ENTREPRENEURSHIP DEVEPLOPMENT

20MBA31

CONTENT

Entrepreneur: Meaning and Evolution of the concept, Functions of an Entrepreneur, Types of Entrepreneur, Intrapreneur- an emerging class, Concept of Entrepreneurship- Development of Entrepreneurship; The Entrepreneurial Culture; Stages in entrepreneurial process.

Entrepreneur- Meaning

- A person who sets up a business or businesses, taking on financial risks in the hope of profit.
- It was first introduced by French economist Richard Cantillon in 1723 and clearly defined by **Jean Baptiste Say in 1803**. According to Say, entrepreneur is an economic agent who, Utilizes means of production (land, labor, capital) to develop a product.
- **Cantillon:**

According to him, an entrepreneur is the agent who buys means of production at certain prices in order to combine them into a product that he going to sell at prices that are uncertain at the moment at which he commits himself to his costs.

- **J.B. Say:**

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

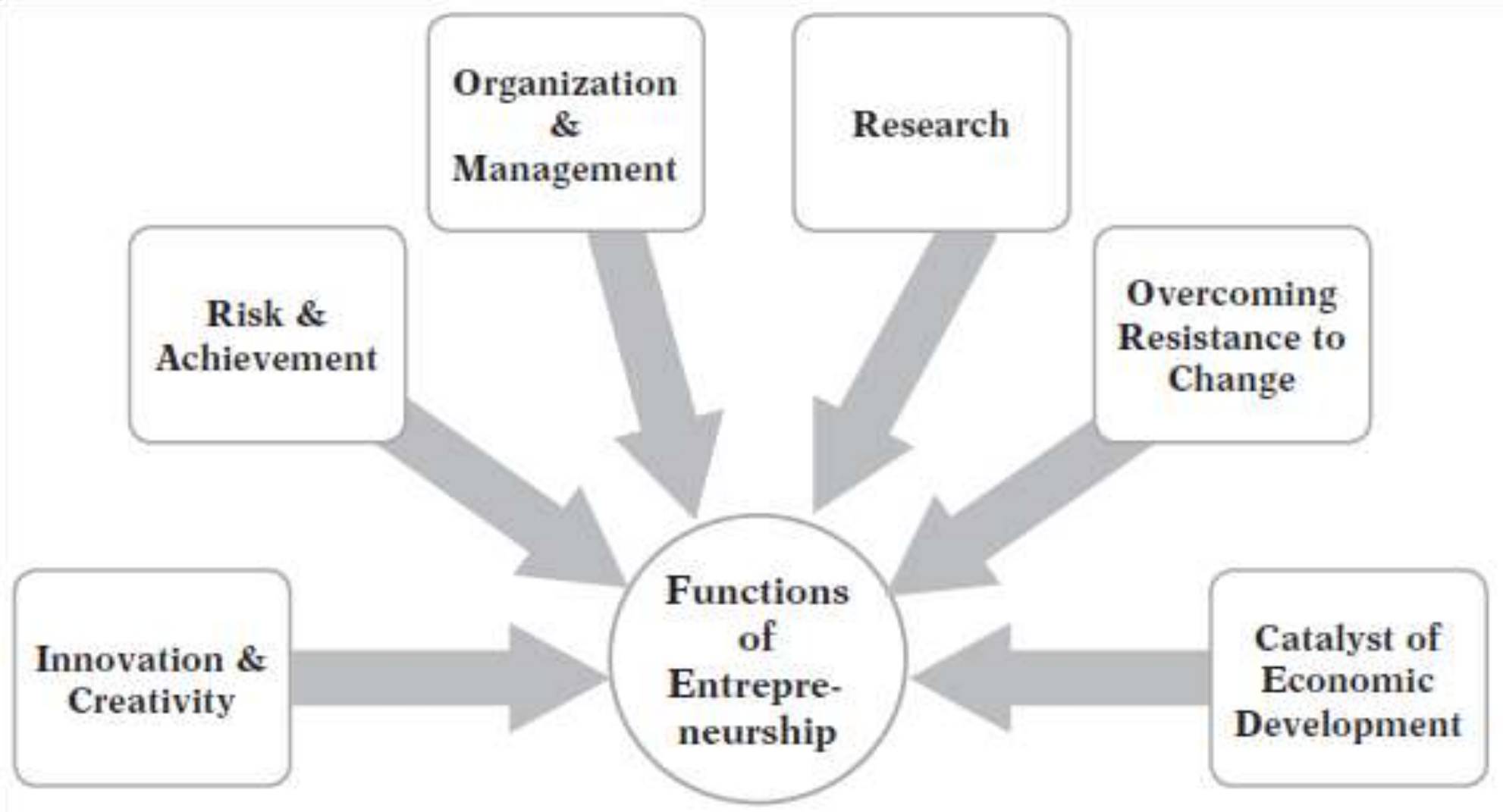
TOP TEN INDIAN ENTREPRENEURS

- Dhirubhai Ambani.
- Jehangir Ratanji Dadabhoy Tata.
- Nagavara Ramarao Narayana Murthy
- Shiv Nadar.
- Lakshmi Niwas Mittal
- Ghanshya Das Birla.
- Dilip Shanghvi.
- Azim Premji.
- Mukesh Jagtiani
- Ardeshir Godrej

