

Definition of Idea

An Opinion, A conviction, A thought or conception which exist in the mind

- Ideas are instigators
- Ideas are business thought starters
- A good idea doesn't suggest" wouldn't it be cool if cars fly? A good idea tells the entrepreneur how to make a car fly" Oliver Reichenstein (2005)
- Businesses are based on business ideas
- The more realizable the idea, the more it's worth.

Importance of Ideas to Business

"There is no way to create wealth without ideas. Most new ideas are created by newcomers. So anyone who thinks the world is safe for incumbents are dead wrong."

Gary Hamel, chairman, Strategos

Ideas lead to:

- Creation of Wealth
- Organizational Growth
- Production of Goods and Services
- Makes a business competitive
- Makes a company innovative

Brainstorming

- This is the process of thinking through a specific topic to generate several ideas.
- Brainstorming sessions could be formal or informal

- One person trying to fish for ideas
- Group of people with a moderator thinking through each others idea.

- Brainstorming sessions are usually informal since relaxed atmosphere produces better ideas.

Focus Groups

- 5 and up to 10 people selected due to their relationship and insight into the topic at stake to generate business ideas through a frank discussion Barringer & Ireland(2012).
- Focus Groups could be selected from the customer base, employees, a research group or any group with good knowledge on the subject.
- There is a moderator who enables and challenges the group to give off their best.

Research

- ➢ Library- Research
- ➢ Internet- Research

These two sources provide industry information and point to sources of niche in the industry

Customer Advisory Boards

- ➢ Companies and organizations could set up customer advisory boards which meets regularly to needs, wants challenges and problems.
- ➢ The ultimate goal of customer advisory boards is to find out new ideas to confront the needs, wants, challenges and problems that face the organization.

Family, Friends, Experiences

Bouncing ideas off

- ➢ Spouses
- ➢ Family
- ➢ Friends
- ➢ Work Colleagues
- ➢ Life's Experiences.
- ➢ need
- ➢ Customer service experiences
- ➢ Pleasant accidents and surprises

Personal Illumination

- ➢ Sometimes ideas drop into the mind of an entrepreneur at the spare of the moment and in the moment of quietness.
- ➢ Sometimes while staring at a product or thinking about a service, an idea pops up.
- ➢ Sometimes while pondering over a problem or a challenge, ideas are generated.

What to do to be Effective at Idea Generation

For an entrepreneur to be effective at idea generation, there is the need for the following:

- ➢ Know the industry-perfect knowledge of the industry
- ➢ Identify sources of opportunity in the industry
- ➢ Be Open to all ideas and curious enough to gather enough information about the idea
- ➢ Temper big ideas and dreams with reality.

Sources of New Ideas

There are mainly 5 Ways for Sources of New Ideas:

_ Consumers
_ Existing Companies
_ Distribution Channels
_ Government
_ Research & Development.

1. Consumers– the potential consumer should be the final focal point of ideas for the entrepreneurs. The attention to inputs from potential consumers can take the form of informally monitoring potential ideas or needs or formally arranging for consumers to have an opportunity

to express their concerns. Care needs to be taken to ensure that the new idea or the needs represents a large enough market to support a new venture.
2. Existing Companies– with the help of an established formal methods potential entrepreneurs and intrapreneurs can evaluate competitive products & services on the market which may result in new and more market appealing products and services.
3. Distribution channels– members of the distribution channels are familiar with the needs of the market and hence can prove to be excellent sources of new ideas. Not only do the channel members help in finding out unmet or partially met demands leading tonew products and services, they also help in marketing the offerings so developed.
4. Government– it can be a source of new product ideas in two ways firstly, the patent office files contain numerous product possibilities that can assist entrepreneurs in obtaining specific product information, and secondly, response to government regulations can come in the form of new product ideas.
5. Research & development– Entrepreneur's own R&D is the largest source of new idea. A formal and well-equipped research and development department enables the entrepreneur to conceive and develop successful new product ideas.

Methods of generating new ideas for entrepreneurs

The following are some of the key methods to help generate end test new ideas:
1. Focus Groups – these are the groups of individuals providing information in a structural format. A moderator leads a group of people through an open, in-depth discussion rather than simply asking questions to solicit participant response. Such groups form comments in open-end in-depth discussions for a new product area that can result in market success. In addition to generating new ideas, the focus group is an excellent source for initially screening ideas and concept.
2. Brainstorming – it is a group method for obtaining new ideas and solutions. It is based on the fact that people can be stimulated to greater creativity by meeting with others and participating in organized group experiences. The characteristics of this method are keeping criticism away;freewheeling of idea, high quantity of ideas, combinations and improvements of ideas. Such type of session should be fun with no scope for domination and inhibition. Brainstorming has a greater probability of success when the effort focuses on specific product or market area.
3. Problem inventory analysis– it is a method for obtaining new ideas and solutions by focusing on problems. This analysis uses individuals in a manner that is analogous to focus groups togenerate new product areas. However, instead of generating new ideas, the consumers are provided with list of problems and then asked to have discussion over it and it ultimately results in an entirely new product idea.

Creative Problem Solving

Creative Problem Solving is a way of thinking and behaving. The following definitions allow for a common understanding of some terms that are used as the foundation for this workbook.Therefore, CREATIVE PROBLEM SOLVING or CPS is a process, method, or system for approaching a problem in an imaginative way and resulting in effective action.

The Creative Problem Solving process presented in this notes is known as the Osborn-Parnes problem-solving model. This particular model uses the following steps:

1. Mess finding — an effort to identify a situation that presents a challenge.
2. Data finding — an effort to identify all known facts related to the situation; to seek and identify information that is not known but essential to the situation is identified and sought.
3. Problem Finding — an effort to identify all the possible problem statements and then to isolate the most important or underlying problem.
4. Idea finding — an effort to identify as many solutions to the problem statement as possible.
5. Solution finding — using a list of selected criteria to choose the best solution(s) for action.
6. Acceptance — making every effort to gain acceptance for the solution, determine finding a plan of action, and implement the solution.

Although CPS can be applied individually, problems are often most effectively solved in a team, Where brainstorming allows for more ideas to be generated. Thinking of many ideas is critical to Effective problem solving using the Osborn-Parnes model.

Opportunity Recognition

To become an opportunity, an idea needs to be evaluated and acted upon.
To become a business opportunity, your idea needs to have a potential economic value:

- It needs to be able to create profit. There have to be customers willing to pay for the product.
- It should also be new and innovative.
- It also needs to be attractive and desirable for people who want to buy it.

There are two ways to recognise opportunities:

- You can discover them *or*
- You can create them yourself and with others.

Entrepreneurs discover opportunities when they search for them in existing markets. This means they observe technological, economic or social trends. Recognising opportunities is a cognitive process. It relies on the ability of people to recognise patterns and connect the dots.

Entrepreneurs create opportunities when they engage with others in bouncing ideas back and forth, and each time it becomes more specific what the user needs are and how they are going to be solved. Creating opportunities is a social process. It relies on the ability of entrepreneurs to interact.

Main take away message
There are two ways to recognise opportunities: discovering or creating. It is up to you as an entrepreneur which way is most suitable for you and which actions to take to enable opportunity recognition.

Environmental Scanning

In any business organization, there is an internal and external environment. They comprise all the factors that can affect the business of a company in any way. And they also present opportunities for the business to grow and threats that may harm the business. So these environments need constant monitoring. This is where environmental scanning comes into the picture.

Environmental scanning meaning is the gathering of information from an organizations internal and external environments, and careful monitoring of these environments to identify future threats and opportunities. It is the analyses of all factors that may affect the future of the organization.

Now that we know the environmental scanning meaning, let us see the purpose. The purpose of this process of environmental scanning is to provide the entrepreneur with a roadmap to the changes likely to happen in the future. So this way they can adapt the business to overcome the threats and capitalize on the opportunities coming their way.

Importance of Environmental Scanning

1] SWOT Analysis

As we saw previously in the environmental scanning meaning, it is a complex process. The close study of the internal and external environment of an organization will reveal some very valuable information, i.e. the strengths, weaknesses, opportunities, and threats of a company. Let us take a brief look.

- Strength: After analysis of the internal environment of a company, we will be able to identify the strengths that give the company a competitive advantage. The entrepreneur can use this information to maximise these strengths and earn more profits.
- Weakness: Study of the internal environment also point out the weaknesses of the company. For the growth and stability of the company, these identified weaknesses must be corrected without delay.
- Opportunity: Analysis of the external environment helps with the identification of possible opportunities. The entrepreneur can prepare to capitalize on these.
- Threats: Analysis of the external environment will also help in the identification of any business threats from competitors or any other factors. The company can come up with a strategy to diffuse such threats or minimize its impact.

2] Best Use of Resources

Environmental scanning helps us conduct a thorough analysis and hence leads to the optimum utilization of resources for the business.

Whether it is capital resources, human resources or other factors of production, their best use and utilization is very important for any business.

Environmental scanning will help us avoid any wastages and allow for the most effective and economical use of these resources.

3] Survival and Growth of the Business

It is a very competitive world and for any business to survive and thrive it is a difficult task. But if the business employs all the techniques of environmental scanning it can gain a significant advantage.

It will allow the firm to prepare for future threats and opportunities while at the same time eliminating their weaknesses and improving on their strengths.

4] Planning for Long Term

A business must have a plan for both short term and long term. The planning of long-term objectives can only occur after proper analysis and environmental scanning meaning. This will help the entrepreneur plan the necessary business strategy.

5] Helps in Decision Making

Decision making is the choice of the best alternative done by management. Environmental scanning allows the firm to make the best decision keeping in mind the success and growth of the business. They point out all the threats and weaknesses. And they also identify the strengths of the firm

COMPETITOR AND INDUSTRY ANALYSIS

Industry analysis is a market assessment tool used by businesses and analysts to understand the competitive dynamics of an industry. It helps them get a sense of what is happening in an industry, e.g., demand-supply statistics, degree of competition within the industry, state of competition of the industry with other emerging industries, future prospects of the industry taking into account technological changes, credit system within the industry, and the influence of external factors on the industry.

Industry analysis, for an entrepreneur or a company, is a method that helps to understand a company's position relative to other participants in the industry. It helps them to identify both the opportunities and threats coming their way and gives them a strong idea of the present and future scenario of the industry. The key to surviving in this ever-changing business environment is to understand the differences between yourself and your competitors in the industry and use it to your full advantage.

Types of industry analysis

There are three commonly used and important methods of performing industry analysis. The three methods are:

1. Competitive Forces Model (Porter's 5 Forces)
2. Broad Factors Analysis (PEST Analysis)
3. SWOT Analysis

#1 Competitive Forces Model (Porter's 5 Forces)

One of the most famous models ever developed for industry analysis, famously known as Porter's 5 Forces, was introduced by Michael Porter in his 1980 book "Competitive Strategy: Techniques for Analyzing Industries and Competitors."

According to Porter, analysis of the five forces gives an accurate impression of the industry and makes analysis easier. In our Corporate & Business Strategy course, we cover these five forces and an additional force — power of complementary good/service providers.

1. Intensity of industry rivalry

The number of participants in the industry and their respective market shares are a direct representation of the competitiveness of the industry. These are directly affected by all the factors mentioned above. Lack of differentiation in products tends to add to the intensity of competition. High exit costs such as high fixed assets, government restrictions, labor unions, etc. also make the competitors fight the battle a little harder.

2. Threat of potential entrants

This indicates the ease with which new firms can enter the market of a particular industry. If it is easy to enter an industry, companies face the constant risk of new competitors. If the entry is difficult, whichever company enjoys little competitive advantage reaps the benefits for a longer period. Also, under difficult entry circumstances, companies face a constant set of competitors.

3. Bargaining power of suppliers

This refers to the bargaining power of suppliers. If the industry relies on a small number of suppliers, they enjoy a considerable amount of bargaining power. This can particularly affect small businesses because it directly influences the quality and the price of the final product.

4. Bargaining power of buyers

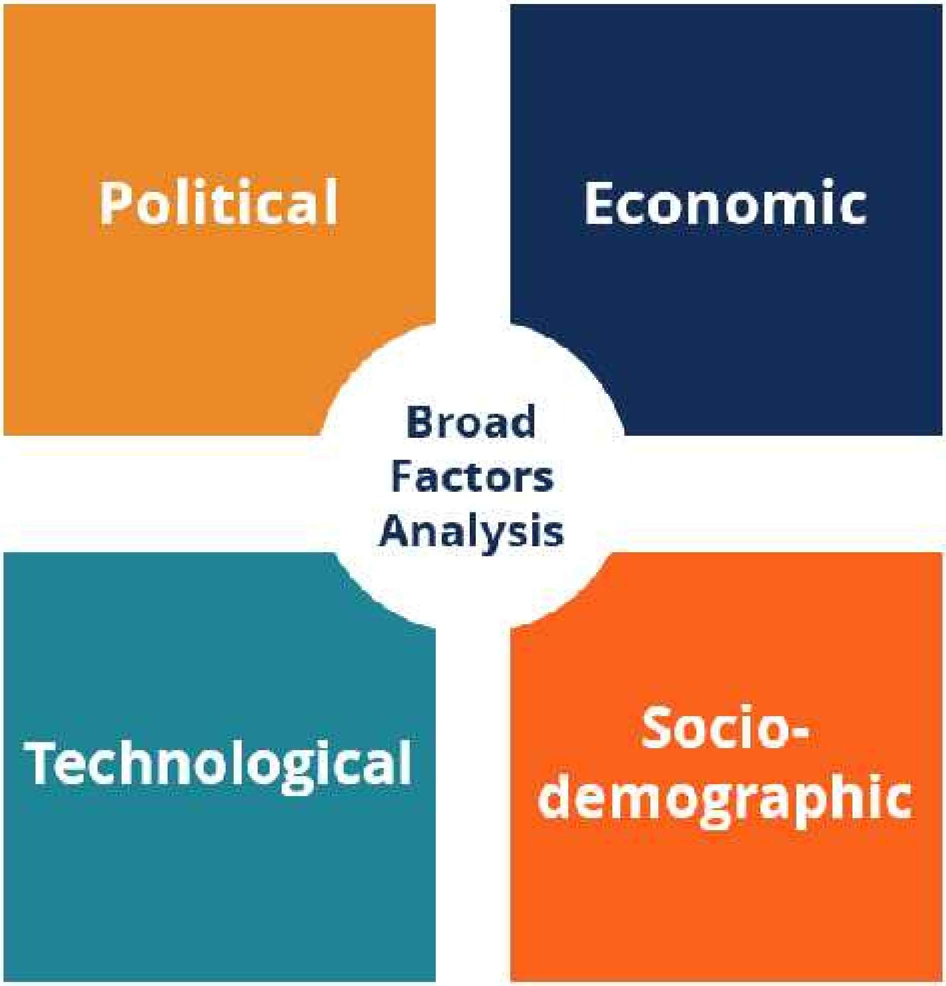
The complete opposite happens when the bargaining power lies with the customers. If consumers/buyers enjoy market power, they are in a position to negotiate lower prices, better quality, or additional services and discounts. This is the case in an industry with more competitors but with a single buyer constituting a large share of the industry's sales.

5. Threat of substitute goods/services

The industry is always competing with another industry producing a similar substitute product. Hence, all firms in an industry have potential competitors from other industries. This takes a toll on their profitability because they are unable to charge exorbitant prices. Substitutes can take two forms – products with the same function/quality but lesser price, or products of the same price but of better quality or providing more utility.

#2 Broad Factors Analysis (PEST Analysis)

Broad Factors Analysis, also commonly called the PEST Analysis stands for Political, Economic, Social and Technological. PEST analysis is a useful framework for analyzing the external environment.



To use PEST as a form of industry analysis, an analyst will analyze each of the 4 components of the model. These components include:

1. Political

Political factors that impact an industry include specific policies and regulations related to things like taxes, environmental regulation, tariffs, trade policies, labor laws, ease of doing business, and overall political stability.

2. Economic

The economic forces that have an impact include inflation, exchange rates (FX), interest rates, GDP growth rates, conditions in the capital markets (ability to access capital), etc.

3. Social

The social impact on an industry refers to trends among people and includes things such as population growth, demographics (age, gender, etc.), and trends in behavior such as health, fashion, and social movements.

4. Technological

The technological aspect of PEST analysis incorporates factors such as advancements and developments that change the way a business operates and the ways in which people live their lives (e.g., the advent of the internet).

#3 SWOT Analysis

SWOT Analysis stands for Strengths, Weaknesses, Opportunities, and Threats. It can be a great way of summarizing various industry forces and determining their implications for the business in question.

1. Internal

Internal factors that already exist and have contributed to the current position and *may* continue to exist.

2. External

External factors are usually contingent events. Assess their importance based on the likelihood of them happening and their potential impact on the company. Also, consider whether management has the intention and ability to take advantage of the opportunity/avoid the threat

<u>FEASIBILITY STUDY</u>

Project feasibility analysis is carried out to ensure viability of project. The important project feasibility study is
1. Market feasibility
2. Technical/Operational feasibility
3. Financial feasibility
4. Economic feasibility
5. Ecological feasibility

Market feasibility
Market feasibility is concerned with two aspects the aggregate demand for the proposed product/service, the market share of the project under consideration. For this market analysis requires variety of information and appropriate forecasting methods. The kind of information required is
● Consumption trends in the past and the present consumption level
● Past and present supply position
● Production possibilities and constraints
● Imports and exports
● Structure of competition
● Cost structure
● Elasticity of demand
● Consumer behavior, intentions, motivations, attitudes, preferences and requirements
● Distribution channels
● Administrative, technical and legal constraints

Technical Analysis
Technical analysis seeks to determine whether prerequisites for successful commissioning of the project have been considered and reasonably good choices have been made with respect to location, size, and so on. The important questions raised in technical analysis are:
● Has the availability if raw material, power, and other inputs been established?
● Is the selected scale of operation optimal?
● Is the production process chosen suitable?
● Are the equipment and machines chosen appropriate?
● Have the auxiliary equipment and supplementary engineering works been provided for?

● Has provision been made for treatment of effluents?
● Is the proposed layout of the site, buildings and plant sound?
● Have work schedules been drawn up realistically?
● Is the technology proposed to be employed appropriate from the social point of view?

Financial Analysis
Financial analysis is necessary as ascertain whether the propose project is financially viable in the sense of being able to meet the burden of servicing dept and whether the propose project will satisfy the return expectations of those who provide the capital.
The aspects to be looked into while conducting financial appraisal are as follows.
● Investment outlay and cost of project
● Means of financing.
● Project profitability
● Break-even point
● Cash shows of the project
● Investment worthiness judged in terms of various criteria of merit
● Project financial position
● Level of risk

Economic/Social Cost-benefit Analysis
This is concerned with judging a project from the larger social point of view, where in the focus if on social costs and benefits of a project, which may often be different from its monitory costs and benefits. The questions to be answered in social cost-benefit analysis are as follows.
● What are the direct economic benefits and costs of the project measured in terms of shadow (efficiency) prices and not in terms of market prices?
● What would be the impact of the project on the distribution of income in the society?
● What would be the impact of the project on the level of savings and investment in the society?
● What would be the contribution of the project towards the fulfillment of certain like self-sufficiency, employment and social order?

Ecological Analysis
Today, environmental concerns assured a great deal of significance and hence ecological analysis should be done, particulars for project which have significant ecologicalimplications like power plants and irrigation schemes and for environmental polluting industries like chemicals, leather processing etc. The key questions to be answered in ecological analysis are as follows.
● What is the likely damage caused by the project to the environment?
● What is the cost of restoration measures required to ensure that the damage to the environment is contained within acceptable?

