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Paper 3: - Entrepreneurship Development

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Paper 3: Entrepreneurship Development

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UNIT –I

Entrepreneurship Development

Entrepreneurship Development: Concept, Importance, and Function of Enterprise, Goal Determination: Problem, Challenges and Solutions.

Nature of Entrepreneurs:

Entrepreneur:

As we know that Entrepreneur is a person who start a business, by taking considerable risk. **Entrepreneurs** who prove to be successful in taking on the risks of a startup are rewarded with profits, fame, and continued growth opportunities.

The dictionary says an entrepreneur is one who "organizes, operates, and assumes the risk in a business venture in expectation of gaining the profit."

It is a process of evolving one's skills in a systematic manner

An **Entrepreneur** is a person who has a role of an industrialist and forms an organization for the commercial use. He is a change agent who transforms the demand into supply by forecasting the needs of the society.

The entrepreneurs are the creators who design and develop a theme an idea and incorporate it with their commitment.

The Entrepreneur in common is a Business Leader having an Idea in mind and pots the same into developing a Firm or enterprise and fostering Economic Growth and Development.

Definition:

An Entrepreneur is an individual who undertakes the creation, organization, ownership, and risk of a business. It should also address basic personal and societal benefits of Entrepreneurship, as well as examples of local and national Entrepreneurs.

As per **A.N. Whitehead** "A great society in which its men think of and practice entrepreneurship".

As per **Peter F Drucker** "The Emergence of entrepreneurial society may be a major turning point in history".

As per **R. T. Ely** "Entrepreneur is an person who organizes and direct the production factor".

As per **James Burn** “Entrepreneur is a person or group of persons responsible for the existence of a new industrial enterprise”.

Oxford English Dictionary “One who undertakes a enterprise specially a contractor acting as intermediary between capital and labour”.

As Per **Frantz** “The Entrepreneur is more than a manager. He is an innovator and promoter as well”.

Concept of Entrepreneurship: -

The process of launching, developing and running a business venture along with its financial risks is called entrepreneurship.

In simple terms, it is the willingness to launch a new business venture. It is very important for the economic development of the expanding global marketplace. A person who undertakes entrepreneurship is called an Entrepreneur.

Definition of Entrepreneurship are as below:

As per **Joseph Schumpeter** “Entrepreneurship is an innovative function. It is a leadership rather than an ownership”.

As Per **H.W Johanson** “Entrepreneurship is a composite of three basic elements – invention, innovation and adaptation”.

As per **Peter** “Maximization of opportunities is meaningful in business indeed a precise definition of the entrepreneurial job“.

As per **Richman & Koppan** “Entrepreneurship implies more creative, external or open system orientation. It involves innovation, risk bearing and relatively dynamic leadership”.

As per **Robert Lamb** “Entrepreneurship is that form of social decision making performed by economic innovators”.

Concept of Entrepreneurship Development: -

Entrepreneurial Development plays vital role in present time, as it is a key to Economic Development. In today’s Economy if we are talking about Industrial Development, Growth in small scale sector, Growth in regional sector plays a very crucial role and it is required for Employment Generation. The more the industries will open the more people got employability. So for economic development initiation, motivation and help is required by entrepreneur who wants to open an Enterprise and start their Business.

Entrepreneurship development is the process of improving/ increasing the skills and knowledge of Entrepreneurs through various training & Development programs and classroom programs, future study of similar business and working expertise.

The main aim of Entrepreneurship Development subject is to increase the number of entrepreneurs for present Economic Development.

That's why it is rightly said that Entrepreneurship is one of the most important initiative and Input in the Economic Development of a Country. As we know that the nature of a developing Economy is quite different from a developed Economy.

The process of Entrepreneurship Development is nothing but helping the Entrepreneurs Develop their skills through training and application of that training. It instills in them the quality of making better decisions in the day to day business activities.

Entrepreneur →	Entrepreneurship →	Enterprise
The Person/ The Actor Subject	The Process/The Act Verb	The Outcome Object

Diagram: SVO Analogy

Concept of Entrepreneurial Development Program (EDP):-

EDP may be defined as "A Program designed to help an individual in strengthening his entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively".

Importance of Entrepreneurship: -

I. **Entrepreneurs create jobs:** Entrepreneurs, in addition to employing themselves, also create a number of job opportunities with their business venture. And as their businesses grow, more job opportunities are created, thereby reducing unemployment.

II. **Entrepreneurs create change:** When an entrepreneur makes a product in the hopes of solving a problem or when they explore a new idea, it brings a change into the world. Their ambitions and ideas thus improve the world.

III. **Entrepreneurs give to the society:** It is a common notion that the rich are greedy, but it is mostly wrong. The more money they make, the more in taxes they pay which in turn funds social services.

IV. **Renowned Entrepreneurs deeds for society:** Some entrepreneurs as we know, like Bill Gates, the founder of Microsoft, are the biggest donors to charities and non-profits

1. Entrepreneurs can change the way we live and work.
2. If successful, their revolutions may improve our standard of living.
3. In addition to creating wealth from their entrepreneurial ventures, they also create jobs
4. Help in changing the conditions for a flourishing society.
5. The objectives of industrial development, regional growth, and employment generation depend upon entrepreneurial development.

Features of Entrepreneurs: -

Features of Successful Entrepreneurs are as below:-

1. **Hard work:** the job of an entrepreneur is not easy, they have to bear their own risk of business and they have to apply their own mind to design and uplift their business.
2. **Desire for High Achievement**: To take experience of various business afterwards to sacrifice their time, efforts, energy and wealth towards establishment of their business. The one who have real desire to open up an enterprise and produce some product in their units are pay high attention towards it. Then they achieve profit and satisfaction at last.
3. **Highly Optimistic:** Only to desire is not much for a human being, to incorporate time, money, energy and apply it on right side for development towards enterprise. An entrepreneur is an optimist person.
4. **Independence:** Entrepreneur who established a unit are solely responsible for smoothly running of that unit. Independently a person design and develop their own business by taking assistance and help from various financial institution and from govt.
5. **Foresight:** An enterprise when established has to face various future problems like labour, capital, money, place, change of govt, availability of resources etc. so future anticipation is very necessary to establish a business unit.
6. **Good Organizer**: For an entrepreneur it is very important to design and plan the activities of future. What kind of production will be done tomorrow , who will

engage in them, what men, machine, material, process will be followed, what are the system and techniques will be design, and prototype of which is checked prior.

7. **Innovative.** Innovation Introduces

    i. New Quality of Product.
    ii. New Product.
    iii. New Organization Structure.
    iv. New Sources of Material.
    v. New Market.
    vi. New Idea.

    Every entrepreneur always try to introduce some new changes, equipment's and techniques in doing business. These person introduce or search new market, new product design techniques, new product, new equipment's, new raw material or different types of raw material.

8. **Risk Taker / Risk-Taking:** To in build a business need to apply huge investment, establish capital and take risk of designing and establishing new business. An entrepreneur is the person who take risk to start the venture, apply their capital, energy, time and intellect to develop the business and analyses all the aspects of business like internal and external environments etc.

9. **Perseverance:** "If you not succeed once try again" this attitude is very beneficial in an entrepreneur for making his/her business a success, it means that few people are able to achieve great things in life, So it is really an important aspect of successful entrepreneurship

10. **Team Spirit:** Every individual is skilled in any one area on which they have expertise. So if a team is designed having different personnel of different expertise, intelligence, knowledge in their work, efficient and effective in their working. Than these team is defiantly work together and accomplish the given task. Entrepreneur always design good team and time to time check the cooperation, commitment, compatibility of these group and for good result motivate them and solve their minor disputes.

11. **Good Communicator:** An entrepreneur is a good communicator he or she explain to the workers what is to be done, when it is to be done, who is to do it, how the work will perform, what are the expected time involve to do the tasks. When things can be explained to all the subordinates properly then ever task and process will be running smoothly, if any discrepancies find out then it will solve by mutual consent.

12. **Maintain Healthy Relationship**: Relationship is the key for success to maintain cordial relations with peer members, subordinate, labor and to maintain healthy

relationship importantly with investors, vendors, customers and marketers. For running a successful business and any venture maintaining healthy relation is necessary. In contingency situation also these relations helps and vendor send the raw material on time.

13. **Systematic Activity**: Business itself is an activity, it's a huge activity or it is a system involve many activities, these activity needs proper planning, organizing, coordinating, commutation, staffing and most importantly direction. Direction of activity is very crucial task for an entrepreneur he /she has to act like leader, manager etc. proper design and control of activity result in smooth functioning of system.

14. **Lawful and Purposeful Activity:** To run a business require understanding of many laws like law related to establishment of firm, law related to labor, law related to various tax liabilities, law related to stamp duty etc. Every businessman or entrepreneur will be adhere to all such rules and regulations and then they were ready to fulfill those at a given point of time. Every business and businessmen have their own purpose for establishing and running their business units.

15. **Organization of Production:** In a business unit production is the main process performed by human being with the help of predetermine planning of usage of raw material, machine and techniques. To develop some product or services with some unique features and quality is the main motto of every businessman. For better results regarding production checking of everything are required like, raw material quality, delivery time, price of product, tagging of product, proper details how to use the product, proper packaging, proper labelling etc.

Qualities of an Entrepreneur:

The important qualities of an entrepreneur are listed below:

1. Innovation:

An entrepreneur is basically an innovator who tries to develop new technology, products, markets, etc. Innovation may involve doing new things or doing existing things differently. An entrepreneur uses his creative faculties to do new things and exploit opportunities in the market. He does not believe in status quo and is always in search of change.

2. Assumption of Risk:

An entrepreneur, by definition, is risk taker and not risk shirker. He is always prepared for assuming losses that may arise on account of new ideas and projects undertaken by him.

This willingness to take risks allows an entrepreneur to take initiatives in doing new things and marching ahead in his efforts.

3. Research:

An entrepreneur is a practical dreamer and does a lot of ground-work before taking a leap in his ventures. In other words, an entrepreneur finalizes an idea only after considering a variety of options, analyzing their strengths and weaknesses by applying analytical techniques, testing their applicability, supplementing them with empirical findings, and then choosing the best alternative. It is then that he applies his ideas in practice. The selection of an idea, thus, involves the application of research methodology by an entrepreneur.

4. Development of Management Skills:

The work of an entrepreneur involves the use of managerial skills which he develops while planning, organizing, staffing, directing, controlling and coordinating the activities of business. His managerial skills get further strengthened when he engages himself in establishing equilibrium between his organization and its environment. However, when the size of business grows considerably, an entrepreneur can employ professional managers for the effective management of business operations.

5. Overcoming Resistance to Change:

New innovations are generally opposed by people because it makes them change their existing behavior patterns. An entrepreneur always first tries new ideas at his level. It is only after the successful implementation of these ideas that an entrepreneur makes these ideas available to others for their benefit. In this manner, an entrepreneur paves the way for the acceptance of his ideas by others. This is a reflection of his will power, enthusiasm and energy which helps him in overcoming the society's resistance to change.

6. Catalyst of Economic Development:

An entrepreneur plays an important role in accelerating the pace of economic development of a country by discovering new uses of available resources and maximizing their utilization. To better appreciate the concept of an entrepreneur, it is desirable to distinguish him from an entrepreneur and promoter.

TYPES OF ENTREPRENEUR: -

Entrepreneurs are found in every system and in every form of economic activity. They are found amongst artisans, traders, importers, engineers, exporters, bankers, industrialists, farmers, forest workers, tribe's, professionals and so on. They are also found among politicians, theologizes, bureaucrats etc. The nature of entrepreneurs differs according to their functions.

The various types of entrepreneurs are classified on certain bases. Some important classifications are discussed below:

I. On the Basis of Stages of Economic Development: -

'Clarence Danhof' classifies entrepreneur into four type :

1. **Innovative:** An Innovating entrepreneur is one who introduces new products, new methods of production and new technology.
2. **Imitative or Adoptive:** Imitative entrepreneur is characterized by readiness to adopt successful innovation initiated by innovating entrepreneurs.
3. **Fabian:** Fabian entrepreneurs are characterized by very great caution and skepticism in experiment in any change in heir enterprises. They imitate only when it becomes perfectly clear that failure to do so would result in a loss of the relative position in the enterprise. Fabian entrepreneurs are lazy and shy. They lack the will to adopt new methods of production.
4. **Drone**: These are characterized by a refusal to adopt opportunities to make changes in production formulae even at the cost of severely reduced returns. Drone entrepreneur is one who follows the traditional methods of production.

II. On the Basis of Attitude and Knowledge: -

Author H. Cole classified entrepreneurs as: -

1. **Empirical: -** He hardly introduces anything revolutionary.
2. **Rational:** - He introduces changes which look more revolutionary.
3. **Cognitive:** He draws upon the advice and services of experts. He introduces changes that reflect complete break from the present situations.

III. On the Basis of type of Business Occupations: -

We may broadly classify then as follows :

1. **Business Entrepreneur : -**They conceive an idea for a new product of services and then

create a business to materialize their idea into reality. They exploit new business opportunity. They set up and promote business units.

2. **Trading Entrepreneurs: -**They undertake buying and selling activities. They are not concerned with the manufacturing work.

3. **Industrial Entrepreneur: -**He is product-oriented man. He makes long-run plans in terms of new products, tomorrow's markets and future growth. He converts resources into economic utilities and values.

4. **Corporate Entrepreneur: -** Such an entrepreneur has vision and imaginative skill to organize and manage a corporate undertaking. He plans, develops and crates a corporate legal entity.

5. **Agricultural Entrepreneur: -** Such entrepreneurs undertake agricultural activities. They raise and market crops, fertilizers and other inputs of agriculture.

IV. On the Basis of Use of Technology

1. **Technical: -** Such entrepreneur possesses technical expertise and know-how.

2. **Non-Technical: -** He simply deals with developing alternative marketing and distribution strategies to promote his business.

3. **Professional: -** Such entrepreneur is interested in establishing a business. He takes no interest in managing or operating it once it is established.

V. On the Basis of Ownership

1. **Private:** - Private entrepreneur is motivated by profit. He never enters those sectors of economy in which prospects of earning profit are discouraging.

2. **Public: -**In the underdeveloped countries the government acts as entrepreneur and undertakes economic activities with the object of public welfare and prosperity. The government runs the enterprises to promote development of the country.

3. **Joint: -** Joint enterprises is a partnership is an association of persons who have voluntarily joined together to achieve common economic ends. Its main object is rendering services to its members. Members make equitable contributions to the capital required**.**

4. **Co-operative: -**Co-operative entrepreneurship is an association of persons who have voluntarily joined together to achieve common economic ends. Its main object is rendering services to its members. Members make equitable contribution to the capital

required.

VI On the Basis of the Scale of Entrepreneurs

1. Small Scale Resources: -This entrepreneur is found in the underdeveloped countries. He does not possess the necessary abilities and resources to initiate large scale production. He is not able to introduce revolutionary technological changes.

2. Large Scale: - Large scale enterprises are established in the developed countries. Big entrepreneurs possess huge capital resources, necessary technical and skill to introduce new production changes.

VII. Other Types of Entrepreneurs: -

1. Pure Entrepreneur: - He is motivated by psychological and economic rewards. He starts activities for his personal satisfaction is work, ago or status.

2. Induced Entrepreneur: - Such entrepreneur is induced to take up an entrepreneurial task due to the policy measures of the government.

3. Motivated Entrepreneur: - Such an entrepreneur is motivated by the desire for Self fulfilment. He is also motivated by the desire for innovations and profit.

4. Growth Entrepreneur: - These entrepreneurs choose an industry which has high growth prospects.

5. Super-Growth Entrepreneur: - He is an individual who has shown enormous growth performance in has venture.

6. First-Growth Entrepreneur: - He is one who starts an industrial unit by means of an innovative skill.

7. Modern Entrepreneur: - He is one who undertakes those ventures which go well along with the changing demand in the market. He cares for the current marketing needs.

8. Intrapreneurs: - It is the practice of beginning and developing new business ventures within the structure of an existing organization. Intrapreneurs found their management not receptive to new ideas. Hence they left their parent organization and stared ventures of their own.

9. Copreneurs: - It is related to the married couples working together in a business. When a married couple shares ownership, commitment and responsibility for a business, they are called 'copreneurs'.

10. Young Entrepreneurs: - Today young people are choosing entrepreneurship as their primary career path. They are setting the pace in starting businesses.

11. Part-Time Entrepreneurs: - Starting a part-time business is a popular gateway to entrepreneurship. Part-time entrepreneurs can easily enter into business without sacrificing their service benefits. They have lower risk in case the venture flops. Many part-timers can test their "entrepreneurial skill" to see whether their business ideas will work or not.

The Four Types of Entrepreneurship:

1. **Small Business Entrepreneurship:-** Small businesses are grocery stores, hairdressers, consultants, travel agents, internet commerce storefronts, carpenters, plumbers, electricians, etc. They are anyone who runs his/her own business. They hire local employees or family. As they can't provide the scale to attract venture capital, they fund their businesses via friends/family or small business loans.

   For Example:- Small business entrepreneurship include hairdressers, grocery stores, electricians, carpenters, plumbers, consultants, etc.
2. **Scalable Startup Entrepreneurship:-** These entrepreneurs start a company knowing from day one that their vision could change the world. They attract investment from equally crazy financial investors – venture capitalists. They hire the best and the brightest. Their job is to search for a repeatable and scalable business model. When they find it, their focus on scale requires even more venture capital to fuel rapid expansion.

   For Example:- Scalable startup entrepreneurship include Facebook, Instagram, Online shopping for electronics, etc.
3. **Large Company Entrepreneurship:** Large companies have finite life cycles. Most grow through *sustaining innovation*, offering new products that are variants around their core products. Changes in customer tastes, new technologies, legislation, new competitors, etc. can create pressure for more *disruptive innovation* – requiring large companies to create entirely new products sold into new customers in new markets. Existing companies do this by either acquiring innovative companies or attempting to build a disruptive product inside.

Ironically, large company size and culture make disruptive innovation extremely difficult to execute.

For Example:-Large company entrepreneurship include Google, Microsoft, Samsung, etc.

4. **Social Entrepreneurship:** Social entrepreneurs are innovators who focus on creating products and services that solve social needs and problems. But unlike scalable startups their goal is to make the world a better place, not to take market share or to create to wealth for the founders. They may be nonprofit, for-profit, or hybrid.

Other classification of Entrepreneurship by Author Hans Schollhammer are:

Hans Schollhammer (1980) has classified entrepreneurship into five categories such as administrative, opportunistic, acquisitive, incubate and imitative entrepreneurship. But with the change of time Entrepreneurship classification has increased.

Entrepreneurship is classified in Nine Types:

1. Administrative Entrepreneurship: - The entrepreneurial activity under this category is centered on administrative techniques and functions. It gives a new option to handle prevailing or future situations in a more effective way that provides advantages and competitive edge. Total Quality Management, job redesigning, new techniques of doing things, participative management or management by consensus is a few of the examples of administrative entrepreneurship that increases overall organizational efficiency and that nukes the firm successful and sustainable in the competitive market environment. The old age pension scheme is such an administrative entrepreneurship of the government of Bangladesh.

2. Opportunistic Entrepreneurship: - There is a proverb “Hit! While the iron is hot”. It is the best exhibit of the characteristic of this category of entrepreneurship. Environmental changes always offer new opportunities. But everybody is not equally capable of identifying and to utilize that opportunity on time. The entrepreneurship that identifies, exploits and executes the opportunity in the first hand regarded as opportunistic entrepreneurship.

3. Acquisitive Entrepreneurship: - The entrepreneurship that learns from others competencies is acquisitive entrepreneurship. It acquires something new of value front, the competitive environment or achieves the competitors' technical capacities. It keeps the entrepreneurship sustainable in the competitive environment. The failure never restraints them from acquisition but motivates them further to discover such a thing with a new visitor.

4. Incubate Entrepreneurship: - This category of entrepreneurship generates and nurses new ideas and ventures within the organization. It executes them in a productive manner and ensures material gain for the organization. They pursue and help to get differentiated technologies to promote creations and innovations Microsoft, Nokia etc. always incubates new varieties types of product and creates product differentiation in the market.

5. Imitative Entrepreneurship: - The entrepreneurship that imitates a good or service operating in the market under a franchise agreement is the imitative entrepreneurship. It is the medium that spread technology over the world. It adopts an existing technology in countries over the world. It also adopts an existing technology with minor modification appropriate to the local condition.

6. Private Entrepreneurship: - The entrepreneurship that is initiated under private sector is private entrepreneurship. The Government gives various support services through private and public concerns that encourage private initiative in taking entrepreneurial ventures.