EVOLUTION

- The history of entrepreneurship **started with bartering, as people traded goods for other goods**.
- They were contractors who bore the risks of profit or loss; they were soldiers of fortune, adventurers, builders or merchants.
- In the earlier part of 16th century, the French men who organized and led military expeditions were referred to as entrepreneurs.
- Derived from a French word in 17th Century – Entreprendre means “to undertake” i.e. the individual who undertook the risk of a new enterprise
- French tradition regarded an entrepreneur as a person translating a profitable idea into a productive activity.
- It also recognized a rich farmer as an entrepreneur who manages and makes his business profitable by his intelligence and wealth.
- Entrepreneurship as a term can be traced back to the economists of the **eighteenth century**, and it continued to attract the interest of economists in the nineteenth century. In the twentieth century, the word became **synonymous with free enterprise and capitalism(**country's trade and industry are controlled by private owners for profit.)**.**
- During the **20th century,** within the last two decades, the concept of entrepreneurship has evolved from being a single individual to an entire organization or a corporation.

FUNCTIONS OF AN ENTREPRENEUR



- **(i) Innovation and Creativity –** Innovation generally refers to changing processes or creating more effective processes, products and ideas. For businesses, this could mean implementing new ideas, creating dynamic products or improving your existing services. **Creativity** is defined as "the tendency to generate or recognize ideas, alternatives, or possibilities that may be useful in solving problems, communicating with others. Creativity and innovation have always been recognized as a sure path to success. Entrepreneurs think **outside of the box** and explore new areas for cost-effective business solutions.
- **(*ii*) Risk taking and Achievement –** Entrepreneurship is a process in which the entrepreneur establishes new jobs and firms, new Creative and growing organization which is associated with **risk,** new opportunities and achievement. It results in introducing a new product or service to society. In general, entrepreneurs accept four types of risks namely Financial Risk, Job Risk, Social & Family Risk & Mental & Health Risk, which are as follows:

(*a*) Financial Risk – Most of entrepreneurs begin by using their own savings and personal effects and if they fail, they have the fear of losing it. They take risk of failure.

(*b*) Job Risk – Entrepreneurs, not only follow the ideas as working situations, but also consider the current risks of giving up the job & starting a venture. Several entrepreneurs have the history of having a good job, but gave it up, as they thought that they were not cut out for a job.

(*c*) Social and Family Risk – The beginning of entrepreneurial job needs a high energy which is time consuming. Because of these undertakings, he/she may confront some social and family damages like family and marital problems resulting on account of absence from home and not being able to give adequate time to family

(*d*) Mental Health Risk – Perhaps the biggest risk that an entrepreneur takes it is, the risk of mental health. The risk of money, home, spouse, child, and friends could be adjusted but mental tensions, stress, anxiety and the other mental factors have many destructive influences because of the beginning and continuing of entrepreneurial activity. This can even lead to depression, when faced with failure.

- **(*iii*) Organization and Management –** The entrepreneurial organization is a simple organizational form that includes, one large operational unit, with one or a few individuals in top management. Entrepreneurial management means the skills necessary to successfully develop and manage a business enterprise. A small business start-up under an owner-manager is an example of an **entrepreneurial organization.** Here, the owner-manager generally maintains strict control over business operations. This includes directing the enterprise's core management functions. **According to Mintzberg,** these include the **interpersonal roles, informational roles and decision-making roles**. The smaller the organization, the more concentrated these roles are in the hands of the owner-manager. The entrepreneurial organization is generally unstructured.
- **(*iv*) Research –** An entrepreneur is a practical dreamer and does a lot of ground-work before taking a leap in his/her ventures. In other words, an entrepreneur finalizes an idea only after considering a variety of options, analysing 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/she applies the ideas in practice. The selection of an idea, thus, involves the application of **research methodology**.
- **(*v*) Overcoming Resistance to Change –** New innovations are generally opposed by people because it makes them change their existing behaviour patterns. An entrepreneur always first tries new ideas at his/her level. It is only after the successful implementation of these ideas that an entrepreneur makes these ideas available to others for their benefit. His/her will power, enthusiasm and energy help him/her in overcoming the society's resistance to change.
- **(*vi*) 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. Today, when India is a fast developing economy, the contribution of entrepreneurs has increased multi-fold.

TYPES OF ENTREPRENEUR

- Entrepreneurs are classified on the basis of Functional Characteristics, Developmental Angle, Types of Entrepreneurial Business, Personality Types and Schools of thought on Entrepreneurship.
- 1) Based on Functional Characteristics
- a) Innovative Entrepreneur: They introduce new goods or new methods of production or discover new markets or reorganize their markets. Entrepreneurs in this group are characterized by an aggressive assemblage of information for trying out a novel combination of factors.
- b)Imitative or adoptive entrepreneur: They do not innovate but imitate the techniques and technology of others. Entrepreneurs in this group are characterized by their readiness to adopt successful innovations by successful entrepreneurs.
- c) Fabian entrepreneur: Such entrepreneurs display great caution and skepticism in experimenting with any change in their enterprise. They change only when there is an imminent threat to the very existence of their enterprise.
- d) Drone entrepreneur: Such entrepreneurs are characterized by a die-hard conservatism and may even be prepared to suffer the loss of business.