Drawing Business Plan

Planning is a process that never ends. In the early stages, the entrepreneur should prepare a preliminary plan. The plan will be finalized as the enterprise develops. Many different types of plans may be part of any business operation-financial, marketing, production, and sales plans. Plans may be short term or long term, or they may be strategic or operational. All of these plans have one purpose: to provide guidance and structure to management in a rapidly changing market environment.

What Is the Business Plan?

A business plan is a written document prepared by the entrepreneur that describes all the relevant external and internal elements involved in starting a new venture. It addresses both short- and long-term decision making. The business plan is like a road map for the business' development. The Internet also provides outlines for business planning.

Entrepreneurs can also hire or offer equity to another person to provide expertise in preparing the business plan. In developing the business plan the entrepreneur can determine how much money will be needed from new and existing sources.

WHO SHOULD WRITE THE PLAN

The business plan should be prepared by the entrepreneur; however, he or she may consult many sources. Lawyers, accountants, marketing consultants, and engineers are useful supplemental sources. Other resources are the Small Business Administration, Service Core of Retired Executives, Small Business Development Centers, universities, friends, and relatives. To help determine whether to hire a consultant, the entrepreneur needs to make an objective assessment of his or her own skills.

PREPARING PROJECT REPORT

The preparation of project report is of great significance for an entrepreneur. The project report serves two essential purposes. The first is the project report is like a road map 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. In addition it enables the entrepreneur to know that he is proceeding in the right direction. Dan Steinhoff and John F. Burgess hold the view that without well spelled out goals and operational methods, most businesses flounder on the rocks of hard times.

The second purpose of the project report is to attract lenders and investors. The preparation of project report is beneficial for those small scale enterprises which apply for financial assistance from the financial institutions and commercial banks. On the basis of this project report the financial institutes make appraisal and decide whether financial assistance should be given or not. If yes how much. Other organizations which provide various assistance like work shed/land, raw material etc, also make decision on the basis of this project report.

CONTENTS OF A PROJECT REPORT

The significance of project report as discussed above makes it clear that there is no substitution for business plan or project report and there are no shortcuts to prepare it. The more concrete and complete project report not only serves as road map but also earns the respect of outsiders who support in making and running an enterprise.

Hence project report should be prepared with great care and consideration. A good project report should contain the following.

(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, location 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 for procurement of raw material, alternative raw material, if any.
(10) ***Man power*:** Man power 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, proposed marketresearch.
(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 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 OF PROJECT REPORT

A project report is like a road map. It is an operating document. What information and how much information it contain depends upon the size of the enterprise, as well as nature of production. For example small-scale enterprises do not include technology which is used for preparing project reports of large-scale enterprises. Within small-scale enterprises too, all information may not be homogeneous for all units. Vinod Gupta has given a general set of information in his study "Formation of a project report." According to Gupta, project formulation divides the process of project development into eight distinct and sequential stages as below:
(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) Economical and social variables
(8) Project implementation

PRESENTING THE BUSINESS PLAN TO INVESTORS

HOW DO POTENTIAL LENDERS AND INVESTORS EVALUATE THE PLAN

Because the business plan should address the needs of all the potential evaluators, software packages and Internet samples should be used only to assist in preparation. As the entrepreneur becomes aware of who will read the plan, changes will be necessary. Suppliers may want to see a business plan before signing a contract to supply products or services.

Customers may also want to review the plan before buying the product. The business plan should consider the needs of these constituencies. Potential suppliers of capital will vary in their needs and requirements in the business plan. Lenders are primarily interested in the ability of the new venture to pay back the debt and focus on the four C's of credit:

_ The entrepreneur's credit history or character.
_ Their ability to meet debt and interest payments (cash flow.)
_ The collateral or tangible assets being secured.

PRESENTING THE PLAN

It is often necessary for an entrepreneur to orally present the business plan to investors. Typically the Entrepreneur provides a short (20-30 minutes) presentation of the business plan. The entrepreneur must sell their business concept in a short time period. A venture capitalist or angel group may also ask the entrepreneur to present the plan to their partners before making a final decision.

QUESTION BANK

1. Explain the various techniques for generating ideas
2. How do you identify opportunities for launching entrepreneurial venture
3. How do you carryout industry and competitor analysis?
4. Explain about the internal and external growth strategies
5. Explain and critically evaluate the context of idea generation
6. Explain about the methods for initiating a new venture
7. Explain about Creative Problem Solving, Opportunity recognition
8. Briefly explain about Environmental Scanning for an Enterprise
9. What do you mean by a project report? Explain in brief the contents of project report.
10. Write a note on
    (a) Identification of opportunity
    (b) Feasibility study
11. Explain the process of planning for starting up a new enterprise?
12. a) What are the steps in a project Planning? Explain?
    b) Explain about the Business Plan?

MALLA REDDY ENGINEERING COLLEGE(AUTONOMOUS)

ENTREPRENEURSHIP

MODULE III

AKOJU RAMU

ASSISTANT PROFESSOR

Sources of Finance and Entrepreneurship programs A: Sources of finance: Various sources of Finance available: Long term sources Short term sources- Institutional Finance – commercial Banks, SFC's in India - NBFC's in India - their way of financing in India for small and medium business. B: Entrepreneurship development programs in India: The entrepreneurial journey- Institutions in aid of entrepreneurship development: MDI, NIESBUD, EDII, IED. EDP’s of SIDBI.

MODULE III

SOURCES OF FINANCE AND ENTREPRENEURSHIP PROGRAMS

Sources of Finance

Finance is one of the important prerequisite to start an enterprise or capital is work as lubricant in a production process. The success of new venture is very much depend on availability of finance or capital.

This taken by the entrepreneur well in advance Regarding the future financial aspects of his/her enterprise is called financial planning or it deals with following questions like Amount of money needed, Sources of money, Time when money required.

SOURCES OF FINANCE

Finance/capital can be arranged from two major Sources:

Internal Source: Refer to the owner's own money known as equity. This amount fulfill very limited requirement of enterprise or it is very thin.

External source : Arranged from financial Complete requirement of enterprise and generally taken for long period.

CLASSIFICATION OF FINANCIAL NEEDS

ON THE BASIS OF EXTENT of PERFORMANCE

Fixed Capital: The money invested in current assets like raw material, finished goods, machinery, equipment, furniture etc.

Working Capital: Money required for day to day operations of business/enterprise.

ON THE BASIS OF PERIOD OF USE:

Long Term Capital: Money whose repayment is arranged for more than five years in future.

Short Term Capital: Borrowed capital/money that is to be repaid within one year.

INTERNAL SOURCE

Retained Profit: Profit earned by entrepreneur may be used to finance the future needs of firm.

Reducing Working Capital: By judging the exact requirement, part of working capital may be used For financing the enterprise.

Sale of Assets: By selling fixed assets which are of little use, fund may obtained.

Personal Savings of the Owner: Like PF, insurance policy, investment, building may be used for fund.

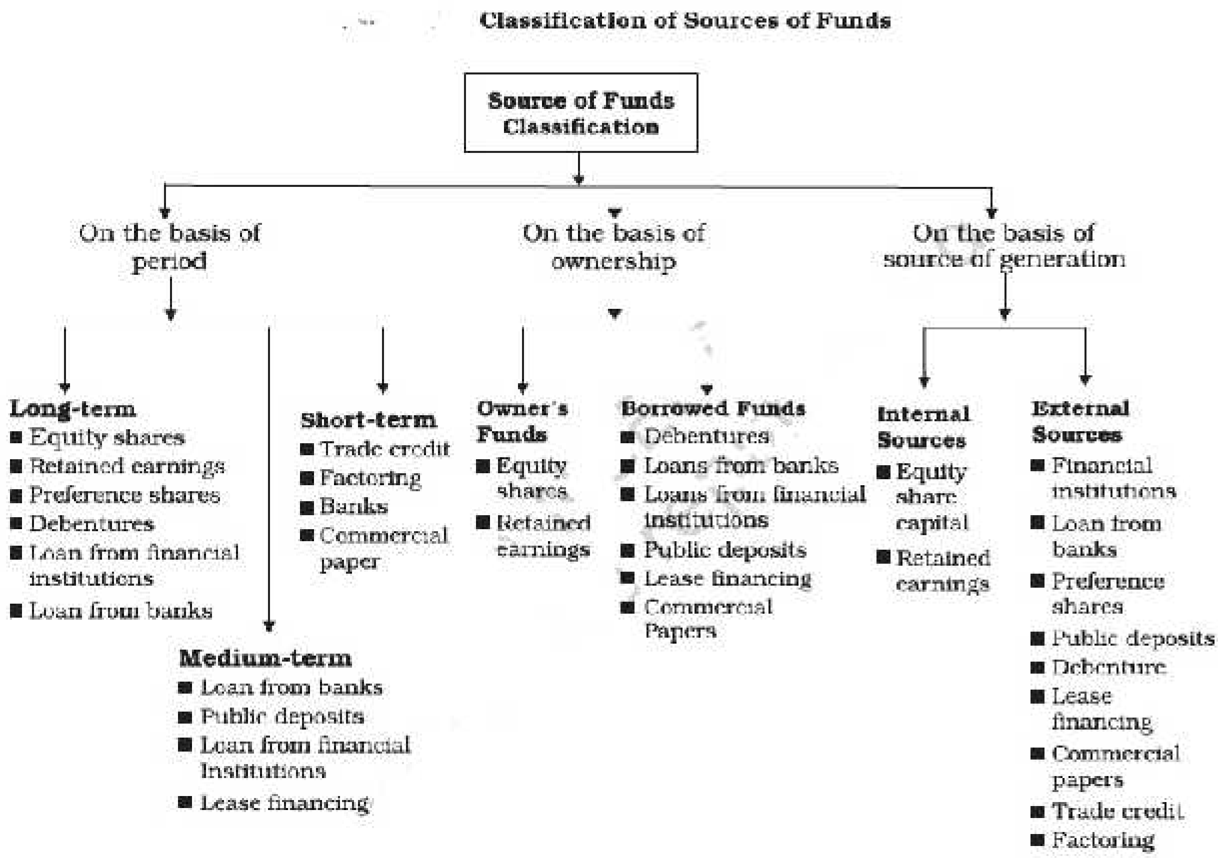
Deferred Credit: goods, machine, plant may be\ taken on credit basis for a particular time period by giving bank security to supplier.

EXTERNAL SOURCE:

_ Deposits or borrowings from Friend/Relatives
_ Credit facilities from commercial banks
_ Terms loans from financial institutions.
_ Mortgage loans against fixed assets
_ By issuing Shares or Debentures

_ Public Deposits (Govt. Bonds etc.)
_ Venture Capital

Various Sources of Finances available are given in the table below



According to a recent study, over 94% of new businesses fail during first year of operation. Lack of funding turns to be one of the common reasons. Money is the bloodline of any business. The long painstaking yet exciting journey from the idea to revenue generating business needs a fuel named capital. That's why, at almost every stage of the business, entrepreneurs find themselves asking – *How do I finance my startup?*

Now, when would you require funding depends largely on the nature and type of the business. But once you have realized the need for fund raising, below are some of the different sources of finance available.

Here is a comprehensive guide that lists 10 funding options for startups that will help you raise capital for your business. Some of these funding options are for Indian business, however, similar alternatives are available in different countries.

1) Bootstrapping your startup business:

Self-funding, also known as bootstrapping, is an effective way of startup financing, specially when you are just starting your business. First-time entrepreneurs often have trouble getting funding without first showing some traction and a plan for potential success. You can invest from your own savings or can get your family and friends to contribute. This will be easy to raise due to less formalities/compliances, plus less costs of raising. In most situations, family and friends are flexible with the interest rate.

Self-funding or bootstrapping should be considered as a first funding option because of its advantages. When you have your own money, you are tied to business. On a later stage, investors consider this as a good point. But this is suitable only if the initial requirement is small. Some businesses need money right from the day-1 and for such businesses, bootstrapping may not be a good option.

Bootstrapping is also about stretching resources – both financial and otherwise – as far as they can.

2**) Crowdfunding As A Funding Option:**

Crowdfunding is one of the newer ways of funding a startup that has been gaining lot of popularity lately. It's like taking a loan, pre-order, contribution or investments from more than one person at the same time.

This is how crowdfunding works – An entrepreneur will put up a detailed description of his business on a crowdfunding platform. He will mention the goals of his business, plans for making a profit, how much funding he needs and for what reasons, etc. and then consumers can read about the business and give money if they like the idea. Those giving money will make online pledges with the promise of pre-buying the product or giving a donation. Anyone can contribute money toward helping a business that they really believe in.

Why you should consider Crowdfunding as a funding option for your business: The best thing about crowd funding is that it can also generate interest and hence helps in marketing the product alongside financing. It is also a boon if you are not sue if there will be any demand for the product you are working on. This process can cut out professional investors and brokers by putting funding in the hands of common people. It also might attract venture-capital investment down the line if a company has a particularly successful campaign.

Also keep in mind that crowdfunding is a competitive place to earn funding, so unless your business is absolutely rock solid and can gain the attention of the average consumers through just a description and some images online, you may not find crowdfunding to work for you in the end.

Some of the popular crowd funding sites in India are Indiegogo, Wishberry, Ketto, Fund lined and Catapooolt.

In US, Kickstarter, RocketHub, Dreamfunded, Onevest and GoFundMe are popular crowd funding platforms.

3) Get Angel Investment In Your Startup:

Angel investors are individuals with surplus cash and a keen interest to invest in upcoming startups. They also work in groups of networks to collectively screen the proposals before investing. They can also offer mentoring or advice alongside capital.

Angel investors have helped to start up many prominent companies, including Google, Yahoo and Alibaba. This alternative form of investing generally occurs in a company's early stages of growth, with investors expecting a upto 30% equity. They prefer to take more risks in investment for higher returns.

Angel Investment as a funding option has its shortcomings too. Angel investors invest lesser amounts than venture capitalists (covered in next point).

Here is a list of popular Angel Investors in India – Indian Angel Network, Mumbai Angels, Hyderabad Angels.

Also check out the list of individual Angel Investors in India, some of these active angel investors have invested in many successful startups.

4) Get Venture Capital For Your Business:

This is where you make the big bets. Venture capitals are professionally managed funds who invest in companies that have huge potential. They usually invest in a business against equity and exit when there is an IPO or an acquisition. VCs provide expertise, mentorship and acts as a litmus test of where the organisation is going, evaluating the business from the sustainability and scalability point of view.

A venture capital investment may be appropriate for small businesses that are beyond the startup phase and already generating revenues. Fast-growth companies like Flipkart, Uber, etc with an exit strategy already in place can gain up to tens of millions of dollars that can be used to invest, network and grow their company quickly.

However, there are a few downsides to Venture Capitalists as a funding option. VCs have a short leash when it comes to company loyalty and often look to recover their investment within a three- to five-year time window. If you have a product that is taking longer than that to get to market, then venture-capital investors may not be very interested in you.

They typically look for larger opportunities that are a little bit more stable, companies having a strong team of people and a good traction. You also have to be flexible with your business and sometimes give up a little bit more control, so if you're not interested in too much mentorship or compromise, this might not be your best option.

Some of the well known Venture Capitalists in India are – Nexus Venture Partners, Helion Ventures, Kalaari Capital, Accel Partners, Blume Ventures, Canaan, Sequoia Capital and Bessemer Ventures.

5) Get Funding From Business Incubators & Accelerators:

Early stage businesses can consider Incubator and Accelerator programs as a funding option. Found in almost every major city, these programs assist hundreds of startup businesses every year.

Though used interchangeably, there are few fundamental differences between the two terms. Incubators are like a parent to to a child, who nurture the business providing shelter tools and training and network to a business. Accelerators so more or less the same thing, but an incubator helps/assists/nurtures a business to walk, while accelerator helps to run/take a giant leap.

These programs normally run for 4-8 months and require time commitment from the business owners. You will also be able to make good connections with mentors, investors and other fellow startups using this platform.

In US, companies like Dropbox and Airbnb started with an accelerator – Y Combinator.

In India, popular names are Amity Innovation Incubator, AngelPrime, CIIE, IAN Business Incubator, Villgro, Startup Village and TLabs.
Popular business accounting software – ProfitBooks is also a part of Washington based accelerator Village Capital.

6) Raise Funds By Winning Contests:
An increase in the number of contests has tremendously helped to maximize the opportunities for fund raising. It encourages entrepreneurs with business ideas to set up their own businesses. In such competitions, you either have to build a product or prepare a business plan.
Winning these competitions can also get you some media coverage. We, at ProfitBooks benefitted a lot when we were regional finalists in Microsoft BizSparks in 2013 and won Hot100 Startup Award in 2014.
You need to make your project stand out in order to improve your success in these contests. You can either present your idea in person or pitch it through a business plan. It should be comprehensive enough to convince anyone that your idea is worth investing in.
Some of the popular startups contests in India are NASSCOM's 10000 startups, Microsoft BizSparks, Conquest, NextBigIdea Contest, and Lets Ignite. Check out the latest startup programs & contests in your area. Here is a calendar of various Business Plan competitions.

7) Raise Money Through Bank Loans:
Normally, banks is the first place that entrepreneurs go when thinking about funding.
The bank provides two kinds of financing for businesses. One is working capital loan, and other is funding. Working Capital loan is the loan required to run one complete cycle of revenue generating operations, and the limit is usually decided by hypothecating stocks and debtors. Funding from bank would involve the usual process of sharing the business plan and the valuation details, along with the project report, based on which the loan is sanctioned.
Almost every bank in India offers SME finance through various programs. For instance, leading Indian banks – Bank Of Baroda, HDFC, ICICI and Axis banks have more than 7-8 different options to offer collateral free business loans. Check out the respective bank sites for more details.
Learn how to get working capital loans in India.
In US, sites like Kabbage can help you get working capital loan online in minutes. Unlike traditional lenders, Kabbage approve small business loans by looking at real-life data, not just a credit score.

8) Get Business Loans From Microfinance Providers or NBFCs
What do you do when you can't qualify for a bank loan? There is still an option. Microfinance is basically access of financial services to those who would not have access to conventional banking services. It is increasingly becoming popular for those whose requirements are limited and credit ratings not favoured by bank.
Similarly, NBFCs are Non Banking Financial Corporations are corporations that provide Banking services without meeting legal requirement/definition of a bank.

9) Govt Programs That Offer Startup Capital:
The Government of India has launched 10,000 Crore Startup Fund in Union budget 2014-15 to improve startup ecosystem in India. In order to boost innovative product companies, Government has launched 'Bank Of Ideas and Innovations' program.
Government backed 'Pradhan Mantri Micro Units Development and Refinance Agency Limited (MUDRA)' starts with an initial corpus of Rs. 20,000 crore to extend benefits to around 10 lakhs SMEs. You are supposed to submit your business plan and once approved, the loan gets sanctioned. You get a MUDRA Card, which is like a credit card, which you can use to purchase raw materials, other expenses etc. Shishu, Kishor and Tarun are three categories of loans available under the promising scheme.
Also, different states have come up different programs like Kerala State Self Entrepreneur Development Mission (KSSEDM), Maharashtra Centre for Entrepreneurship Development, Rajasthan Startup Fest, etc to encourage small businesses.
SIDBI – Small Industries Development Bank Of India also offer business loans to MSME sector.
In US, there is a small business lending fund and a dedicated portal for Government grants available for local businesses.
If you comply with the eligibility criteria, Government grants as a funding option could be one of the best. You just need to make yourself aware of the various Government initiatives.
For example Read about Indian government's Startup India Action Plan.