A layer and mutual relationship between private and public sectors would make economic development speedy and balanced.

7. Public Entrepreneurship: - The entrepreneurship that is undertaken by the government through its various development agencies is public entrepreneurship. All countries, developed or underdeveloped, take a public initiative in venture ideas to fulfill the initial deficiency of private entrepreneurs.

8. Individual Entrepreneurship: - The entrepreneurship that is undertaken by an individual or a family with the personal initiative is individual entrepreneurship.

9. Mass Entrepreneurship: - This type of entrepreneurship emerges in an economy where a favorable climate of motivation and encouragement exist for developing a wide range of entrepreneurship among general mass is mass entrepreneurship. It increases small and medium enterprises in a country.

FUNCTIONS OF AN ENTREPRENEUR:-

An entrepreneur performs all the necessary functions which are essential from the point of View of operation and expansion of the enterprise.

The main functions of entrepreneur are as follows: -

1. Idea generation and scanning of the best suitable idea.
2. Determination of the business objectives.
3. Product analysis and market research.
4. Determination of form of ownership/organization
5. Completion of promotional formalities.
6. Raising necessary funds.
7. Procuring machine and material.
8. Undertaking the business operations.

We also classified all the entrepreneurial functions into three broad categories:

(1)Risk bearing functions

(2) Organizational functions

(3) Innovative functions

Broadly classified Functions of Entrepreneur are:

1. **Managerial Functions: These Functions are**

i. **Planning:** For any Business establishment there is first & foremost need is planning. Planning is always pre-determined course of action. When we planning today it will work out for tomorrow. An entrepreneur decide how to make, what to made, what process to be done, when it is to be done, In what way it is to be done, who will do it, where it is to be done.

ii. **Organizing:** In organizing an entrepreneur has to determine activities, classify activities and allocate it given task to persons, make coordination and evaluate all things properly time to time. It refers to bring together men, machine, material, money etc. This fun provides purposive, integrated and cooperative action by many people jointly in an organization.

iii. **Staffing:** Staffing function involve working from men or from human being. So it involve database of personnel available etc. training and development of people etc.

As per **L.** F. Urwick "Business houses are made or broken in the long run not by markets or capital, patents or equipment's but by men".

As per **Andrew Carniege's** "Take my people and leave my factory, soon grass will grow on the floor, take my factory and leave my people, soon we shall build a better factory".

iv. **Directing**: for establishing business this function is vital as director start the business, planned everything and then incorporate all things to set up an enterprise. Director act like leader, who manages men, machine, material and influence employees for proper working.

v. **Controlling**: It is the final or last function of management where entrepreneur have check or control on all activity for smooth functioning , as per the designed plans activities going or not. Compare actual performance with target performance.

2. Entrepreneurship Functions.

3. Promotional Functions.

4. Commercial Functions.

5 Societal Functions.

Factors affecting Entrepreneurship:

As much appealing the idea of entrepreneurship may seem, there are a few factors to be kept in mind before choosing when and where to start your business. Some of the factors that affect entrepreneurship are:

- **Political Factors:** The market in a place can be capitalistic, communistic or a mixture of both. Capitalism requires innovation while communism requires entrepreneurs and the political class to be well connected with each other. Ideally, a country should be capitalistic for entrepreneurship to flourish in the region.
- **Legal Factors:** The strength and fairness of the judicial system in a country has a big role to play in the quality of entrepreneurship. This is because entrepreneurs in many cases might require the courts to enforce the contracts agreed between two parties. But in many countries, such contracts are not enforced properly, and this risk prevents the development of entrepreneurship in those countries.
- **Taxation:** Governments sometimes resort to excessive taxation as they adopt the policy of taking from the rich and giving it to the poor. However, the basic principle of entrepreneurship believes in the survival of the fittest and the excessive taxation rule contradicts it. Hence, entrepreneurs want to set up businesses in places where there is very little interference from the government on taxation.
- **Capital Availability:** Capital is the first requirement to start risky ventures and they might also require instant capital to scale up the business once an idea becomes successful. Therefore, entrepreneurship helps the economies to grow in those countries where there is a well-developed system of providing capital at every stage i.e. seed capital, venture capital, private equity as well as stock and bond markets.
- **Labor and raw materials:** Availability of skilled labor and required raw materials at reasonable prices are an important factor for the launching of a business venture in a region. Countries like India, Bangladesh and China have witnessed a huge rise in entrepreneurial activities because of the labor markets being favorable for them.

CHARACTERISTICS OF SUCCESSFUL ENTREPRENEURS: -

Considerable research has been dedicated to the task of identifying the traits and characteristics of the typical entrepreneur.

According to John Hornaday the characteristics of successful entrepreneurs are as follows:

- Self-confidence
- Energy, diligence
- Ability to take calculated risk
- Creativity
- Flexibility
- Positive Response to Challenges
- Dynamism, Leadership
- Ability to get along with people
- Responsiveness to suggestions
- Responsiveness to criticism
- Knowledge of market
- Perseverance, determination
- Resourcefulness
- Need to achieve
- Initiative
- Independence
- Foresight
- Profit orientation
- Perceptiveness
- Optimism
- Versatility
- Knowledge of product and technology

Unit 2

Project Proposal / Business Plan

Project Proposal: - Need & Objects, Nature of Organization, Production Management, Financial Management, Marketing Management, Consumer Management.

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 is a project proposal, a proposal to start a venture invest capital and for this a business plan has to be designed.

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.

SCOPE AND VALUE OF THE BUSINESS PLAN:-

The business plan must be comprehensive enough to address the concerns of employees, investors, bankers, venture capitalists, suppliers, and customers. Three perspectives need to be considered:

- The entrepreneur understands the new venture better than anyone.
- The marketing perspective considers the venture through the eyes of the customer.
- The investor looks for sound financial projections.
- The depth of the business plan depends on the size and scope of the proposed venture.

The business plan is valuable to the entrepreneur and investors because:

1. It helps determine the viability of the venture in a designated market.

2. It gives guidance in organizing planning activities.

3. It serves as an important tool in obtaining financing.

Potential investors are very particular about what should be included in the plan. The process of developing a business plan also provides a self-assessment of the entrepreneur. This self-evaluation requires the entrepreneur to think through obstacles that might prevent the venture's success. It also allows the entrepreneur to plan ways to avoid such obstacles.

WRITING THE BUSINESS PLAN:-

The business plan should be comprehensive enough to give a potential investor a complete understanding of the venture.

Introductory Page:-

- The title page provides a brief summary of the business plan's contents, and should include:
- The name and address of the company.
- The name of the entrepreneur and a telephone number.
- A paragraph describing the company and the nature of the business.
- The amount of financing needed.
- A statement of the confidentiality of the report.
- It also sets out the basic concept that the entrepreneur is attempting to develop.

Executive Summary: -

This is prepared after the total plan is written. It should be three to four pages in length and should highlight the key points in the business plan. The summary should highlight in a concise manner the key Points in the business plan.

Issues that should be addressed include:

1. Brief description of the business concept

2. Any data that support the opportunity for the venture.

3. Statement of you this opportunity will be pursued.

4. Highlight some key financial results that can be achieved

5. Because of the limited scope of the summary, the entrepreneur should ascertain what is important to the audience to whom the plan is directed.

Environmental and Industry Analysis:-

The entrepreneur should first conduct an environmental analysis to identify trends and change occurring on a national and international level that may impact the new venture.

Examples of environmental factors are:

- Economy
- Culture
- Technology
- Legal concerns

All of the above external factors are generally uncontrollable. Next the entrepreneur should conduct an industry analysis that focuses on specific industry trends Some examples of industry factors include:

• Industry demand

• Competition

The last part of this section should focus on the specific market. This would include such information as who the customer is and what the business environment is like. The market should be segmented and the Target market identified.

Description of the Venture:-

The description of the venture should be detailed in this section. This should begin with the mission Statement or company mission, which describes the nature of the business and what the entrepreneur hopes to accomplish.

The new venture should be described in detail, including the product, location, personnel, background of entrepreneur, and history of the venture. The emphasis placed on location is a function of the type of business. Maps that locate customers, competitors, and alternative locations can be helpful. If the building or site decision involves legal issues, the entrepreneur should hire a lawyer.

Evaluating Business Plans:-

The following areas are of interest to lenders and investors:

a) The purpose of the loan (expansion or startup business)

b) Sources and uses of the funds

c) Management of the business

d) Industry information

e) Financial analysis

f) Collateral (secured)

g) Personal debt/credit history of borrower

Technical Business Plans may be evaluated on the following:

1. Viability
2. Management background
3. Market advantage
4. Technology

A. **Viability**

Definition:-The viability of a business is measured by its long-term survival, and its ability to have sustainable profits over a period of time. If a business is viable, it is able to survive for many years, because it continues to make a profit year after year. The longer a company can stay profitable, the better its viability.

Example: - The small company showed its viability by making a profit every year of its existence.

B. **Management Background**:- For every Business Plan we have to check the background of Management, because for every business finance is very important without capital no business will run.

C. **Market advantage**:-

It means that if the product is giving less profit means Entrepreneur has to introduce several offers and discounts to give pick up of the product. It means that taking the Market to sell as they wish.

D. **Technology**:-

Technology gives to evaluate the Business Plans efficiently and fastly for better output. Now a day's technology plays a vital role in the business world.

Using and Implementing Business Plans:-

The core of your business plan is your vision for the future. From this vision, you will be able to set objectives for various parts of the business and these objectives will need to be well communicated to all involved to ensure a coherent approach to the tasks in hand. Your business objectives are statements about what you want individual parts of the business to achieve. You may, for instance, have a series of objectives about the financial side of the business, or about its products and services, or about your marketing. The objectives you set create a 'strategy' for the business.

Meaning of Project Report: -

A project report can best be defined as a well evolved course of action devised to achieve the specified objective within a specified period of time. So to say, it is an operating document.

Webster New 20th Century Dictionary defines as "a report on a project as a scheme, design, a proposal of something intended or devised. It is written statement of what an entrepreneur propose to take up."

Business Plan Implementation:-

A vital stage in business planning:

Business plan implementation: Here is where the business plan implementation puts theory into practice. If theory and practice do not come together, the plan will remain on the drawing board. The business plan must be implemented with due regard to deadlines set. The responsibility of each individual involved in the plan must be clearly delineated. The implementation plan must form an integral part of the business plan. The manager must have a clear idea of the practical impact of his business ideas.

Business Plan Implementation Steps:-

- Establishing the business objectives.
- Defining and assigning the tasks needed to attain the objectives set.
- Setting out a timescale.
- Monitoring activities and progress.

Business Plan Implementation Objectives: -

The objectives must be clearly and concisely set out, with the planning of key way stages. They must at the same time be realistic, demanding but achievable.

Tasks:-

The tasks must be listed with the individuals responsible for completing each task. They must be simply and clearly stated, and need not be oppressive. The results envisaged should outweigh the time and effort devoted to the tasks.

Timescale:-

Each task, and its duration, must be framed within a clear timescale. The result clearly displays all the activities necessary with their deadlines.

Monitoring Activity and Progress: -

During the monitoring process, delays must be highlighted. This stage identifies and rectifies the delays. Within a business plan, several implementation plans will be needed for the particular aspects of the business: product planning, marketing, financial problems and human resource management (Business Plan Implementation).

THE MARKETING PLAN:-

LEARNING OBJECTIVES:-

1. To understand the differences between business planning, strategy plans, and market planning.
2. To describe the role of marketing research in determining market strategy for the marketing plan.
3. To illustrate an effective and feasible procedure for the entrepreneur to follow in engaging in a market research study.

4. To define the steps in preparing the marketing plan.
5. To explain the marketing system and its key components.
6. To illustrate different creative strategies that may be used to differentiate or position the new venture's products or services.

PURPOSE AND TIMING OF THE MARKETING PLAN: -

The marketing plan establishes how the entrepreneur will effectively compete and operate in the marketplace. Marketing planning should be an annual activity focusing on decisions related to the marketing mix variables. The marketing plan section should focus on strategies for the first three years of the venture. For the first year, goals and strategies should be projected monthly. For years two and three, market results should be projected based on longer-term goals. Preparing an annual marketing plan becomes the basis for planning other aspects of the business.

MARKET RESEARCH FOR THE NEW VENTURE: -

Information for developing the marketing lan may require some marketing research. Marketing research involves the gathering of data in order to determine such information as who will buy the product, what price should be charged, and what is a most effective promotion strategy. Marketing research may be conducted by the entrepreneur or by an external supplier or consultant. Market research begins with definition of objectives. Many entrepreneurs don't know what they want to accomplish from a research study.

Defining the Purpose or Objectives:-

One effective way to begin the marketing plan is to make a list of the information that will be needed to prepare the marketing plan.

Possible objectives:

- Determine what people think of the product or service and if they would buy it.
- Determine how much customers would be willing to pay for the product.
- Determine where the customer would prefer to purchase the product.
- Determine where the customer would expect to hear about such a product or service.

Gathering Data from Sources:-

A secondary source interprets and analyzes primary sources. These sources are one or more steps removed from the event. Secondary sources may have pictures, quotes or graphics of primary sources in them. Some types of secondary sources include:

• **PUBLICATIONS:** Textbooks, magazine articles, histories, criticisms, commentaries, encyclopedias

Examples of secondary sources include:

• **A journal/magazine**: article which interprets or reviews previous findings a history textbook

An obvious source is data that already exists, or secondary data, found in trade magazines, libraries, government agencies, and the Internet. The Internet can provide information on competitors and the industry, plus can be used for primary research. Commercial data may also be available, but the cost may be prohibitive. Free secondary information is available through:

- Census and the Department of Commerce.
- State departments of commerce, chambers of commerce, and local banks.
- Private sources of data, such as Predicates the Business Index Development Publications can be found in a good business library.

CHARACTERISTICS OF A MARKETING PLAN: -

An effective marketing plan should:

1. Provide a strategy to accomplish the company mission.

2. Be based on facts and valid assumptions.

3. Provide for the use of existing resources.

4. Describe an organization to implement the plan.

5. Provide for continuity.

6. Be simple and short.

7. Be flexible.

There are 5 Business plan to implement: -

- ✓ Marketing Planning
- ✓ Finance Planning
- ✓ People Planning
- ✓ Product Planning
- ✓ Supply Planning

Marketing Planning: -

From the analysis carried out, you will no doubt have set some objectives about marketing. 'Marketing' is a very broad area of the business - indeed there are likely to be marketing implications associated with almost all your objectives.

Your marketing plan will include detail about:

- your products and /or services
- the place in which you sell them and the way that you distribute them
- the price you charge for them the promotion you undertake

These are commonly described as the '4Ps' of marketing.

The plan will show your intention of how you will undertake the full range of marketing activities. It will be based on the data you collected about your competitors, your market places and other areas discussed earlier.

It will also reflect the potential you have identified through analysis for:

• adding or amending products and/or services to your range

• finding new customers or better satisfying the needs of existing customers.

• finding new markets

• taking advantage of changes in business environment, especially changes in existing market places

• combating threats posed by competitors and taking advantage of their weaknesses

Finance Planning:

• A financial plan is often seen as the basis for many other parts of the business plan. This particular plan, designed to meet the financial objectives you have set, is important in that it pulls together the one common denominator of all other plans - and that is cash. The financial plan for the business will have at its heart standard features:

• Profit forecast

• Cash flow forecast

• Projected balance sheet.

The financial plan you set should be tailored to meet your individual business needs. To do so, it will refer to your particular business circumstances and may also include one or all of a range of other financial tools, such as:

- business funding structure.
- working capital analysis
- sales forecast.
- returns achieved on sales.
- break-even analysis.
- contribution from production.
- stock analysis.

Looking into these different forms of analysis will quickly show you that they individually serve differing business requirements. You will need to decide which are most relevant to your business situation and from which you will gain most advantage.

People Planning:

Having the right people with the right skills is vital to every business. A successful business will recognize that, to be competitive in the 21st Century, it must be proactive in training and developing its employees and it must have in place a strategy for achieving this.

The plan needs to concentrate on the objectives which arise from the business vision. It could cover a wide range of business issues including the identification and satisfaction of training and development needs to meet business and individual requirements. People planning can be crucial in achieving longer term objectives by equipping employees with the right skills - and it is on those skills that the business will be competitive in its market places. The plan will also cover broad statements on recruitment, employment, induction, training and a range of other related business functions.

The Employment Department's 'Investors in People' initiative centers on the proven fact that concentration on 'people' issues can bring significant business benefits. Your local Training and Enterprise Council in England or Wales, or your Local Enterprise Company in Scotland, will be able to offer help and guidance on this matter.

Product Planning:

Throughout this guide, 'product' is taken to mean your product or - if you are a service provider - your service. Whichever your areas of activity, today's changing business environment and trends in customer buying patterns have to be closely monitored. The business needs to be able to react quickly and effectively when changes occur. In addition, you will want to influence future trends throughout your own marketing effort - but you need to carefully plan future product and service developments to coincide with likely changes. The life cycle of a product or of a service can be estimated and the various stages it goes through will determine its contribution to the business. The effect of this is that your plans for improving or extending products and/or services are closely linked to your marketing and financial plans.

Quality of your products and services is an important area within your plan. Closely linked to your pricing strategy, the question of product development affects the whole of the business - and everyone in it.

You set your quality standards to satisfy the needs and desires of your customers. Many industries have acknowledged quality levels and the concept of 'benchmarking' is an innovative way to create partnerships from which all parties benefit through exchange of information.

Supply Planning:

The relationships you develop with your suppliers and your customers are also important influencing factors to be addressed when looking at your product plan. Associated with the issue of quality, these relationships are crucial to future business success.

Financial Plan and the Organizational Plan:

Financial Plan:

Most people have heard of the benefits of personal financial planning and want to better manage their personal finances. Yet it can seem so overwhelming. If you're not sure where to start, this financial planning primer can help. It establishes priorities for anyone at any financial stage of life and lays out, in eight simple steps, just how to take control of your finances.

1. Create and review a financial plan:- Basically, a financial plan is a written set of goals, strategies and timelines for accomplishing these goals: buying your first home, funding or managing a retirement nest egg, funding your children's education, paying off debts, and so on. Writing out this plan, whether on a yellow pad, a spreadsheet or with the help of a certified financial planner (CFP) professional motivates you to be accountable and implement your to-do list of action steps. It provides direction, gives you a benchmark from which to evaluate your progress, and helps you prioritize the most efficient use of your financial resources. Be sure to review your plan periodically to adjust for changing financial circumstances or desires, or life events such as a change in marital status, job loss, retirement, the birth of a child, or a death in the family.

2. Organize your Financial Records: - It's much easier to successfully manage your finances if you know what those finances are. So gather up the following financial records:

- ✓ investment accounts
- ✓ bank statements
- ✓ tax returns
- ✓ mortgage and credit card statements
- ✓ insurance policies
- ✓ estate planning documents

Then organize them so you can find and access them easily. By getting them all together, you'll be able to more easily evaluate where you're at today and can set the stage for your goals and priories going forward. And while you're at it, don't forget to inventory your personal possessions. This documents not only their value for planning purposes but also provides a record for your insurance company in the event your possessions are lost due to a theft or natural disaster.

3. Calculate your Net Worth: - Once your financial records are organized, calculate your net worth. This is simply a matter of figuring out what you own less what you owe. If your assets (house, bank accounts, investments and so on) exceed your liabilities (mortgage, student loans, credit card debts, etc.), then your net worth will be positive. On the other hand, if your liabilities exceed your assets, you'll have a negative net worth.

Net worth is the best measurement of the state of your financial health and should be used as the basis for any financial decisions you make. Your goal should be to increase your net worth on an annual basis. At year-end, you should recalculate your net worth and compare it against last year's benchmark. By doing this, you'll instantly be able to see your progress.

4. Establish a spending plan: - A spending plan details where your money comes from and where it goes. The inflows include your salary, bonus, interest income and any other source of income you have. Inflow is the part that's generally easiest to recall. The outflow section is a detailed listing of where your money goes. The most important outflow should be your savings. If you're living within your means, then your inflow will equal your outflow.

Having a balanced spending plan should be a financial priority regardless of where you are in life or what your net worth is. A spending plan identifies the key areas where you want your resources to go and highlights wasted spending. It can also provide an early warning of impending financial problems.

If this is your first time establishing a spending plan, consider using a software tool such as a spreadsheet or a software package like Quicken to help you. These tools could significantly cut down the amount of time and effort it takes to develop your plan.