2) Based on Developmental Angle

a) Prime mover: This entrepreneur sets in motion a powerful sequence of development, expansion and diversification of business.

b) Manager: Such an entrepreneur does not initiate expansion and is content just staying in business.

c) Minor innovator: This entrepreneur contributes to economic progress by finding better use for existing resources.

d) Satellite: This entrepreneur assumes a supplier’s role and slowly moves towards a productive enterprise.

e) Local Trading: Such an entrepreneur limits his enterprise to the local market.

3) Based on types of Entrepreneurial Business

a) Manufacturing: An entrepreneur who runs such a business actually and produces the products that can be sold using resources and supplies. E.g.: Apparel and textile products, chemical related products etc.

b) Wholesaling: An entrepreneur with such a business sells products to the middle man.

c) Retailing: An entrepreneur with such a business sells products directly to the people who use or consume them.

d) Service: An entrepreneur in this business sells service rather than products.

4) Based on Nine Personality types of entrepreneurs

- a) The Improver: If you operate your business predominately in the improver mode, you are focused on using your company as a means to improve the world. They run the business with high integrity and ethics. b) The Advisor: The business personality type will provide an extremely high level of assistance & advice to customers. The advisors motto is customer is right and we must do everything to please them.
- c) The Superstar: Here the business is centered on the charisma and high energy of the superstar CEO. This personality often will cause you to build your business around your own personal brand. They will be too competitive and workaholic.
- d) The Artist: The business personality is the reserved but a highly creative type (E.g.: Web design, Ad agency). As an artist type you will tend to build your own business around the unique talents and creativities that you have.
- e) The visionary: A business built by a visionary will often be based on the future vision and thoughts of the founder. You will have a high degree of curiosity to understand the world around you and will set-up plan to avoid the landmines. Visionaries can be too focused on the dream with little focus on reality. Action must precede vision.
- f) The Analyst: here your company's focus is on fixing problems in a systematic way. These companies excel at problem solving.
- g) The Fireball: A business owned and operated by a fireball is full of life, energy and optimism. Your company is life energizing and makes customer feel the company has a get it done attitude in a fun and playful manner.
- h) The Hero: You have an incredible will and ability to lead the world and your business through any challenge. You are the essence of entrepreneurship and can assemble great companies.
- i) The Healer: If you are a healer, you provide nurturing and harmony to your business. You have an uncanny ability to survive and persist with an inner calm.

5) Based on Schools of Thought on Entrepreneurship:

a) The Great Person School of Entrepreneurship. This school believes that an entrepreneur is born with an intuitive ability, sixth sense, traits, and instincts.

b) The Psychological Characteristics School of Entrepreneurship. This school of thought focuses on personality factors and believes that entrepreneurs have unique values and attitudes towards work and life.

c) The Classical School of Entrepreneurship. Innovation, creativity, or discovery are key factors underlying the classical body of thought and research on entrepreneurship.

d) The Management School of Entrepreneurship. An entrepreneur is " a person who organizes or manages a business undertaking, assuming the risk for the sake of profits."

INTRAPRENEUR

Intrapreneurship is the practice of entrepreneurship by employees within an organization. It is an opportunity for corporate managers or employees to take initiative innovate and try new ideas within an organization.

KEY DIFERENCES

POD	ENTREPRENEUR	INTRAPRENEUR
Dependency	An entrepreneur is independent in his operations	An intrapreneur is dependent on the entrepreneur, i.e. the owner.
Raising of Funds	An entrepreneur himself raises funds required for the enterprise.	Funds are not raised by the Intrapreneur.
Risk	Entrepreneur bears the risk involved in the business.	An intrapreneur does not fully bear the risk involved in the enterprise.
Operation	An entrepreneur operates from out side	An intrapreneur operates from inside
Orientation	An entrepreneur begins his business with a newly set up enterprise.	An intrapreneur sets up his enterprise after working someone else's organization.
Experience	As an entrepreneur establishes new business, so he does not possess any experience over the business.	As an entrepreneur establishes new business, so he does not possess any experience over the business.

Concept of Entrepreneurship

- Entrepreneurship is **the ability and readiness to develop, organize and run a business enterprise, along with any of its uncertainties in order to make a profit**.
- **Entrepreneurship** is the *process* by which individuals or a group of individuals (entrepreneurs) exploit a commercial opportunity, either by bringing a new product or process to the market, or by substantially improving an existing good, service, or method of production.

Development of Entrepreneurship

- An individual's decision to pursue an entrepreneurial career is dependent on various factors.
- Background Factors- Education, Training and Experience, Family, role models and association with similar type of individuals, Financial Conditions
- Motivational Factors- Need for achievement
- Need for achievement- Supportive Government policies, availability of financial assistance from various funding bodies, availability of technical factors like premises, electricity, labour,
- Reward- Recognition, Social status

Role of Entrepreneurship in Economic development

- Entrepreneurship promotes capital formation by mobilizing the idle saving of the public.
- It provides immediate large scale employment
- It promotes balanced regional development.
- It helps reduce the concentration of economic power
- It stimulates the equitable redistribution of wealth, income and even political power in the interest of the country
- It encourages effective resource mobilization of capital and skill which might otherwise remain unutilized and idle
- It also induces backward and forward linkages which stimulate the process of economic development in the country
- It also promotes country's export trade i.e. an important ingredient to economic development.