10) Quick Ways To Raise Money For Your Business
There are few more ways to raise funds for your business. However, these might not work for everyone. Still, check them out if you need quick funds.
Product Pre-sale: Selling your products before they launch is an often-overlooked and highly effective way to raise the money needed for financing your business. Remember how Apple & Samsung start pre-orders of their products well ahead of the official launch? Its a great way to improve cashflow and prepare yourself for the consumer demand.
Selling Assets: This might sound like a tough step to take but it can help you meet your short term fund requirements. Once you overcome the crisis situation, you can again buy back the assets.
Credit Cards: Business credit cards are among the most readily available ways to finance a startup and can be a quick way to get instant money. If you are a new business and don't have a tons of expenses, you can use a credit card and keep paying the minimum payment. However, keep in mind that the interest rates and costs on the cards can build very quickly, and carrying that debt can be detrimental to a business owner's credit.

Institutional Finance
Commercial Banks and SFC's in India

Banks

A bank is an institution that accepts deposits of money from the public, which are repayable on demand and withdrawable by cheque. Such deposits are used for lending to others and not for financing its own business of any kind. The term lending includes both direct lending to borrowers and indirect lending through investment in open market securities. A sound banking system plays a pivotal role in the growth of a nation's economy. In India, the beginning of banking system dates back to 1881, when the first bank called as 'the Oudh Commercial Bank' was established. It was followed by the setting up of the 'Punjab National Bank' in 1894. Subsequently, a number of commercial banks came up in the country. The number of bank offices multiplied from 8,300 in July 1969 to more than 47,000 in June 1995. It substantially improved the overall availability of banking facilities in the country.

The **Reserve Bank of India (RBI)** is the supreme monetary authority responsible for controlling the banking system in the country. It was established on April 1, 1935, in accordance with the provisions of the **Reserve Bank of India Act, 1934**. Though originally privately owned, since nationalisation in 1949, the Reserve Bank is fully owned by the Government of India. It was nationalised on the basis of the **Reserve Bank of India (Transfer to Public Ownership) Act, 1948**. As a result all shares in the capital of the bank were deemed transferred to the Central Government on payment of a suitable compensation.The central office of the Reserve Bank is established at Mumbai and the bank has **22 regional offices** ,most of which are in State capitals. The **Banking Regulation Act, 1949**, provides the legal framework for regulation of the banking sector by the Reserve Bank of India.

Composition and current scenario

As per the Reserve Bank of India Act, 1934, banks in India are classified into scheduled and non- scheduled banks. Scheduled banks are those which are entered into the second schedule of the RBI Act, 1934. It includes those banks which have a paid-up capital and reserves of an aggregate value of not less than Rs. 5 lakhs and which satisfy RBI that their affairs are being carried out in the interests ofthe depositors. While, non-scheduled banks are those which have not been included in the second schedule of the Act. The scheduled banks comprise scheduled commercial banks and scheduled cooperative banks. Further, the scheduled commercial banks in India are categorised into five differentgroups according to their ownership and/or nature of operation:- (i) Nationalised Banks; (ii) State Bank of India and its associates; (iii) Regional Rural Banks (RRBs); (iv) Foreign banks; and (v) Other Indian private sector banks. Scheduled Co-operative Banks consist of Scheduled State Co-operative Banks and **Scheduled Urban Co-operative Banks**.

At present, there are 170 scheduled commercial banks in the country, which includes 91 regional ruralbanks (RRBs), **19 nationalised banks**, **8 banks in State Bank of India group** and the **Industrial Development Bank of India Limited (IDBI Ltd)**.Besides, there are only four non-scheduled commercial banks in the country.

- **Allahabad Bank**
- **Andhra Bank**
- **Bank of Baroda**
- **Bank of India**
- **Bank of Maharashtra**
- **Canara Bank**
- **Central Bank of India**
- **Corporation Bank**

- **Dena Bank**
- **Indian Bank**
- **Indian Overseas Bank**
- **Oriental Bank of Commerce**
- **Punjab and Sind Bank**
- **Punjab National Bank**
- **Syndicate Bank**
- **UCO Bank**
- **Union Bank of India**
- **United Bank of India**
- **Vijaya Bank**

The State Bank of India (SBI) and its associate banks include:-

- **State Bank of India (SBI)**
- **State Bank of Bikaner and Jaipur (SBBJ)**
- **State Bank of Hyderabad (SBH)**
- **State Bank of Indore (SBIR)**
- **State Bank of Mysore (SBM)**
- **State Bank of Patiala (SBP)**
- **State Bank of Travancore (SBT)**

Regional Rural Banks (RRBs) have been set up in the country on the sponsorship of individual nationalised commercial banks. These banks aim at taking the banking facilities to the doorsteps of rural masses especially in the remote areas. The objective was to provide credit to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs so as to develop productive activitiesin the rural areas. They have been conceived as institutions that combine the features of both the co- operatives and commercial banks. Initially, five RRBs were set up in 1975, at Moradabad andGorkhpur in Uttar Pradesh; Bhiwani in Haryana; Jaipur in Rajasthan and Malda in West Bengal. But gradually the spread of these banks has increased and the Government has taken several policy measures for their growth and expansion.

Foreign banks like **Citibank** , **HSBC** , **Standard Chatered Bank** , etc are the branches of those banks which are incorporated in foreign countries. Most of them perform essentially the same range of services as local banks, except that their focus in terms of product and customers may be differentdue to their limited branch network. They bring in new technology and facilitate in the introduction as well as assimilation of international products into the domestic markets. They help the local banking industry keep pace with developments in the financial centres abroad. They also help provide Indian corporations access to foreign capital markets. In keeping with the general trend towards liberalisation, the Government has introduced several measures for widening the scope for foreign banks to enter and operate in India.

The State Co-operative Banks (SCBs) constitute the apex of the three tier co-operative credit structure, organised at the level of individual States. While, Urban Co-operative Banks (UCBs), refers to the primary cooperative banks located in urban and semi-urban areas. Initially, these banks were allowed to lend money only for non-agricultural purposes and essentially to small borrowers and businesses. Today, their scope of operations has widened considerably. The **Urban Banks Department** of the Reserve Bank of India is vested with the responsibility of regulating and supervising the urban cooperative banks.

Given this set up, with liberalisation, banks in India are venturing into non-traditional and diversified areas other than the core banking activities. They are facing increased competition both domestically and abroad. Hence, in order to make a benchmark in the changed environment, they need to tackle issues like profitability, efficiency, technological upgradation, customer satisfaction, etc in an effective manner

Government Funding and Schemes

An entrepreneur requires a continuous flow of funds not only for setting up of his/ her business, but also for successful operation as well as regular upgradation/ modernisation of the industrial unit. To meet this requirement, the Government (both at the Central and State level) has been undertaking several steps like setting up of banks and financial institutions; formulating various policies and schemes, etc. All such measures are specifically focussed towards the promotion and development of small and medium enterprises.

The public sector banks are the major source of financial assistance to the industrial sector. They extend credit support to the firms in the form of loans, advances, discounting bills, project financing, term loans, export finance, etc. Some of the major examples of such banks are:-

1. **State Bank of India (SBI)** provides a wide range of financial products and services that can cater to any business or market requirement. It deploys multiple channels to deliverintegrated solutions for all financial challenges faced by the corporate universe. Its various funding schemes are:-

   - **Working capital finance**, extended to all segments of industries and services sector.
   - **Corporate term loans** to support capital expenditures for setting up new ventures asalso for expansion, renovation, etc.
   - **Deferred payment guarantees** to support purchase of capital equipments.
   - **Project finance**
   - **Structured Finance**

   The bank also provides financial assistance to agriculturists through a network of rural and semi-urban branches. These specialized branches have been set up in different parts of the country exclusively for the development of agriculture through credit deployment. Theirschemes cover a wide range of agricultural activities like**crop loan**, **finance to horticulture**, **farm mechanization schemes**, **land development schemes**, **minorirrigation projects**, **agricultural term loans**, etc.

2. **Bank of Baroda** offers various products and services that meet the specific requirements of business enterprises, particularly the small scale units. Various schemes relating to theprovision of loans and advances by the bank include:-

   - **Working Capital Finance**
   - **Term Finance**
   - **Small and Medium Enterprise (SME) Loan Pack**
   - **Small Business Borrowers**
   - **Traders Loan**

3. **Andhra Bank** has also devised a host of loan schemes to meet the financial requirements of an enterprise. These particularly cater to the corporate and agricultural sector. Some of its important funding options include:-

   - **Working Capital Loans**
   - **Export & Import Finance**
   - **Advance against Shares**
   - **Term Finance**
   - **Corporate Loans**
   - **Project Finance**
   - **Infrastructure Project Finance**
   - **Kisan Vikas Card**
   - **Kisan Sampathi**
   - **Self Help Groups-Bank Linkage Programme**
   - **Kisan Green Card**

Small scale industries need **credit support** on a continuous basis for running the enterprise as well asfor its diversification and modernisation. Recognising the need for a focused financial assistance to such industries, the Government of India, together with the State Governments, has formulated several policy packages including schemes and funds for their growth and development. Most of these programmes of the Central Government are implemented through two principal organisations:-

1. **Small Industries Development Organisation (SIDO)** is an apex body for promotion and development of small scale industries in the country. Its major activities include:-

   - Advising the Government on formulation of policies and programmes for the small- scale industries.
   - Conducting periodical census/survey of the small scale industry and generating data/reports on various important parameters/indicators of growth and development of the sector.
   - Maintaining close liaison with other Central Ministries, Planning Commission, State Governments, Financial Institutions and other organisations concerned with the development of small-scale industries.
   - Facilitating linkage of small-scale industries as ancillaries to large and medium scale industries.
   - Developing human resource base through training and skill upgradation.

   For achieving its objectives, SIDO has devised a comprehensive range of schemes for providing credit facilities, technology support services and marketing assistance, etc. Some of the major **schemes** are:-

- **Credit Linked Capital Subsidy Scheme for Technology Upgradation**
- **Credit Guarantee Scheme**
- **ISO 9000/ISO 14001 Certification Reimbursement Scheme**
- **Integrated Infrastructure Development (IID Scheme)**
- **SSI MDA Scheme**
- **Assistance to Entrepreneurship Development Institutes**
- **Micro Finance Programme**

2. **National Small Industries Corporation Ltd (NSIC)**, has been established with the objective of promoting, aiding and fostering the growth of small scale industries in the country. It has been assisting small enterprises through a set of specially tailored schemes which facilitate marketing support, credit support, technology support and other support services.

- **Marketing support schemes** :- sound marketing is critical for the growth and survival of small enterprises. NSIC acts as a facilitator to promote small industries products and has devised a number of schemes to support small enterprises in their marketing.

- Credit support schemes:- NSIC facilitates credit requirements of small enterprises in several areas. These include:-

    - **Equipment financing**:- through schemes like 'Hire Purchase' and 'Term Loan' for the procurement of equipments.
    - **Financing for procurement of raw material**:- by facilitating bulk purchase of basic raw materials at competitive rates, import of scares raw materials,etc. NSIC also takescare of all the procedures, documentation and issue of letter of credit in case of imports.
    - **Financing for marketing activities**:- such as internal marketing, exports and bill discounting, etc.
    - **Financing through syndication with banks**:- by entering into strategic alliances with commercial banks so as to facilitate fund requirement of the small enterprises. It involves an arrangement of forwarding the loan applications of the interested small enterprises to the banks.
    - **Performance and credit rating scheme for small industries**:- so as to enable the small enterprises to ascertain the strengths and weaknesses of their existing operations and take corrective measures accordingly. NSIC is operating the scheme through agencies like ICRA, ONICRA, Duns & Bradstreet(D&B), CRISIL, FITCH, CARE and SMERA.

- **Technology support schemes**:- NSIC offers small units various support services through its 'Technical Services Centres' and 'Extension Centres'. The services provided include advise on application of new techniques; material testing facilities through accredited laboratories;energy and environment services at selected centres; classroom and practical training for skill upgradation, etc.

At the State level, various State Financial Corporations (SFCs) have been set up by the respective State Governments for providing financial assistance to the industrial units. For this purpose, these institutions have brought out several funds and schemes, from time to time. There are 18 State Financial Corporations (SFCs) in the country. For example:-

Financial Institutions

Financial sector plays an indispensable role in the overall development of a country. The most important constituent of this sector is the financial institutions, which act as a conduit for the transfer of resources from net savers to net borrowers, that is, from those who spend less than their earnings to those who spend more than their earnings. The financial institutions have traditionally been the major source of long-term funds for the economy. These institutions provide a variety of financial products and services to fulfil the varied needs of the commercial sector. Besides, they provide assistance to new enterprises, small and medium firms as well as to the industries established in backward areas. Thus, they have helped in reducing regional disparities by inducing widespread industrial development.

The Government of India, in order to provide adequate supply of credit to various sectors of the economy, has evolved a well developed structure of financial institutions in the country. Thesefinancial institutions can be broadly categorised into All India institutions and State level institutions, depending upon the geographical coverage of their operations. At the national level, they provide long and medium term loans at reasonable rates of interest. They subscribe to the debenture issues of companies, underwrite public issue of shares, guarantee loans and deferred payments, etc. Though, the State level institutions are mainly concerned with the development of medium and small scale enterprises, but they provide the same type of financial assistance as the national level institutions.

National Level Institutions

A wide variety of financial institutions have been set up at the national level. They cater to the diversefinancial requirements of the entrepreneurs. They include all India development banks like IDBI, SIDBI, IFCI Ltd, IIBI; specialised financial institutions like IVCF, ICICI Venture Funds Ltd, TFCI ; investment institutions like LIC, GIC, UTI; etc.

1. **All-India Development Banks (AIDBs):-** Includes those development banks which provide institutional credit to not only large and medium enterprises but also help in promotion and development of small scale industrial units.

    - **Industrial Development Bank of India (IDBI)**:- was established in July 1964 asan apex financial institution for industrial development in the country. It caters to the diversified needs of medium and large scale industries in the form of financial assistance, both direct and indirect. Direct assistance is provided by way of project loans, underwriting of and direct subscription to industrial securities, soft loans,technical refund loans, etc. While, indirect assistance is in the form of refinance facilities to industrial concerns.

- **Industrial Finance Corporation of India Ltd (IFCI Ltd)**:- was the first development finance institution set up in 1948 under the IFCI Act in order to pioneer long-term institutional credit to medium and large industries. It aims to provide financial assistance to industry by way of rupee and foreign currency loans, underwrites/subscribes the issue of stocks, shares, bonds and debentures of industrial concerns, etc. It has also diversified its activities in the field of merchant banking, syndication of loans, formulation of rehabilitation programmes, assignments relating toamalgamations and mergers, etc.
- **Small Industries Development Bank of India (SIDBI)**:- was set up by the Government of India in April 1990, as a wholly owned subsidiary of IDBI. It is the

  principal financial institution for promotion, financing and development of small scale industries in the economy. It aims to empower the Micro, Small and Medium Enterprises (MSME) sector with a view to contributing to the process of economic growth, employment generation and balanced regional development.

- **Industrial Investment Bank of India Ltd (IIBI)**:- was set up in 1985 under the Industrial reconstruction Bank of India Act, 1984, as the principal credit and reconstruction agency for sick industrial units. It was converted into IIBI on March 17, 1997, as a full-fledged development financial institution. It assists industry mainly in medium and large sector through wide ranging products and services. Besides project finance, IIBI also provides short duration non-project asset-backed financing in the form of underwriting/direct subscription, deferred payment guarantees and working capital/other short-term loans to companies to meet their fund requirements.

2. **Specialised Financial Institutions (SFIs):-** are the institutions which have been set up to serve the increasing financial needs of commerce and trade in the area of venture capital, credit rating and leasing, etc.

   - **IFCI Venture Capital Funds Ltd (IVCF):-** formerly known as Risk Capital & Technology Finance Corporation Ltd (RCTC), is a subsidiary of IFCI Ltd. It was promoted with the objective of broadening entrepreneurial base in the country by facilitating funding to ventures involving innovative product/process/technology. Initially, it started providing financial assistance by way of soft loans to promoters under its '**Risk Capital Scheme**' . Since 1988, it also started providing finance under '**Technology Finance and Development Scheme**' to projects for commercialisation of indigenous technology for new processes, products, market or services. Over the years, it has acquired great deal of experience in investing in technology-oriented projects.

   - **ICICI Venture Funds Ltd**:- formerly known as Technology Development & Information Company of India Limited (TDICI), was founded in 1988 as a joint venture with the Unit Trust of India. Subsequently, it became a fully owned subsidiary of ICICI. It is a technology venture finance company, set up to sanction project finance for new technology ventures. The industrial units assisted by it are in the fields of computer, chemicals/polymers, drugs, diagnostics and vaccines, biotechnology, environmental engineering, etc.

- Tourism Finance Corporation of India Ltd. (TFCI):- is a specialised financial institution set up by the Government of India for promotion and growth of tourist industry in the country. Apart from conventional tourism projects, it provides financial assistance for non-conventional tourism projects like amusement parks, ropeways, car rental services, ferries for inland water transport, etc.

3. **Investment Institutions:-** are the most popular form of financial intermediaries, which particularly catering to the needs of small savers and investors. They deploy their assets largely in marketable securities.

- **Life Insurance Corporation of India (LIC)**:- was established in 1956 as a wholly- owned corporation of the Government of India. It was formed by**the Life Insurance Corporation Act,1956** , with the objective of spreading life insurance much more widely and in particular to the rural area. It also extends assistance for development of infrastructure facilities like housing, rural electrification, water supply, sewerage, etc. In addition, it extends resource support to other financial institutions through

  subscription to their shares and bonds, etc. The Life Insurance Corporation of India also transacts business abroad and has offices in Fiji, Mauritius and United Kingdom . Besides the branch operations, the Corporation has established overseas subsidiaries jointly with reputed local partners in Bahrain, Nepal and Sri Lanka.
- **Unit Trust of India (UTI)**:- was set up as a body corporate under the **UTI Act, 1963**, with a view to encourage savings and investment. It mobilises savings of small investors through sale of units and channelises them into corporate investments mainly by way of secondary capital market operations. Thus, its primary objective is to stimulate and pool the savings of the middle and low income groups and enable them to share the benefits of the rapidly growing industrialisation in the country. In December 2002, the UTI Act, 1963 was repealed with the passage of **Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002**, paving the way for the bifurcation of UTI into 2 entities, UTI-I and UTI-II with effect from 1st February 2003.
- **General Insurance Corporation of India (GIC)** :- was formed in pursuance of the **General Insurance Business (Nationalisation) Act, 1972(GIBNA**), for the purpose of superintending, controlling and carrying on the business of general insurance or non-life insurance. Initially, GIC had four subsidiary branches, namely, **National Insurance Company Ltd** ,**The New India Assurance Company Ltd** , **The Oriental Insurance Company Ltd** and **United India Insurance Company Ltd** . But these branches were delinked from GIC in 2000 to form an association known as 'GIPSA' (General Insurance Public Sector Association).

State Level Institutions

Several financial institutions have been set up at the State level which supplement the financial assistance provided by the all India institutions. They act as a catalyst for promotion of investment and industrial development in the respective States. They broadly consist of 'State financial corporations' and 'State industrial development corporations'.