5. Build an emergency fund: - Ideally, you want to have enough cash on hand to cover three to six months of basic living expenses should you lose your regular sources of income. Depending on your job security, you may want to increase the number of months' worth of reserves. For example, self-employed individuals may want to have twelve months of reserves, especially if their income is variable in nature.

6. Reduce or minimize consumer debt: - Debt drags down the rest of your financial efforts like a heavy anchor. If your consumer debt--credit cards, student loans, auto loans and personal loans--is eating up 15 to 20 percent or more of your monthly spending, make reducing it a priority. And why waste funds paying what are most likely very high interest rates on your cards and loans?

7. Draft four, key estate-planning document: - Every adult should have

(1) a will;
(2) a durable power of attorney, which appoints someone to handle your legal and financial affairs if you're unable to;
(3) a living will, which declares what life-sustaining medical treatments you want should you be incapacitated; and
(4) a health-care durable power of attorney, which appoints someone to oversee your medical interests should you no longer be able to.

Different states have different names for the medical documents, but they're all critical to your smart financial planning.

8. Obtain adequate insurance:- Managing risk is essential to your long-term financial security. The point of having insurance, from medical and disability coverage to life, auto and homeowner's, is to protect you from financial catastrophe. Simply stated, you buy insurance to cover expenses you couldn't make out of your own pocket. It's imperative to keep in mind that you should buy insurance when you don't need it, because when you do need it, you can't get it.

The Organizational Plan:

Organizational planning should include long-term and short-term planning. The plan should predict where the organization will be in two or five years, listing specific, measurable goals and results. The plan should also include a specific "to-do" list that keeps everyone informed of the necessary actions and resources, as well as listing who is responsible for the all the tasks. It should also include a reasonable time frame for these tasks to be accomplished. Failure to plan will damage the effectiveness of the organization and can even lead to complete break-down.

Material Resources :-

Lack of planning is certain to result in shortages or delays of necessary materials. Without an analysis of how often resources need to be replenished, these necessities will not be found where and when needed. The necessary resource might be something as small as staples for the stapler, or as essential as running out of the raw material needed to manufacture the product that is sold. In all cases, a business cannot flourish if the management of its resources is not being monitored and planned for.

Finances :-

Cash flow issues are bound to occur if the organization does not plan properly for where and when the finances are needed. Late payments are likely to result in suppliers becoming unreliable or cutting off the supply of their goods or services. Late payments can also result in additional interest payments or other financial penalties that cut into profits. Cash flow problems can go so far as to result in the inability to pay employees on time. This is bound to have a negative impact on employee loyalty and retention.

Human Resources – Productivity:-

Without planning, there will be no mission statement and no vision. Employees are most productive when they understand the bigger picture behind what they are doing, so productivity will decrease. There is also likely to be much wasted time, as some workers will be duplicating the work of others, while some essential tasks will be overlooked. This is all likely to result in the need for crisis management. Workers will spend a great deal of time "putting out fires" caused by the fact that no one is able to anticipate the problems that will regularly occur. In addition, larger projects will take longer than necessary, or may never reach completion, because no one did the planning necessary to break them down into more manageable segments.

Human Resources – Morale: -

Employees in organizations suffering from lack of planning are likely to experience low morale. The workers will be aware of their disorganized environment, and will suffer stress and frustration because they will have difficulty executing their assigned tasks. There likely will be a high staff turnover rate, which leads to lowered productivity. Some employees might be laid off because of lowered profits and this will further diminish morale. Other employees might feel unappreciated and over-worked as the organization will be under-staffed. This will exacerbate the downward spiral and the business is likely to fail.

What formalities must you complete?

Before you launch your new firm, you must deal with a few formalities and register your firm with the following authorities:

Health Insurance: -

The statutory health-insurance fund needs to be informed about the move to self-employment. The fund will then examine whether this is a “full-time” activity. Here, a role is played by the hours worked and the likely level of income.

Tax office: -

If you are offering a professional service (i.e. are a member of the "Freie Berufe", such as tax adviser, doctor, journalist), you only need to apply for a tax number from the tax office.

Trade office: -

Anyone else setting up a business must register their project with the trade office of the municipality in which the firm is opened.

To do so, you need:

- a valid ID or passport
- a residence permit
- depending on the sector (e.g. catering), a permit or authorization.
- a craft card if you are setting up in business in the craft sector`
- a trade card for activities similar to the craft sector and
- between ten and forty Euros for the registration fee.

The trade office automatically informs the following authorities with which you also have to be registered: tax office; accident insurance fund; chamber of industry and commerce or chamber of crafts; local court (trade register); trade supervisory office (responsible for the health and safety of your employees and customers; it checks ovens, drinks dispensers, etc.). Play safe and check whether all of these bodies have actually received the information.

Health office:-

Depending on which sector you are working in, you may need a permit or a certificate of non-objection from the health office. This applies, for example, to new businesses in catering and the sale of foodstuffs. In the case of start-ups in catering or childcare, the health office and the trade supervisory office (varies from region to region) will also examine the standards of hygiene in your rooms. Also, you will need a certificate of good conduct from the police and confirmation from the chamber of industry and commerce that you have participated in a seminar on hygiene and the handling of food.

Construction Office:-

If you wish to use rooms previously used for other purposes as your future operational rooms, you need to apply for a change in use from the relevant Construction Office. The planning of rebuilding work and of new buildings for commercial purposes must also be co-ordinate in good time with the construction office.

Trade Supervisory Office: -

Find out in good time before operations commence whether the rooms you plan to use meet statutory requirements.

Commercial Register: -

Apart from very small businesses and companies organized as a GBR (Gesellschaft burger lichen Rechts), all companies must be entered in the electronic commercial register at the local court The electronic commercial register is public and provides information about the company (name of company, name of owner, personally liable shareholder, etc.)

Production Management:

Production management means planning, organizing, directing and controlling of production activities.

Production management deals with converting raw materials into finished goods or products. It brings together the 6M's i.e. men, money, machines, materials, methods and markets to satisfy the wants of the people.

Production management covers all the activities of procurement, allocation and utilization of all resources as labour, energy, materials, equipment, machinery, etc.

Applying the principles of management in production is called as production management. It involves planning, organizing, directing and controlling the production system.

Production management is needed to develop and establish close relationship between market demand and production capabilities to the enterprise. .

Activities of Production Management

Following are the main activities of the production management –

1. Production planning and development

2. Production administration (production engineering, production panning and production control).

3. Execution of plans, policies and decisions.

4. Standardization, simplification, specialization, inspection, quality control, inventory control, research and development, diversification, employees' amenities, etc.

Advantages of Good Production Management

Advantages of good production management are as follows –

1. Growth of production

2. Better opportunities of employment

3. Progress of entrepreneurs

4. Development of nation

5. Satisfaction of employees

Production planning

Production planning has two phases –

1. Prior planning or Preplanning –

a. Estimation of future work (Forecasting).

b. Preparat5ion of work authorization (Authorization). iii.

c. Product design and development preparation of specifications.

2. Action Planning –

a. Preparation of work plan (process planning and routing).

b. Determination of material requirement (material management).

c. Determination of equipments and manpower.

d. Loading and scheduling.

Functions of Production Planning

1. Preparation of production forecasts.

2. Compilation of master production schedules or budget.

3. Setting up procurement schedules or budget.

4. Marketing departmental plan or budget.

5. Formulating personnel requirements.

6. Establishing stockroom procedures.

7. Providing inventory controls.

Importance of Production Management: -

The importance of production management to the business firm:

1. Accomplishment of firm's objectives: Production management helps the business firm to achieve all its objectives. It produces products, which satisfy the customers' needs and wants. So, the firm will increase its sales. This will help it to achieve its objectives.

2. Reputation, Goodwill and Image: Production management helps the firm to satisfy its customers. This increases the firm’s reputation, goodwill and image. A good image helps the firm to expand and grow.

3. Helps to introduce new products: Production management helps to introduce new products in the market. It conducts Research and development (R&D). This helps the firm to develop newer and better quality products. These products are successful in the market because they give full satisfaction to the customers.

4. Supports other functional areas: Production management supports other functional areas in an organization, such as marketing, finance, and personnel. The marketing department will find it easier to sell good-quality products, and the finance department will get more funds due to increase in sales. It will also get more loans and share capital for expansion and modernization. The personnel department will be able to manage the human resources effectively due to the better performance of the production department.

5. Helps to face competition: Production management helps the firm to face competition in the market. This is because production management produces products of right quantity, right quality, and right price and at the right time. These products are delivered to the customers as per their requirements.

6. Optimum utilization of resources: Production management facilitates optimum utilization of resources such as manpower, machines, etc. So, the firm can meet its capacity utilization objective. This will bring higher returns to the organization.

7. Minimizes cost of production: Production management helps to minimize the cost of production. It tries to maximize the output and minimize the inputs. This helps the firm to achieve its cost reduction and efficiency objective.

8. Expansion of the firm: The Production management helps the firm to expand and grow. This is because it tries to improve quality and reduce costs. This helps the firm to earn higher profits. These profits help the firm to expand and grow.

Techniques: Organizations will adopt a variety of techniques to produce their goods or services. The Technique adopted will depend on a number of factors including; The product or service Quality of the product or service Quantity of the product or service Size of the organization The type of organization The organization's resources Legislation applicable to the organization The most common methods of production include Line Production, Continuous flow production, Batch Production and Just in Time Production. The aim of all is to add value. Adding value is the process of converting the input to an output so that it's desirability to the customer increases. The input is the product or service at the start of the production process. The output is the product or service at the end of the production process. Line Production Just as the name suggests line production is producing goods along a line of production. The goods will be passed along a line containing different stages. At each stage in the line the goods will be altered. Often a person/group of people will be responsible for just one stage in the process. Car assembly or fast food "drive thrust", often adopt Line production as identical products are produced each day. Nowadays some organizations will employ robots rather than people to undertake the stages in line production. Robots are believed to be more efficient and unlike humans will not get bored and cause errors.

Continuous Flow Production (CFP) this is simply adopting line production 24 hours day/seven days a week, using automatic equipment. The automatic equipment will operate in the same manner day in day out. The ability to work in this manner is another advantage robots/machinery have over humans. CFP does not involve humans so it is not used in the service industry unlike line production. Batch Production this is the method employed when the organization needs to produce a fixed amount of each of the type of goods it produces. In this instance production technique and resources will be adapted, to produce the product required and to produce just the amount required. A good example is a pizza factory. Let's imagine the factory produces 150 pepperoni pizzas, 265 ham and pineapple pizzas and 75 cheese and tomato pizzas each day.

Just in Time Production (JIT) this method of production generates goods/services "just in time" for them to be sold rather than preparing them months or weeks in advance. To save storage costs, the parts needed to make the end product will arrive just before they are used to manufacture the product. This means that the production process is carefully planned and organized. Production must be efficient and speedy otherwise the goods will not be manufactured "in time" for the customer. Conversely if there are no/few orders then production will slow down or stop altogether.

Plant Utilization and Maintenance Definition: The time when a factory is being used to produce goods as a percentage of the total time it could be used, or the number of machines being used as a percentage of the total number that could be used. Capacity utilization (%) = Actual output per month (or per annum) x 100% Maximum possible output per month (or per annum) For example, if a firm could produce 1200 units per month, but is actually producing 600 per month, its capacity utilization is as follows: Capacity utilization % = 600 units per month x 100% 1200 units per month = 50% Financial implications A firm's level of capacity utilization determines how much fixed costs should be allocated per unit, so as a firm's capacity utilization increases, the fixed costs (and therefore also, total costs) per unit will decrease.

For example: - If the firm above had fixed costs of £12,000 per month, the fixed costs per unit would be £20 per unit at 50% capacity utilization, but only £10 per unit at 100% capacity utilization. It therefore follows that a firm should be most efficient if it is running at 100% capacity utilization.

However, if a firm is running at full capacity, there are a number of potential drawbacks:

- There may not be enough time for routine maintenance, so machine breakdowns may occur more frequently and orders will be delayed
- It may not be possible to meet new or unexpected orders so the business cannot grow without expanding its scale of production
- Staff may feel under excessive pressure, leading to increased mistakes, absenteeism and labor turnover
- If the factory space is overcrowded, work may become less efficient due to the untidy working conditions
- It may be necessary to spend more on staff overtime to satisfy orders, increasing labor costs Problems arising from low capacity utilization
- Higher fixed costs per unit mean reduced profitability; if prices were raised to cover these costs, this would probably lead to reduced sales unless the product was price inelastic
- Spare capacity can portray a negative image, particularly in a business where it can be seen that it is no longer busy – such as a shop or a health club - signifying loss of popularity
- Staff can become bored and demoralized if they don't have as much to do, especially if they fear losing their jobs Benefits of low capacity utilization Low capacity utilization is unlikely to be desirable in the long term as the higher unit costs will make it difficult to

compete. However it is not all bad news and possible short term benefits include:

- A firm may have more time for maintenance and repairs and for staff training, to prepare for an upturn in trade
- There may be less stress for employees than if they were working at full capacity
- The firm can cope with new orders; firms in expanding markets may expect to have low utilization whilst they build their sales

Plant Maintenance: Plant maintenance usually refers to the methods, strategies, and practices used to keep an industrial factory running efficiently. This can include anything from regular checks of equipment to make sure they are functioning properly, to cleaning garbage bins and toilets. The general aim of plant maintenance is to create a productive working environment that is also safe for workers.

Maintain the Plant: -The plant should be inspected according to its inspection, testing, monitoring schedule by a person competent to detect faults or items requiring maintenance and able to initiate corrective action. Safety controls and engineering controls are items that require Inspection, Testing and Monitoring.

- Maintenance is carried out according to the recommendations of the designer/manufacturer
- Plant should be de energized, tagged and/or locked out of service during the process of being cleaned, serviced, repaired or altered if that process could pose a risk to health and safety. A SWP should be followed for this process.
- Regular workplace safety inspections where plant is checked for correct functioning and operation will help to identify plant which may pose a hazard and require ad hoc repair or maintenance Designing the Work Place The workplace today is a result of historical innovations that were designed to make the workplace a productive environment. However the world of work continues to change, and the design factors that once were helpful are adding less value than they once did. Here are a set of principles and practices you can use in designing offices and workplaces.
- Work patterns: How we work differently.

The In/Out pattern The Traveler pattern

- Working spaces: Patterns of space we use. Hotel desk sharing Meeting room

• Overall design principles: Basic guidelines for workplace design. Support the work of individuals Support the work of groups Create a motivating environment

• Physical design principles: Principles for the solid stuff.

• **Physical layout elements**: Aisles, pillars and so on make a difference.

• Psychological principles: Basic human needs are important.

• Office design: Principles for creating good offices.

• Workstation design: Designing the desk where people sit. Chairs Lighting Storage Utilities

• Workplaces for teams: Building places where people can work together.

• Designing experiences: Within your workplace, for all who visit and work there.

INVENTORY CONTROL Meaning: Coordination and supervision of the supply, storage, distribution, and recording of materials to maintain quantities adequate for current needs without excessive oversupply or loss Why Inventory Control? Control of inventory, which typically represents 45% to 90% of all expenses for business, is needed to ensure that the business has the right goods on hand to avoid stock-outs, to prevent shrinkage (spoilage/theft), and to provide proper accounting. Many businesses have too much of their limited resource, capital tied up in their major asset, inventory Worse, they may have their capital tied up in the wrong kind of inventory. Inventory may be old, worn out, shopworn, obsolete, or the wrong sizes or colors, or there may be an imbalance among different product lines that reduces the customer appeal of the total operation. Inventory control involves the procurement, care and disposition of materials. There are Three kinds of inventory that are of concern to managers Raw materials, In-process or semi-finished goods, Finished goods

The reasons for inventory control are:

• Helps balance the stock as to value, size, color, style, and price line in proportion to demand or

sales trends.

• Help plan the winners as well as move slow sellers

• Helps secure the best rate of stock turnover for each item

• Helps reduce expenses and markdowns.

• Helps maintain a business reputation for always having new, fresh merchandise in Wanted sizes and colors.

Methods: **1) Order Point (O):** The order point is the quantity specified by the warehouse manager as the point at which the item should be reordered. If the available stock level reaches or falls below the order point quantity, the NCAS notifies the warehouse manager to reorder the item via the Replenishment Action Report (RRACT). When the inventory control is O, the warehouse manager must also specify the quantity of stock to be reordered. The warehouse manager can use either a fixed order quantity or an economic order quantity to specify the quantity of stock to be reordered. The fixed order quantity requires the warehouse manager to specify the amount of the item that should be ordered each time the available stock level falls to the order point. The fixed order quantity can be of two types: absolute or time supply. With the absolute quantity, the warehouse manager specifies a specific number of items to be ordered. With the time supply quantity, the order quantity is specified as a number of days' supply. If the order quantity is specified in days' supply, the NCAS calculates the quantity based upon the item's demand history.

2) Computed Order Point (C): The computed order point control is similar to the order point control. However, instead of using a fixed order point to determine when an item should be reordered, the NCAS uses the safety stock level, lead time, and forecasted monthly demand to calculate the order point. The safety stock level is the amount of cushion in units or in time for the item at the reorder point. The amount of cushion in time refers to the number of days that the current on-hand supply of an item will last. The lead time is the number of days from the time a purchase order is created until the goods are received at the warehouse.

3) Minimum/Maximum (M): The minimum/maximum control specifies the point at which an item should be reordered (minimum stocking level) and a reorder quantity ceiling (maximum stocking level). The NCAS uses the order point (minimum stocking level), inventory standard (maximum stocking level), and order multiple to determine the order quantity.

• When inventory levels for an item fall below the minimum, as designated by the value in the ORDER POINT field, the NCAS will notify the warehouse manager that replenishment should be initiated.

• The inventory standard is the ceiling or maximum inventory level permitted for that item at that warehouse. In other words, replenishment should not exceed the inventory standard.

Material Handling Material handling is an important element, which determines the productivity of a warehouse. Material handling is highly labor intensive as compared to any other operations in a warehouse. Therefore the personnel cost in material handling is usually high.

Most of the activities in material handling require significant manual handling and hence has little benefits from computerization and improved information technology.

Objectives: -

1) Roles Handling: - The primary handling objective in a warehouse is to sort inbound shipment according to precise customer requirements. The three handling activities are receiving, in-storage handling and shipping.

2) Receiving: When material reaches the warehouse it has to be received by the warehouse. One of the important activities here is to unload the goods from the transportation vehicle. Most of the time unloading is done manually. Containerized or unit-load shipments considerably reduce the unloading time.

3) In-storage Handling: In-storage handling consists of all movement within a warehouse facility. The two types of in-storage handling are transfer and section. Various transfers of goods happen within the warehouse. The goods as soon as they are received in the warehouse are transferred to the storage area. The second transfer may be required during order selection where goods are transferred from storage area to order selection area. The final transfer of goods takes place when the goods are finally shipped from the warehouse. Here the goods are transferred from the election to the shipping or outbound area.

4) Shipping: Shipping consists of checking and loading orders onto transportation vehicles. As in receiving, shipping is manually performed in most systems.

Material handling principles: - The principles of materials handling which ensures effective and efficient handling of material are as follows:

1. Planning Principle: All material handling should be the result of a deliberate plan. Non-plan movement of materials should be avoided as far as possible.

2. Standardization Principle: Material handling equipment, controls, and software should be standardized. While standardizing it should be ensured that performance objectives and flexibility in operations are not sacrificed.

3. Work Principle: Material handling work should be minimized without sacrificing productivity.

4. Ergonomic Principle: human capabilities and limitations must be taken into consideration while designing material handling tasks and equipment's.

5. Unit Load: Unit load should be properly determined so that it accommodates all materials and material handling becomes easier.

Quality Control: Meaning: Quality control (QC) is a procedure or set of procedures intended to ensure that a manufactured product or performed service adheres to a defined set of quality criteria or meets the requirements of the client or customer. QC is similar to, but not identical with, quality assurance (QA).

Quality Assurance (QA): - QA is defined as a procedure or set of procedures intended to ensure that a product or service under development (before work is complete, as opposed to afterwards) meets specified requirements. QA is sometimes expressed together with QC as a single expression, quality assurance and control (QA/QC).

Seven Basic Quality Tools Start your quality journey by mastering these tools, and you'll have a name for them too: "indispensable."