Entrepreneurial Culture

- An Entrepreneurial Culture consists of a group of individuals who have suppressed individual interests in an effort to achieve group success because group success will advance their individual interest.

Secrets for building Entrepreneurial Culture:

- Build parallel interests
- Be an architect of the future
- Be decisive, multifaceted, and ethical to a fault
- Know the risk – measure the reward
- Communication - be a shower not a teller
- Power to the people
- Become a trust builder
- Sharing wealth increases wealth
- Be constant, consistent and concise
- Treat important people like important people
- Do simple things – simply do them.

STAGES IN ENTREPRENEURIAL PROCESS

- Entrepreneurial development process can be explained in five stages:
- Stage I: Perceiving, identifying and evaluating Opportunity •Creation & scope of opportunity •Perceived and actual worth of the opportunity •Risks and profiles involved in the opportunity •Competitors analysis
- Stage II: Drawing up a Business Plan •Executive Summary •Concept of the business •Management Team •Production / Marketing & Sales / Finance Plans •Structure and operation
- Stage III: Marshalling Resources
- Stage IV: Creating the Enterprise
- Stage V: Consolidation and Management •Critical factors to success •Management Style •Identify present & potential Problems •Implementing a control system •Professionalize the management •Get into new markets

THANK YOU

MODULE- II

Business Planning Process: Purpose and contents of Business plan, Preparing a Model project report of starting a SSI, cc, Procedure for setting up an enterprise.

Micro, Small and Medium Enterprises: Role and Importance of MSME, Concept and definitions, MSMRD ACT 2006, Current schemes for MSME, Forms of Business organisation, Types of Funding Entrepreneurs – Organized & Unorganized capital market - Short, long & Innovative – Angel finance, bridge finance, seed capital, private equity.

CONCEPT

- **Business planning** commonly involves collecting ideas in a formal business plan that outlines a summary of the business's current state, as well as the state of the broader market, along with detailed steps the business will take to improve performance in the coming period.
- A **business plan** is a document that defines in detail a company's objectives and how it plans to achieve its goals.
- A business plan lays out a written road map for the firm from marketing, financial, and operational standpoints. Both startups and established companies use business plans.

- Business Plan may be read by employees, investors, bankers, venture capitalists, suppliers, customers, advisors and consultants.
- It helps determine the viability of the venture in a designated market.
- It provides guidance to the entrepreneur in organizing his or her planning activities
- It serves as an important tool in helping to obtain financing.

Business Plan Process



I. Preliminary Investigation: Before preparing the plan entrepreneur should:

a) Review available business plans (if any)

b) Draw key business assumptions on which the plants will be based (e.g. inflation, exchange rates, market growth, competitive pressures etc.)

c) Scan the external environment and internal environment to assess the strengths, weakness, opportunities and threats.

d) Seek professional advice from a friend/ relative or a person who is already into similar business (if any)

II. Business Planning Process:

- a. **Idea Generation**: Entrepreneurship is not just limited to innovation (generation of an entirely new concept, product or service, but it also encompasses in incremental value addition to the concept/product/services offered to the consumer, shareholder and employee).
- Idea generation is the first stage of business planning process. This step differentiates between an entrepreneur and a businessman.
- The various sources of new ideas are:

Consumers/ Customers, Existing Companies, R&D, employees, dealers/ retailers.

- b. **Environmental Scanning**: Once a promising idea emerges through, idea generation phase the next step is environmental scanning, which is carried out to analyze the prospective strengths, weakness, opportunities and threats of the business enterprise. Hence before getting into the finer details of setting up business it is advisable to scan the environment – both external and internal-and collect the information about the possible opportunities, threats from the external environment and strength and weaknesses from the internal environment.

- c. **Feasibility Analysis**: Feasibility study is done to find whether the proposed project (considering the above environmental appraisal) would be feasible or not. It is important to demarcate environmental appraisal and feasibility study at this point. Environmental appraisal is carried out to assess the external and internal environment of the geographical area/area where, entrepreneur intends to set up his business enterprise, whereas feasibility study is carried out to assess the feasibility of the project itself in a particular environment in greater detail. Hence, though feasibility study would be dependent on environmental appraisal yet it is far more descriptive. The various variables/dimensions are:

1. Market analysis
2. Technical analysis
3. Financial feasibility
4. Social feasibility analysis.

1. MARKET FEASIBILITY STUDY

Market feasibility study will assess whether the product has good market. This needs to study the following:

(i) Nature of the market

(ii) Cost of production:

(iii) Selling price and profit

(iv) Demand

(v) Market share

(vi) Target market

2. TECHNICAL FEASIBILITY STUDY

(i) Location of the project

(ii) Construction of factory, building and its size

(iii) Availability of raw materials

(iv) Selection of Machinery

(v) Utilities

(vi) Production Capacity

(vii) Staff requirement

(viii) Technical viability

3. FINANCIAL FEASIBILITY STUDY

(i) Total capital cost of project

(ii) Sources of capital

(iii) Subsidiary sources for additional finance

(iv) Financing for future development of business

(v) Break Even Analysis (BEA)

(vi) Estimation of cash and fund flow

(vii) Return on investment (ROI)