- **State Financial Corporations (SFCs) :-** are the State-level financial institutions which play a crucial role in the development of small and medium enterprises in the concerned States. They provide financial assistance in the form of term loans, direct subscription to equity/debentures, guarantees, discounting of bills of exchange and seed/ special capital, etc. SFCs have been set up with the objective of catalysing higher investment, generating greater employment and widening the ownership base of industries. They have also started providing assistance to newer types of business activities like floriculture, tissue culture, poultry farming, commercial complexes and services related to engineering, marketing, etc. There are 18 State Financial Corporations (SFCs) in the country:-

SFC – State Finance Corporation

At present in India, there are 18 state finance corporations (out of which 17 SFCs were established under the SFC Act 1951). Tamil Nadu Industrial Investment Corporation Ltd. which is established under the Company Act, 1949, is also working as state finance corporation.

Financial Institutions are

- IFCI
- ICICI
- IDBI
- SIDC
- UTI
- EXIM
- NABARD
- LIC
- GIC
- SEBI

- ADB
- IMF
- World Bank

Organization and Management

A Board of ten directors manages the State Finance Corporations. The State Government appoints the managing director generally in consultation with the RBI and nominates the name of three other directors.

All insurance companies, scheduled banks, investment trusts, co-operative banks, and other financial institutions elect three directors.

Thus, the state government and quasi-government institutions nominate the majority of the directors.

Functions of State Finance Corporations

The various important functions of State Finance Corporations are:

(i) The SFCs provides loans mainly for the acquisition of fixed assets like land, building, plant, and machinery.

(ii) The SFCs help financial assistance to industrial units whose paid-up capital and reserves do not exceed Rs. 3 crore (or such higher limit up to Rs. 30 crores as may be notified by the central government).

(iii) The SFCs underwrite new stocks, shares, debentures etc., of industrial units.

(iv) The SFCs grant guarantee loans raised in the capital market by scheduled banks, industrial concerns, and state co-operative banks to be repayable within 20 years.

Working of SFCs

The Indian government passed the State Financial Corporation Act in 1951. It is applicable to all the States. The authorized Capital of a State Financial Corporation should be within the minimum and maximum limits of Rs. 50 lakhs and Rs. 5 crores which are fixed by the State government.

It is divided into shares of equal value which were acquired by the respective State Governments, the Reserve Bank of India, scheduled banks, co-operative banks, other financial institutions such as insurance companies, investment trusts, and private parties.

The State Government guarantees the shares of SFCs. The SFCs can augment its fund through issue and sale of bonds and debentures also, which should not exceed five times the capital and reserves at Rs. 10 Lakh.

Problems of State Financial Corporations

- No Independent Organization

All SFCs are dependent upon the rules and regulations made by the state government. SFCs' problem is that all decision of these institutions is dependent on the political environment of the state. Due to this, the loan is not available at the right time for the right person.

- Corruption

Like other government offices of our country, we can also see the evil of corruption in state financial corporation. Hoarding of wealth and money, SFCs' officer object has become to earn by a good or bad way. That is the problem that these institutions have no proper transparency like banks.

- Effect of the World Bank and WTO Policies

Approx. all SFCs in India is tied up with World Bank and WTO agreement.
Due to this, these institutions' decisions are influenced by the World Bank and WTO policies.
World Bank can easily pressurize for accepting his policies. It may also influence the Indian small scale industry adversely.

NBFC's in India

NBFCs are categorized a) in terms of the type of liabilities into Deposit and Non-Deposit accepting NBFCs, b) non deposit taking NBFCs by their size into systemically important and other non-deposit holding companies (NBFC-NDSI and NBFC-ND) and c) by the kind of activity they conduct. Within this broad categorization the different types of NBFCs are as follows:
I. Asset Finance Company (AFC) : An AFC is a company which is a financial institution carrying on as its principal business the financing of physical assets supporting productive/economic activity, such as automobiles, tractors, lathe machines, generator sets, earth moving and material handling equipments, moving on own power and general purpose industrial machines. Principal business for this purpose is defined as aggregate of financing real/physical assets supporting economic activity and income arising therefrom is not less than 60% of its total assets and total income respectively.
II. Investment Company (IC) : IC means any company which is a financial institution carrying on as its principal business the acquisition of securities,
III. Loan Company (LC): LC means any company which is a financial institution carrying on as its principal business the providing of finance whether by making loans or advances or otherwise for any activity other than its own but does not include an Asset Finance Company.
IV. Infrastructure Finance Company (IFC): IFC is a non-banking finance company a) which deploys at least 75 per cent of its total assets in infrastructure loans, b) has a minimum Net Owned Funds of ₹ 300 crore, c) has a minimum credit rating of 'A 'or equivalent d) and a CRAR of 15%.
V. Systemically Important Core Investment Company (CIC-ND-SI): CIC-ND-SI is an NBFC carrying on the business of acquisition of shares and securities which satisfies the following conditions:-
(a) it holds not less than 90% of its Total Assets in the form of investment in equity shares, preference shares, debt or loans in group companies;
(b) its investments in the equity shares (including instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue) in group companies constitutes not less than 60% of its Total Assets;
(c) it does not trade in its investments in shares, debt or loans in group companies except through block sale for the purpose of dilution or disinvestment;
(d) it does not carry on any other financial activity referred to in Section 45I(c) and 45I(f) of the RBI act, 1934 except investment in bank deposits, money market instruments, government securities, loans to and investments in debt issuances of group companies or guarantees issued on behalf of group companies.

(e) Its asset size is ₹ 100 crore or above and
(f) It accepts public funds
VI. Infrastructure Debt Fund: Non- Banking Financial Company (IDF-NBFC) : IDF-NBFC is a company registered as NBFC to facilitate the flow of long term debt into infrastructure projects. IDF-NBFC raise resources through issue of Rupee or Dollar denominated bonds of minimum 5 year maturity. Only Infrastructure Finance Companies (IFC) can sponsor IDF-NBFCs.
VII. Non-Banking Financial Company - Micro Finance Institution (NBFC-MFI): NBFC-MFI is a non-deposit taking NBFC having not less than 85% of its assets in the nature of qualifying assets which satisfy the following criteria:
a. loan disbursed by an NBFC-MFI to a borrower with a rural household annual income not exceeding ₹ 1,00,000 or urban and semi-urban household income not exceeding ₹ 1,60,000;
b. loan amount does not exceed ₹ 50,000 in the first cycle and ₹ 1,00,000 in subsequent cycles;
c. total indebtedness of the borrower does not exceed ₹ 1,00,000;
d. tenure of the loan not to be less than 24 months for loan amount in excess of ₹ 15,000 with prepayment without penalty;
e. loan to be extended without collateral;
f. aggregate amount of loans, given for income generation, is not less than 50 per cent of the total loans given by the MFIs;
g. loan is repayable on weekly, fortnightly or monthly instalments at the choice of the borrower
VIII. Non-Banking Financial Company – Factors (NBFC-Factors): NBFC-Factor is a non-deposit taking NBFC engaged in the principal business of factoring. The financial assets in the factoring business should constitute at least 50 percent of its total assets and its income derived from factoring business should not be less than 50 percent of its gross income.
IX. Mortgage Guarantee Companies (MGC) - MGC are financial institutions for which at least 90% of the business turnover is mortgage guarantee business or at least 90% of the gross income is from mortgage guarantee business and net owned fund is ₹ 100 crore.
X. NBFC- Non-Operative Financial Holding Company (NOFHC) is financial institution through which promoter / promoter groups will be permitted to set up a new bank .It’s a wholly-owned Non-Operative Financial Holding Company (NOFHC) which will hold the bank as well as all other financial services companies regulated by RBI or other financial sector regulators, to the extent permissible under the applicable regulatory prescriptions

ENTREPRENEURSHIP DEVELOPMENT PROGRAMS IN INDIA

The idea of entrepreneurial development involves empowering a person with the essential information and knowledge used for enterprise building and enriching his entrepreneurial skills. Entrepreneurial development programmes are considered as an important tool of industrialization, and a remedy for unemployment problem of our country. In this chapter an attempt has been made to highlight the entrepreneurship development (ED) process in India and the significance of entrepreneurship development

The Entrepreneurial Journey
Entrepreneurs play a key role in developing an innovative product in an increasingly globalizing world economy. Entrepreneurs transform the ideas into economic opportunities through their innovative skill which are the major source of competitiveness. Entrepreneurs shape the economic destiny of nations by creating employment, wealth, offering products

and services and generating taxes for the government because of which entrepreneurship has closely been linked to economic growth of a country.
Therefore, the government strive to enhance the supply of competent and globally competitive entrepreneurs in their respective countries. Entrepreneurship development is a systematic and an organized development of a person to an entrepreneur. The development of an entrepreneur refers to inculcate the entrepreneurial skills into a common person, providing the needed knowledge, developing the technical, financial, marketing and managerial skills, and building the entrepreneurial attitude. Entrepreneurial development programmes may be defined as a programme designed to help an individual in strengthening his entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively

The process of entrepreneurship involves identifying opportunities in the market place and arranging resources required to exploit the opportunities for long term gains.
It is a creating wealth by bringing together resources in new ways to start and operate an enterprise.
It is the process of Planning, Organizing, operating and assuming the risk of a business venture.
It is the ability to take risk independently to make more earnings in market oriented economy.

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Need and Importance of Entrepreneurship development programme(EDP's)
EDP's play an important role in the economic and industrial development of any country whether developed or developing. It is a comprehensive and effective human resource development programme which helps in developing analytical ability, outlook, farsightedness, increasing the motivation, knowledge and skill and last but not the least gives confidence to face and solve variety of problem boldly

The need and importance of EDP's can be understood as under:
Employment opportunities
EDP's motivate people to establish their own business and make them capable of self employment. This not only provides employment to new entrepreneurs but they also create employment opportunities for others. In India also many welfare and development programmes

have been started. Prominent among these programmes are Pradhanmantri Rojgar Yojna, Jawahar Rojgar Yojna, Rashtriya Gramin Rojgar Yojna etc.

Formation of capital
EDP's help in capital formation which is very necessary for economic development of the country. An entrepreneur uses his financial resources for the establishment and development of the enterprise. He brings mobility in the savings of the people. In this direction many financial institutions like ICICI, IDBI, SIDBI etc. also provide financial assistance which further help in growth and formation of capital.

Formulations of projects
EDP's help in structuring or formulation of projects. These programmes provide necessary information related to projects like plant, machinery, equipment, raw material, selecting land and sites, labour resources, financial resources etc.

Balanced Regional Growth
Developing nations face problems of unbalanced regional growth. On one hand there are states like Punjab, Maharashtra, Rajasthan, etc., where economic progress is very fast, on the other hand states like Bihar, Uttar Pradesh, Orissa etc. which are far behind as far as economic growth is concerned. EDP's help to establish small scale units in such areas thereby stop centralization of capital. Various state governments also give several concessions and subsidies which help in balanced regional growth in the country.

Development of entrepreneurial qualities
All entrepreneurial qualities do not come on their own in entrepreneurs. There are certain qualities which an entrepreneur possesses by inheritance like loyalty, hard work etc., whereas other qualities like analytical ability and farsightedness can be enhanced or developed through EDP's.

Enhancing organizing and managerial abilities
EDP's help the entrepreneurs to enhance their organizing and managerial abilities so that they can run their enterprise efficiently and successfully. This is done through educational management training and orientation programmes. Various specialized agencies like National Institute for Entrepreneurship and Small Business Development (NIESBUD), New Delhi and Entrepreneurship Development Institute of India (EDII), Ahmadabad are engaged in entrepreneur development programmes.

Helpful in selection of project and product
EDP's helps the entrepreneurs in evaluating various projects and products and choosing the most suitable one which can be established and started easily, gives maximum profits with least possible risk and which have scope for further development.

Helps in searching and exploiting opportunities
There are many opportunities for entrepreneurs in various fields like electronics, medicine, engineering, agriculture, atomic energy etc. It is the EDP which provides necessary information, guidance and assistance in the search for opportunities.

programme for the nation's economic growth.

OBJECTIVES OF EDP'S

The following are the main objectives of EDP's:

- Identifying prospective entrepreneurs and giving them training.
- Developing knowledge and qualities of those participating in these programmes.
- To provide assistance after training.
- To select right project and product.
- To find out sources of help, incentives and subsidies available from the government in setting up the enterprise.
- To promote and develop small and medium enterprises which would encourage self employment to growing and potential entrepreneurs.
- To develop new entrepreneurial opportunities.
- To develop industries in rural and backward areas.
- To help in balanced regional development.
- To enhance managerial capacities of the entrepreneurs.
- To understand rules, process, procedures and regulations for running the enterprise.

Let the entrepreneur himself/herself set or reset objectives for his/her enterprise and strive for their realization.
Prepare him/her to accept the uncertainty in running a business.
Develop a broad vision about the business.

MDI

IFCI had sponsored in 1973, the Management Development Institute (MDI) at Gurgaon near Delhi in Haryana for developing and improving the quality of day-to-day management of any industrial venture. It also encourages professionalization in the management of the enterprises. It stands devoted to evolving model syllabi for training various target groups by effective training strategies, methodology, manuals and tools, facilitating and supporting Central/State governments and other agencies in executing programmes of entrepreneurship and small business development.
It also undertakes research studies in both micro and macro areas of economic and industrial development. Besides, giving training to Indian Administrative Services (IAS), Indian Foreign Services (IFS), Indian Economic Services (IES) officers and employees of major public sector undertakings like ONGC, SAIL, BHEL, IPCL etc. this institute also undertakes consultancy services and research projects in large complex organisations. MDI also coordinates with other organisation centres that are engaged in conducting entrepreneurship development programmes in the country and provide them support in various areas. It has assumed added significance particularly for training educated unemployed youth for taking up self-employment programmes.

NATIONAL INSTITUTE FOR ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT

The National Institute for Entrepreneurship and small business Development (NIESBUD), NOIDA is an apex institution was set up in the year 1983 with an aim to promote, support and sustain entrepreneurship and small business through training, education, research and

consultancy services in the field of entrepreneurship development.
The major activities of the Institute include evolving syllabi for training various target groups; providing effective training strategies, methodology, manuals and tools; facilitating and supporting central / state Governments and other agencies in executing programs of entrepreneurship and small business development; maximizing benefits and accelerating the process of entrepreneurship development; and conducting programs for motivations, training and entrepreneurs.

Main objectives of NIESBUD

To provide national/international forums for the interaction and exchange of experiences helpful for policy formulation and modification at various levels.
They provide vital information and support to trainers, promoters, and entrepreneurs by organizing research and documentation relevant to entrepreneurship development.
They evolve standardized materials and processes for selection, training, support, and sustenance of entrepreneurs, potential and existing.
They share internationally, its experience and expertise in entrepreneurship development.
They train the trainers, promoters, and consultants in various areas of entrepreneurship development

The Functions of NIESBUD

Evolving effective training strategies and methodology.
Facilitating and supporting central/state/other agencies in organizing entrepreneurship development programs.
Conducting training programs for promoters, trainers, and entrepreneurs.
Standardizing model syllabi for training various target groups.
Formulating scientific selection procedures.
Developing training aids, manuals, and tools

Entrepreneurship Development Institute of India(EDII)

EDII has emerged from the Centre for Entrepreneurship Development (CED) of the Gujarat Industrial and Technical Consultancy Organisation. It is a national organisation sponsored by All-India finance institutions and Government of Gujarat, set up in the year 1983.
It is the Principal agency with special responsibility for entrepreneurship development. It has been focusing attention on developing programmes for entrepreneurship development and innovative training techniques for trainees. It has developed an experimental EDP for women keeping in view their special needs. It also conducts research, training and institution building activities for encouraging the participation of backward regions and special target groups in entrepreneurship. EDII has continued to offer its services to Sri Lanka, Nepal, Kenya, Ghana and other African Common wealth nations.
The principal activities of EDII are conducting and organising EDPs for potential entrepreneurs throughout the country, generation and dissemination of new knowledge, conducting seminars and workshops on various themes, extension of motivation programmes for officers, performance improvement programmes for existing entrepreneurs, competent management programmes for unemployed non-technical graduates etc. The various programmes run by EDII is said to be the oldest, largest, most comprehensive, organised and successful EDPs in the country

MALLA REDDY ENGINEERING COLLEGE(AUTONOMOUS)

ENTREPRENEURSHIP

MODULE IV

AKOJU RAMU

ASSISTANT PROFESSOR

Entrepreneurship Development and Government: Role of Central Government and State Government in promoting Entrepreneurship - Introduction to various incentives, subsidies and grants- Export Oriented Units - Fiscal and Tax concessions available. Women entrepreneurship: Role and Importance, Growth of women entrepreneurship in India, Issues & challenges - Entrepreneurial motivations.

ENTREPRENEURSHIP DEVELOPMENT AND GOVERNMENT

Role played by Central & State Government toPromote Entrepreneurship

An entrepreneur requires a continuous flow of funds not only for setting up of his/ her business, but also for successful operation as well as regular upgradation/ modernisation of the industrial unit. To meet this requirement, the Government (both at the Central and State level) has been undertaking several steps like setting up of banks and financial institutions; formulating various policies and schemes, etc. All such measures are specifically focussed towards the promotion and development of small and medium enterprises.

The government of India has been taking active steps to promote entrepreneurship in various industry & service sectors. It has declared several policy measures and is implementing schemes and programmes to enhance the global competitiveness of small enterprises across the country.

Acts, Rules & Regulation

- **Acts regarding MSMEs**
- **Notifications regarding MSMEs**
- **Policies of States and Union Territories for the Small Scale sector**
- **Policies relating to Excise Duty**
- **Policies relating to Foreign Direct Investment Approval**
- **Policy of Reservation for Small Industries**
- **Labour Policies for Small Scale Industries**
- **SSI Policy Statement**
- **Comprehensive Policy Package for Small Scale Industries and Tiny Sector**

Programmes & Schemes

- **Schemes Implemented by the Ministry of MSME**
- **Schemes Implemented by the Office of the DC (MSME)**
- **SIDBI Micro Finance Programme**
- **Memorandum of Understandings (MOUs) with Foreign Countries**
- **MSME National Award Scheme**
- **NSIC Schemes**
- **SIDBI Schemes**
- **Tax Holiday Scheme**
- **Composite Loan Scheme**
- **Industrial Estate Schemes**
- **Excise Exemption Scheme**
- **Factoring Services**
- **Small Industry Cluster Development Programme**
- **National Equity Fund Scheme**

Sector Specific Schemes

- **Schemes implemented through KVIC**
- **Schemes implemented through Coir Board**

- **Schemes for Priority Sector**
- **Animal Husbandry Schemes**
- **Dairy Development Schemes**
- **Fisheries Development Schemes**
- **Agriculture Development Schemes**
- **Coconut Development Board Schemes**
- **Tea Board Schemes**
- **National Horticulture Mission**
- **National Horticulture Board Schemes**
- **National Medicinal Plants Board Schemes**
- **Spice Board Schemes**
- **Silk Board Schemes**
- **Schemes of Petrochemicals**
- **Pharmaceutical Sector Schemes**
- **Information & Technology Sector Schemes**
- **Tourism Industry Schemes**
- **Textile Industry Schemes**
- **Scientific & Engineering Research Schemes**
- **Technology Promotion, Development and Utilization Programme**
- **Food Processing Industry Schemes**
- **New & Renewable Energy Schemes**
- **Marine Products Schemes**

Skills Development & Training for EntrepreneurshipEducation
The Government runs and promotes a variety of skills development & training institutes across India, aimed specifically towards the development of small industries. These include specialised managementprogrammes & technology enhancement programmes amongst others.