- **Cause-and-effect diagram (also called Ishikawa or fishbone chart):** Identifies many possible causes for an effect or problem and sorts ideas into useful categories.
- **Check sheet:** A structured, prepared form for collecting and analyzing data; a generic tool that can be adapted for a wide variety of purposes.
- **Control charts:** Graphs used to study how a process changes over time.
- **Histogram:** The most commonly used graph for showing frequency distributions, or how often each different value in a set of data occurs.
- **Pareto chart:** Shows on a bar graph which factors are more significant.
- **Scatter diagram:** Graphs pairs of numerical data, one variable on each axis, to look for a relationship.
- **Stratification:** A technique that separates data gathered from a variety of sources so that patterns can be seen (some lists replace “stratification” with “flowchart” or “run chart”).

Purchasing Objectives: -

The main objectives of purchase function are as follows –

1. To maintain regular flow of materials so as to ensure continuity of operations.
2. To maintain proper standards of quality.
3. To avoid duplication, waste and obsolescence of materials.
4. To ensure the firm's competitive position through economical purchasing.
5. To develop and maintain sound relations with the suppliers.

Principles: -

1. Right quantity
2. Right quality
3. Proper source
4. Right price
5. Proper time
6. Suitable place

Management of Movable Assets/ Goods: -

Management of movable assets or goods is also commonly known as material management. Material management is of great importance for success of industrial economy.

Inventory and its Management: -

Inventory is a detailed descriptive list of movable assets which gives tie money and quantity value of each. Inventory includes raw material, work in process, components of finished parts held in storage awaiting use.

Elements and Meaning of Quality: -

Quality of a product is very important factor to capture the market. Customers prefer a better quality product.

Product quality can be defined "As the composite product characteristics of engineering and manufacture that determines the degree to which the product in use will meet the expectations of the customers."

Elements of Quality: -

There are some elements which constitute the quality.

1. Quality of Design
2. Conformance Quality

3. Quality of Performance

Meaning of Quality: -

Considering the elements of quality, it never means the best quality. The requirement is that the quality should be as per specification, so that it can yield long return on the element

To the industry, quality means which can satisfy most of the customer's requirements.

Quality management: -

Quality control is main feature management. By achieving good quality control we can achieve good quality management.

The following points are should be taken into consideration in this regards

1. Setting the Standards: Determining the required cost for setting up standards for performance quality, and reliability. The standards are also to be set which can meet the requirements.

2. Appraising conformance: Compare the specifications of the product with that of standards.

3. Acting when necessary: Take necessary corrective actions if and when standards are exceeded.

4. Planning for improvement: Developing the ways and means to reduce the cost and improve the performance and reliability standards.

Advantages of Quality Control: -

1. It enables the enterprise to determine costs and prices at competitive levels in advance of production.
2. It enables the manufacturer to comply with quality standards prescribed by the government
3. It helps to improve the brand image of the enterprise.
4. It facilitates standardization.
5. It helps to reduce costs.
6. It helps to improve the quality of products.

Employee Management: -

To maintain the safety of employees/ workers, welfare of employees, good health, suitable conditions of working in industries are some main elements of employee management.

If employees of industries are satisfied with the wages and other facilities provided to them by businessmen then they work hard whole heartedly. As a result growth of industries takes place. Central Government and State Governments have enacted several Acts/ Laws to protect the interest of employees of industries.

These Acts/ Laws are as follows

1. The Factories Act, 1948

a. Definition of Factory

b. Health of Workers

c. Safety of Workers

2. Other Provisions Wages Act 1Q. Industrial Dispute Acts

3. Safety and Welfare Act

4. Social Security Act.

5. Shop Act

6. Children Protection Act

7. Plantation Act

8. Mines Act

9. Transport Acts

10. Industrial dispute Acts

Social Security and Welfare Measures: -

Some Act under which social security is being provided to employees are as follows –

1. Work men's Compensation Act, 1923.

2. Industrial Dispute Act, 1947.

3. Employee State Insurance Act, 1948

4. Employee Provident Fund Act, 1952.

5. Maternity Benefit Acts (Various).

6. Other Acts (e.g., Plantation Labour Act and Labour Welfare Act).

Packing

Packing refers to rapping, crating, filling or compressing of products to protect them from spoilage, pilferage, breakage, etc. in the process of transit, storage and use. On the other side,

packaging means designing and producing appropriate containers or packagers. A package is any container, wrapper or receptacle used for packing products.

Advantages of Packing and Packaging

Its advantages are as follows

1. A good package protects the product from damage and deterioration during transportation and storage of materials.
2. The package help to identify the product the indicating its nature and content. By sealing the package, a producer can save the customer from spurious products.
3. Packaging facilitates the branding of a product. The brand name and mark can be easily, printed on the package. The package provides individuality and prestige to the product.
4. Packaging reduces the costs of transportation and storage and widens the market.
5. Package often has refuse and resale value for the customer.
6. Packaging aids to increase sales and obtain high prices.

Financial Management: -

Financial Management: -

Financial Management means planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise.

Scope/Elements: -

1. Investment decisions: - It Includes investment in fixed assets (called as capital budgeting). Investment in current assets are also a part of investment decisions called as working capital decisions.

2. Financial decisions: - They relate to the raising of finance from various resources which will depend upon decision on type of source, period of financing, cost of financing and the returns thereby.

3. Dividend decision: - The finance manager has to take decision with regards to the net profit distribution. Net profits are generally divided into two:

a. Dividend for shareholders: - Dividend and the rate of it has to be decided.

b. Retained profits: - Amount of retained profits has to be finalized which will depend upon expansion and diversification plans of the enterprise.

Objectives of Financial Management

The financial management is generally concerned with procurement, allocation and control of financial resources of a concern.

The objectives can be: -

1. To ensure regular and adequate supply of funds to the concern.

2. To ensure adequate returns to the shareholders: - which will depend upon the earning capacity, market price of the share, expectations of the shareholders.

3. To ensure optimum funds utilization: - Once the funds are procured, they should be utilized in maximum possible way at least cost.

4. To ensure safety on investment: - i.e, funds should be invested in safe ventures so that adequate rate of return can be achieved.

5. To plan a sound capital structure: - There should be sound and fair composition of capital so that a balance is maintained between debt and equity capital.

Functions of Financial Management: -

1. Estimation of capital requirements: - A finance manager has to make estimation with regards to capital requirements of the company. This will depend upon expected costs and profits and future programmes and policies of a concern. Estimations have to be made in an adequate manner which increases earning capacity of enterprise.

2. Determination of capital composition: - Once the estimation have been made, the capital structure have to be decided. This involves short- term and long- term debt equity analysis. This will depend upon the proportion of equity capital a company is possessing and additional funds which have to be raised from outside parties.

3. Choice of sources of funds: - For additional funds to be procured, a company has many choices like:

a. Issue of shares and debentures

b. Loans to be taken from banks and financial institutions

c. Public deposits to be drawn like in form of bonds. Choice of factor will depend on relative merits and demerits of each source and period of financing.

4. Investment of funds:- The finance manager has to decide to allocate funds into profitable ventures so that there is safety on investment and regular returns is possible.

5. Disposal of surplus: - The net profits decision have to be made by the finance manager. This can be done in two ways:

a. Dividend declaration: - It includes identifying the rate of dividends and other benefits like bonus.

b. Retained profits: -The volume has to be decided which will depend upon expansion, innovational, diversification plans of the company.

6. Management of cash: - Finance manager has to make decisions with regards to cash management. Cash is required for many purposes like payment of wages and salaries, payment of electricity and water bills, payment to creditors, meeting current liabilities, maintainance of enough stock, purchase of raw materials, etc.

7. Financial controls: - The finance manager has not only to plan, procure and utilize the funds but he also has to exercise control over finances. This can be done through many techniques like ratio analysis, financial forecasting, cost and profit control, etc.

Sources of Finance :-

Sources of finance for business are equity, debt, debentures, retained earnings, term loans, working capital loans, letter of credit, euro issue, venture funding etc. These sources of funds are used in different situations. They are classified based on time period, ownership and control, and their source of generation. It is ideal to evaluate each source of capital before opting for it.

Sources of capital are the most exportable area especially for the entrepreneurs who are about to start a new business. It is perhaps the toughest part of all the efforts. There are various capital sources, we can classify on the basis of different parameters.

Having known that there are many alternatives to finance or capital, a company can choose from.

Choosing the right source and the right mix of finance is a key challenge for every finance

manager. The process of selecting the right source of finance involves in-depth analysis of each and every source of fund. For analyzing and comparing the sources, it needs the understanding of all the characteristics of the financing sources. There are many characteristics on the basis of which sources of finance are classified.

On the basis of a time period, sources are classified as long-term, medium term, and short term. Ownership and control classify sources of finance into owned capital and borrowed capital. Internal sources and external sources are the two sources of generation of capital. All the sources of capital have different characteristics to suit different types of requirements.

Financial management is at the heart of running a successful Business. It affects every aspect, from managing cash flow and tracking business performance to developing plans that ensure that business owners can make the most of opportunities.

The right financial capabilities remain vital throughout the life of your business, whether you are just starting out, have an established business or are looking towards a final exit from the business. Your financial management needs will continually evolve as the business grows and circumstances change.

Business planning helps you identify, assess and capitalize on new opportunities. It lets you think through your options and create an action plan that minimizes costly mistakes. It is also a crucial tool if you need to convince financiers and others to support your business.

Skilled financial management is critical for putting your plan into practice. Effective administration, compliance and cash flow management are just the starting point. Financial skills let you track and measure performances, identify problem areas and new opportunities, and minimize risks.

The right financial capabilities remain vital throughout the life of your business, whether you are just starting out, have an established business or are looking towards a final exit from the business. Your financial management needs will continually evolve as the business grows and circumstances change. Successful, growing businesses take a proactive approach to financial management and to making sure that they have the right capabilities. Financial management plays a continuous role in both day-to-day management of the business and broader strategic planning. Senior management must recognize how the needs of the business change as the business grows, and make sure that the organization has the financial skills that will help the business look to the future. As a business owner or manager, you need to recognize the importance of financial management. You may be able to delegate some of the tasks involved – to employees or outside experts, but you yourself need to be always looking ahead, ensuring that your business continues to develop the financial capabilities it will need to achieve its full potential.

CREATING THE CULTURE: - Developing the right financial capabilities, and making the best use of them, requires the right culture in your business. At the top of the organization, owners and managers must understand how financial management can contribute to the success of the business. Approaching financial management as a chore to be delegated leaves you at considerable risk if things go wrong. Employees need to see how financial management can help them perform better, rather than merely imposing controls on them. Training is likely to be required for all employees, not just financial specialists. Information should be shared across the business wherever it will help individuals do their jobs and understand how they are contributing to business success. A reasonable degree of financial transparency can both reassure and motivate staff. Developing advanced financial capabilities will take time and money, and needs to be balanced against other demands on the business. Your business will maximize its success if you plan ahead to see how financial management can help achieve your goals

'Credible financial statements don't only help businesses access finance – they can reduce its cost as well.'

Financial control becomes more useful if you can look ahead as well as keeping track of the past.

Financial control becomes more useful if you can look ahead as well as keeping track of the past.

• Cash flow management lets you anticipate your future cash position. You can take steps to arrange any additional financing you will need before it becomes a crisis.

• Your cash flow forecasts feed back into your budgeting and planning process. You know what will be affordable.

• Planning ahead is vital for effective tax planning – when you start a new venture, on a continuing basis thereafter and as part of planning an eventual exit from the business. You need to decide how best to organize the financial capabilities you want.

• How up-to-date does information need to be? For example, you might want your cash position and cash flow forecast updated daily.

• What areas will you deal with personally, and what will you delegate to employees or external suppliers?

• What skills do employees (and external suppliers) need?

For example, you have to ensure that any customer contact is handled in the right way.

Marketing Management: -

Definition:

American Marketing Association defines marketing management as follows-
"The performance of all the activities that directs the flow of goods from producers to consumers. In other words it involves a chain of process starting with the anticipation, to the demand for its creation, to the task of putting the goods into the hands of the consumers."

The main features of marketing: -

1. Customer orientation
2. Marketing research
3. Integrated Marketing

Marketing (management) is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals Definition:

Marketing: - Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products and services of value freely with others 5 P's of Marketing Five Ps Product Price Place Promotion People

The 5 Ps of marketing Product The product refers to all of the features, advantages and benefits that your customers can enjoy from buying your goods or services. When marketing your product, you need to think about the key features and benefits your customers want or need, including (but not limited to) styling, quality, repairs, and accessories.

Price: -This refers to your pricing strategy for your products and services and how it will affect your customers. You should identify how much your customers are prepared to pay, how much mark-up you need to cater for overheads, your profit margins and payment methods, and other costs. To attract customers and retain your competitive advantage, you may also wish to consider the possibility of discounts and seasonal pricing.

Promotion: - These are the promotional activities you use to make your customers aware of your products and services, including advertising, sales tactics, promotions and direct marketing.

Place: - Place is about getting the products to the customer, and includes where a product or service is made, sold or distributed. You can set yourself apart from your competition through the design of your retail space and by using effective visual merchandising techniques. If you are not a retail business, place is still an important part of your marketing. Your customers may need a quick delivery turnaround, or want to buy locally manufactured products. If you are starting a new business, finding the right business location will be a key marketing tactic.

People: - People refer to the staff and salespeople who work for your business, including yourself. When you provide excellent customer service, you create a positive experience for your customers, and in doing so market your brand to them. In turn, existing customers may spread the word about your excellent service and you can win referrals. Give your business a competitive advantage by recruiting the right people, training your staff to develop their skills, and retaining good staff day out. The ability to work in this manner is another advantage robots/machinery have over humans. CFP does not involve humans so it is not used in the service industry unlike line production.

Sales and Art of Selling

Main functions of sales management are as follows –

1. To determine the type and standard of the product.
2. To find most suitable and cheap channel of distribution
3. To estimate the demand of that goods in different markets and in different groups of consumers.
4. To study the competitive position of other's products and substitutes.
5. Possibility of the introduction of same novel-feature in the product.
6. Determine the mode of advertisement.
7. To ensure good looking and cheap packing.
8. To conduct market survey and manage sales forecasting.
9. To coordinate production and sales forecasting.

10. To maintain sales records on scientific and systematic basis, have a periodic study of Sales and make suitable changes in rates policies.
11. To manage sales personnel.
12. To assign sales quota to each area and to each salesman.
13. To study the result of sales.
14. To intensively the efforts if sales targets are not achieved.

Demand Forecasting

Successful selling of products is possible by estimation to total demand of any product in market.

B estimation of total demand of any product demand forecasting can be made.

1. Market Survey method
2. Statistical method
3. Leading indicator method.

Distribution channels: -

On the basis of number of middlemen involved. Various types of distribution channels are as follows –

1. Producer -→Wholesaler →Retailer→ Consumer
2. Producer → Retailer→ Consumer
3. Producer→ Consumer

Marketing Segmentation and Market Mix: -

Following variables becomes basis of market segmentation –

1. Geographic segmentation
2. Demographic segmentation
3. Socio-economic variables
4. Psychological variables
5. Education

Advertising and Salesmanship

Advertising means presenting utilities, qualities and merits of a product or a service or an idea to an group of customers or consumers in, written (printed), audio or visual form.

Advantages of Advertising

Various advantages of advertising are as follows –

1. It is useful in generating steady demand by smoothening seasonal and other fluctuations in demand.
2. It helps to increase sales volume.
3. It assists in introduction new products.
4. It helps to improve goodwill and employee morale.
5. It provides information and education to consumers.
6. It helps to improve quality and reduce prices for consumers.
7. It generates employment on a large scale.
8. It sustains newspapers and magazines.

Disadvantages of Advertising

1. It creates monopolies and centralization of economic power in few hands.
2. It causes wastages of national resources
3. It undermines cultural and social values.
4. It involves a lot of expenditure which ultimately leads to higher prices.
5. It leads to wasteful consumption.
6. It misguides consumers.

Qualities of a Good Salesman

1. Social attributes

a. Ability to mingle and self-discipline
b. Cheerful attitude
c. Liking for people
d. Sense of humor
e. Conversational ability
f. Polite and Good Listener

2. Vocational attributes

a. Ambition
b. Aptitude and enthusiasm
c. Intense education
d. Creative ability
e. Leadership qualities
f. Specialized learning

3. Physical attribute

a. Strong physique

b. Capacity of hard work

c. Good stamina

d. Sufficient tolerance

e. Clear voice

f. Pleasing and charming personality

4. Mental attributes

a. Self-confidence

b. Intelligence

c. Initiative and foresight

d. Imaginative

e. Sharp memory

f. Tact patience

Understanding the Market and Market Policy: -

For understanding the market entrepreneurs should collect various information related to business and should know about various purchase programmes of government to know the market prices.

Collection of Information: -

1. Primary sources

a. Customers

b. Dealers

c. Salesman

2. Secondary sources

a. Government publications

b. Publication of financial institutions

c. Press

d. Publications of trade associations

e. Private concerns and research institutions

f. Foreign governments and international agencies

Consumer Management: -

By consumer management we mean to provide them the goods or the products of good quality, latest designs, cheaper rates, better utility with ease and to have a good service attitude towards them. Protection of consumers' interest and complete satisfaction of consumers should be motto of consumer management.

Entrepreneurs and government are doing many efforts to provide total or maximum satisfaction to consumers. Doing the branding of products is one such effort which helps consumers to select the items of their Choice. So it is necessary to have some knowledge about branding.

Branding: -

Branding is the process of assigning a distinctive name to the product by which it is to be known and remembered. Thus branding of products helps a lot in consumer management. To be sound enough to provide these benefits, the brand name should be selected with utmost care.

Following are the essentials of a good brand –

1. The brand name should be brief and simple.

2. It should be easy to pronounce, spell and remember.

3. It should be attractive and appealing to the eyes.

4. It should be suggestive of the utility of the product.

5. It should be distinctive and difficult to imitate.

6. It should remain constant for a reasonable period of time in order to gain popularity

Maintaining a Good Attitude towards Consumers: -

A good service attitude towards consumers can be maintained by adopting following manner and qualities

1. Soft spoken

2. Good memory

3. Pleasing manners

4. Patience

5. Public relation activities

6. Fair dealings

7. Develop Obliging attitude

8. Consumers' needs

Time Management: -

Time is most valuable thing in world. Time is money for every entrepreneur. It is important that time managed should in such a way that it is fully utilized. It is most important to manage your time profitably since time once lost can never be regained.

For good time management following points should be kept in mind

1. Chalk out your plan

2. Maintain a diary

3. Adhere to time schedule

4. Develop time consciousness

5. Setting priorities

6. Self-discipline

7. Don't waste time

Time is more valuable than money since money lost once can be regained while time once wasted cannot be regained.

UNIT III

Role of Regulatory Institutions

Unit 3:- Role of Regulatory Institutions: Role of Development Organization, Self-Employment Oriented Scheme, Various growth schemes.

FINANCING AND MANAGING THE NEW VENTURE: -

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

CAPITAL SOURCES FOR YOUR BUSINESS

Not having enough capital is the cause of many small business failures. Adequate capital is needed to start up the business, operate through hard times, and provide a good chance to become a profitable enterprise.

There is no one best method of raising capital. Financing methods will vary as a result of legal, legislative and economic changes. Variations among lending institutions can affect your ability to raise funds. Your success in raising funds for a new business depends on good planning, realistic forecasting, and knowing what sources of capital are available.

To raise capital for your new business, you should be able to answer four questions.

1. How much capital will I need?

2. How much of my own capital can I put in the business?

3. How much capital can I get from someone else?

4. How can I convince someone to provide me with capital?

Planning your Financial Needs: -

Your ability to plan the financial needs of your new venture will play a big part in how much capital you will be able to raise. Prepare a loan package that includes your business plans, market analysis, projected balance sheet, profit and loss projections, and cash flow projections. Lenders prefer these financial projections monthly for at least one year, and then annually for three years.

The amount of detail and research needed in the financial projections is directly related to the amount of outside capital you hope to secure. In addition, a loan package must include the amount of the loan, how the loan money will be used, when the money will be needed, when the loan will be repaid, the source of repayment funds, and the amount of collateral you have to secure the loan. You should also include the amount of equity capital you are personally investing in the business venture.

Another part of the loan package should be personal information about you and anyone else involved directly or indirectly in the new business. Don't assume the potential lender knows this information. Even if you have known each other for years, the lender may not have an accurate picture of your personal history and current financial situation.

The personal information included in the loan package should include education, work history and business experience of everyone involved in the new business. You should also include credit references, personal income tax statements for three years and updated financial statements. Information about the nature of the loan and personal histories of those involved may be a major factor in getting the loan.

If you seek professional help with the financial projections and loan package, it is vital that you be totally familiar with the financial information. Your knowledge and understanding of the loan package will be important when the lender evaluates it.