(viii) Proposed balance sheet

(ix) Cost of labour and Technology

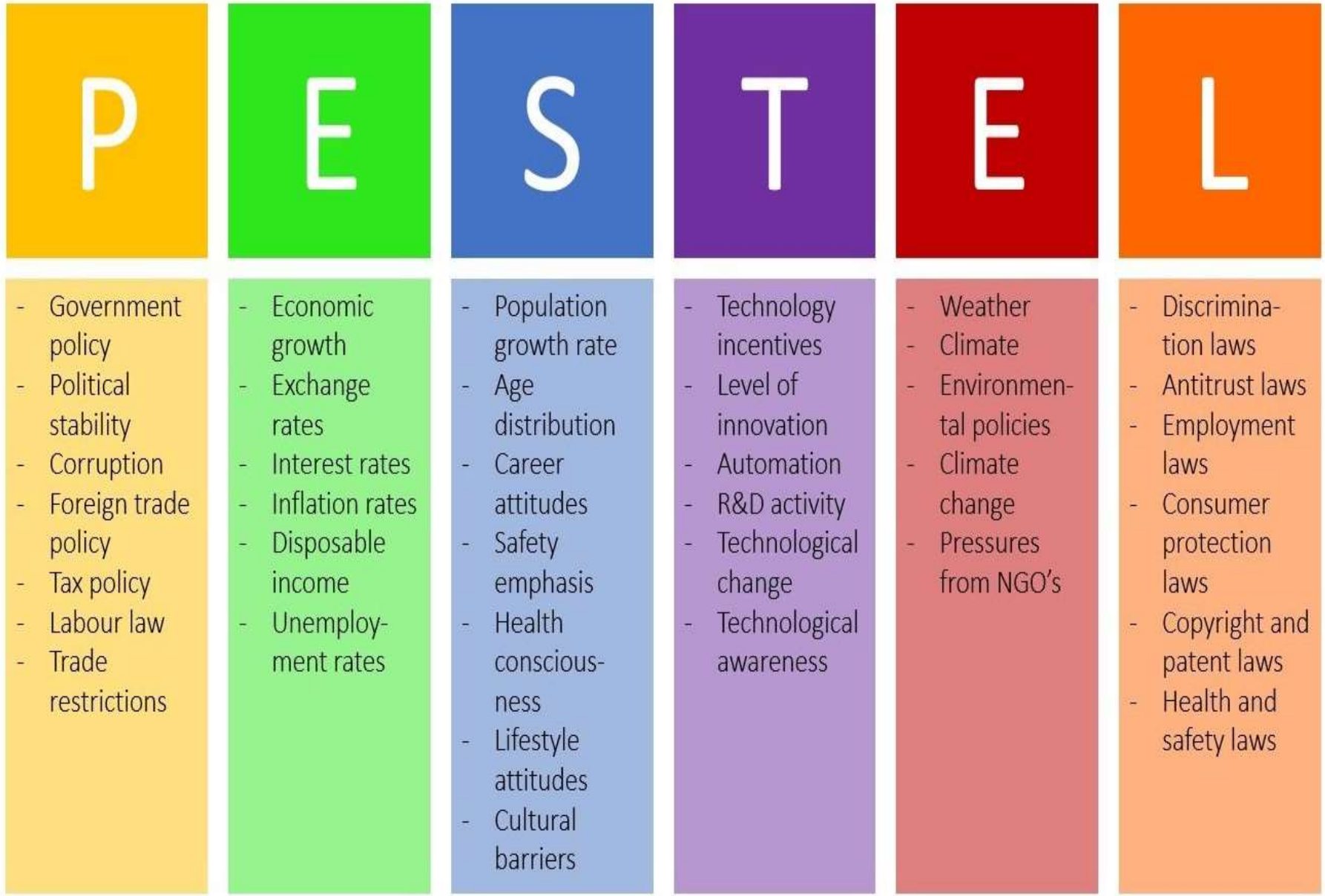
4. SOCIAL FEASIBILITY STUDY

(i) Location

(ii) Social problem

(iii) Pollution

(iv) Other problem


P
- Government policy
- Political stability
- Corruption
- Foreign trade policy
- Tax policy
- Labour law
- Trade restrictions
E
- Economic growth
- Exchange rates
- Interest rates
- Inflation rates
- Disposable income
- Unemployment rates
S
- Population growth rate
- Age distribution
- Career attitudes
- Safety emphasis
- Health consciousness
- Lifestyle attitudes
- Cultural barriers
T
- Technology incentives
- Level of innovation
- Automation
- R&D activity
- Technological change
- Technological awareness
E
- Weather
- Climate
- Environmental policies
- Climate change
- Pressures from NGO's
L
- Discrimination laws
- Antitrust laws
- Employment laws
- Consumer protection laws
- Copyright and patent laws
- Health and safety laws

- d. **Project Report Preparation**: After environmental scanning and feasibility analysis, a project report is prepared. It is written document that describes step-by-step, the strategies involved in starting and running a business.
- e. **Evaluation, Control and Review**: It is imperative to continuously review and evaluate the business constantly. This is required because the competition in today's globalizing world is intense and technological changes are taking place at much faster rates. In this dynamic and changing business environment it is important to evaluate, control and review the business periodically and introduce changes to keep up with a dynamic and changing market.