National Entrepreneurship Development Institutes

- Entrepreneurship Development Institute of India
- Indian Institute of Entrepreneurship (IIE), Guwahati
- National Institute of Micro, Small and Medium Enterprises (NIMSME), Hyderabad
- National Institute for Entrepreneurship and Small Business Development (NIESBUD), NOIDA

Development Commissioner (MSME) Enterprise & Skill Development Programmes

- Entrepreneurship Development Programmes (EDPs)
- Entrepreneurial Skill Development Programme (ESDP)
- Business Skill Development Programme (BSDP)
- Management Development Programmes (MDPs)
- Industrial Motivation Campaigns (IMCs)
- Vocational and Educational Training
- Tool Rooms and Training Centres

Government Assisted EDIs

- A Government Assisted Entrepreneurship Development Institutes (EDIs)

Supporting Organisations
The Government has setup various organisations which specialize in industry promotion & entrepreneurship development in different sectors. The organisations provide policy framework support, in addition to training & financial aid.

- Khadi & Village Industries Commission
- COIR Board
- Small Industries Development Bank of India
- National Manufacturing Competitiveness Council
- National Skill Development Corporation

State Level Initiatives

Individual states across India have setup specially focussed organizations which work towards the development & support of small scale industries. These organisations run specific promotional schemes in addition to providing financial support to industries.

- State Financial Corporations (SFCs)
- State Industrial Development Corporations (SIDCs)

Development Support Organisations

Government of India has also set up various organizations that are at the forefront in providingsupport and training for the budding entrepreneurs. Few of them are:

- Central Footwear Training Institute - Agra
- Indo-German Tool Room - Ahmedabad
- Indo-German Tool Room -Aurangabad
- Central Institute of Tool Design - Hyderabad
- Central Tool Room - Ludhiana
- Indo-German Tool Room - Indore
- Central Tool Room & Training Center - Bubhaneshwar
- Circle Telecom Training Center - Kolkata
- Indo-Danish Tool Room - Jamshedpur
- Institute for Design of Electrical Measuring Instruments
- Electronics Service & Training Center - Ramnagar
- Fragrance & Flavour Development Center - Kannuaj

Industry Associations

There are a variety of associations which help & encourage the cause of industry. These associations provide support & strength to the entrepreneurs & the organizations they setup. Additionally, industry association networks are crucial in steering government policy & action as well.

- Complete list of Industry Associations
- National Bank for Agriculture & Rural Development (NABARD)

- Laghu Udyog Bharati (LUB)
- Federation of Indian Chambers of Commerce and Industry (FICCI)
- Confederation of Indian Industry (CII)
- The Associated Chambers of Commerce and Industry of India (ASSOCHAM)
- Federation of Indian Micro and Small & Medium Enterprises (FISME)
- World Association for Small and Medium Enterprises (WASME)
- India Trade Promotion Organisation (ITPO)
- Technology Innovation Management and Entrepreneurship Information Service
- Asian and Pacific Centre for Transfer of Technology (APCTT)

International Organisations

Akin to national industry and sector based networks, an even higher responsibility lies with global

associations which chart out the developmental role to be played by various international governmentswhile forming their trade & industry policies.

- International Network for SMEs
- WIPO Small and Medium-Sized Enterprises
- United Nations Industrial Development Organization
- World Trade Organisation
- European Commission - Enterprise & Industry
- Innovation - SMEs
- Canadian International Development Agency
- Small and Medium-sized Enterprise Center, Canada
- SME Centre, Hongkong
- Small and Medium Enterprises in Ireland
- SME Information of Japan
- World Trade Centre, Mumbai
- Small and Medium Enterprise Development Authority, Pakistan
- Swedish International Development Agency
- Department for International Development, UK
- Ministry of Economy, Mexico
- Small and Medium Enterprises Development, Washington, USA

Government Policies under various institutions

• Startup India
• Standup India
• Pardhan mantri Kaushal Vikash Yojana
• Atal Innovation Mission
• Make In India
• Skill India-Kaushal Bharat Kushal Bharat
• National Skill Development Mission
• Digital India
• Tread(Trade Related Entrepreneurship Assitance And Development)
• Seed(Science For Equity Empowerment And Development)

Startup India

Startup India launched in January 2016. Through the Startup India initiative, Government of India
promotes entrepreneurship by mentoring, nurturing and facilitating startups throughout their life cycle.
With a 360 degree approach to enable startups, the initiative provides a comprehensive four-week free online learning program, has set up research parks, incubators and startup centers across the country by creating a strong network of academia and industry bodies. More importantly, a 'Fund of Funds' has been created to help startups gain access to funding.

Mechanisms as online recognition of startups, Startup India Learning Program, Facilitated Patent filing, innovation focused programs for students,funding support, tax benefits and addressing of regulatory issues.

Standup India

Standup India launched in 2015. It aims to enable economic participation and share the benefits of India's growth, among women entrepreneurs, Scheduled Castes and Scheduled Tribes.

Towards this end, at least one women and one individual from the SC or ST communities are granted loans between Rs.1 million to Rs.10 million to set up green field enterprises in manufacturing, services or the trading sector.
The Stand-Up India portal also acts as a digital platform for small entrepreneurs and provides information on financing and credit guarantee.

Make In India

Make In India launched in September 2014. Designed to transform India into a global design and manufacturing hub. It came as a powerful call to India's citizens and business leaders, and an invitation to potential partners and investors around the world to overhaul out- dated processes and policies, and centralize information about opportunities in India's manufacturing sector

Skill India-Kaushal Bharat Kushal Bharat

Skill India-Kaushal Bharat Kushal Bharat launched on July 15,2015. Skill India is an initiative of the Government of India which has been launched to empower the youth of the country with skill sets which make them more employable and more productive in their work environment.

- For the first time since India's independence, a Ministry for Skill Development & Entrepreneurship (MSDE) has been formed to focus on enhancing employability of the youth through skill development.
- Our National Skill Mission is chaired by the Hon'ble Prime Minister, Shri Narendra Modi himself.
- Skill India is no more just limited to the domestic market but is actively engaging with countries across the world to promote cross geographical exposure and opportunities in the international market.

National Skill Development Mission

National Skill Development Mission Launched in July 2015. The mission aims to build synergies across sectors and States in skilled industries and initiatives. With a vision to build a

‘Skilled India’ it is designed to expedite decision making across sectors to provide skills at scale, without compromising on quality or speed.
The seven sub-missions proposed in the initial phase to guide the mission’s skilling efforts across India are:
• (i) Institutional Training
• (ii) Infrastructure
• (iii) Convergence
• (iv) Trainers
• (v) Overseas Employment
• (vi) Sustainable Livelihoods
• (vii) Leveraging Public Infrastructure

Pardhan mantri Kaushal Vikash Yojana (PMKVY)
A flagship initiative of the Ministry of Skill Development & Entrepreneurship (MSDE), this is a Skill Certification initiative that aims to train youth in industry-relevant skills to enhance opportunities for livelihood creation and employability.
• Individuals with prior learning experience or skills are also assessed and certified as a Recognition of Prior Learning.
• Training and Assessment fees are entirely borne by the Government under this program.

Digital India
• The Digital India initiative was launched to modernize the Indian economy to makes all government services available electronically. The initiative aims to transform India into a digitally empowered society and knowledge economy with universal access to goods and services
• This program aims to improve citizen participation in the digital and financial space, make India’s
cyberspace safer and more secure, and improve ease of doing business

Atal Innovation Mission
Atal Innovation Mission (AIM) is the Government of India’s Endeavour to promote a culture of Innovation and entrepreneurship, and it serves as a platform for promotion of world-class Innovation Hubs, Grand Challenges, start-up businesses and other self-employment activities
• In order to foster curiosity, creativity and imagination right at the school, AIM recently launched **Atal Tinkering Labs (ATL)** across India. ATLs are workspaces where students can work with tools and equipment to gain hands-on training in the concepts of **STEM (Science, Technology,**
Engineering and Math).
• **Atal Incubation Centres (AICs)** are another programme of AIM created to build innovative start-up businesses as scalable and sustainable enterprises. AICs provide world class incubation facilities with appropriate physical infrastructure in terms of capital equipment and operating facilities.

Tread(Trade Related Entrepreneurship Assistance And Development)
To address the critical issues of access to credit among India’s underprivileged women, the TREAD programme enables credit availability to interested women through non-governmental organizations (NGOs). As such, women can receive support of registered NGOs in both accessing loan facilities, and receiving counseling and training opportunities to kick-start proposed enterprises

Seed(Science For Equity Empowerment And Development)
• SEED aims to provide opportunities to motivated scientists and field level workers to undertake action-oriented, location specific projects for socio-economic gain, particularly in rural areas
• SEED emphasizes equity in development, so that the benefits of technological accrue to a vast section of the population, particularly the disadvantaged.

Introduction to Incentives, Subsidies, Grants

Incentives
The term “incentive’, generally means **encouraging productivity**. It is a motivational force, which encourages an entrepreneur to take a right decision and act upon it. The objective of providing incentives is to **motivate an entrepreneur** to set up a new venture in the larger interest of the nation and the society.

Broadly, incentives include concessions, subsidies and bounties. Incentives may be financial or non-financial. Non financial incentives push an entrepreneur towards decision and action. Entrepreneurs in India are offered a number of incentives. These incentives normally aim at reducing some of the problems faced by small scale industrialists.

Subsidy: Subsidy is a financial assistance or a sum of money provided by a government, to an industry for public welfare or interest. It is any financial aid, grant, or contribution.
“Subsidy” means a **single lump sum of money** that is given by a Government to an entrepreneur to cover the cost.
Bounty: The term “bounty” denotes a **bonus or financial aid** given to an industry to help it to compete with other units established in country or in a foreign market.

Examples of Incentives
Industrial estates, industrial complexes, availability of power, concessional finance, capital investment subsidy, transport subsidy, are few examples of incentives to solve constraints faced by entrepreneurs in small scale sector

1. Decentralization of economic power
Incentives encourages prospective entrepreneurs to take up industrial ventures and results in decentralization of economic power in few hands.

2. Balanced regional development
Incentives are given to entrepreneurs establishing industries in backward areas. Hence, it results in the dispersal of industries over India's geographical area and contributes to regional balanced development.

3. Transformation of Technology
Incentives help in the transformation of traditional technology into modern technology. Traditional technology is characterized by low skill; low productivity and low wages, whereas modern technology is subsequently characterized by improved skills, high productivity, raising wages and a higher standard of living.

4. Overcomes Difficulties
The package of incentives and concessions are given to entrepreneurs for setting up units both in backward as well as developed districts. But generally it is given for setting up units in backward area. It is provided to offset the disadvantages prevailing in such places.

5. Generates Industrialization
Industrial policy uses incentives both to correct the market imperfections and to accelerate the process of industrialization in the country. Regional balances can also lead to effective utilization of regional resources, removal of disparities in income and levels of living and contribute to a more integrated society.

6. Encourages Entrepreneurship
The new entrants in the field face many obstacles on account of inadequate infrastructures. The new entrepreneur is supported by the government agencies through various incentives. Being a new entrant, an entrepreneur may lack marketing and entrepreneurial skills. An entrepreneur requires support from government agencies to compete with competitors. The subsidies and concessions motivate the entrepreneur both financially and non financially and promotes entrepreneurship in the country by removing economic constraints.

7. Helps to Overcome Competition
Incentives help the entrepreneur to survive and compete with the competitors. Some of the incentives are concerned with the survival and growth of industries. Several incentives are confined to the first few years of the establishment of the unit while a few of them are made available over a long period.

Subsidies

To promote a vibrant business community and generate employment, the Government of India provides a host of subsidies and incentives for business. For any entrepreneur managing a startup or an established business, it is important to know about these subsidies and incentives – so that these subsidies are availed while incurring capital expenditure to reduce capital cost, lessen interest burden and achieve break-even faster. We now present a list of 7 Must Know Subsidies for an Indian Entrepreneur.

Credit Linked Capital Subsidy Scheme (CLCSS)

Many of the Small Scale Industries (SSI) in India continue to manufacture goods and products with outdated technology and plant & machinery due to the lack of awareness about access to capital, quality standards and modern technology. However, the globalization and liberalization of the market, has necessitated upgradation and modernization of equipment to ensure survival and growth of the unit. Therefore in an effort to facilitate the technology upgradation of SSI in India, the Ministry of Small Scale Industries is operating a scheme for technology upgradation called the Credit Linked Capital Subsidy Scheme.
The CLCSS provides 15% capital subsidy to SSI units on institutional finance availed by them for the induction of well established and improved technology in many of the sub-sectors/products approved under the scheme for a loan of upto Rs.1 crore.

Subsidy for Establishing Cold Chain

A strong and dynamic food processing sector plays a vital role in the reduction in the wastage of perishable agricultural produce, enhancing the shelf life of food products, enhancing the income of farmers and creating surplus for the export of agro & processed foods. Therefore, in an effort to develop a strong food processing industry, the Ministry of Food Processing Industry provides a subsidy for establishing cold chain. The objective of this scheme is to provide financial assistance for integrated cold chain and preservation infrastructure facilities without any break from the farm gate to the consumer. It covers pre-cooling facilities at production sites, reefer vans, mobile cooling units as well as value addition centres which includes infrastructural facilities like processing/multi-line processing/collection centres, etc. for horticulture, organic produce, marine, dairy, meat and poultry etc. Financial assistance (grant-in-aid) of 50% the total cost of plant and machinery and technical civil works in general areas and 75% for NE region including Sikkim and difficult areas (J&K, Himachal Pradesh and Uttarakhand), subject to a maximum of Rs.10 crore is provided as financial ass under this scheme.

Technology Upgradation Fund Scheme (TUFS) – Textile Sector

The Textiles sector is the second largest provider of employment after agriculture. It contributes about 14% to industrial production, 4% to the GDP, and 17% to the country’s export earnings. It provides direct employment to over 35 million people, which includes a substantial number of SC/ST, and women. Therefore, the Ministry of Textiles through its flagship scheme, the Technology Upgradation Fund Scheme(TUFS) has helped the industry scale new heights and improve technology to match global standards. Under the TUFS Scheme, Interest Reimbursement of 5% is provided on interest charged by the financial institutions or banks for textile technology upgradation projects. In addition, the scheme also provides for margin money and/or capital subsidy for investment in many types of textiles manufacturing equipment like power looms, common effluent treatment plants, garment machinery, machinery for technical textiles, handlooms, etc.,

Subsidy for Acquiring Quality Management System

With a competitive global market, implementation of quality standard has become mandatory for

MSME units to successfully compete and improve profitability by optimizing internal processes. Therefore, in an effort to increase the adoption of quality standards by Indian MSME units, the Government of India provides a subsidy, wherein the cost of acquiring ISO Certifications like ISO-9000 and ISO-14001 is subsidized.

The scheme provides for all units having an SSI Registration to have reimbursement of charges of acquiring ISO-9000/ISO-14001 certifications to the extent of 75% of the expenditure subject to a maximum of Rs.75,000/- in each case. Click here to know more about Subsidy for Technology Quality Upgradation.

Interest Subsidy for MSME Units in Gujarat

The Gujarat State Government in an effort to boost industrial investment and make the state more investor-friendly provides for interest subsidies to MSME units that are making a new investment or existing units that are investing in capacity addition or diversification or existing units that are investing in modernization of machinery to newer technology. MSME's are the backbone of any economy and this subsidy is set up to make Gujarat among the highly industrialized state in the country today.

Through this scheme, an interest subsidy of upto 7% for micro-enterprises and 5% for small and medium enterprises is provided. An additional 1% interest subsidy is provided to youth having less than 35 years of age in case of first project. Woman entrepreneurs are also accorded priority. The maximum amount of interest subsidy provided per annum is Rs.25 lakhs for upto a period of 5 years.

Capital Subsidy for Solar Lighting and Small Capacity PV Systems

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

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

Support for International Patent Protection in Electronics & IT

Department of Information Technology, MCIT, GOI has started a scheme to provide financial support to SMEs and Technology Start-Up units for international patent filing so as to encourage indigenous innovation and to recognize the value and capabilities of global IP and capture growth opportunities in the area of information technology and electronics.

Through this scheme, all patent processing costs including Attorneys' Fees, Patent Office filing fees, Examination Fees, Patent Search cost, Additional cost for entering National Phase upto grant/issue is subsidized. The scheme provides reimbursement of upto 50% of the total patent cost. Support will be limited to Rs.15 lakhs or 50% of the total expenses incurred on filing each invention whichever is less.

The Indian startup industry is getting a huge boost with startup business grants, from the Government and private sector. Numerous reports hint to a promising future for the Indian startup sector.

According to Nasscom's Indian Startup Ecosystem Report, India has the 3rd largest startup ecosystem in the world, with a 108% growth in funding. Compared to 2017, investments in startups in 2018 were more than double.

Moreover, factors such as evolving technology, increasing demand within the domestic market and a developing startup ecosystem such as shared coworking spaces, and collaborative networks, are driving startups in various industries.

Despite a vibrant startup ecosystem in the country, finding funds and investors for early-stage, and growth-stage startups and entrepreneurs is a challenge. Ideas and businesses are driven by passion, but they require money to sustain it. In addition, they require support in knowledge, acceleration, incubation and overall supportive systems.

Grants that could help Indian enterprises:

1. PRISM's Technopreneur Promotion Program (TePP)

The TePP is an initiative of the Department of Science and Technology, Govt. of India. The program aims to support individual innovations to transform them into successful enterprises with the help of promotion and funding.

Individuals can utilize this program in the form of startup business grants to take an innovative idea to the next stages and commercialize it. With a ticket size of Rs. 2 Lac to Rs. 100 Lac, the programme provides grants at various stages: conceptualization, fabrication, development, trial, and application through to making it a commercial enterprise.

Focus area: technology-based innovation

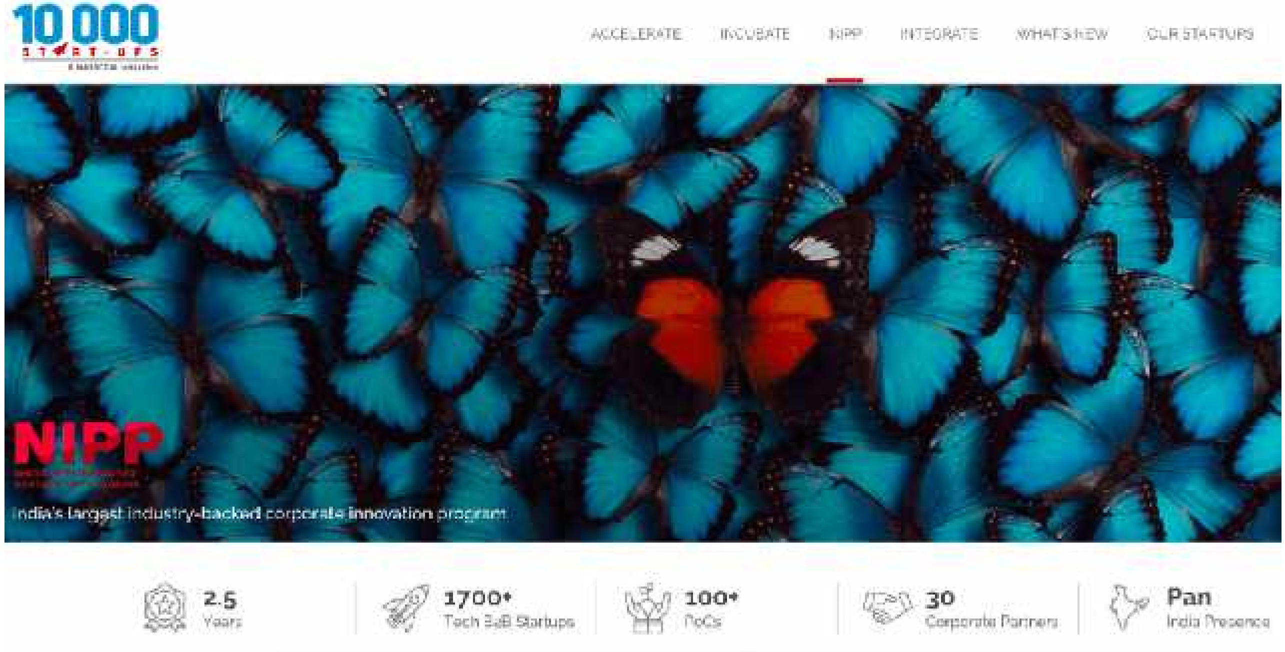
2. Multiplier Grants Scheme (MGS)

The Department of Electronics and Information Technology offers the Multiplier Grants Scheme with the aim to support and fund industries such as IT, analytics, enterprise software, Internet of Things, artificial intelligence and technology hardware.