The five Cs of Credit: -

What do lenders look for in a loan package? You, the borrower, provide part of the information, but the potential lenders will also use their own credit files and outside sources. A traditional, time-tested checklist is the five Cs of credit: character, capacity, collateral, conditions and capital. By understanding each of these from the lender's viewpoint, you can anticipate your strong and weak points as they may appear to a potential lender.

1. Character: -

To the potential lender, character means that you will make every possible effort to repay the loan. You must be a good manager, be honest, and have a good reputation as perceived by the lender. Therefore, it is important to be honest about your personal strengths and weaknesses.

2. Capacity: -

Will your new business generate the cash flow to repay the loan? Do you have the capacity to repay the loan? Lenders not only look at the business's financial projections, but also your ability to repay the loan if the business does not work out as planned. Do you have outside income (investments, a working spouse)? Would you be able to return to your present job? Do you have other skills that could produce income? Be prepared to provide solid answers to these questions and be able to offer real evidence.

3. Collateral: -

In case the new venture is not successful and the lender must foreclose, will the collateral cover the loan? Is the collateral adequately insured? Is the collateral marketable? In the past, a cosigner (someone who signs the loan along with you) has been used as collateral for many small business ventures. However, banks and traditional lending institutions now look less favorably at cosigners as collateral. Collecting from co-signers is becoming increasingly hard, and bankers then lose not one, but two customers. You can use your home or other real estate, cash value of life insurance policies or marketable securities as collateral for business loans. However, before borrowing against these items, consider carefully the consequences of the worst possible situation in your business if you are forced to liquidate.

4. Conditions: -

Conditions are those factors over which you have little or no control. The lender will look at the conditions, or trends, in the overall business economy, the trends in your community, the seasonal character of your business, and the nature of your product or service. Other factors entering the decision-making process are whether the lender may have already invested in a competing business and how much competition there is in your market. Be prepared to tell the lender how you plan to deal with these conditions, how you have assessed the market, and how your business will weather economic changes.

5. Capital: -

Knowledgeable lenders will not put money into a new business unless they have concrete evidence that you have personally made a sizable financial commitment to the business. They know from experience that if the venture turns bad it will be easier for you to back out if you do not have your own money at risk. From your personal resources, you should try to provide as much of the needed capital as you can afford to put at risk. Depending on the capital needs, you cannot expect any lender to loan 80 percent or more of the capital, as they may for a home or investment real estate. New small businesses fail at a rapid rate and when they do fail, the assets cannot be easily turned into cash for payment of the loan. Therefore, a new business is a much higher risk for them than a home loan. You should expect to invest a much higher percentage of the needed capital for your new business.

Different types of small businesses require different amounts and types of capital to get started. In some cases, the new businesses may only need capital for short periods of time for inventory purchases or salaries. In other cases, facilities and equipment must be bought or leased, inventory purchased, and you must have enough cash left over to run the business until revenue can support the needed cash flow. Knowing the type and amounts of capital needed will help you figure out the best source of capital for your new venture.

Equity versus debt capital:-

If you do not have enough personal capital, you can sell equity or you can incur debt. If shares of equity are sold in a partnership or corporation, the capital is not repaid, but the investor takes an ownership interest in the business and receives a portion of the business' profits. Even though equity capital does not burden a new business with loan repayments and interest charges, it reduces the primary owner's share of the profits. Debt must be repaid with interest, but normally the lender has no ownership control. Borrowing money at the very start of a new business will drain off income to make the debt payments.

Commercial loans: -

There are three types of commercial loans that are usually defined in terms of the length of time the loan is made.

• **Short-term commercial loans** (30 to 90 days) are the most common loans made to a small business. They usually cover business operation expenses such as rent, insurance, advertising, inventory or salaries. Short-term loans are often unsecured and repayment is usually a lump sum, including interest when the loan matures.

• **Intermediate-term loans** are for one to five years to purchase business equipment, buy fixed assets or provide working capital. Intermediate-term loans are usually secured by the new equipment or business assets. They sometimes have low monthly payments, with a large balloon payment at the end of the term.

• **A long-term commercial loan** is for five years or more to purchase an existing business, buy real estate, or construct or improve a building or facility. The long-term loan is always secured by the assets for which the loan was made, usually requires constant monthly payments and often has a variable interest rate.

Ten sources of capital: - With your new business plan, financial projections and financing knowledge, you are now ready to secure outside capital for your new venture. The following 10 types of financing sources are ranked according to amount of preparation required and ease of securing the outside capital. Less preparation to secure a loan does not mean it is the best source, nor the least expensive source of capital. Of course, there will be exceptions to these general statements about each financial source.

1. **Trade or supplier credit**: -

Payment terms offered by your suppliers are a potential source of credit. Study the discounts for early payment and the penalty for late payment to determine the true cost of the credit. While some suppliers will extend credit only to well-established, proven firms, many will extend limited credit to new businesses to encourage another outlet for their merchandise. Planning for use of trade credit is essential. To establish good trade credit, a new business must make timely payments as agreed. Trade credit is effectively used by large businesses to buy products at lower cost than small firms. Do not depend too much on trade credit from one supplier. If repayment problems arise, you may find your major source for supplies cut off when you need it the most.

2. **Life insurance policies**: -

A standard feature of most life insurance policies (except term insurance) is the owner's ability to borrow against the cash value of the policy. The money can be used for any business or personal need. It normally takes two years for a policy to accumulate sufficient cash value. You may borrow up to 95 percent of the cash value of the policy for an indefinite period of time. As long as you continue to pay the insurance premiums, the interest can frequently be deferred indefinitely. The policy loan will reduce the dollar value of the policy and, in case of death, the loan is repaid first and then the beneficiaries receive the remainder. Some older life insurance policies guarantee very favorable interest rates.

3. **Friends and relatives**: -

It is best not to borrow from friends and relatives, but many people do. If you must borrow from a friend or relative, do it on a business basis by putting the agreement in writing. Check with a lawyer if you want a binding, legal agreement. You may also get a sample business loan contract form from a bank or lending institution. Use it as a basis for a written agreement that both parties find acceptable. Unrealistic and/or naive investment expectations have ruined many friendships and family relationships.

4. **Customers**: -

When customers pay for work in installments as it is completed or provide some of the materials, they are, in effect, financing the business.

For example: - a carpenter reduces capital requirements when the customer purchases the building materials for a remodeling project. In addition, it is not uncommon to request a deposit from customers when ordering items, particularly special items.

5. **Leasing Companies**: -

Leasing business equipment is another way to reduce capital needs. Everything from office furniture to food processing equipment can be obtained from leasing companies or commercial finance companies. Leasing is generally more expensive than bank financing and is limited to items that have a long serviceable life, widespread use, and are easily repossessed in the event of default. In many cases, you have the option to buy the equipment for an agreed upon amount at the end of the lease period.

6. **Commercial Finance Companies**: -

Commercial finance companies are generally seen as the place to go when you are unable to secure financing from a bank. Commercial finance companies, like banks, are concerned with your ability to repay the loan; however, they are more willing to rely on the quality of the collateral rather than your track record or profit projections. If you do not have substantial personal assets or collateral, a commercial finance company may not be the best place to secure start-up capital for a business. Commercial finance company capital is usually several percentage points higher than bank financing.

7. **Commercial Banks**: -

Commercial banks are by far the most visible lenders and make the greatest number and variety of loans. However, banks are generally conservative lenders. Although they accept collateral for business loans, loan approval rests on your ability to repay the loan as shown by your profit projections, management skills and your personal record. Strive to establish and keep a good working relationship with your banker. It may help to involve the banker in the planning process for your new business. Avoiding the banker until you need money may make a loan harder to get because the banker is unfamiliar with the business and its history.

8. **Small Business Administration**: - The Small Business Administration (SBA) is an independent government agency formed in 1953 to help small businesses. The SBA provides loan guarantees, participates with bank loans, and, if funds are available, makes a limited number of direct loans. To receive financial help from SBA, a business must be unable to secure reasonable financing from other sources. A business must also fit the SBA's generalized criteria for a small business, which vary for different types of businesses.

SBA loan interest rates vary from year to year based on the cost of money to the government. Also, the maturity of a SBA loan is limited to 10 years, except for the purchase or construction of buildings that may have a maturity of 20 years. A loan proposal for the SBA is generally more complex and more documented than one for banks. Unlike commercial lenders, the SBA will sometimes ignore a losing track record if a business shows signs of improvement with a healthy future. For more information, contact the SBA office in Maine:

9. **Small Business Investment Companies**: - Small Business Investment Companies (SBIC) are privately owned companies that are licensed and regulated by the SBA. SBICs were created to supply equity capital, long-term loan funds and management help to small businesses. There are investment companies in Maine that are ready to help businesses with excellent

potential. Most investment companies prefer to lend to established companies or finance purchases of existing businesses. The SBA or your local bank can assist you in contacting one of the SBICs in Maine.

10. **Rural Economic and Community Development Agency**: -The Rural Economic and Community Development Agency (RECD) will guarantee term loans to non-farming businesses in rural areas. The guarantees can cover up to 90 percent of the total loan from a private lending institution, and there is no loan limit for one company. The RECD requires the same extensive loan documentation as the SBA. However, RECD's goal is to improve rural areas and, therefore, the agency requires more detail on number of jobs to be created and the impact the new business would have on overall employment in an area.

VENTURE CAPITAL:-

Meaning:

Venture Capital is defined as providing seed, start-up and first stage finance to companies and also funding expansion of companies that have demonstrated business potential but do not have access to public securities market or other credit oriented funding institutions.

Venture Capital is generally provided to firms with the following characteristics:

• Newly floated companies that do not have access to sources such as equity capital and/or other related instruments.

• Firms, manufacturing products or services that have vast growth potential. • Firms with above average profitability.

• Novel products that are in the early stages of their life cycle.

• Projects involving above-average risk.

• Turnaround of companies

Venture Capital derives its value from the brand equity, professional image, constructive criticism, domain knowledge, industry contacts; they bring to table at a significantly lower management agency cost.

A Venture Capital Fund (VCF) strives to provide entrepreneurs with the support they need to create up-scalable business with sustainable growth, while providing their contributors with outstanding returns on investment, for the higher risks they assume.

The three primary characteristics of venture capital funds which make them eminently

suitable as a source of risk finance are:

- That it is equity or quasi equity investment.

- It is long term investment and.
- It is an active form of investment.

VENTURE CAPITALISTS:-

When someone refers to venture capitalist, the image that comes in mind is Mr. Money bags. We all think of venture capitalists as someone who is sitting on millions of dollars and who with the wave of his magic wand turns your dreams into reality. Well, if that's what you think is all about why run after him – "play Santa yourself".

Venture Capitalists is like any other professional who is paid for doing his job, yes, venture capitalist is nothing but a fund manager whose job is to manage funds that are raised. A venture capitalist gets a fee to invest in companies that interest his investors.

Difference between a Venture Capitalist and Bankers/Money Managers: -

• Banker is a manager of other people's money while the venture capitalist is basically an investor.

• Venture capitalist generally invests in new ventures started by technocrats who generally are in need of entrepreneurial aid and funds.

• Venture capitalists generally invest in companies that are not listed on any stock exchanges. They make profits only after the company obtains listing.

• The most important difference between a venture capitalist and conventional investors and mutual funds is that he is a specialist and lends management support and also .

- Financial and strategic planning
- Recruitment of key personnel
- Obtain bank and debt financing
- Access to international markets and technology
- Introduction to strategic partners and acquisition targets in the region
- Regional expansion of manufacturing and marketing operations
- Obtain a public listing

Factor to be Considered by Venture Capitalist in Selection of Investment Proposal: -

There are basically four key elements in financing of ventures which are studied in depth by the venture capitalists. These are:

1. **Management**: The strength, expertise & unity of the key people on the board bring significant credibility to the company. The members are to be mature, experienced possessing working knowledge of business and capable of taking potentially high risks.

2. Potential for Capital Gain: An above average rate of return of about 30 - 40% is required by venture capitalists. The rate of return also depends upon the stage of the business cycle where funds are being deployed. Earlier the stage, higher is the risk and hence the return.

3. Realistic Financial Requirement and Projections: The venture capitalist requires a realistic view about the present health of the organization as well as future projections regarding scope, nature and performance of the company in terms of scale of operations, operating profit and further costs related to product development through Research & Development.

4. Owner's Financial Stake: The financial resources owned & committed by the entrepreneur/ owner in the business including the funds invested by family, friends and relatives play a very important role in increasing the viability of the business. It is an important avenue where the venture capitalist keeps an open eye.

STAGES OF FINANCING BY VENTURE CAPITALIST:-

Venture capital can be provided to companies at different stages. These include:

I. Early- stage Financing

- **Seed Financing:** Seed financing is provided for product development & research and to build a management team that primarily develops the business plan.

- **Startup Financing**: After initial product development and research is through, startup financing is provided to companies to organize their business, before the commercial launch of their products.

- **First Stage Financing**: Is provided to those companies that have exhausted their initial capital and require funds to commence large-scale manufacturing and sales.

II. Expansion Financing

- **Second Stage Financing:** This type of financing is available to provide working capital for initial expansion of companies, that are experiencing growth in accounts receivable and inventories, and is on the path of profitability.

- **Bridge Financing**: Bridge financing is provided to companies that plan to go public within six to twelve months. Bridge financing is repaid from underwriting proceeds.

III. Acquisition Financing :-

As the term denotes, this type of funding is provided to companies to acquire another company. This type of financing is also known as buyout financing. It is normally advisable to approach more than one venture capital firm simultaneously for funding, as there is a possibility of delay due to the various queries put by the VC. If the application for funding were finally rejected then approaching another VC at that point and going through the same process

CHARACTERISTICS OF VENTURE CAPITAL:

Ideas and innovations, which have potential for high growth but has inherent uncertainties, are financed by Venture capitalists. Further, venture capitalists provide networking, management and marketing support as well. Therefore, venture capital refers to risk finance as well as managerial support. This blend of risk financing and handholding of entrepreneurs by venture capitalists creates an environment particularly suitable for knowledge and technology based enterprises. Startups, where fund is needed most, are seldom funded by Venture capitalist. However, a rare combination of product opportunity, market opportunity, and proven management may attract venture fund even in Startups.

(a) Expect a very high growth rate in the assisted enterprise,

(b) Bring management and business skills,

(c) Expect medium term gains (5-10 years), and

(d) Do not insist for any collateral to cover the capital provided.

ADVANTAGES:-

Venture capital has a number of advantages over other forms of finance, such as:

Finance - The venture capitalist injects long-term equity finance, which provides a solid capital base for future growth. The venture capitalist may also be capable of providing additional rounds of funding should it be required to finance growth.

Business Partner - The venture capitalist is a business partner, sharing the risks and rewards. Venture capitalists are rewarded by business success and the capital gain.

Mentoring - The venture capitalist is able to provide strategic, operational and financial advice to the company based on past experience with other companies in similar situations.

Alliances - The venture capitalist also has a network of contacts in many areas that can add value to the company, such as in recruiting key personnel, providing contacts in international markets, introductions to strategic partners and, if needed, co-investments with other venture capital firms when additional rounds of financing are required.

Facilitation of Exit - The venture capitalist is experienced in the process of preparing a company for an initial public offering (IPO) and facilitating in trade sales. Venture capitalist combines risk capital with entrepreneurial management and advance technology to create new products, new companies and new wealth. Risk finance and venture capital environment can bring about innovation, promote technology, and harness knowledge-based ventures.

In this sense, venture capital is different from other types of financing such as:-

- development finance,
- seed capital, (At times Venture Capitalist provide)
- term loan / conventional financing,
- passive equity investment support, and
- R&D funding sources.

Venture capital is a source of investment in the form of seed capital in unproven areas, products or start-up situations. The concept of venture capital is relatively new to the Indian economy, and is gaining prominence in the recent years.

Angel Investment:

Meaning:-

An investor who provides financial backing for small startups or entrepreneurs. Angel investors are usually found among an entrepreneur's family and friends. The capital they provide can be a one-time injection of seed money or ongoing support to carry the company through difficult times.

Advantages and disadvantages of Business Angel Funding: -

Before approaching a business angel (BA) for investment, you should consider whether other forms of finance could better meet your organization's needs.

For other sources of alternative funding, see the page on alternatives to equity finance in our guide on equity finance.

Advantages of Business Angel Financing:-

The advantages of BA funding for your business can include:

• BAs are free to make investment decisions quickly

• No need for collateral - i.e. personal assets

• Access to your investor's sector knowledge and contacts

• Better discipline due to outside scrutiny

• Access to BA mentoring or management skills

• No repayments or interest.

Disadvantages of business angel financing

The disadvantages of BA funding for your business can include:

• Not suitable for investments below £10,000 or more than £250,000

• Takes longer to find a suitable BA investor

• Giving up a share of your business

• Less structural support available from a BA than from an investing company.

RECORD KEEPING: -

Introduction: -

Keeping records is crucial for the successful management of a business. A comprehensive recordkeeping system makes it possible for entrepreneurs to develop accurate and timely financial reports that show the progress and current condition of the business. With the financial report you can generate from a good recordkeeping system, you can compare performance during one period of time (month, quarter or year) with another period, calculate trends and plan for the business's future.

For a business to be successful, its owner must possess a good blend of these skills: sales, customer service, management and recordkeeping. The sole proprietor must assume all the responsibility; but if the business has more than one owner or employee, it has the advantage of bringing sales, customer service, management and detail-oriented persons together to cover all aspects of the business.

Purpose: -

The purpose of a good recordkeeping system is to provide management information to use in operating the business. Because cash flow and profitability are closely tied to financial analysis, it is vital that the entrepreneur understand the external and internal financial factors that affect business. The recordkeeping system provides the foundations for monitoring and measuring the progress of the business. It provides a blueprint for fiscal control by monitoring and measuring sales, costs of goods sold, gross profits, expenses and taxes. The entrepreneur should be involved in setting up the recordkeeping system and the chart of accounts, which includes elements that are critical in managing the day-to-day operations of the specific business.

Quick Overview: -

Setting up a Basic Record Keeping System:-

Many business finance professionals recommend that all entrepreneurs be knowledgeable about basic recordkeeping practices. The entrepreneur who decides to purchase a manual or computerized recordkeeping system, or has a bookkeeper or accountant, still needs to understand the basic premises.

The following is a simplified lexicon of basic recordkeeping that demonstrates how to set up your own accounting system.

Journal:

Journal is a book for recording business transactions in chronological order. A simple method of recordkeeping is to use 13-column paper for journals. You derive the information for each journal entry from original source documents, such as receipts for cash paid or received, checks written or received, cash register tapes, sales tickets, etc. The information appearing on these documents must be analyzed to determine the specific accounts affected and the dollar amounts, then the proper journal entry is recorded.

Transaction:

It is entered in a journal before it is entered in ledger accounts.

Transactions are entered into the journals by date, amount, description and account to which the transaction has been assigned.

For example, when rent is paid, the journal entry would be made in the cash disbursement journal under the accounts of cash and rent.

A journal is also called the book of original entry. Different journals are used for different source documents. Cash coming into the business (cash sales, bank loans, interest income) is entered in chronological order in a cash receipts journal. Cash going out of the business (expenses: rent, insurance, payroll, purchases,) is recorded in a cash disbursement journal. The check book is the source for recording disbursements.

Disbursements:

It should be made by check from a business account that is separate from your personal bank account. This provides an audit trail in case of an IRS audit. Sales and Purchases on credit are entered into a sales journal and purchases journal, respectively. These journals are the original entry for the accounts receivable and accounts payable. A payroll journal is used to show employee gross wages, taxes/other deductions withheld and net wages. It also shows the employer's share of FICA, Medicare and unemployment taxes. A general journal is used for miscellaneous entries and adjustments such as depreciation and inventory.

The accounting system is built around a list of account names called a chart of accounts and is organized under the categories of assets, liabilities, owner's equity, revenue or income, cost of goods sold (for a business that sells a product), operating expenses and other income/expenses. The accounts you keep are tailor made for your particular business.

Assets: - Assets are things of value owned by a business including cash, receivables, investments, buildings, land, equipment, vehicles, etc.

Liabilities: - Liabilities are those amounts the business owes the creditors. They include payables, notes, loans, mortgages, etc.

Owner's equity or capital (sometimes called net worth) is the investments of the owners and the accumulation of profit or losses for the business since it began. It is also the difference between Assets and Liabilities.

Revenue or income is the money that came into the business from the sale of goods and services. Income is measured for a period of time.