BUSINESS PLAN

- A written document that describes all the relevant external & internal elements involved in starting a new venture. An integration of all functional plans.

Contents

- Summary
- Business Description
- Market & Competition Analysis
- Product /Service Advantage
- Objectives
- Marketing Strategies
- Operations & Timing
- Organization & Management
- Financial Information
- Exhibits /Appendices

Summary

It is a screening device about the entire Business plan. Though it appears first in the plan it should be written as a last content after completing the plan.

Business Description

A brief description about the legal form of business, the product/service, location, existing /potential customers, history of the idea development, financial sources, who are the promoters.

Market & Competition Analysis

An analysis about the market Size & profile & competitors details with identifying their strengths & weaknesses which becomes an opportunity for the organization.

Product /Service Advantage

- Product Description
- Proprietary position
- Barriers to competition
- Regulatory requirements
- Product extension

Objectives

Objectives

- Define & identify the target Market & estimate Sales for a minimum of 3 years down the line & market share to be achieved each year.

Marketing Strategies

- Product features
- Pricing
- Distribution
- Promotion.

Operations & Timing

- Location & space requirement
- Regulatory
- Equipment requirements
- Personnel requirement
- Production /service operations
- scheduling of major milestones.

Organization & Management

- Organization
- Key managers
- Management weakness
- Compensation
- Ownership
- Board membership

Financial Information

- Sources & uses of Proceeds/fund.
- Cash flow Projections.
- Income statements & Balance sheets
- Break even Analysis
- Assumptions
- Spread sheets.

Exhibits /Appendices

Provides supportive details of the plan like patent & copyrights, resumes of key managers, maps of location, brochures, demographic tables, flow charts of operations.

Conclusion

A Business plan is a important written document which is required to be prepared compulsorily by all the new/ exiting enterprises when they are venturing into the business & expecting the funding of their organization through capital markets & financial institutions.

Project Report – Need & Significance

A project report is a written document pertaining to any investment **proposal.** It contains relevant data on which the **project** has been appraised and **found** relevant. It is a course of action what the entrepreneur wants to do in his business and the means to do it.

The **project report essentially** serves these functions:

1. It serves as a road map describing the direction of the enterprises it goals and how to achieve them.
2. It also serves to attract investors and lenders.
3. It enables the entrepreneur to understand, at the initial stages, whether the project is sound in technology, commercial aspects, financial and marketing aspects.

Project Formulation

Project formulation is the systematic development of a project idea for the eventual purpose of arriving at an investment decision.

A general set of information given in project reports is listed below:

(i) General information

(ii) Project description

(iii) Market potential

(iv) Capital costs and sources of finance

(v) Assessment of working capital requirement

(vi) Other financial aspects

(vii) Economic and *social* variables

(viii) Project implementation.

(i) GENERAL INFORMATION:

The general information to be included in the report are:

1. **Biodata of promotor: Name and address, qualifications, general experience and experience in proposed area of project of the entrepreneur and his partners if any.**

2. **Industry profile: A reference of analysis of industry to which the project belongs, eg., past performance, present status, its organization, its problems etc.**

3. **Constitution and organization: The constitution and organizational structure of the enterprise, in case of partnership firm, its registration with the Registrar of firms, application for *getting* registration certificate from the Directorate of Industries/District Industry Centre.**

(ii) PROJECT DESCRIPTION:

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

(a)Site

(b)Physical infrastructure

(c) Utilities

(d)Pollution control

(e)Communication system

(f)Transport facilities

(g)Machinery and Equipment

(h)Capacity of the plant

(i)Technology selected and R & D activity

(iii)Market Potential:

Details like the projected market potential, demand and *supply* situation, projected price, marketing strategy, distribution channels, after-sales-service, mode of distribution, requirement of logistics etc., are to be *provided* in the report.

(iv)Capital costs and Sources of Finance

Detailed estimates of various capital items like *land and buildings, plant,* machinery, *cost* of installation, source of finance like owners stake, details of loan if any, name of bank/Financial institutions etc., are to be mentioned in the report.

(v)Assessment of working capital requirement

The requirement of working capital *with sources of supply should* be clearly *stated* in the report.

(vi)Other Financial Aspects

Other* financial aspects like cost of production, projected *profit, expected sales,* revenue, projected *profit and* loss account, cash *flow* statement should be presented in the *report. Break* Even Analysis should be prepared and presented. Break-Even is the level of production/sales at which no profit/no loss situation *exists.

(vii) Economic and Social variables:

As a part of social responsibility, any damage to the society and the cost to control such damages, abatement *costs, requirement of pollution control, effluent treatment and costs involved for the* same etc., are to be mentioned in the report.

(viii) Project Implementation: Schedule of implementation of the various tasks of the project are to be included.