The scheme aims to encourage and accelerate the development of innovative products created in the Indian industries. The grant offers a maximum of Rs 2 Cr for a duration of 2 years.

Focus area: Startups that are into electronics and information technology.

3. Nasscom – the most sought after startup business grant



Nasscom's 10,000 startups programme was started in 2013 with the idea of funding 10,000 Indian startups in 10 years. This is the process followed: selected startups are helped to raise money from VCs, government funds, and angel investors, among others. The startups get to work with accelerators, are mentored and are helped to foster strategic partnerships with Nasscom's network.

Focus sectors: healthcare, agriculture, education, smart cities and infrastructure and AI across industries

4. Unlimited India

Unlimited India is an organization that helps early-stage social entrepreneurs grow their startups,

which are social enterprises. The organization supports early-stage startups in the first 0-5 years. Selected startups and social enterprises are provided induction workshops, helped with milestone setting, offered personalized coaching, site visits, networking, funding, and other support. 38% of the enterprises it supports are for-profit startups.
Focus Sectors: Agriculture, Livelihoods, Education, Environment, Sports, Gender Equality, Health & Well-being, Energy, Water & Sanitation, Financial inclusion, Inclusive Development, and Housing.

5. Zone Startups

A part of the Ryerson Futures Network that operates accelerator programs around the world, Zone Startups India helps a startup with a full spectrum of services and resources for building companies: funding, mentorship, access to talent, networking opportunities and soft landing to the North American market.

Zone Startups India accepts online applications throughout the year. Applicants do not need to apply with a formal business plan at this stage. The grant fund size is between Rs 50 Lac and Rs 3 crore.

Preferred sector: technology

6. Amity Innovation Incubator

The Amity Innovation Incubator fund is a set up of different investment stakeholders through which businesses can generate financial support. The Amity Innovation Funds helps entrepreneurs and startups with:

- Direct investments into ventures via Amity Capital Ventures
- Raising debt/equity via financial institution schemes
- Investors through HNI investors and VC funds

Through their Accelerator and Entrepreneur-in-Residence programs, the organization aims to help startups to scale nationally and internationally. The organization has incubated more than 100 startups to date.

Focused sector: technology and innovation

7. Amrita TBI

One of the lesser known startup business grants in India, Amrita TBI is a non-profit startup incubator. Partly supported by the Govt. of Indi, it funds, mentors and nurtures startups and entrepreneurs at the early and growth stage.

It funds up to Rs 1 Cr per startup as well as provides options for VCs and angel investor networks.
In other news

Startup India – WhatsApp Grand Challenge

WhatsApp has recently launched the Startup India – WhatsApp Grand Challenge. The grant will be given to five winners who are bringing change in any of the following sectors:

Focus areas: healthcare, rural economy, financial and digital inclusion, education and citizen safety as the themes for the startup challenge.

Ticket size: $2,50,000 to 5 winning startups

Export oriented Units

Introduction

The Export Oriented Units (EOUs) scheme, introduced in early 1981, is complementary to the SEZ scheme. It adopts the same production regime but offers a wide option in locations with reference to factors like source of raw materials, ports of export, hinterland facilities, availability of technological skills, existence of an industrial base and the need for a larger area of land for the project. As on 31st December 2005, 1924 units are in operation under the EOU scheme

Objectives of the Export oriented unit

The main objectives of the EOU scheme is to increase exports, earn foreign exchange to the country, transfer of latest technologies stimulate direct foreign investment and to generate additional employment

<u>Major Sectors in EOUs</u>:

- GRANITE
- TEXTILES / GARMENTS
- FOOD PROCESSING
- CHEMICALS
- COMPUTER SOFTWARE
- COFFEE
- PHARMACEUTICALS
- GEM & JEWELLERY
- ENGINERING GOODS
- ELECTRICAL & ELECTRONICS
- AQUA & PEARL CULTURE

<u>EOU Activities</u>

Initially, EOUs were mainly concentrated in Textiles and Yarn, Food Processing, Electronics, Chemicals, Plastics, Granites and Minerals/Ores. But now a day, EOU has extended it area of work which includes functions like manufacturing, servicing, development of software, trading, repair, remaking, reconditioning, re-engineering including making of gold/silver/platinum jewellery and articles thereof, agriculture including agro-processing, aquaculture, animal husbandry, bio-technology, floriculture, horticulture, pisiculture, viticulture, poultry, sericulture and granites.

Fiscal and Tax concessions available.

- Every entrepreneur, new or experienced, must be aware of the various tax provision for startups under 'Startup India' scheme
- Tax-benefits help new ventures to save a crucial amount of money and use it for further expansion of their operations

A tax is a mandatory amount imposed upon an individual by the government of a country. In the Indian Union budget of 2016-17, the government taxation policies for startups had undergone a drastic change. These changes were made to promote entrepreneurship in India under `Startup India' policy. As a result, now the entrepreneurs can avail a large number of concessions and exemptions.

Here are some Tax Benefits for entrepreneurs in India

1. Tax holiday for three years: In order to give entrepreneurial ventures a much-needed boost, the government in the union budget 2016-17 has announced to provide a deduction of 100% tax exemptions during the first three years of operation. Only the companies that are registered as startups under the Department of Industrial Policy and Promotion (DIPP) that involve in innovation, deployment, development or commercialization of new products and services driven by technology would be eligible for the three year tax benefits. Moreover, in the first three years the eligible startups would not have to pay any tax for profits except MAT (Minimum Alternate Tax). MAT is calculated on `book profit'.

2. 20% exemption on Capital Gains: Capital gains are the taxes charged on profits gained from sale of capital assets such as stocks and bonds. The government has recently made provision for an exemption of 20% capital gains tax. This provision was a long-pending demand by the startups. Before this provision, most investments in Indian startups were compelled to route their investment through Maurititius as the capital gain tax on investment from there waived following provisions in the Double Tax Avoidance Treaty.

3. Taxes on Turnover: The government levy 25% tax plus cess and surcharge on new manufacturing firms. However, companies with a turnover of less than 50 crore per annum have to pay 29 percent tax. Medium and small companies with a turnover of less than Rs. 50 crore are taxed at a rate of 25 percent. Moreover, the period of claiming profit linked tax exemption is now increased from 5 years to 7 years. This step by the government would benefit approximately 6.67 lakh companies in the country.

4. Payment of EPF by the Government: The government will now provide EPF (Employees' Provident Fund) contribution of 8.33% for the period of three years. Earlier, the percentage of the contribution was 12% of employees basic salary. This move will relieve many employers by cutting costs of startups by 12% for straight three years and will provide opportunities to hire competent candidates for their company as candidates will have job security. Many companies have started registering themselves with EFPO to avail the benefits.

5. Presumptive tax: It is mandatory for the entrepreneurs to maintain the books of account. However, under Presumptive taxation scheme, it is not required to maintain the books of account and hence will reduce the burden of the entrepreneur. Anyone whose income earned stands at 8% is eligible for this scheme. However, a person whose income earned is more than 8 %, higher rate can be declared. Moreover, all the small business man with a turnover of up to Rs 2 crore and professional with gross income of up to Rs 50 lakh can avail benefit of this scheme.

All these policies comes under "Startup India" campaign of the government and were proposed in the Union budget 2016-17. These policies were made with an objective to give a much-needed boost to the budding entrepreneurial ventures. It is a subsidiary of the `Make in India' scheme and aims to create more jobs within the country. This startup tax policy will definitely give the much-needed boost to the startups

WOMEN ENTREPRENEURSHIP

Introduction

Of late entrepreneurship amongst women has become a topic of concern for all of us. Since women constitute nearly fifty percent of the total population of our country, it is necessary they play a positive and constructive role in the socio-economic development of the country. After Independence a good deal of attention has been given to spread of literacy, increasing employment through industrial development and improving health and quality of life of women in the country.

Women entrepreneurs may be defined as the woman or a group of women who initiate, organize and operate a business enterprise. Any women or group of women which innovates, initates or adapts an economic activity may be called women entrepreneurship.

Need or Importance for Women Entrepreneurship

For a long time women were confined to the limits of the home. Gradually more and more women entered professions and services. Now, finally, the women entrepreneurs have arrived. Business acumen is no longer a man's prerogative. Women are rapidly emerging as smart and dynamic entrepreneurs.

Women have entered almost all areas of business activity, cleaning powder – you name it. Women have already entered the field. And the Indian women has ventured in areas like cement manufacturing, steel works, etc. in which most of her counterparts from the more developed countries are yet to enter. In India, certainly women to mean business, women entrepreneurship is required on the following grounds:

Society cannot afford to ignore this vast human resource with its immense potential. Favourable changes in the socio-economic scene such as advent of labour saving devices have freed women from drudgery of long labour.

Concept of small family and break up of traditional joint family system has resulted in psychological liberation experienced by women. Increased aspirations to widen their horizon and extend their role.

Scope of Women Entrepreneurship

In rural areas where agriculture is the prominent activity, agro- based industries like food preservation, bakery, dairy, poultry can be taken up by women. They have been helping men in all these activities without getting any credit or money with a little training they could do it on their own in a business like manner. In areas where forests predominate, forest preservation, collection, assortment and classification of medical plants too can be done by them.

In districts where industries are located, spare parts and ancillary units can be managed by women. Apart from traditional industry, women should also be encouraged in mechanical and electrical activities. They can be trained in maintenance and repairs of all small machineries and they can be encouraged to start small workshops. Technical institutes can train girls and encourage them towards self-employment.

In urban parts, apart from teaching, nursing and other traditional occupations, there are many new areas where women can start on their own. With modern technological revolution, the field is vast and open, Electronics, computer services, information and consultancy services, advertising and publicity are some of the areas that women entrepreneurs can explore. What they need is training, finance and the cooperation and encouragement from the family, the society and the governmental organisations. That will enable women entrepreneurs to enter the mainstream of the country's economy, which in turn will speed up the economic development of our country.

Strategies for Developing Women Entrepreneurship

Entrepreneuring is very specialised field where success depends strictly on personal ability in management, creativity imagination, self discipline, emotional stability and objective thinking. Women have to be motivated to join the national main stream of entrepreneurship by participating in the economic activity. It need not necessarily be welfare oriented but productivity oriented for specific economic development. It can be stated that the entry of women to industry in the last decade coincides with the shift in economy, based an low technology to high technology. Computers, laser optics, electronics and the lastest in communication technology introduced a sea change in production, technology where brain power rather than muscle power is needed for entrepreneurship.

Probably the shift in the production technology with the consequent change in customer demands also paved the way for increased women entrepreneurship.

The essentials of women entrepreneurship are opportunity, ability, motivation and attitude. When an individual is motivated by ability and opportunity factors, it results in productivity. Similarly, motivation and attitudinal factors serve as facilitators on ability and opportunity to work as catalysts for crystallising the entrepreneurship with productivity. When motivational factors are absent ability and opportunity of individuals stays dormant. The opportunity factor includes the volume of human energy, development of household technology, government laws, economic factors, social factors etc.

Institutions Assisting Women Entrepreneurship

An entrepreneur will require some orientation, acquaintance and moral support from various institutions. For selection of industry - Small Industries Service Institute and District Industries Centre. For Registration - District Industries Centres Factory accommodation-District Industries Centre, SIDCO, SIPCOT. For Finance - Tamil Nadu Industrial and Investment Corporation & SIPCOT (Long Term Credit for fixed assets) District Industries Centre - (loans under state Aid Rules for block capital), Commercial Banks (Loans for meeting term and working capital needs)

Issues and Challenges

Problems of Women Entrepreneurs

"For starting and running the unit women have to face various problems. These problems are classified under two categories.

A. Gender Related

The biggest problem or difficulty of a women entrepreneur is that she is a women. Some psycho-social factors impeding the growth of women entrepreneurship are given as problems as women. They are:

a. Poor self Image of Women

The present education, books, the media, films and all prevailing socio-cultural norms conspire and combine to perpetuate the image of women as a weak, submissive, nonaggressive daughter, an obedient, dutiful, dependent and faithful wife and a self sacrificing mother. Women themselves are so conditioned that they too unquestioningly accept this image of themselves and denigrate other women who might choose to question or step out of this traditional acceptable mould.

b. Discrimination

The perception of the states hierarchy based on the concept of men as 'Superior' and women as inferior has made the women subservient. Women is denied not in terms of her relation to man. Due to this social environment prevalent, they are unable to move freely as quickly as an individual to distant places to mobilise their resources or markets. This is a hindrance to their growth of business.

c. Faulty Socialisation

Right from early childhood when the educational conditioning begins, the attitudes comments and plans of their encouragement are different for each sex, the tasks to be performed, the game to be played are different. This tend to inhibit, entrepreneurship quality in two different ways. First an ideal of feminity has been set up, the values of which are contrary to those qualities needed for entrepreneurship..

Women and young women in particular internalize those values and limit their aspirations accordingly. Second who ever resist this socialization with the exception of a token few, are punished for their feminity and independence. Because of this faulty socialization women are not ready to enter into the business.

d. Role Conflict

A women's role refers to the way she is expected to behave in certain situations. In the Indian context, women's place is completely at the mercy of her male relatives, first by virtue of birth and second by marriage. Indian women find it difficult to adjust themselves to the dual role that they have to playas traditional housewives and compete with men in the field of business and industry.

Entrepreneurship requires full devotion and dedication which is difficult if not impossible due to the role overload and role conflict. Many entrepreneurs think that there is a need to establish their business, but they do not wish to undertakes the same business they have no enough time to pay attention to these things, besides attending their domestic work.

e. Cultural Values

Women in our country has been worst victims of exploitation, prepetuated by an adjust socio-economic system dominated by old feudal values. The problems that women faced in entrepreneurship career are resistance, apathy, shyness, conservation, inhibition, poor response which are products of cultural traditions, value systems and social sanctions.

Practical Problems

The foremost difficulty of women entrepreneur is arranging finance and capital. Money is the blood steam of any enterprise. One can borrow finance from banks and other financial institutions. But the biggest catch is that of collateral security which is required to get bank credit. Women may have some jewellery but even then they cannot give it as security without the consent of the husbands of male members of their family. The male members may even persuade women to part with their jewellery but not ready to invest anything in the projects of women members. Procedures of obtaining bank loans and delay in getting it deter many women from venturing. At the Government level the licensing authorities, labour officers and sales tax inspector ask all sorts of humitiating questions like what technical qualifications you have, how will you manage labourers, how will you manage both house and business, does your husband approve etc.

Locational disadvantages are not uncommon for some entrepreneurs, because of their rural background and location. They are not having access ability to good markets. As a result, they are unable to get enough orders and market exposure.

Common problems for all entrepreneurs are how to market the product. They don't know how to contact and whom to contact. Here the middlemen try to exploit women entrepreneurs.

If she decides to eliminate all the tasks, she has to perform all the tasks. In these days, of strict competition, a lot of money is required for advertisement. If the product happens to be a consumer goods then it takes time to win people away from other products and make this product popular. Because of these reasons, they could not achieve significant growth in sales.

Hence they are forced not to increase the production on any large scale. The non-availability of raw material within their region is also a main problem to the entrepreneurs. They do not know from where they can get it at cheap rate.

The paucity of liquid resources, i.e. working capital has been regarded as another main problem in their day-to-day operation. Non-availability of skilled labour is quite common and is serious problem for women. They need women workers mainly due to the nature of the product which they are producing like fabrick painting, embroidery, crocket handicrafts, etc. By nature, workers could not like to come down to entrepreneurs place of work.

As a result entrepreneurs are forced to go to workers place and hand over the entire work to them. This lead to high cost of production. Those entrepreneurs who are doing embroidery, garments, painting, etc., are facing still price competition from the agencies sponsored by the government like Rural Development Agencies. This restricts the market of their products.

VII.Remedial Measures

To overcome all such problem efforts are being taken by all the agencies on the following lines:

Promotional Help: To formulate project in a proper form and also in drafting project report, getting concurrences from various authorities for different purposes.

Training: Achievement of motivation and training in the particular industry are also being imparted.

Selection of Machinery and Technology: Suitable assistance in the choice of appropriate machinery and equipment must be provided.

Finance: Banks and other institutions agencies are adopting special schemes for rendering assistance women entrepreneurs. Concessions and preferences are also given to them.

Marketing Assistance: Providing information relating to the market condition, price level competition and other things too, women entrepreneurs will greatly relieve them from too much of torture.

Besides that, they too should possess certain qualities to become successful entrepreneurs by overcoming the problem as women.

Qualities of Women Entrepreneurs

To be successful, women entrepreneurs must possess the following attributes:

1. Enthusiastic	8. Persevering
2. Imaginative	9. Patient
3. Realistic	10. Self-motivated
4. Intuitive	11. Self-confident
5. Optimistic	12. Willing to take risks
6. Enterprising	13. Prepared to take challenges
7. Developmental	14. Dynamic.

Even if a woman does not possess all these qualities willingness to take up business and develop entrepreneurial activities will go a long way towards equipping her for business ventures.

Types of Women Entrepreneurs

Robert Goffee and Richard Scase classify women entrepreneurs into four types:
Innovative
Conventional
Domestic
Radical

The rationale of the classification is the degree of commitment to gender role ideologyand entrepreneurial ideals. The gender role ideology may be defined as the values, attitudes and personality characteristics which distinguish between the observable gender-related behaviours which differentiate the sexes (Spence and Helmreich, 1978). The gender role system in a society holds stereo-types for what males and females should be like, but it also defines many activities, tasks, behaviours and skills as being more appropriate for one sex or the other. A woman entrepreneur's commitment to gender ideology can be measured by her concurrence to the different sets of personality characteristics, the masculine and feminine stereo types the different tasks and activities assigned to men and women, leading to the division of labour; and the perception that males have a higher value than females (Wendy A.Duncan, 1989:38).

Entrepreneurial ideals are defined as a set of attitudes characterized by belief in economic self-advancement, adherence to individualism, and strong support for work related excellence and profits.

There are probably more of conventional and domestic types than women of other types. The women's movement has brought to the scene 'innovative' and 'radial' women proprietors. The upward mobility of a woman entrepreneur is to rise from the low profiting domestic type to profit-oriented innovative type.

Most of the units run by women are craft-based and do not conform to the description of an industry. What is imperative today is a strong policy back-up for the diffusion of a greater measure of technology from the large units, leading to technology up gradation of the small units. The New Industrial Policy talks of modernizing the handloom, handicrafts, village and khadi industries segment.

Given the existing state of technology and equipment, it does not ensure to the artisans or workmen, even the subsistence level of wages. The modernization as envisaged does not also guarantee marketing support or evince political will to upgrade the technology of the small sectors.