Cost of goods sold is the cost of the product being sold by the business. A service type business will not have a cost of goods sold.

Operating expenses are the daily expenses in running a business.

For example: - rent, advertising, insurance, etc.

Other income/expenses are not daily necessities or a required part of the business operation. However they are a part of doing business such as interest income and expense.

At the end of each month, all transactions are totaled and only the total of each account is posted to the general ledger on three-column paper. The general ledger is a cumulative (year to date) book that contains the individual accounts maintained by the business and shows the balances in each account.

Financial statements (Balance sheet and income statement) are prepared using the account balances from the general ledger.

The balance sheet is a financial report as of a specific date that lists the assets, liabilities and owner's equity of a company. It is a "snapshot" of the business at a point in time.

The income statement or profit and loss statement (P&L) is the financial report that shows if the business had a profit or loss. It is the Revenue minus the Expenses

Single vs. double entry recordkeeping

Now you have laid out the blueprint for your recordkeeping, monitoring and measurement systems. There are some other considerations that will affect your recordkeeping functions. One consideration is whether to use single entry or double entry recordkeeping.

Single entry:-

Single entry is a simple listing of cash receipts and checks paid out. It is not a debit/credit system. It records monies received in a cash receipts journal (cash in) and monies paid out in the cash disbursements journal (cash out). From these two listings, a simple profit and loss statement and cash flow statement can be developed. The single entry can be kept manually on a notepad or journal with columns labelled with your chart of account numbers.

Double entry:-

Because the double entry system is more sophisticated, an understanding of bookkeeping principles is needed to implement it. A small business with a limited number of transactions and employees can get by on a single entry system, either manual or computerized. All businesses require accounts receivable controls, accounts payable controls and pricing policies. For larger businesses with employees, with different departments or with inventory to manage, it is wise to implement a double entry recordkeeping system because it affords checks and balances.

RECRUITMENT: -

The process of finding and hiring the best-qualified candidate (from within or outside of an organization) for a job opening, in a timely and cost effective manner.

The recruitment process includes analyzing the requirements of a job, attracting employees to that job, screening and selecting applicants, hiring, and integrating the new employee to the organization.

The recruitment and selection is the major function of the human resource department and recruitment process is the first step towards creating the competitive strength and the strategic advantage for the organizations. Recruitment process involves a systematic procedure from sourcing the candidates to arranging and conducting the interviews and requires many resources and time.

General recruitment process is as follows:

Identifying the vacancy:

The recruitment process begins with the human resource department receiving requisitions for recruitment from any department of the company. These contain:

•Posts to be filled

•Number of persons

•Duties to be performed

• Qualifications required

- ✓ Preparing the job description and person specification.
- ✓ Locating and developing the sources of required number and type of employees (Advertising etc).
- ✓ Short-listing and identifying the prospective employee with required characteristics.
- ✓ Arranging the interviews with the selected candidates.
- ✓ Conducting the interview and decision making
- ✓ Identify vacancy
- ✓ Prepare job description and person specification
- ✓ Advertising the vacancy
- ✓ Managing the response
- ✓ Short-listing
- ✓ Arrange interviews
- ✓ Conducting interview and decision making

The recruitment process is immediately followed by the selection process i.e. the final interviews and the decision making, conveying the decision and the appointment formalities.

Step 1: Identify Vacancy and Evaluate Need

Recruitments provide opportunities to departments such as aligning staff skill sets to initiatives and goals and planning for departmental and individual growth. Although there is work involved in the hiring process, proper planning and evaluation of the need will lead to hiring the right person for the role and team.

Newly Created Position: -

When it is determined a new position is needed, it is important to:

• Understand and take into consideration strategic goals for the University and/or department. Are there any upcoming changes that may impact this role?

• Conduct a quick analysis of UCR Core Competencies. Are there any gaps? What core skills are missing from the department? Evaluate the core skills required now and those which may be needed in the future.

• Conduct a Job Analysis if this position will be new to your department. This will also help to identify gaps.

Replacement: -

When attrition occurs, replacing the role is typically the logical step to take. Before obtaining approval to advertise the position, consider the following:

• As with a newly created position, it may be helpful to conduct a Job Analysis in order to tailor the position to what is currently required and to ensure proper classification. Your HR Classification Analyst can assist in reviewing and completing.

• Review the role and decide if there are any changes required as certain tasks and responsibilities performed by the previous person may not or should not be performed by the new person.

Carefully evaluate any changes needed for the following:

• Level required performing these tasks; considering the appropriate classification level. Be aware that changes in the classification of positions from represented to no represented will require union notice and agreement

• Tasks carried out by the previous employee

• Tasks to be removed or added if any of the work will be transferred within department • Supervisory or lead responsibility

• Budget responsibility (if any)

• Work hours

• Is there still a requirement for this role at all?

Step 2: Develop Position Description

• A position description also referred to as a job description is the core of a successful recruitment process. From the job description, interview questions, interview evaluations and reference checks questions are developed.

• A well-written job description:

• Provides a first and sometimes, lasting impression of the campus to the candidate

• Clearly articulates responsibilities and qualifications to attract the best suited candidates

• Improves retention as turnover is highest with newly hired employees. Employees tend to be dissatisfied when they are performing duties they were not originally hired to perform.

• Provides an opportunity to clearly articulate the value proposition for the role and the department and helps attract candidates to apply .

Identify Duties and Responsibilities: -

• Prior to developing the job description the hiring manager should identify the following: **.**General Information

• Position Purpose

• Essential Functions

• Minimum Requirements

• Preferred Qualifications

1. General Information

• Department Name

• Department Head

• Supervisor Name

• Title Codes and Full-Time Equivalent numbers of employees supervised

• Special Requirements and Conditions:

• Specific requirements job seekers must possess or complete in order to be hired (e.g. background check, valid driver's license, etc.)

• BFOQs which are in compliance with UCR's applicable policies (e.g. physical or mental requirements)

• Contact Staff Employment and Development for assistance with special requirements and conditions

2. Minimum Requirements :-

The minimum requirements or "basic qualifications" are those qualifications or criteria which was established in advance and advertised to potential applicants:

• Must be relevant and relate back to the duties and responsibilities of the job (e.g., should not list driving requirement if not part of responsibilities or duties of the job).

• “Soft skills” can be required qualifications (e.g., communication/collaboration) and will:

- Vary among applicants
- cannot be ascertained in resume
- Able to evaluate in interview
- Can be position/department specific (e.g. valid driver’s license)
- Can be assessed by reviewing the resume
- Must be objective, non-comparative and business-related:

Listing too many skills as requirements significantly limits your applicant pool and selection. A good rule of thumb is no more than 3-5 required skills depending upon the level of the position.

Step 3: Develop Recruitment Plan: -

Each position requires a documented Recruitment Plan which is approved by the organizational unit. A carefully structured recruitment plan maps out the strategy for attracting and hiring the best qualified candidate and helps to ensure an applicant pool which includes women and underrepresented groups including veterans and individuals with disabilities.

In addition to the position’s placement goals the plan contains advertising channels to be used to achieve those goals. The recruitment plan is typically developed by the hiring manager in conjunction with the Departmental HR Coordinator. Placement goals identified are entered into the position requisition in the ATS.

To ensure the most current placement goals are identified for the department and unit, you may contact the office of Faculty and Staff Affirmative Action. Recruitment Plan Elements:

A. Posting Period

B. Placement Goals

C. Additional Advertising Resources

D. Diversity Agencies

E. Resume Banks Step

4: Select Search Committee: -

To ensure applicants selected for interview and final consideration are evaluated by more than one individual to minimize the potential for personal bias, a selection committee is formed. The hiring manager will identify members who will have direct and indirect interaction with the applicant in the course of their job. Each hiring manager should make an effort to appoint a search committee that represents a diverse cross section of the staff.

A member of the committee will be appointed as the Affirmative Action and Compliance Liaison who will monitor the affirmative action aspects of the search committee. The Hiring Manager will determine the size (no more than 6) and composition of the committee based on the nature of the position. It is highly recommended the committee members include:

- At least one individual who has a strong understanding of the role and its contribution to the department
- A job specialist (technical or functional) .
- Staff representative if position has supervisory responsibilities
- An individual who will interact closely with the position and/or serves as a main customer.

Step 5: Post Position and Implement Recruitment Plan: -

Once the position description has been completed, the position can then be posted to the UCR career site via the ATS. Every effort should be made to ensure the accuracy of the job description and posting text. It is not advisable and in some instances, not possible to change elements of a posted position. The reason for this has to do with the impact a given change may have on the applicant pool.

To post the position:

• The requisition is then routed to the HR Recruitment Analyst who will post the position

• Applications can be reviewed once the minimum number of posting days has been reached

Step 6: Review Applicants and Develop Short List: -

Once the position has been posted, candidates will apply via UCR's job board. Candidates will complete an electronic applicant for each position (resume and cover letter are optional). Candidates will be considered "Applicants" or "Expressions of Interest".

All applicants must be reviewed and considered. Applicants are those who apply during the initial application period as described in Step 5. Candidates who apply after the initial application period will be considered "expressions of interest" and not viewable by the search committee.

Step 7: Conduct Interview: -

The interview is the single most important step in the selection process. It is the opportunity for the employer and prospective employee to learn more about each other and validate information provided by both. By following these interviewing guidelines, you will ensure you have conducted a thorough interview process and have all necessary data to properly evaluate skills and abilities.

Preparing for the Interview: -

Once the short list (typically 3-5 identified for interview) is approved by the Office of Faculty and Staff Affirmative Action, the interview process can begin. It is important to properly prepare for the interview as this is the opportunity to evaluate the skills and competencies and validate the information the applicant has provided in their application and resume. Choose one or two questions from each competency and minimally required skills to develop your interview questions. Review the applicant's application or resume and make note of any issues that you need to follow-up on.

• Phone Interviews

• Panel Interviews

• Virtual Interviews

• Interview Questions.

Step 8: Select Hire

Final Applicant

Once the interviews have been completed, the committee will meet to discuss the interviewees. Committee members will need to assess the extent to which each one met their selection criteria.

The search committee rating sheet will be helpful in justifying decisions and making them as objective as possible.

The most important thing to remember is that you will need to be able to justify your decision. Documentation is key and required to be in compliance with OFCCP requirements. As one of the most critical steps in the process, it is important to keep the following in mind:

• The best candidate for the position was chosen based on qualifications

• The candidate will help to carry out the University and Department’s missions

Reference Checks: -

Reference checks should be conducted on the final applicant prior to making an offer. While it is advisable to conduct a reference with the candidate’s current supervisor before a candidate starts employment, if the candidate is reluctant a conditional offer of employment can be made.

Before you begin the reference check process, be sure to:

1. Prepare carefully

• Familiarize yourself thoroughly with the information the applicant has already provided, including the application, resume, work sample (if applicable) and interview responses

• Identify areas that require elaboration or verification such as the work sample

• Set up a telephone appointment with one or more references provided by the applicant

• Many employers are prohibited from providing information without a release, so if requested, send the signed Applicant Release and Disclosure consent form and the job description (optional) in advance of your telephone call

• Write down your questions before you call, highlighting the information you want verified or expanded upon.

• Note: You may consider conducting reference checks on all finalists before the final selection is made.

2. Describe the Position: -

• Describe the responsibilities, duties, and working environment of the position for which the individual has applied.

• After describing the position, ask, “Given our requirements, what is your assessment of the individual’s qualifications for the job?”

Step 9: Finalize Recruitment: -

Upon completion of the recruitment process the offer to the selected finalist is made. The salary to be offered is to be equitable and lead to the retention and motivation of employees.

Prior to initiating the offer, it is recommended that one more check of the selection process be completed as follows:

• Review the duties and responsibilities of the position and ensure they were accurately described and reflected in the job description and interview process

• Review selection criteria used to ensure they were based on the qualifications listed for the position

• Confirm interview questions clearly matched the selection criteria

• Confirm all applicants were treated uniformly in the recruitment, screening, interviewing and final selection process.

Initiating the Offer: -

• Once a final check of the selection process and the final applicant has been determined, the Committee Chair or designee will notify the Departmental HR Coordinator with the finalist's name, salary and start date enter the selection information into the ATS

• The Departmental HR Coordinator reviews the requisition in the ATS and ensures all applicants on the requisition have been assigned a decision code

• The Departmental HR Coordinator forwards this information to the Organizational HR Coordinator for review and approval

• Once approved, the Departmental HR Coordinator notifies the Committee Chair or designee of offer approval

• The Committee Chair or designee makes the offer to the finalist

Motivation: -

Definition: -

Motivation is the processes that accounts for an individual's intensity, direction, and persistence of efforts towards attaining a goal."

Nature of Motivation: -

1. Unending Process
2. Psychological Concept
3. The whole individual is motivated
4. Goals are Motivators
5. Frustrated man cannot motivated.

Process of Motivation: -

1. Unsatisfied needs and motives: It is the first process of motivation. This stage involves unsatisfied needs and motives. Such unsatisfied needs can be activated by internal stimulus such as hunger and thirst. They can also be activated by external stimulus such as advertisement and window display

2. **Tension**: - this stage involves tension. Unsatisfied needs create tension in the individual. Such tension can be physical, psychological, and sociological. In this situation, people try to develop objects that will satisfy their needs.

3. **Action to satisfy needs and motives**: - this stage involves action of people to satisfy needs and motives. Such tension creates strong internal stimulus that calls for action. Individual engages in action to satisfy needs and motives for tension reduction. For this

purpose, alternatives are searches and choice is made, the action can be hard work for earning more money

4. **Goal accomplishment**: - this stage involves goal accomplishment. Action to satisfy needs and motives accomplishes goals. It can be achieves through reward and punishment. When actions are carried out as per the tensions, then people are rewarded others are punished. Ultimately goals are accomplished.

5. **Feedback**: - this is the last stage for motivation. Feedback provides information for revision or improvement or modification of needs as needed. Depending on how well the goal is accomplished their needs and motives are modified. Drastic changes in environment necessitate the revision and modification of needs.

Team Leading:-

1. Provide purpose: - Everything starts with vision. You cannot have a real team without one because people will not find the desire to achieve the common goal.

The team members will work together and sacrifice only if they can see what they're working toward. Capturing and communicating vision is your role as a team leader. Only you can do it. Create an inspiring vision. Provide the big picture and keep the vision of the big picture before yourself and your people. Every team member "has a role to play, and every role has its part in contributing to the bigger picture.

2. Build a star team, not a team of star: - Your team will not reach its potential if players are unwilling to subordinate their personal goals to the good of the team. As Ervin "Magic" Johnson put it, "Everybody on a championship team doesn't get publicity, but everyone can say he's a champion." Be personally a team player. Teach people to cooperate to make a team a winning team, and thus all of them winners. Involve everyone. Establish shared and an environment oriented to trust, joint creativity, open communication, and cohesive team effort. Help resolve dysfunctional behavior. Facilitate join problem solving and collaboration. Fully utilize diversity of team members.

3. Establish shared ownership for the results: - Start with yourself – share your own individual results with the group. Shared responsibility is better achieved if the pay and reward system has a significant element that is dependent on the overall outcome. Keep the team informed how individual members are performing – it is important if Individuals' rewards depended on the performance of the group as a whole.

4. Develop team members to fullest potential: - Bring out the best in your people. Help team members to develop so that all of them could effectively participate on the team. Lead. Train, coach and provide effective feedback.

5. Make the work interesting and engaging: - Create enjoyable work environment. Encourage entrepreneurial creativity, risk-taking, and constant improvement. This includes also freedom to fail and fun in the workplace. Maintain healthy group dynamics. Facilitate problem solving and collaboration.

6. Develop a Self-Managing Team:-Be a super leader. Develop team members so that they can lead themselves. Don't give direct commands or instructions, use questions (such as "What do you think should be done?") and coaching instead. Empower people, delegate authority, and be open to ideas. Trust your team, rely on their judgment. Give your people authority to decide as much as possible. Encourage your team to engage in self-leadership behaviors such as self-observation, role-playing exercises, and self-problem solving. Encourage your team or groups within your team to evaluate themselves and to give both positive and negative feedback. Share with the team members certain areas of your responsibility. Ask for their input when you need to make a decision regarding recruitment, firing, discipline, training, and promotion.

7. Motivate and Inspire Team Members: - Be enthusiastic, inspire and energize people. Set stretch goals. Recognize and celebrate team and team member accomplishments and exceptional performance

8. Lead and Facilitate Constructive Communication :-Lead the rich array of types of communication exchanged between team members that include goal setting, task assignments, work scheduling, announcements, problem solving, performance evaluation, corrective, praise, discussions, etc. Communicate in a way that is truthful and believable to team members. Provide constructive feedback to the team on where and how it might improve. Encourage open communication among team members and communicate team views to and from other teams. Encourage self-criticism and rehearsal. Strive for team consensus and win-win agreements. Provide guidance to the team based on upper management direction.

9. Monitor, but don't micromanage:- Avoid close supervision; do not over boss; do not dictate. Help keep the team focused and on track. Communicate team status, task accomplishment, and direction. Intervene when necessary to aid the group in resolving issues.

Marketing & Sales Control Methods: -

To know whether our marketing and sales strategies are effective and are generating positive results are not. New venture must establish some measurements that focus on key controllable variables that affect marketing and sales efforts. Marketing controls are the set of practices and procedures employed by firms to monitor and regulate their marketing activities in achieving their marketing objectives or goal or it controls proposed marketing plan against predefined goals.

- **MARKET SHARE ANALYSIS: -** We can find out market share by taking the venture's sales as a percentage of total industry sales or our venture's sales how much percentage contribute in a total sale.
- **SALES ANALYSIS: -** We can analyze/monitor sales information for a particular time period like no. of sales enquires made in a week, no. of customer attended in a month, no. of meetings with potential customers and how many new customers are created in a particular time.

- **DISTRIBUTION:** -To supply exact quantity of products or quantity as needed by retailers or Distributor entrepreneur must monitor increase or decrease distribution channel. Unavailability of stock at right time, in right quantity creates opportunities for competitor to create new Customers

- **CUSTOMER SATISFACTION: -** With the help of marketing research, an entrepreneur can find out satisfaction level of customers towards products or services offered by them. It help to create new customer and retain existing customers.

E-COMMERCE: -

- E-commerce involves digitally enabled (Online) commercial transactions (Buying and selling) Between and among organizations and individuals
- Digitally enabled transactions include all transactions (Online Order, Billing, Payment Delivery etc.) mediated by digital technology
- Commercial transactions involve the exchange of value across organizational or individual boundaries in return for products or services

Electronic Commerce is an emerging concept that describes buying and selling of products, services and information with the help of Internet via computer networks.

E-commerce is not limited to buying and selling products online but along with transaction it also deal With its customer, suppliers, accountants, payment services, government agencies and competitors Online Along with online selling, EC will lead to significant changes in customize distribution and exchanged, Search and bargain for product and services.

Advantages of Electronic commerce:-

All the advantages of electronic commerce for businesses can be summarized in one statement:

Electronic commerce can increase sales and decrease costs.

Advantages:

- A business can reduce the costs of handling sales inquiries, providing price quotes, and determining product availability by using electronic commerce in its sales support and order taking processes.
- Electronic commerce provides buyers with a wider range of choices than traditional commerce.
- Electronic commerce provides buyers with an easy way to customize the level of detail in the information they obtain about a prospective purchase.
- Electronic payments of tax refunds, public retirement, and welfare support cost less to issue and arrive securely and quickly when transmitted over the internet.
- Electronic payments can be easier to audit and monitor than payments made by cheque, providing protection against fraud and theft losses.
- Electronic commerce can also make products and services available in remote areas.

Disadvantages:

Some businesses are less suitable for electronic commerce. Such businesses may be involved in the selling of items which are perishable or high-cost, or which require inspection before purchasing. Return-on-investment is difficult to calculate.

- ✓ Many firms have had trouble recruiting and retaining employees with the technological, design, and business process skills needed to create an effective electronic commerce presence.
- ✓ Difficulty of integrating existing databases and transaction-processing software designed for traditional commerce into the software that enables electronic commerce.
- ✓ Many businesses face cultural and legal obstacles to conducting electronic commerce.

INTERNET ADVERTISING:

Internet advertising has proven to be a targeted approach to reaching your customer base, and is easily the most cost effective and measurable method of obtaining new customers.

It's an ideal way to reach potential customers with a solution that's cost effective, offers precise targeting and easy to understand tracking tools. Online search advertising reaches over 94.5% of Australian internet users who use search engines to find products or services online.

Each one of these users is interested in the search keywords they have entered, which makes the web such an effective way to connect with prospects interested in your business.