FORMAT

- I. Cover Sheet (Name of company, address, Promoters)
- II. Table of Contents
- III. Executive Summary (2-3 pages) a) Introduction b) Financial Performance c) Balance Sheet Analysis d) Proposed Project e) Project profitability and analysis IV. Company Details a) History b) Manufacturing facilities c) Promoters d) Shareholding Pattern e) Board of Directors f) Key Executives g) Major Products h) Major customers i) Details of divisions j) Group Units

- V. Operational Details a) Capacity and Utilization b) Profit and Loss Account c) Balance Sheet d) Term loan and advances e) Working Capital loan f) Marketing and Distribution Network of the company. g) Marketing Strategy h) Export Sales i) Trends in selling prices. j) Details of sub-contractors, out-sourcing etc.
- VI. Project Details a) Proposed Project b) Orders and Enquiries c) Location d) Manufacturing Process e) Technical Feasibility/Superiority f) Technical Know-how g) Inputs for Production h) Manpower i) Power j) Water k) Marketing l) Auxiliary services.

- VII. Project Cost a) Land b) Building and Civil Works c) Plant and Machinery d) Preoperative Expenses e) Margin Money for working capital
- VIII. Means of Finance a) Equity-Share capital b) Internal Accruals c) Deposits d) Debt e) Other Sources
- IX. Project Status a) Implementation Schedule b) PERT and CPM Analysis c) Current Status d) Government Approvals
- X. Profitably and Risk Analysis a) Financials of the Project b) Financials of the Company c) Analysis of Break-even point, return on investment, payback period, internal rate of return and sensitivity. d) Major risk factors e) SWOT Analysis
- XI. Company vis-à-vis Related Industry a) General Analysis b) Competing Industries c) Advantages of the Company

- XII. Employment Generation-Direct/Indirect
- XIII. Conclusion
- XIV. Annexure (a) Curriculum Vitae of the owners (b) Ownership Agreement (c) Certificate from pollution board. (d) Memorandum of Understanding (e) Articles of Association (f) Any other documents that help in marketing the project viability. (g) Organizational Chart (h) Details of group units (i) Statutory sanctions/approvals

Errors of Project Report

(i) Product Selection:

(ii) Capacity utilization estimates:

(iii) *Market Study*

(iv) Technology selection

(v) Location Selection

(vi) Selection of Ownership Form

REASONS FOR BUSINESS FAILURE

- Lack of Research
- Not having a business plan
- Lack of funds
- Financial mismanagement
- Poor marketing
- Failure to adapt
- Not keeping abreast of customer needs/ competition
- Growing too quickly
- HR aspect- weak leadership

Procedure for setting up an enterprise.

1. Decision to be an Entrepreneur.
2. Choosing your form of Business Organization.
3. Making a Product Choice.
4. Location of Industry.
5. Preparation of Business Plan. ...
6. Sourcing Process, Raw Materials, Machineries and Equipment.
7. Infrastructure - Land & Building, Water and Power Supply.
8. Legal Aspects.
9. Finance and Working Capital to Start Business
10. Human Resource, Production, Pricing, Marketing
11. Paying Back Loans and Profit Generation
12. Modenisation and Protection from Sickness
13. Feedback and Reporting

MSME

The standard definition of MSME emerged only after the enactment of the act MSMED (development) in 2006. The enterprises are broadly classified into Manufacturing & service sector & further classified into Micro, small & medium enterprises based upon their investment in Plant & Machinery, Equipment excluding the investment on Land & building.

Manufacturing sector engaged in production, processing or preservation of goods.

Service sector engaged in rendering of services through their establishments in semi urban, urban & rural areas & self employed professionals.

Definition of MSME

Description	Manufacturing	Service
Micro Enterprises	**Up to Rs 25 lakh** MSMEs will now be called Micro units if they have investments upto Rs 1 crore and turnover of less than Rs 5 crore.	**Up to Rs 10 lakh**
Small Enterprises	**Above 25 lakh & up to 5 crore** For an MSME to be defined as a Small unit, its investment limit has been raised from Rs 5 crore to Rs 10 crore with a turnover of less than 50 crore.	**Above 10 lakh & up to 2 crore**
Medium Enterprises	**More than 5 crore but does not exceed 10 crore** Enterprises with investments up to Rs 20 crore with a turnover of less than Rs 100 crore will now be called Medium units.	**More than 2 crore but does not exceed 5 crore**

Role & Importance of MSME

- Simple and easy to start
- Cheap Labor and minimum overhead
- Simple Management Structure for Enterprises
- Low infrastructure facilities and capital
- Shorter gestation period
- Creates wealth
- Generate employment
- Needs lower capital investment
- Promotes exports both in rural & urban
- Equitable distribution of income
- Balanced regional development
- The main role in the mission of “Make in India

THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, (MSMED) 2006

- The Micro, Small and Medium Enterprises development (MSMED) Act, 2006 is a single comprehensive act for development and regulation of small enterprises which came into effect in October, 2006. The act came with an aim to free the enterprises from plethora of laws and regulations.
- The Abid Hussain Committee and the study group under S.P. Gupta has made recommendations to provide a legal framework for small sectors to relieve it from the requirements of compliance with multiple rules and regulations.
- The objective of the Micro, Small and Medium Enterprise Development Act, 2006 is to facilitate the natural mobility of small enterprises to middle ones through appropriate policy interventions and legal framework. The government came up with the Micro, small and medium enterprises development act to promote, develop and enhance the competitiveness of micro, small and medium enterprises.

MSME Registration as Micro, Small and Medium Enterprise (MSME) under the Act:

- Udyog Aadhaar Registration in India under the Act for the Micro, Small and Medium enterprises engaged in the business of providing or rendering services is discretionary.
- But, the SSI Registration for medium enterprises engaged in the manufacture of goods is mandatory under the act.
- The first schedule to the Industries (Development and Regulation) Act, 1951 specifies mandatory requirement of registration for the medium enterprises which are engaged in the manufacture of goods pertaining to any industry.