What the Government could do is to provide some technological support through research and Development between specialized institutions and the small sector. At present, most of the R&D work in institutions is divorced from what the small sector needs. It will be useful if the Government initiate steps to expand and reorient the Development Centers and the tool-room facilities providing ample scope for small women entrepreneurs to test and diversify their products.

Self Help Group-an Avenue for Women Entrepreneur

Self-help groups play a significant role for the development of individual, group and society as a whole. More thrust, needs to be given in the promotion of SHGs, their coordination and endurance. Without sufficient financial input, their development will not be a reality; banks and government agencies involved in the promotion and development of SHGs should make committed involvement in making this methodology of "all for all" a successful exercise and make a role model for other states too.

On the other hand, self-help groups should actively involve themselves in taking up agriculture work, waste land development, small business activity and see that the loans to the groups are properly repaid. SHGs will go a long way in the eradication of poverty and thereby improve the standard of living of the poor and rural mass.

Concept of SHG

"All for all" is the basic principle of SHGs concept. It is mainly concerned with the poor and it is for the people, by the people and of the people. Under Mahalir Thittam, the Nongovernment organizations (NGOs) actively participate to carry out the household survey on the basis of Participatory Rural Appraisal method. NGOs are entrusted with the task of forming Women groups (SHGs) in the village level.

The origin of SHGs is the brainchild of Gramin Bank of Bangladesh, founded by the famous economist, Prof. Mohammed Yunus of Chittagong University in the year 1975. This was exclusively established for the weaker sections of the community. The poor people can derive the benefits or linkage with various banking institutions. In India, NABARD (National Bank for Agricultural and Rural Development) has taken interest to translate the benefits derived from the Bangladesh model to develop the poor through SHG in 1992 which is generally treated as finance to tiny or small industries, the most important 'Priority Sector' in the Indian economy.

Objectives of SHGs

To inculcate the habit of thrift and savings among group members and to get relief from the clutches of money lenders.

To develop the capacity of disadvantaged women in order to enable them to meet all social and economic barriers and thereby help them to become empowered citizens.

To attain the equality of status of women as participants, decision makers, and beneficiaries in the democratic, economic, social and cultural spheres of life.

To create democratic, economic and social process through institutions to motivate women to participate fully and actively in decision making in the family, community at the local, district, State and national level.

To empower women to associate together with men as equal partners and to create a new generation of women and men to work together for equality, sustainable development and communal harmony.

To promote and ensure the human rights of women at all stages of their life.

At present, under Mahalir Thittam the size of the groups is small, ranging between 12-20 to facilitate sustainability and not to exceed 20. The age limit for the membership will be 21 to 60. The members will all be married women and preference will be given to widows, divorcees, deserted and handicapped women and women belonging to SC/ST community. All members must be below the poverty line. The group members will meet every week for savings and payment and repayment and every fortnight for discussing all other matters. The agenda will be prepared and discussed in each meeting. The matters regarding savings, rotation of Sangha (group) funds, bank loans and repayments, and social and community action programme will be discussed in every meeting. Since the group functions in a democratic way, one animator and two representatives will be selected among the members instead of the usual president, secretary and treasurer set up. Animator will be the role model for the groups and for the village as a whole. The animator position will be rotated amongst the representatives once in every two years.

Linkage with Banks

All banks are lending the credit facilities to the SHGs members for production and consumption purposes on the condition of maintaining proper records, organising the group meetings, creating awareness about the women related issues and discussing various matters regarding village problems in every such group meetings.

The Women Development Corporation has insisted, the groups must maintain the relevant books of account in double entry book keeping system in order to facilitate audit or to verify the accounts. The grading of groups will be done taking into account the following activities; on the basis of meetings organised by the group (with minimum attendance of 75%) involvement of group meetings, quantum and number of savings per month, interest rate on internal loans, repayment of internal loans and books maintained by the groups.

If a group gets more than 55 of the total of 100 marks, Project Implementation Unit (PIU) of the Mahalir Thittam District Co-ordinating agency will recommend to the bank for getting outside credit to the women group. For the first year, groups are eligible for getting two and four times of total savings in the second year. The Chief Minister of Tamil Nadu has said that, twenty four thousand women groups have been formed with Membership of more than Four lakhs forty two thousand and the members have contributed more than Thirty two crores, based on which a sum of Ninety seven crores have been disbursed by the banks.

SHGs Identified with SGSY

Generally, all the government programmes are formulated for improving the economic conditions of the individual. On 1.4.99, the government of India has launched a new selfemployment programme called Swarn Jayanti Gram Swarozgar Yojana (SGSY). It covers all aspects of self-employment, viz. organisation of the rural poor into self-help groups, their capacity building, planning of activity clusters, infrastructure build up, technology, credit and marketing.

The eradication of poverty among rural poor in a period of three years is the ultimate goal of this programmes by identifying 4 or 5 viable projects the specific area with the use of locally available resource in the district. The Gram Sabha will authenticate the list of families

below the poverty line based on the Below the Poverty Line (BPL) census.
Each district will prepare project reports in respect of different activities in a specific area. The project will seek to define the different activities to be taken up, the time and cost factors, as well as the responsibility of different organisations. The banks and other financial institutions willbe closely associated and involved in preparing these reports, so as to avoid delays in sanctioningof loans and to ensure adequacy of financing.
The outside credit will be provided to the group (SGSY) on the basis of project proposal submitted by the group for agricultural and allied activities. In respect of land based activities, SGSY will focus on creation and extension of members facilities to enable the small marginal farmers to take up the activities such as horticulture, floriculture etc.
The banks will provide the subsidy to the general individual beneficiaries under the integrated programme uniformly irrespective of category of area at 30% (50% for SC/ST) of the project cost subject to a ceiling of ` 7500 (` 10000 for SC/ST). For Group beneficiaries, the existing pattern of subsidy is 50% of the cost of the scheme, subject to a ceiling of ` 1.25 lakhs.
Hence, the basic objectives of SGSY are like that of SHGs. Now SHGs are identified as one of the sub schemes of the SGSY.

MALLA REDDY ENGINEERING COLLEGE(AUTONOMOUS)

ENTREPRENEURSHIP

MODULE V

AKOJU RAMU

ASSISTANT PROFESSOR

Entrepreneurship and Law: Intellectual property Rights-Patents, Copyrights-Trademarks and Trade secrets- Licensing- franchising, Legal issues and challenges of new venture startups. Strategic perspectives in entrepreneurship: Strategic planning-Strategic actions- strategic positioning-Business stabilization- Building the adaptive firms-Understanding the growth stage-Unique managerial concern of growing ventures.

ENTREPRENEURSHIP AND LAW

Intellectual Property

Intellectual Property can be defined as inventions of the mind, innovations, literary and artistic work, symbols, names and images used in commerce. The objective of intellectual property protection is to encourage the creativity of the human mind for the benefit of all and to ensure that the benefits arising from exploiting a creation benefit the creator. This will encourage creative activity and give investors a reasonable return on their investment in research and development.

IP empowers individuals, enterprises, or other entities to exclude others from the use of their creations. Intellectual Property empowers individuals, enterprises, or other entities to exclude others from the use of their creations without their consent.

According to Article 2 of the WIPO (World Intellectual Property Organisation) – Central Organisation for the protection of Intellectual Property Laws and the expert organization of the UN, “”Intellectual Property shall include the rights relating to literary, artistic and scientific works, inventions in all fields of human endeavour, scientific discoveries, industrial designs, trademarks, service marks and commercial names and designations, protection against unfair competition, and all the other rights resulting from intellectual activity in the industrial, scientific, literary or scientific fields.””

Intellectual Property Rights

The intellectual property right is a kind of legal right that protects a person’s artistic works, literary works, inventions or discoveries or a symbol or design for a specific period of time. Intellectual property owners are given certain rights by which they can enjoy their Property without any disturbances and prevent others from using them, although these rights are also called monopoly rights of exploitation, they are limited in geographical range, time and scope.

As a result, intellectual property rights can have a direct and substantial impact on industry and business, as the owners of IPRs one can enforce such rights and can stop the manufacture, use, or sale of a product to the public. IP protection encourages publication, distribution, and disclosure of the creation to the public, rather than keeping it a secret and to encourage commercial enterprises to select creative works for exploitation.

Nature of intellectual Property

- Intangible Rights over Tangible Property: The main Property that distinguishes IP from other forms of Property is its intangibility. While there are many important differences between different forms of IP, one factor they share is that they establish property protection over intangible things such as ideas, inventions, signs and information whereas intangible assets and close relationships are a tangible object. In which they are embedded. It allows creators or owners to benefit from their works when they are used commercially.

- Right to sue: In the language of the law, IP is an asset that can be owned and dealt with. Most forms of IP are contested in rights of action that are enforced only by legal action and by those who have rights. IP is a property right and can, therefore, be inherited, bought, gifted, sold, licensed, entrusted or pledged. The holder of an IPR owner has a type of Property that he can use the way he likes subject to certain conditions and takes legal action against the person who without his consent used his invention and can receive compensation against real Property.
- Rights and Duties: IP gives rise not only to property rights but also duties. The owner of the IP has the right to perform certain functions in relation to his work/product. He has the exclusive right to produce the work, make copies of the work, market work, etc. There is also a negative right to prevent third parties from exercising their statutory rights.
- Coexistence of different rights: Different types of IPRs can co-exist in relation to a particular function. For example, an invention may be patented, and the invention photograph may be copyrighted. A design can be protected under the Design Act, and the design can also be incorporated into a trademark. There are many similarities and differences between the various rights that can exist together in IP. For example, there are common grounds between patent and industrial design; Copyright and neighbouring rights, trademarks and geographical indications, and so on. Some intellectual property rights are positive rights; the rest of them are negative rights.
- Exhaustion of rights: Intellectual property rights are generally subject to the doctrine of exhaustion. Exhaustion basically means that after the first sale by the right holder or by its exhaustion authority, his right ceases and he is not entitled to stop further movement of the goods. Thus, once an IP rights holder has sold a physical product to which IPRs are attached, it cannot prevent subsequent resale of that product. The right terminates with the first consent. This principle is based on the concept of free movement of goods which is in force by consent or right of the rights holder. The exclusive right to sell goods cannot be exercised twice in relation to the same goods. The right to restrict further movements has expired as the right holder has already earned his share by the act of placing goods for the first sale in the market.
- Dynamism: IPR is in the process of continuous development. As technology is rapidly evolving in all areas of human activities, the field of IP is also growing. As per the requirement of scientific and technological progress, new items are being added to the scope of IPR, and the scope of its preservation is being expanded. Bio Patents, Software Copyrights, Plant Diversity Protection, these are few names which reflect contemporary developments in the field of IPR. The importance of intellectual property and its mobility is well established and reflected at all levels, including statutory, administrative and judicial.

Scope of intellectual Property

The scope of IP rights is broad; two classification modes are used to determine whether IP is copyright or Industrial Property. Industrial properties include patents or inventions, trademarks, trade names, biodiversity, plant breeding rights and other commercial interests. A patent gives its holder the exclusive right to use the Intellectual Property for the purposes of making money from the invention.

An invention is itself a new creation, process, machine or manufacture. Having copyright does not give you the exclusive right to an idea, but it protects the expression of ideas that are different from a patent. Copyright covers many fields, from art and literature to scientific works and software.

Even music and audio-visual works are covered by copyright laws. The duration of copyright protection exists 60 years after the death of the creator. In other words, an author's book is copyrighted for his entire life and then 60 years after his death. Unlike patent laws, there is no requirement of the administrative process in copyright laws.

Why promote and protect Intellectual Property?

There are several reasons for promoting and protecting intellectual property. Some of them are:

1. Progress and the good of humanity remain in the ability to create and invent new works in the field of technology and culture.
2. IP protection encourages publication, distribution, and disclosure of the creation to the public, rather than keeping it a secret.
3. Promotion and protection of intellectual Property promote economic development, generates new jobs and industries, and improves the quality of life.

Intellectual Property helps in balancing between the innovator's interests and public interest, provide an environment where innovation, creativity and invention can flourish and benefit all.

Kinds of intellectual Property

The subject of intellectual property is very broad. There are many different forms of rights that together make up intellectual property. IP can be basically divided into two categories, that is, industrial Property and intellectual property. Traditionally, many IPRs were collectively known as industrial assets.

It mainly consisted of patents, trademarks, and designs. Now, the protection of industrial property extends to utility models, service marks, trade names, passes, signs of source or origin, including geographical indications, and the suppression of unfair competition. It can be said that the term ‘industrial property” is the predecessor of ‘intellectual property”.

Copyright

Copyright law deals with the protection and exploitation of the expression of ideas in a tangible form. Copyright has evolved over many centuries with respect to changing ideas about creativity and new means of communication and media. In the modern world, the law of copyright provides not only a legal framework for the protection of the traditional beneficiaries of copyright, the individual writer, composer or artist, but also the publication required for the creation of work by major cultural industries, film; Broadcast and recording industry; And computer and software industries.

It resides in literary, dramatic, musical and artistic works in ”original’ cinematic films, and in sound recordings set in a concrete medium. To be protected as the copyright, the idea must be expressed in original form. Copyright acknowledges both the economic and moral rights of the owner. The right to copyright is, by the principle of fair use, a privilege for others, without the copyright owner’s permission to use copyrighted material. By the application of the doctrine of fair use, the law of copyright balances private and public interests.

Patent

Patent law recognizes the exclusive right of a patent holder to derive commercial benefits from his invention. A patent is a special right granted to the owner of an invention to the manufacture, use, and market the invention, provided that the invention meets certain conditions laid down in law. Exclusive right means that no person can manufacture, use, or market an invention without the consent of the patent holder. This exclusive right to patent is for a limited time only.

To qualify for patent protection, an invention must fall within the scope of the patentable subject and satisfy the three statutory requirements of innovation, inventive step, and industrial application. As long as the patent applicant is the first to invent the claimed invention, the novelty and necessity are by and large satisfied. Novelty can be inferred by prior publication or prior use. Mere discovery ‘can’t be considered as an invention. Patents are not allowed for any idea or principle.

The purpose of patent law is to encourage scientific research, new technology, and industrial progress. The economic value of patent information is that it provides technical information to the industry that can be used for commercial purposes. If there is no protection, then there may be enough incentive to take a free ride at another person’s investment. This ability of free-riding reduces the incentive to invent something new because the inventor may not feel motivated to invent due to lack of incentives.

Trademark

A trademark is a badge of origin. It is a specific sign used to make the source of goods and services public in relation to goods and services and to distinguish goods and services from other entities. This establishes a link between the proprietor and the product. It portrays the nature and quality of a product. The essential function of a trademark is to indicate the origin of the goods to which it is attached or in relation to which it is used. It identifies the product, guarantees quality and helps advertise the product. The trademark is also the objective symbol of goodwill that a business has created.

Any sign or any combination thereof, capable of distinguishing the goods or services of another undertaking, is capable of creating a trademark. It can be a combination of a name, word, phrase, logo, symbol, design, image, shape, colour, personal name, letter, number, figurative element and colour, as well as any combination representing a graph. Trademark registration may be indefinitely renewable.

Geographical indication

It is a name or sign used on certain products which corresponds to a geographic location or origin of the product, the use of geographical location may act as a certification that the product possesses certain qualities as per the traditional method. Darjeeling tea and basmati rice are a common example of geographical indication. The relationship between objects and place becomes so well known that any reference to that place is reminiscent of goods originating there and vice versa.

It performs three functions. First, they identify the goods as origin of a particular region or that region or locality; Secondly, they suggest to consumers that goods come from a region where a given quality, reputation, or other characteristics of the goods are essentially attributed to their geographic origin, and third, they promote the goods of producers of a particular region. They suggest the consumer that the goods come from this area where a given quality, reputation or other characteristics of goods are essentially attributable to the geographic region.

It is necessary that the product obtains its qualities and reputation from that place. Since those properties depend on the geographic location of production, a specific link exists between the products and the place of origin. Geographical Indications are protected under the Geographical Indication of Goods (Registration and Protection) Act, 1999.

Industrial design

It is one of the forms of IPR that protects the visual design of the object which is not purely utilized. It consists of the creation of features of shape, configuration, pattern, ornamentation or composition of lines or colours applied to any article in two or three-dimensional form or combination of one or more features. Design protection deals with the outer appearance of an article, including decoration, lines, colours, shape, texture and materials. It may consist of three-dimensional features such as colours, shapes and shape of an article or two-dimensional features such as shapes or surface textures or other combinations.

Plant variety

A new variety of plant breeder is protected by the State. To be eligible for plant diversity protection, diversity must be novel, distinct and similar to existing varieties and its essential characteristics under the Plant Protection and Protection Act, 2001 should be uniform and stable. A plant breeder is given a license or special right to do the following in relation to different types of promotional material:

Produce and reproduce the material

1. Condition the material for the purpose of propagation
2. Offer material for sale
3. Sell the materials
4. Export the materials
5. Import the materials
6. The stock of goods for the above purposes

Typically, countries are protecting new plant varieties through the Sui Genis system. The general purpose of conservation is to encourage those who intend to manufacture, finance, or exploit such products to serve their purpose, particularly where they otherwise do not work at all.

The enactment of the Protection of Plant Varieties and ‘Farmers’ Rights Act 2001 is an outcome of the India’sIndia’s obligation which arose from article 27(3)(b) of the TRIPs Agreement of 2001 which obliges members to protect plant varieties either by patents or by effective sui generic system or by any combination thereof India declined to protect plant varieties by a sui generis law, i.e. the Plant Varieties Act.

TRADE SECRETS

A trade secret means Information, which is kept confidential as a secret. This is generally not known in the relevant industry, offering an advantage to its owner over other competitors. Unlike other types of Intellectual property, this trade secret is fundamentally a "do-it-yourself' type of protection. For engineers, inventors, and designers, the trade secrets are to be maintained secretly. Such trade secrets include some formulae, programmes, methods, progresses or data collections etc. If there is any improper disclosure or use of the trade secret by another person, the inventor may claim and recover damages resulting from illegal use.

TRIPS agreements offer the protection for trade secrets under the heading 'protection of undisclosed information'. The engineer in competitive field should feel their responsibility and status when they make use of such trade secrets till its disclosure. If the information of a trade secret is available through any legitimate means and if any inventor is responsible illegally for such leaking, then the trade secret may become ineligible for protection.

Enforcement of Intellectual Property Rights is definitely private rights. If anybody uses the material without the inventors' permission, the Intellectual Property right owners can use any remedies available under the civil law.

Licensing

Licensing is a major aspect of Intellectual property. A licensing agreement is a partnership between an intellectual property rights owner, known as the licensor, and another who is authorized to use such rights, known as the licensee, in exchange for an agreed payment, known as royalty. There is no transfer of ownership involved.

Licensing is a contract between a minimum of 2 parties wherein the licensor agrees to allow the licensee to share the rights enjoyed by the former subject to consideration by the latter. In an intellectual property license, the licensee is permitted to use the intellectual property, however it is subject to conditions and payment of consideration. Since it is a contract, it must satisfy all the essential mentioned under Sections 10 and 11 of the Indian Contract 1872, i.e., the contract must be between person who are major, of sound mind and not disqualified from contracting under any law and there must be free consent of parties, with a lawful object for a lawful consideration
.