Responsive Audiences:-

More and more Australians are using search engines like Google every day. Over 10.7 million Australians are online at least monthly and many of them are looking to buy products or services while you read this. This is great news for small business owners who can use advertising platforms like Google Ad Words to reach this captive audience.

Benefits for your Business:-

• Being found first in search results

• Gaining an advantage over your competitors

• Attaining the highest rate of traffic to your website

• Taking your position as your industry's leader

• Attracting more quality sales leads

• Increasing business revenue

• Improving business sustainability

Types of Advertising:-There are multiple types of advertising, each with their own strengths and weaknesses. There is no “best” type of advertising; ultimately, the particular method used depends on the kind of site it is being run on, the needs of the advertiser, and the audience the advertising will reach.

1) Sponsorships:-This is one of the traditional forms of advertising. Essentially, an advertiser will sponsor an entire site or at least a section of a site or a specific page on a site. With this type of advertising it is most common for the sponsorship to be exclusive for a given period of time. Normally an advertiser will use this kind of advertising for branding, or for introducing a new product. Since visitors to the site will see the same sponsorship advertising constantly, rather than in rotation with other ads, it is more likely to sink in and be established in their minds.

2) Banner Run:-This is perhaps the most basic and traditional form of advertising. With this method, the advertiser essentially buys a run of advertising, usually for a specific period of time. They will agree to pay a specific CPM for a certain number of impressions over a specific period of time. Sometimes this type of advertising will still take on elements of Sponsorship Advertising. Most commonly, publishers will sell a Banner Run on a specific section of a site, or specific ad spots on a page. For impressions across the premium ad placements on their site, for a higher rate.

3) Affiliate: - affiliate advertising is based on the concept of an advertiser rewarding a publisher (the affiliate) for any business that is brought in. Generally speaking, the publisher will run ads for an affiliate with special tracking code that helps the advertiser to identify which site a visitor came from. Affiliate systems can also often keep track of which visitors actually sign up for or buy something as well, and the affiliate can be rewarded accordingly. Affiliate systems can reward.

4) Pay per Click:-Most commonly, this type of advertising is associated with search engines and contextual Advertising generally, the advertiser pays out to the publisher (and the PPC network, if one is being Used) for each click on an ad. Commonly these ads will be text links, and will be shown either as Part of a search results page, or based on the content of a site.

- BANNER ADS (DOUBLECLICK)
    - Standardized ad shapes with images
    - Normally not related to content
- CONTEXT LINKED ADS (GOOGLE ADSENSE)
    - Related to content on page
- SEARCH LINKED ADS (GOOGLE ADWORDS)
    - Related to search terms
- ADVERTISING (BANNER, POP-UPS WINDOW)
    - Sponsorships link
    - Online demo version
- E-MAIL MARKETING
    - Spam mail, Hypertext

UNIT IV

Finance in Management for Project

4. Finance in Management for Project: Financial institutions and their role, Capital Estimation and arrangement, cost and price determination, Accounting Management

Financial Institutions and their Role: -

As we know for establishing any business or enterprise require investment and these investment is either from entrepreneur and from different financial sources arranged in many ways these ways are present here. Financial institutions are one of the most important components of any country's financial system.

Financial institutions for any country play a vital role. For any country it play role in determining the effectiveness and efficiency of the financial system.

Definition: - A financial institution is responsible for the supply of money to the market through the transfer of funds from investors to the companies in the form of loans, deposits, and investments. The most common types of financial institutions include commercial banks, investment banks, brokerage firms, insurance companies, and asset management funds. Other types include credit unions and finance firms. Financial institutions are regulated to control the supply of money in the market and protect consumers.

When we are talking about the importance of financial institutions in that they provide the economy services for richer than them. They represent the vital infrastructure through which money flows from savings to investors in various economic fields. Interest in medium and small enterprises is one of the factors of economic growth. Small and medium enterprises sector is an important sector of the national economy, through its contribution to economic development, increasing domestic output ... etc.

Small individual projects are of interest to different countries of the developed and developing world alike, Starting from the vital role of these projects in economic growth and job creation and activating local and regional development. Financial institutions play a large role in providing the cash needed to develop and finance small individual projects.

How Financial Institutions Work: -

Financial institutions serve most people in many ways. Financial operations are a critical part of any economy. Today individuals and companies relying on financial institutions for transactions and investing. Governments consider it imperative to oversee and regulate banks and financial institutions because they do play such an integral part of the economy. Historically, bankruptcies of financial institutions can create panic.

In the United States, the Federal Deposit Insurance Corporation (FDIC) insures regular deposit accounts to reassure individuals and businesses regarding the safety of their finances with financial institutions.

Definition: -

- A financial institution (FI) is a company engaged in the business of dealing with financial and monetary transactions such as deposits, loans, investments, and currency exchange.

- Financial institutions encompass a broad range of business operations within the financial services sector including banks, trust companies, insurance companies, brokerage firms, and investment dealers.
- Financial institutions can vary by size, scope, and geography.

Types of Financial Institutions: -

Financial institutions offer a wide range of products and services for individual and commercial clients. The specific services offered vary widely between different types of financial institutions.

Banks: -

Contribution of Banks in the Growth & Development of Entrepreneurship is highly important

The importance of entrepreneurship has magnified in today's economic climate. It introduces a crucial element of dynamism, particularly into an economic system. Entrepreneurs are often regarded as national assets who are motivated and rewarded to the greatest possible extent mainly because they contribute in terms of innovation, jobs and improve the conditions for a prosperous society.

According to Mac Donald and Keith word 'Bank' has been evolved from-word "Banke" of

German language. According to Oxford Dictionary, "Bank is that institution, which deposits the

money received from public or its customers. Its main function is to pay their cheque. It earns profit with the use of that money which has been deposits by customers in bank not using it.”

Commercial banks provide economic assistance to entrepreneurs in following forms of loans

and schemes

1) Term loans

2) Installments credit

3) Special schemes of assistance

4) Credit guarantee scheme

Types of Banks

1) Commercial banks

2) Central banks

3) Industrial bank

4) Agricultural bank

The Indian government is also pushing and encouraging young Indian to start their own business or undertake ventures which have increased the role of a financial institution. Now the banks have to meet the need of financial assistance to a new startup company.

There is no denying that activities of banks reflect their unique role as the kick-starter of growth in any economy. Commercial and specialized banks always play an important role in the growth and development of entrepreneurship. Apart from providing financial assistance, banks also give valuable inputs to support and promote their enterprise.

We shall now examine their role in developing entrepreneurship and for the purpose of convenience and proper understanding, the roles can be divided in the following category.

Statute Laws: - It is one of the main reason why banks were created in the first place. The roles such as accepting of deposit, safekeeping assets but more importantly giving of loans and advances make them a key element in the growth. Commercial banks will be providing security for the customer’s money and at the same time giving entrepreneurs the opportunity to use their deposits to borrow more fund in order to run their enterprises without any hassle. A good payment system is essential for the efficient functioning of an economy. And with the advancement of technology, the speed of service has greatly improved.

The growth of digital banking has reduced the cost of starting/doing business tremendously. This has greatly helped entrepreneurs in modern days. It is also very helpful for those involved with businesses on foreign soil.

For instance, most international businesses are conducted on credit, with payment later. Commercial Banks offer a quick foreign exchange – a service where money is transferred to any part of the world on behalf of the banks' clients. With banks playing this crucial role, they have now become a very important part of promoting entrepreneurial development.

Financing Roles of banks:

Not all entrepreneurs are from a sound financial background. Most will need initial loans on reasonable interest rate in order to generate capital to start their venture or enterprise. It is self-explanatory but without funds, entrepreneurs cannot grow, and this is where banks, particularly commercial banks play a significant role in the lives of entrepreneurs. Once an enterprise or business is set-up, then comes the important part, funding the cash cycle.

There will be a delay in cash after selling products due to credit period provided to customers. But entrepreneurs will have to make payments upfront to service providers. Banks will help in providing working capital assistance that becomes the lifeline of companies. Apart from that, banks will also provide financial help on regular basis like during expansion or play the role of middleman to connect entrepreneurs. Banks can connect people with huge pockets to people with great ideas. Banks are great advisers as well, they can suggest young entrepreneurs invest their money on shares or commodities to earn more and without any interest rate.

Types of Banks Involve as Financial Institutions are:-

- Commercial Banks
- Investment Banks
- Cooperative banks
- Savings Bank
- Insurance Companies
- Microfinance Institute: -
- Brokerage Firm etc.

- **Commercial Banks: -**

  A commercial bank is a type of financial institution that accepts deposits, offers checking account services, makes business, personal, and mortgage loans, and offers basic financial products like certificates of deposit (CDs) and savings accounts to individuals and small businesses. A commercial bank is where most people do their banking, as opposed to an investment bank.

  Banks and similar business entities, such as thrifts or credit unions, offer the most commonly recognized and frequently used financial services: checking and savings accounts, home mortgages, and other types of loans for retail and commercial customers. Banks also act as payment agents via credit cards, wire transfers, and currency exchange.

Main functions of commercial banks are as follows:

1) Primary functions: – In primary functions we include –
a. Acceptance of deposits: - This is the most important function of commercial banks. Banks accepts deposits from persons, firms and institution
The deposits can be many types as follows –
a. Demand deposit (current account)
b. Saving bank account
c. Home safe deposit
b. Lending of money – The second important function of commercial banks is lending of money.
Bank earns profit through lending money.
When banks lend money to its customers, it wants some sort of security.
c. Discounting of bill of exchange B/E and P/N – Third important function of commercial bank is to discount B/E and P/N of his customers at a discount and thus give him financial assistance in times of need. For this service, bank charges some commission or discount.

2) As Agent of customers: - Commercial banks also provide some of the important services as an agent to the customers and hence these are 'agency services'.
These services are as follows –
a. To make payments and also to receive payments on behalf of customer.
b. Payments and realization of interest of divided on behalf of customer.
c. Sale and purchase of debenture.
d. Provision of remitting facility of customer.
e. To work as trustee or executor of deceased on behalf of the customer.
f. To advise the customer from time to time and to work as his representative or grant in time of need.

3) Other general utility service of banks: - Besides, above functions, banks also perform certain functions which are called general utility services.
Such important services are given below:-
a. To provide facility to lockers for safe custody of 'valuables' of customers
b. To give customers the "letter of credit" and "travelers cheques".
c. To provide its customers with reference about other persons and firms
d. To provide facility of underwriting
e. To accept B/E on behalf of customers.
f. To help customers in foreign exchanges.

4) Other Financial Aspects: - The proposed project would earn sufficient profit only when it is financially sound. The project must be able to retrieve the investments made within its life cycle. For this purpose, the following statements must be prepared:
a. Cost of total production
b. Projected profit and loss account
c. Project balance sheet
d. Cash flow statement

e. Break-even analysis to measure profitability

- **Investment Banks: -**
  Investment banks specialize in providing services designed to facilitate business operations, such as capital expenditure financing and equity offerings, including initial public offerings (IPOs). They also commonly offer brokerage services for investors, act as market makers for trading exchanges, and manage mergers, acquisitions, and other corporate restructurings.

- **Cooperative Banks**: -
  As the name suggests it is beneficial in small towns or for village and other types of business especially small business or cottage industries etc.

- **Savings Bank**: -
  It helps in mobilizing and mobilizing financial resources and employing them in investment projects by collecting large amounts of savers' funds and investing them in various investment fields. The savings banks rely mainly on small savers to obtain their resources.

- **Insurance Companies: -**
  Among the most familiar nonbank financial institution are insurance companies. Providing insurance, whether for individuals or corporations, is one of the oldest financial services. Protection of assets and protection against financial risk, secured through insurance products, is an essential service that facilitates individual and corporate investments that fuel economic growth.

- **Microfinance Institutions**: -
  Are institutions that provide financial services to the poor, most of which are institutions based on microcredit programs, and accept the deposit of micro amounts from their clients.

- **Brokerage Firms: -**
  Investment companies and brokerages, such as mutual fund and exchange-traded fund (ETF) provider Fidelity Investments, specialize in providing investment services that include wealth management and financial advisory services. They also provide access to investment products that may range from stocks and bonds all the way to lesser-known alternative investments, such as hedge funds and private equity Investments.

That why, a Financial Institute plays a crucial role in the overall development of a country. The most important constituent of this sector is the financial institutions. The have traditionally been the major source for long-term funds for the economy. The government of India, in order to provide adequate supply of credit to various sectors of the economy, has developed structure of financial institutes. They can be categorized into four major institutes.

I. All India Development Banks (AIDBs)

II. Specialized Financial Institutions (SFIs)

III. Investment Institutions

IV. State Level Institutions

I. All India Development Banks (AIDBs): -

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.

1. Industrial Development Bank of India (IDBI): -

IDBI was established in 1964 for industrial development under an Act of Parliament.

I. It provides assistance to the small scale sector through its scheme of refinance and bills rediscounting scheme.

II. IDBI has set up Small Industries Development Fund (SIDF) and National Equity fund (NEF) for the small scale sector.

III. It also has a Voluntary Executive Corporation Cell (VECC) to use the service of experts for consultancy purposes.

2. Industrial Finance Corporation of India Ltd (IFCI Ltd)

I. IFCI was established in 1948 July under IFCI act by the Government of India to pioneer long-term institutional credit to medium and large scale industries.

II. It provides financial assistance to the entrepreneurs through rupee and foreign currency loans, underwriting, direct subscriptions to shares, debentures and guarantees. It also provides finance related to equipment.

III. Schemes IFCI provides : Consultancy fees, subsidy schemes, interest subsidy schemes for women entrepreneurs.

3. Small industrial development bank of India (SIDBI): -

I. It was set up or developed by govt of India in April 1990 as a subsidiary of IDBI under a special act.

II. The main function of SIDBI is promotion and development of small scale industries by financing.

III. It also helps in increasing the seeds capital or soft loan assistance under NEF scheme.

IV. It provides factoring, leasing services and financial assistance to the institute, organizations for undertaking EDPs.

V. It aims to empower the Micro, Small and Medium Enterprises (MSME) sector by contributing to the process of economic growth and employee generation.

4. Industrial Investment Bank of India Ltd (IIBI): -

I. IIBI was established in 1985 under the Industrial reconstruction Bank of India act as a principled credit and reconstruction agency for sick industrial units.
II. It assists industries mainly in medium and large sector through wide ranging products and services.
III. It provides short duration non-project asset-backed financing in the form of underwriting/direct subscription working capital to small companies.

II. Specialized Financial Institutions (SFIs): -

They 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.

1. ICFI Venture Capital Funds Ltd (IVCF): -

IVCF was formerly known as Risk Capital & Technology finance Corporation Ltd (RCTC), it is a subsidiary of IFCI Ltd.

- It was formed with the objective of broadening entrepreneurial base in the Country by facilitating funding to ventures involving innovative Product/process/technology.
- Schemes IVCF promotes: Risk Capital Scheme, Technology Finance and Development Scheme.

2. Industrial Credit and Investment Corporation of India Ltd (ICICI): -

- ICICI was established in 1956 under the Companies Act.
- ICICI was formerly known as Technology Development & Information Company of India Ltd (TDICI).
- It provides financial assistance to the small and medium scale sectors and also sanctions project finance for new technology ventures.
- Its financial assistance is extended by way of rupee and foreign currency loans, underwriting and direct subscriptions to shares, debentures and guarantees.

3. Tourism Finance Corporation of India Ltd (TFCI): -

- TFCI was set up Government of India for promotion and growth of tourist industry in the country.

- It provides financial aid for non-conventional tourism projects like amusement parks, ropeways, car rental services etc.

III. Investment Institutions: -

These are the most popular form of financial **i**ntermediaries, which particularly catering the needs of small savers and investors they deploy their assets largely in marketable securities.

4. Life Insurance Corporation of India Ltd (LIC): -

LIC was established in 1956 under the Life Insurance Corporation Act.

- It targets the rural areas by spreading the life insurance.
- LIC gives loans for activities like housing, rural electrification, water supply, Diversification of industrial ventures etc.
- LIC also transacts business abroad and has offices in Fiji, Mauritius and UK.

5 Unit Trust of India (UTI):-

- UTI was established in 1964 under an Act of Parliament.
- Its chief objectives are to mobilize savings of small investors through sale of units and channelize these savings towards corporate investments.
- Schemes introduced by UTI: Primary Equity Fund, Unit Scheme 1995 , Grah laxmi Unit Plan, Columbus India Fund.

6. General Insurance Corporation of India (GIC)

- GIC was formed in pursuance of the General Insurance Business (Nationalization) Act, 1972 (GIBNA).
- Its purpose is of superintending, controlling and carrying on the business of general insurance or non-life insurance.

IV. State Level Institutions: -

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

1. State Financial Corporations (SFC): -
2. State Industrial Development Corporations (SIDC): -

1. State Financial Corporations (SFCs):-

1. SFCs were formed for the development of small and medium enterprises.

2. They provide financial assistance in the form of term loans, direct subscription to equity, debentures and guarantees.

3. Their objective is of catalyzing higher investments and generating greater employment.

4. The Example of SFCs in India - National Institute for Entrepreneurship and small business development (NIESBUD).

6. State Industrial Development Corporation (SIDCs):-

1. SIDCs was established under the Companies Act, 1956 as wholly owned undertakings of State government.

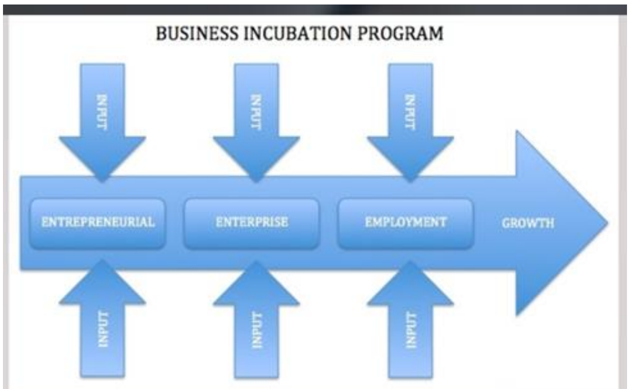
2. Its objective is of promoting industrial development and providing financial assistance to entrepreneurs.

3. It has set up medium and large industrial collaborations with entrepreneurs.

4. It also has undertaken variety of other promotional activities

Other Investment Institutions: -

1. Business Incubators: -



I. Bits Pilani:
Startup incubation programs/centers provide support functions, mentorship and resources to individual entrepreneurs or entrepreneurial setup to help them develop.
For Example: BITS pilani, IIT etc.

II. Angel Investors: -
Angel investors are usually experienced entrepreneurs who understand what it takes to create a billion dollar company out of an Idea. They provide initial support and mentorship.
For Examples like : Rajan Anandan, Meena Ganesh.

III. Seed Accelerators: -
Seed accelerators are programs which provide mentorship and educational components. Accelerators can be either privately or publically funded and they focus on a wide range of industries.
For Example: Freemont partners, Catalyzer.

Financial Plans
Meaning of Financial Plan: -
A financial plan is a statement estimating the amount of capital and determining its composition. The quantum of funds needed will depend upon the assets requirements of the business.

The time at which funds will be needed should be carefully decided so that finances are raised at a time when these are needed.
The next aspect of a financial plan is to determine the pattern of financing. There are a number of ways for raising funds. The selection of various securities should be done carefully.
The funds may be raised by issuing of capital and debentures, rising of loans, etc. Which source of finance should be raised and up to what amount these should be raised is very important. Once a pattern of financing is selected then it becomes very difficult to modify it a financial plan also spells out the policies to be pursed for the floatation of various corporate securities, particular y regarding the time of their floatation.

Objectives of Financial Plan:
A financial plan has the following main objectives:
1. Adequate Funds: A financial plan would ensure the availability of sufficient funds to achieve enterprise goals.
2. Balancing of Costs and Risks:
There should be a balancing of costs and risks so as to protect the investors.

3. Flexibility:
A financial plan should ensure flexibility so as to adjust as per the requirements. It should be adjustable as per the changing conditions.

4. Simplicity:
The financial structure should not be complicated by issuing a variety of securities. The number of securities should be less so that it is easily understood.

5. Long-term View:
A financial plan should take a long-term view. The needs for funds in the near future and over a longer period should be considered while selecting the pattern of financing.

6. Liquidity: The liquidity of funds should always be kept in mind while preparing a financial plan. During periods of depression it is the liquidity which can keep a concern going.

7. Optimum use: - A financial plan should ensure sufficient funds for genuine needs. Neither the plans should suffer due to shortage of funds nor there should be wasteful use of them. The funds should be put to their optimum use.

8. Economy: -The cost of raising the funds should be minimum. It should not impose disproportionate burden on the company. It can be ensured by a proper debt-equity mix.

Characteristics of a Sound Financial Plan:

A Financial manager should consider the following factors while finalizing a financial plan:

1. Simplicity: - A financial plan should be so simple that it may be easily understood even by a layman. A complicated financial structure creates complications and confusion.

2. Based on Clear-cut Objectives: Financial planning should be done by keeping in view the overall objectives of the company. It should aim to procure funds at the lowest cost so that profitability of the business is improved.

3. Less Dependence on Outside Sources:
A long-term financial planning should aim to reduce dependence on outside sources. This can be possible by retaining a part of profits for sloughing back. The generation of own funds is the way of financial operations. In the beginning, outside funds may be a necessity but financial planning should be such that dependence on such funds may be reduced in due course of time.

4. Flexibility:
The financial plan should not be rigid. It should allow a scope for adjustments as and when new situations emerge. There may be a scope for raising additional funds if fresh opportunities occur. Similarly, idle funds, if any, may be invested in short-term and low-risk bearing securities. Flexibility in a plan will be helpful in coping with the demands of the future.

5. Solvency and Liquidity:
Financial planning should ensure solvency and liquidity of the enterprise. Solvency requires that short-term and long-term payments should be made on dates when these are due. This will ensure credit worthiness and goodwill to the concern. Solvency will be possible when liquidity of assets is maintained. There should be sufficient funds whenever payments are to be made. Proper forecasting of future payments will be helpful in planning liquidity.

6. Cost:
The cost of raising capital is an important consideration in selecting a financial plan. The selection of various sources should be such that the cost burden should be minimum. As and when possible interest bearing securities should be returned so that this burden is reduced.

7. Profitability:
A financial plan should adjust various securities in such a way that profitability of the enterprise is not adversely affected. The interest bearing securities and other liabilities should be so adjusted that business is able to improve its profitability.

Central level organizations:-

Indian Institute of Entrepreneurship Development

Indian Institute of Entrepreneurship (IIE) is an autonomous organization under the Ministry of Skill Development & Entrepreneurship. The main aim of the Institute is to provide training, research and consultancy activities in Small and Micro Enterprises (SME), with special focus on entrepreneurship development.
The Indian Institute of Entrepreneurship (IIE) registered under the Societies Registration Act,1860 was established in the year 1993 in Guwahati (Assam) by the erstwhile Ministry of Industry (now the Ministry of Micro, Small and Medium Enterprises), Government of India. The Institute began operating from April 1994 with the North East Council (NEC), Governments of Assam, Arunachal Pradesh and Nagaland and SIDBI as its other stakeholders.

IIE has been transferred to the Ministry of Skill Development & Entrepreneurship on 22nd May'2015. The headquarter of IIE is at Guvahati (Assam).

OBJECTIVES: -

1. To promote and develop entrepreneurship.

2. To conduct research and provide consultancy for entrepreneurship development.

3. To coordinate and collaborate with other organizations in undertaking training, research and
other activities to increase outreach of the institute.

4. To provide consultancy and monitoring service to MSMEs/ potential entrepreneurs and
enhancing employability of participants.

5. To promote greater use of information technology in the activities/ functions of the IIE.

6. To comply with statutory responsibility.

FUNCTIONS: -

1. Designing and organising training activities for different target group and undertaking research in the relevant to entrepreneurship.

2. Improving the efficiency, effectiveness and delivery of the change agents and development practitioners i.e. trainers, support organizations engaged in enterprise building. etc.

3. Provide consultancy service to the prospective and existing entrepreneurs.

4. Increasing the outreach of activities of the institute through collaborative activities and increasing their effectiveness through use of different tools of information technology.

National Entrepreneurship Development Board: -

The National Science & Technology Entrepreneurship Development Board (NSTEDB): -

established in 1982 by the Government of India under the aegis of Department of Science & Technology, is an institutional mechanism to help promote knowledge driven and technology intensive enterprises. The Board, having representations from socio-economic and scientific Ministries/Departments, aims to convert "job-seekers" into "job-generators" through Science & Technology (S&T) interventions.

The scheme covers the following activities:-

(i)To identify and remove entry barriers for potential entrepreneurs (first generation and new entrepreneurs including study on entrepreneurship development.

(ii)To focus on existing entrepreneurs in micro, tiny and small sector and identify and remove constraints to survivals, growth and continuously improve performance.

(iii) To facilitate the consolidation, growth and diversification of existing entrepreneurial venture in all possible ways.

(iv)To support skill up gradation and renewal of learning processes among practicing entrepreneurs and managers of micro, tiny, small and medium enterprises.

(v) To sensitize to support agencies in the area of entrepreneurship about the current requirement of growth.

(vi) To act as catalyst to institutionalize entrepreneurship development by supporting and strengthening state level institutions for entrepreneurship development as most entrepreneurship related activities take place at the grass root level and removing various constraints to their effective functioning.

(vii)Setting up of incubators by entrepreneurship development institutions and other organizations devoted to the promotion of entrepreneurship development.

Small Scale Industries Development Organization (SIDO): -

SIDO was established in October 1973 now under Ministry of Trade, Industry and Marketing. SIDO is an apex body at Central level for formulating policy for the development of Small Scale Industries in the country, headed by the Additional Secretary & Development Commissioner (Small Scale Industries) under Ministry of Small Scale Industries Govt. of India. SIDO is playing a very constructive role for strengthening this vital sector, which has proved to be one of the strong pillars of the economy of the country. SIDO also provides extended support through Comprehensive plan for promotion of rural entrepreneurship.

The main functions performed by the SIDO are:

a. To evolve a national policy for the development of small-scale industries.
b. To co-ordinate the policies and programs of various State Governments.
c. To maintain a proper liaison with the related Central Ministries, Planning Commission, State Governments, Financial Institutions etc.
d. To co-ordinate the programs for the development of industrial estates.
e. To reserve items for production by small-scale industries,
f. To encourage small-scale industries to actively participate in Government Stores Purchase Program by giving them necessary guidance, market advice, and assistance.
g. To make provision to technical services for improving technical process, production planning, selecting appropriate machinery, and preparing factory lay-out and design,
h. To provide consultancy and training services to strengthen the competitive ability of small scale industries.
i. To render marketing assistance to small-scale industries to effectively sell their products.
j. To provides assistance in economic investigation and information to small- scale industries.
k. To make provision to technical services for improving technical process, production planning, selecting appropriate machinery, and preparing factory lay-out and design.

Institute of small scale industries services: -

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

Functions of SISI: -

1.To assist existing and prospective entrepreneurs through technical and managerial counseling such as help in selecting the appropriate machinery and equipment, adoption of recognized standards of testing, quality performance etc.
2. To advise the Central and State governments on policy matters relating to small industry Development.
3. To assist in testing of raw materials and products of SSIs, their inspection and quality control.
4. Conduct economic and technical surveys and prepare techno-economic feasible reports for selected areas and industries.
5. Conducting EDPs all over the country.

National Small Industries Corporation (NSIC): -

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

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

Functions of NSIC:

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

It's main functions are to:

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

The National Institute for Entrepreneurship and Small Business Development (NIESBUD) : -

NIESBUD is an apex body for co-coordinating and overseeing the activities of various institutions and agencies engaged in entrepreneurship development particularly in the area of small-scale industry.

NIESBUD was set up in 1983 by the then Ministry of Industry [now Ministry of Micro, Small & Medium Enterprises (MSMEs)].

The main objectives of the institute are:

1. To accelerate the process of entrepreneurship development throughout the country and among all segments of the society.
2. To help institutions/agencies in carrying out activities relating to entrepreneurship development.
3. To evolve standardized process of selection, training support and sustenance to Potential entrepreneurs enabling them to set up and run their enterprises successfully.
4. To provide information support to trainers, promoters and entrepreneurs by Organizing documentation and research work relevant to entrepreneurship

development

5. To provide functional forums for integration and exchange of experiences helpful for policy formulation and modification at various levels.

SPECIAL INCENTIVES FOR WOMEN ENTREPRENEURS: -

Various banks are providing many incentives for development of women entrepreneurship.

Programs of various nationalized banks operated for women entrepreneurs are

I. Schemes of Central Bank of India for Self-employment of Women: -

1. Saint Kalyani Scheme: - The scheme is offered by the Central Bank of India with the aim of supporting women in starting a new venture or expanding or modifying an existing enterprise. This loan can be availed by women who are involved in village and cottage industries, micro, small and medium enterprises, self-employed women, agriculture and allied activities, retail trade, and government-sponsored programs.

This scheme requires no collateral security or guarantor and charges no Processing fees and the maximum amount that can be granted under the scheme is Rs. 100 lakhs.

Scheme of providing financial assistance for setting up various professions: A Maximum loan up to Rs. 5 lacs (including Rs. 1 lac margin money) is advanced under this scheme.

2. Scheme of providing assistance for setting up small industries: - A maximum loan Up to Rs. 60 lacs can be financed under this scheme.

3. Scheme of providing assistance foe setting up retail business: - A maximum loan Up to Rs. 2 lacs can be advanced to women entrepreneurs.

II. Priyadarshini Scheme of Bank of India: - Bank of India is operating "Priyadarshini scheme" for encouraging women entrepreneurs to set up self-employment.

III. Women Power Package Scheme: -

Various schemes of Women Power Package Yojna are: -

1. Scheme of assistance for professional businesses
2. Assistance scheme for small businesses
3. Assistance for cottage industries and handicrafts

SELF EMPLOYMENT ORIENTED SCHEMES: -

Pradhan Mantri Kaushal Vikas Yojna (PMKVY): -

Pradhan Mantri Kaushal Vikas Yojana (PMKVY) is an initiative by the Government of India that aims to offer 24 lakh Indian youth meaningful, industry relevant, skill based training. Under this scheme, the trainees will be offered a financial reward and a government certification on successful completion of training and assessment, which will help them in securing a job for a better future.

The Union Cabinet had approved India's largest skill Certification Scheme, Pradhan Mantri Kaushal Vikas Yojna (PMKVY) on 20 March,2015. The scheme was subsequently launched on 15 July, 2015on the occasion of World Youth Skills day by Honorable Prime Minister, Shri Narendra Modi.
The scheme will be implemented through the National Skill Development Corporation (NSDC).

UNIT V

Problem of Entrepreneur

5. Problem of Entrepreneur: Problem relating Capital, Problem relating registration, Administration Problem and how to overcome from above problems

Challenges of Entrepreneur: -

The following were the important challenges faced by new entrepreneurs.

1. Developing the Vision and Business Idea: -

As per Thomas Edison "To have a great idea, have a lot of them and there is far more opportunity than there is ability"

Developing a business idea is usually the first challenge faced by every entrepreneur when starting a business from scratch. Finding the right business opportunity or creatively developing an idea is certainly not an easy task. Envisioning the idea the first true task of an entrepreneur.

An entrepreneur must possess the ability to see what others cannot see. While others see problems, an entrepreneur must see opportunities.

But seeing opportunities is just the beginning. The main business challenge is going to be the ability to forge that opportunity into a business idea. This as a business challenge because the process of transforming problems into business opportunities is like trying to turn lead into gold. The entrepreneurial process of Creating Value out of nothing, a process that brings innovative products into existence.

The process are shown below: -

I. Identifying a problem.
II. Seeing an opportunity in the problem.
III. Coming up with a solution.
IV. Forging the opportunity into a business idea.
V. Integrating the solution into a business plan.

Developing a vision is definitely a business challenge because an entrepreneur must sometimes assume the role. Most individuals are comfortable with the present way of doing things but it is the duty of an entrepreneur to envision and forecast the future.

An entrepreneur must always be ahead of his time or else he will lose his relevance. It is the duty of an entrepreneur to bring into present what is yet to be. It is also the duty of an entrepreneur to bring solutions to other people's problems.

A good businessman must have nose for business the same way a journalist has nose for news. A good businessman sees where others don't see.

2. Raising Capital for Startup: - After developing an idea, the next challenge that the entrepreneurs are going to face when starting a business from scratch is that of raising capital. An entrepreneur is the only one that knows business idea to the core. Trying to convince investors about something that doesn't exist is definitely a challenge. Trying to make them understand that they are trustworthy and equal to the task is not child s play especially when building the first business. There is more to raising capital than just simply asking for money. Most investors want to invest in already established businesses with minimal risk and they want to be sure that they get returns for the risk they took. Most brilliant business ideas never scale through the venture capital stage because the entrepreneur is either not prepared or lacks what it takes to raise the needed capital.
To overcome the challenge of raising capital, an entrepreneur must develop the ability to sell their idea and vision to potential investors.. In the game of raising capital, an entrepreneur must have a good story to tell; backed by a strong business plan and good persuasion skills.

3. Assembling a Business Team: - The third business challenge that an entrepreneur will face in the course of starting a small business from scratch is assembling the right business management team. The process of building a business team starts even before the issue of raising initial start-up capital arises. Most brilliant ideas and products never get funded because the entrepreneur is trying to raise capital as an individual. A business team is a vital, yet often ignored key to raising venture capital successfully.
As an entrepreneur bound to have strengths and weaknesses. That is the more reason an entrepreneur needs a business team to cover up or compliment their weaknesses. A team is a necessity for building a successful business. It's the duty of an entrepreneur to make sure that their team sees the future as the entrepreneur see.
They must believe in possibilities and must also be passionate about making that possibility a reality. If they can't grasp the vision, if they can't see the future with business, then they are not worthy being business team. An efficient strategic business team should comprise as banker, financial adviser, accountant, attorney or legal adviser and any other specialist that will be of tremendous impact to the business.

4. Finding the Right Business Location: - Finding a good business location at the right place is definitely not easy. An efficient location that has a rapidly growing population, good road network and other amenities at a good place.

5. Finding Good Employees: - Most writers and managers crank up the process of finding good employees as an easy task. They define the process of finding an employee as simply presenting the job description and the right employee will surface. Business owners know how difficult it is to find a hardworking, trustworthy employee. Most employees want to work less and get paid more. Finding a good employee who will be passionate about delivering his or her services is quite difficult. Finding good employees is a minor task compared to the business challenge of forging the hired employees into a team. Employees are the representatives to business customers and the outside world. They are a reflection of the business culture and ethics. If an employee is bad or rude to customers, it is going to portray a bad image for the company. So it must be careful when hiring employees. Remember the golden rule of business; Hire slow and fire fast.

6. Finding Good Customers: - The sixth challenge an entrepreneur will face in the process of starting a small business from scratch is finding good customers. In the process of building a business, an entrepreneur will come to find out that there are good customers as well as bad customers.. Good customers are really hard to find. A good customer will be loyal to the company and will be willing to forgive if the business make a mistake and apologize. A good customer will try to do the right thing that will benefit both himself and company mutually. Bad customers will always look for loopholes in the company s policy to exploit and make a few gains. Bad customers will always try to exploit the company s goodwill and look for ways to rip off the company. Bad customers are responsible for bad debts. Good customers build business and bad customers will always try to liquidate business. 7. Dealing with Competition.

7. Dealing with Competition: - Competition is the next challenge an entrepreneur will face when starting a business. Most individuals see competition as a plague but competition as a good challenge. Competition is a benchmark for creativity, the main engine that stimulates innovation and production of quality products at great prices. Without competition, there will be no innovation and without innovation, the world will be stagnant.

8. Unforeseen Business Challenges and Expenses: - Just as a sailor prepares for unexpected storm, just as a pilot is always on the watch for unpredictable bad weather and thunderstorms, so must an entrepreneur prepared for whatever comes. Unexpected challenges can come in the form of:

- Unexpected law suits.
- Inconsistent government policy.
- Not being able to make payroll.
- Unpaid bills and taxes.
- Unexpected resignation of staff from sensitive office.
- Bad debts from customers.
- Loss of market share.
- Dwindling working capital.

- Inadequate stock or inventory.

These business challenges, if not handled properly can ruin the plan to build a successful business. Another challenge an entrepreneur must expect is an unforeseen increase in business expenses. If not handled properly, it might result in constant negative cash flow and eventually; business failure.

9. Keeping up with Industrial Changes and Trends: - Change in trends is a challenge an entrepreneur must be prepared for when starting a small business. Trends have made and broken lot of businesses. Profitable businesses that have been wiped out by slight industrial changes and trends. A typical example is the Dot com trend, where many established industrial based businesses were wiped out by new web based dot com companies. Seasoned entrepreneurs know that trend is a friend and are always willing to swiftly adjust their business to the current trend.

10. Exiting the Business: - When building a business from scratch, an entrepreneur is going to face the challenge of determining the exit strategy.

Most entrepreneurs run their business without any plans to exit and even if they have an exit strategy, they find it difficult to implement it. Before starting a business, it is advisable to plan an exit. Lack of an exit plan is the primary reason why most businesses crumble after the death of the founder. An exit strategy is very important to the long term survival of a business.

Most smart entrepreneurs will use a certain benchmark as a target and once this specific target is reached, they exit the business. Examples of such benchmarks are: Annual sales, Annual Turnover, Asset Base, Market Saturation Customer base, subscribers or number of users.

11. Competition and Market: - In this todays scenario every businessman has to face severe competition and they have to develop and search market for marketing their product.

12. Down in the Doldrums: - According to several studies, entrepreneurs are more prone to depression and anxiety than the average company employee.

13. Overestimating: - Another challenge entrepreneur's face is overestimating their initial success. Company in 1 year and made millions that you can do the same.

14. Focus: - One of the biggest mistakes entrepreneurs make in their early days is trying to be all things to all people. They attempt to sell their product or service to too wide of a market. Entrepreneurs also face another challenge in this area. They focus on the wrong things. They spend too much time building their product without validating that the marketplace wants needs and will actually pay for it.

15. Passion and Purpose: - Many entrepreneurs choose an oxymoronic approach to business. They decide to start their own company because they want unlimited income potential, to be their own boss and holder of their own destiny. Yet as they work on building their business they realize they lack passion for what they are doing.

PRECAUTIONS FOR BUSINESS GROWTH: -

Successfully managing a growing business means dealing with continual change. Manual systems that were adequate in a smaller business may no longer be able to cope with an increasing volume of transactions. You may also require increasingly sophisticated financial management skills.

For Example: - if you start exporting you may need to understand other countries' tax and regulatory systems, and be able to deal with customers in multiple currencies. At the same time, it becomes impossible to have hands-on involvement in every area of the business. Tasks increasingly need to be delegated. Instead of doing things yourself, you need financial control and management reporting systems that give you a full picture of what is going on.

It is often possible to detect the warning signs of systems that can no longer cope.

- **Delays:** - As the workload increases, it becomes increasingly difficult to keep up to date with transaction processing, management reports, company returns and so on.

- **Quality: -** The number of errors and inconsistencies increases, while problems recur without the fundamental cause being identified and addressed.

- **Over-reliance: -** The operation of systems comes to rely on the one individual who really understands what is going on.

- **Exceptions: -** An increasing number of issues arise that have to be dealt with on a one-off basis because the system cannot really cope with them.

- **Morale: -** Employee morale suffers as they are asked to perform mundane, repetitive tasks

- **Customer Satisfaction:** - Complaints increase and sales begin to suffer as customers experience the knock-on effects of poor systems.

- **Finances: -** Headline figures and key ratios deteriorate as financial systems prove inadequate.

Motivational Factors of entrepreneurship: -
Motivation of entrepreneurs leads to the motivation of entrepreneurs.
Main motivational factors of entrepreneurship are -

1. Internal Factors: - The internal factors of motivation constitute the personality of the entrepreneur and thereby create an inclination to adopt entrepreneurship.

Internal factors which motivate the entrepreneurship are: -

a. Educational background
b. Occupational experience
c. Willingness to do something new.
d. Willingness to work for better of hometown or nation.
e. Willingness to be technically and economically independent
f. family background

2. External Factors: - Though presence of internal motivation factors is helpful in development of entrepreneurship in any country yet presence of internal factors can fruit full with the presence of external factors of motivation.

The main External Factors are: -

a. Assistance from financial institutions

b. Assistance from state government and Central government

c. Availability of raw materials

d. Availability of trained and untrained labor

e. Availability of consultancy

f. Encouragement from public

g. Cooperation of heavy industries

h. Heavy demand for the product

i. Support of friends, relatives and other close persons.

j. Compelling conditions to adopt entrepreneurship.

k. Availability of sick industrial units at low prices.

The role of external motivation factors in development of entrepreneurship is more effective than the role of the internal motivation factors.

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