The three major types of intellectual property licensing are:

1. Exclusive License: This type of license involves the exertion of intellectual property rights of the licensor by the licensee to the exclusion of all, including the licensor. Thus, only the licensee is authorized to use the intellectual property.
2. Sole License: In this license, while the licensee is permitted to use the intellectual property, the licensor is also authorized to use the property; however, such rights cannot be transferred to any third party. Only the licensor and licensee may exercise these rights.
3. Non-Exclusive License: This license allows for the licensee to exercise the rights as well as

the keeping open the scope for the licensor to exercise the rights and licensing these rights to any other third party.
Generally, licenses are a combination of these types such as giving a license for intellectual property for exclusive rights only in a particular geographic area.

Further, the World Intellectual Property Organisation broadly categorises intellectual property licenses under:
1. **Technology License Agreement:** In this license, the licensee is permitted to exercise rights related to patents, utility models or know-how protected by a trade secret owned by the licensor. The licensee is, thus, authorized to use the technology under certain conditions.

2. **Franchise or Trademark License Agreement:** Trademarks are a way of distinguishing the goods and services of one enterprise from another. The franchiser has usually gained reputation for his trademark and via a license agreement, authorizes the franchisee to make use of the trademark under certain conditions like maintaining the quality of goods and services since the goodwill of the trademark is at stake. The franchisee may provide financial resources or his own expertise.

3. **Copyright License Agreement:** Copyrights are granted over creative works such as music, cinematograph films, artistic works etc. In order for them to be reproduced and published by others, there must a be copyright license agreement between them authorizing the licensee to exercise rights over the copyright owned by the licensor.

Franchising

Definition: A continuing relationship in which a franchisor provides a licensed privilege to the franchisee to do business and offers assistance in organizing, training, merchandising, marketing and managing in return for a monetary consideration. Franchising is a form of business by which the owner (franchisor) of a product, service or method obtains distribution through affiliated dealers (franchisees).

TYPES OF FRANCHISING

Product or Trade Name Franchising

The product and trade name franchising system has evolved from suppliers or manufacturers creating sales contracts with dealers to buy or sell their products or product lines. In this relationship the dealer (franchisee) requires the trade name, trademark, and/or product from the supplier or manufacturer. The franchisee identifies with the supplier through the product line. This method of franchising consists primarily of distribution by a single supplier of manufactured products to dealers who then in turn resell this to the end consumer

Conversion

A new franchising technique allows independently operated businesses to convert to the form of an existing franchise business system. The new franchisee is expected to make changes in the existing business which would bring them into conformity with the common marketing display and trade identity.

Business Format Franchising

We will be primarily concerned with the business format method of franchising which permits the franchisee to use the franchisor's products and services, trade name, trademark, and most importantly, the prescribed business format.

The business format provides the franchisee with great depth of knowledge and information Concerning a great breadth of business activities including: marketing, promotion, site selection, price suggestions, grand opening plans, management, operations, training, financing, and accounting systems, and legal support or information. This method or business opportunity allows an individual without prior experience an opportunity to be completely trained and informed about how to operate a new and different business. This also requires the franchisor to take the franchisee through a fairly extensive training program and to provide continuous training for the franchisee even after the franchising unit has been started.

Legal Issues and Challenges of new venture startups

Starting your own work is in itself a huge thing to do. Start-ups comes with huge responsibility in all aspects, from fund raising to establishing itself in the market there are lot of risks. But when it comes to legal issues concerning start-ups, precaution is always better than cure.

Starting any new venture needs planning not only for marketing and growing the business but also to remove any legal risks that a start-up could face. Such risks can derail a start-up even before it starts successfully its business. Listed below are some of the legal challenges that a start-up could come across while setting up a commercial venture.

1. Incorrect Formation of a Company based on type of Entity:

Whenever you start your own business you are always worried with one thing i.e., Legal Registration and Documentation. The type of business selected has an influence on the funding options for the company, its tax responsibilities, and the personal liability of the owners. The right format can help save taxes as well as protect the personal assets of the proprietors in times of crisis. There are 5 categories of Legal Entity for business registration in India- 1. Sole Proprietorship Firm, 2. Partnership Firm, 3. Private Limited Company, 4. Limited Liability Partnership Firm (LLP), 5. One Person Company (OPC).

2. Not having a proper Co-Founder’s Agreement:

A co-founder’s agreement lays down all the terms and conditions between the co-founders of a start-up regarding how the business will be operated. The co-founder’s agreement is a written agreement which provides legal binding in case there is any dissonance between the co-founders.

A co-founder’s agreement must be drafted on the lines of the business and should state all the provisions relating to factors for which the co-founders are liable. The following provisions are the most important clauses of any co-founder’s agreement;

(i) Ownership Clause

(ii) Responsibilities of each member

(iii) Intellectual Property

(iv) Employment and Finances

(v) Withdrawal/Removal of Ownership

(vi) Conflict Resolution and Laws Applicable

(vii) Winding up of Business

3. Not doing proper due diligence before Fund raising:

A start-up goes through various stages of fundraising, including Angel funding, Seed Round funding and Growth/Early stage funding. After the Angel funding stage, start-ups go through further fundraising process, after having executed a term sheet, which is legal due diligence.

A legal due diligence exercise is conducted in the early stages of funding and identifies: (a) risks associated with the investment; (b) a risk mitigation plan; and (c) a list of items that would need to be introduced in the final documents in the nature of conditions precedent to funding, conditions subsequent, representations and warranties to be obtained from the founders, and indemnities.

4. Equity Distribution:

Equity is ownership. Equity represents the percentage of ownership interest in a given company. There is no right way to divide equity and it depends on the situations of each start-up. For the investors investing in a start-up, Equity means the percentage of the company's shares that a start-up is willing to sell to investors for an amount of money.

5. Having Right knowledge of Employee Stock Option Plan (ESOPS):

ESOP (Employee Stock Ownership Plan) is an employee benefit plan which provides a way of ownership interest to an employee[1]. ESOPs are actively deployed by start-ups to achieve two objectives (a) hiring the best, and (b) retaining the best for long periods of time.

In an ESOP, the company first sets up a Trust Fund and contributes shares of its own stock to buy existing shares, into the Trust Fund. This transaction of the company is taxable. The shares in the Trust Fund are allotted to an employee's account. As and when the employee reaches a higher level of seniority in the company, they get an increased right to the shares allotted to them. This process is called Vesting. Employees get taxed when they exercise their options and convert their ESOP to shares.

6. Annual Compliance:

The moment a start-up is incorporated, it is subjected to different statutory and regulatory compliances. A business registered in India is required to comply with the various annual legal compliances laid down by the Companies Act. Businesses. Registered as companies are many a times unable to keep track of their annual compliance requirements and fall under the scrutiny of the Ministry of Corporate Affairs (MCA).

The compulsory annual compliance requirements of a Private Limited Company include the following:

(i) Auditor Appointment

(ii) Board of Directors Meeting

(iii) Annual Return and Financial Statements

(iv) Maintenance of Company’s Registers and Records

(v) Company’s Income Tax Return

(vi) Event-Based Annual Compliance of Company. The Event-based compliances of a Private Limited company includes:

-Loans to other Companies.

-Loans to Directors

-Appointment of managing or full-time director.

-Change in Authorised or Paid-up Capital.

-Allotment of new shares or transfer of shares

-Opening or closing of a bank account or change in signatories of bank account.

-Appointment or change of the Statutory Auditors.

-Non-Compliance with Annual Compliance Requirements

7. Not having knowledge of Listing Requirements:

If a start-up wishes to list its securities in a stock exchange, it has to comply with the relevant SEBI regulations. These regulations pertain to the conditions that a start-up has to fulfil before it can list its securities, the disclosures that are to be made, the compliances to be followed to, etc.

8. Improper Documentation used for sale of Shares:

Start-ups sell their stock to the investors in return for funds. They require proper documentation of the agreements failing which they can get into some serious legal trouble. The Securities Laws guide the sale of securities to the investors which have their own disclosure and filing requirements. The Companies which do not follow these regulation land up in financial penalties. A properly drafted shareholder's agreements by a legal expert covering all the necessary aspects of the sale is necessary to avoid any kind of risk.

9. Not having proper Business Licenses:

Starting any kind of business requires licenses. Depending on the nature and size of business, several licenses are applicable in India. Knowing the applicable licenses for your start-up and obtaining them is always the best way to start a business. Business licenses are the legal documents that allow a business to operate. The lack of relevant licenses can lead to costly lawsuits and unwanted legal battles.

10. Ignorance of Taxation Laws:

Taxes are part and parcel of every business. There is a broad variety of taxes, such as, central tax, state tax and even local taxes that may be applicable for certain businesses. Different business and operating sectors attract different taxes and knowing this beforehand is necessary.

The Government of India launched the 'Start-up India' initiative to promote start-ups, and introduced many exemptions and tax holidays for start-ups and new businesses. According to this initiative, the recognised start-ups that are granted an Inter-Ministerial Board Certificate are exempted from income-tax for a period of 3 consecutive years out of 7 years since incorporation.[2]

11. Proper acquaintance of Labour Laws:

It is very important to have proper knowledge of the Labour laws applicable for your company. Laws with regards to minimum wages, gratuity, PF payment, weekly holidays, maternity benefits, sexual harassment, and payment of bonus among others need to be complied with.

Start-ups registered under the ‘Start-up India’ initiative can complete a self-declaration (for nine labour laws) within one year from the date of incorporation in order and get an exemption from labour inspection. The nine labour laws applicable under this scheme are:

The Industrial Disputes Act, 1947

The Trade Unit Act, 1926

Building and Other Constructions Workers’ (Regulation of Employment and Conditions of Service) Act, 1996

The Industrial Employment (Standing Orders) Act, 1946

The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979

The Payment of Gratuity Act, 1972

The Contract Labour (Regulation and Abolition) Act, 1970

The Employees’ Provident Funds and Miscellaneous Provisions Act,1952

The Employees’ State Insurance Act, 1948.

12. No Legal Protection for Intellectual Property Assets:

Another risk is no or improper protection of the Intellectual Property Rights of a company. A unique product or an idea must be shielded with a patent with the brand name, logo, etc. and must be secured with trademarks. Copyright laws must be used for obtaining the right to use original works of authorship like software or advertising content. Correctly obtained copyrights and authorship will help the organization safeguard its valuable assets from unauthorized usage and protect its right to commercially exploit the assets.

13. Contract management:

A Contract is required to ensure the smooth functioning of business and is a great mechanism to ensure recourse in case of non-fulfilment of work.

Employee contracts are one of the most crucial aspects to be looked into while starting a venture. Various provisions of the Indian Contract Act, 1872 are required to be looked into at various stages as and when required.

14. Proper Documentation of Non-Disclosure Agreements:

Non-Disclosure Agreements or NDAs need to be drafted and used by start-ups while discussing critical business information with people outside the organization as sometimes there is risks of theft of ideas or any information being shared that might be harmful for the goodwill of the company.

15. Winding up:

When a start-up decides to shut down, all the stakeholders needs to be informed about the whole process in advance. There are three ways to wind up a start-up from a legal point of view:

Fast Track Exit Mode

Court or Tribunal Route

Voluntary Closure

Conclusion

All entrepreneurs embarking on a start-up journey must search and go through all the legal factors involved and ensure that their commercial project begins smoothly and does not face any legal problems while running its operations. Most start-ups spend a lot of time developing their business and tend to neglect various legal and regulatory compliances. Therefore, it is important that the start-ups follow all the legal requirements which are necessary for the proper functioning of the Company

STRATEGIC PERSPECTIVES IN ENTREPRENEURSHIP

STRATEGIC PLANNING

Strategic and operational planning: Strategic planning sets future directions of the organization in which it wants to proceed in future. Strategic planning involves a time horizon of more than one year and for most of the organization it ranges between 3 and 5 years. Examples of strategic planning may be diversification of business into new lines, planned grown rate in sales etc. Operational planning also known of tactical planning on the other hand involves deciding the most effective use of resources already allocated to achieve the organizational objectives. The time horizon in operational planning is less than one year. Operational planning is undertaken out of the strategic planning. The examples of operational planning may be adjustment of production within available capacity, increasing the efficiency of the operating activity by analyzing past performance etc. Table gives the differences between strategic and operational Planning.

Table : Differences between strategic and operational planning.

Strategic planning	Operational planning
1. It decides major goals and policies of allocation of resources to achieve these goals.	1. It decides the detailed use of resources for achieving these goals.
2. It is carried at higher level of management.	2. It is carried at lower level of management.
3. It is long term.	3. It is short term.
4. It is based on long term forecasting considering the possible impact of political, economical, technological and competitive factors and is more uncertain.	4. It is generally based on past performance of the organization and is less uncertain.
5. It is less detailed.	5. It is more detailed.

Business stabilization

This and subsequent stages of an organisation are different from the stage where an entrepreneur identified an opportunity and set up an enterprise. Now an entrepreneur graduates to become a manager. He has to undertake the functions of a manager such as planning, organising, coordinating and control. Several enterprises fall sick partly because they do not get adjusted to the new responsibility of a manager.

This is essentially the stage when a new enterprise gets settled down and stabilises its activities. This is where we find entrepreneurs start getting orders regularly and supply stabilises. The firm's sales crosses the break even point for the first time at this phase. Also in the light of increased capacity utilisation the firm gets more inflow of cash than outflow.

Stabilisation phase can be treated as one of the most critical periods in the life of any enterprise. This is especially so in the case of SSE mainly because the entrepreneur has to run a one-man show taking care of most of the operations. He will have to spend enormous amount of time on the new enterprise. It is like taking care of a new born baby until it can manage its affairs on its own. -The entrepreneur has not only to have a long-term vision and strategy for the organisation, but also have adequate knowledge to solve problems arising in areas such as finance, marketing, production and personnel.

In short, the major challenge will be in terms of manufacturing a product or providing a service which will be commercially acceptable in terms of price and quality and establishing a place for it in the market place. This is the process of creating an identity for the firm in the commercial society. In most cases, entrepreneurs start with a single product or service. In the following paragraphs we shall see some of the critical areas of concern at this phase and the possible strategies to overcome them.

Cost and Time Overruns Very often entrepreneurs believe that what has been planned in the project report would come true, and there would be no time and cost overruns. In reality, all assumptions made regarding completion of procedures, availability of finance, input and market conditions do not hold good when the firm starts commercial operation. To elaborate, if an entrepreneur has already spent all funds available On creation of fixed assets, resulting in cost overruns, there will be hardly anything left for working capital margin money. As a result, the firm will not be able to maintain the level of operation projected earlier affecting its profitability badly. Under such circumstances, the entrepreneur will have to review his plans for working capital management. If more funds are invested in fixed assets than anticipated, the break even level of operation of the firm would go up, again affecting its profitability. Also, because of time overruns, if competitive position of a new enterprise is threatend by environmental changes, the entrepreneur may have to review both input and output strategies to be competitive.

This calls for reassessment of the project, not only its external environmental opportunities and threats, but also internal strengths and weaknesses. The enterprise strategy has to be reformulated in the light of such an exercise; accordingly, functional strategies also will need revision. New small entrepreneurs are best advised to make realistic or rather conservative estimates and keep enough liquidity to cope with changed-situations.

Building Strengths All enterprises require certain strengths, but they vary from firm to firm depending on the size, nature and level of competition. Most entrepreneurs may not initially possess multifaceted skins-required to adequately attend to all the functional areas. Deficiencies in any area would naturally affect operations of an enterprise to small or large extent depending on the criticality of the function. For instance, several technically qualified entrepreneurs who can produce high quality products miserably fail for lack of marketing skills or for, improper costing and pricing. Cost conscious financial experts, on the other hand, often fail to produce good quality products acceptable to customers.

Despite their limitations, many entrepreneurs successfully tackle stabilisation problems. They are aware of their strengths and weaknesses and the criticality of each Performance Appraisal 20 and Growth Strategies function. They handle functions where they are confident of their strengths, but try to acquire additional strengths wherever and whenever required. Some entrepreneurs possessing expertise in production ask other organisations to carry out the marketing tasks for them. They may either continue this arrangement or start marketing on their. own after some time once they have acquired enough expertise.

It is clear from the above discussion that entrepreneurs should be realistic about their strengths and weaknesses. If they do not possess some critical strengths, they should either build them or recruit/associate with others to have the benefit of their specific strengths. It will be suicidal to venture into entrepreneurial activities without recognising the strengths required to exploit opportunities and thwart threats, and the willingness to build strengths whenever required.

Coping with Competition In the conventional sense competition is considered only in the marketing context. Porter (1980) has, however, shown that this is a limited vision. In fact, an entrepreneur faces competition from four sources: existing firms in the same line of activity, suppliers of inputs, buyers of product or service, and possible substitutes. It is the bargaining power a firm has against each of these constituents which determines its competitive position,. For instance, while projecting the market demand, very often entrepreneurs do not anticipate the ways in which firms in the same activity would react. If the market size is vast and the new entrant is insignificant in terms of size of operation, retaliation from competitors will be minor. There are, however, situations where a next door neighbouring shop might retaliate badly for sheer survival. Suppliers of materials, labour and infrastructure also might change their strategies based on the changed situation emerging from the entrance of a new entrepreneur. Similar might be the effect on buyers and possible substitutes. The basic rule to follow in such circumstances is to "Know thy competitors well, their strengths, weaknesses and strategies".

Recruitment and Retention of Personnel One of the major problems faced by new enterprises is identification, recruitment and retention of the right kind of personnel. A new enterprise is generally weak in terms of an established name and ability to offer very attractive terms of employment. Above all, an entrepreneur should recruit the right kind of people who could contribute to the success of the organisation. Their attitude to work, temperament etc. are important considerations for a good entrepreneur. These conditions are not likely to motivate good quality people to join such a new enterprise. They would be concerned about factors such as lower than average remuneration and other terms, risk of losing job, and lack of job satisfaction.

An entrepreneur should be clear about his personnel policy from the very beginning. Several entrepreneurs use their social contacts to recruit people. Some of them explain to their employees the enterprise mission and strategies. They might offer part ownership in enterprises or have some profit sharing schemes. The enterprise strategy towards personnel should be formulated based on these realities.

Avoid Overtrading In their eagerness to grow fast, some entrepreneurs tend to undertake more work than what they could really do with the available resources, leading to overtrading. Such instances might result in imbalances in the system such as building up of inventories or receivables without leaving enough cash to carry on operations. This results in effective reduction in working capital and could lead to industrial sickness unless rectified in time. Entrepreneurs have to remember that they should bite only what they could chew.

Developing Systems Closely linked to strategy is the control systems in any enterprise. Although, no formal systems could be noticed in a new enterprise at this phase, the entrepreneur should start working on the development of systems of control. It is when systems get established that entrepreneur finds more time for developing new strategies. In short, stabilisation strategies are critically important for the very survival of the enterprise. It is entrepreneurs who can keep on expanding activities in the beginning according to organisational capabilities. are the ones who can cross the stabilisation Strategies for Stabilisation phase successfully. Several entrepreneurs remain in this phase for lack of any clear strategy. We have to remember that a new enterprise is like a new baby; it needs attention, tender care, but no overfeeding. Similarly, a new baby should not be forced to walk or run before it learns to crawl and sit.

As an enterprise gets stabilised, it has to start thinking in terms of its growth, unless, of course, the entrepreneur consciously decides not to grow. In the rest of this unit we shall see what growth strategies are and how such strategies help firms achieve fast growth. Discussion related to stabilisation strategies such as overtrading will continue to be relevant even in this stage.

Activity

Talk to at least 3 entrepreneurs who have recently set up their small enterprises. What were their problems in the phase-of stabilisation? What were the copying strategies they used to get over these problems?

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Can you suggest some suitable alternatives to these entrepreneurs (looking to their specific problems) for their stabilisation related problems.

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