1. The Act formed National Board for Micro, Small and Medium Enterprise for overseeing and regulating the development of SSIs in India.
2. The MSME Act simplified the process of obtaining Udyog Aadhaar Certificate.
3. The Act provides for provisions to help the supplier of the goods and services by imposing penalties on buyers for late payments.
4. The act provides for a future policy called the “Closure of Business or Exit policy” to regulate the close of sick or weak units.
5. The act provides a MSME registration portal for online registration of MSMEs. The micro, small and medium enterprises are required to register online on the MSME registration portal in order to obtain SSI certificate.

COMPONENTS OF MSMED ACT 2006

- Chapter I: Deals with preliminary aspects of the act like definition of the act, date of commencement, days of acceptance and deemed acceptance and certain terms like buyer, seller, enterprise etc.
- Chapter II: Provides for provisions for setting up of micro, small and medium enterprises. Also, the act provides functions of the board, powers and functions of the member secretary of the board.
- Chapter III: The act has made clear distinction between the enterprises engaged in the manufacture or services sector.
- Chapter IV: Provides procedure and methodology for the establishment of a micro, small and medium enterprises. Also, the procedures to be followed by a person already having a micro, small or medium enterprise.
- Chapter V: Provides for provisions of market facilities, grants of funds by the central government, procurement policy, administration and utilization of funds along with measure for promotion, development and enhancement of competitiveness of micro, small and medium enterprises.
- Chapter VI: Provides provisions related to liability of buyer to make payments, measures to prevent delayed payments by the buyer to the micro, small and medium enterprises and rate at which interest is payable. This chapter also provides reference to micro and small Entrepreneurs' Facilitation Council. Also, the act provides provisions for making application for setting aside decree, interest on delayed payment, overriding effect for closure of business of micro and small enterprises.
- Chapter VII: Provides for provisions related to appointment of officers and other employees, imposition of penalties, procedure for formulation of rules by the central and the state government and the powers to make amendments in the act.

MSMEs for the Indian Economy- FACTS

1. MSMEs employ around 120 million persons, becoming the second-largest employment generating sector after agriculture.
2. With approximately 45 lac units throughout the country, it contributes about 6.11% of GDP from manufacturing and 24.63% of the GDP from service activities.
3. MSME ministry targets to increase its contribution towards GDP by up to 50% by 2025 as India moves ahead to become a $5 trillion economy
4. Contributing around 45% of overall Indian exports
5. MSMEs promote all-inclusive growth by providing employment opportunities, especially to people belonging to weaker sections of the society in rural areas.
6. MSMEs in tier-2 and tier-3 cities help in creating opportunities for people to use banking services and products, which can amount to the final inclusion of the contribution of MSMEs for the economy.
7. MSMEs promote innovation by providing an opportunity to budding entrepreneurs to help them build creative products hey and thereby boost competition in business and fuel the growth.

Current Scheme's of MSME

Ministry of MSME supporting & developing existing & creating new MSME. It has the following schemes for the same purpose. Only registered MSME's are eligible:

- **Credit Guarantee Trust for MSE**: The coverage of the loan under CGTMSE shall ensure that the financial institution gets the guaranteed amount without any time lag at a minimal cost.
- **Technology assistance schemes:**

✓ Credit linked capital subsidy Scheme (CLCSS) :it provides the capital subsidy for the modernisation of production equipment & techniques.

✓Technology up gradation fund scheme (TUFS): it is provided by ministry of textiles, gives interest subsidy, capital or margin money subsidy & basic value of the machinery.

Current Scheme's of MSME

- **Marketing assistance scheme:** it is provided through NSIC(National small industries corporation) it gives subsidies to organise & participate in domestic & international trade exhibitions which will help MSME's to develop network.
- **Certification scheme:** The Govt. Provides incentives to MSME to obtain ISO 9001, ISO 14001 and Hazard Analysis and Critical Control Point (HACCP) certification to the extent of 75% of the expenditure & a maximum of Rs 75000 in each case.
- **Credit rating Scheme:** Eligible enterprises get a subsidy of up to 75% for getting themselves rated by a credit rating agency under the scheme of NSIC

FORMS OF OWNERSHIP

- Sole Proprietorship
- Partnership
- Joint Stock Company
- Co- operative Firm
- Hindu Undivided Family

Types of Funding Entrepreneurs

- Short-term sources: Funds which are required for a period not exceeding one year are called short-term sources.
- The major sources of short term funds are:
- 1. Indigenous Bankers
- 2. Trade Credit
- 3. Instalment Credit
- 4. Advances
- 5. Factoring
- 6. Accrued Expenses
- 7. Deferred Incomes
- 8. Commercial Paper
- 9. Commercial Banks
- 10. Public Deposits.

Long term and Innovative Sources

- **Founders**
- **The 3Fs: family, friends and fools**
- **Angel investments**
- **Crowdfunding**
- **Subsidies- CLCSS, IPR, Tech upgradation, Quality Management etc.**
- **Venture capital**
- **Private equity**
- **Bridge Finance**
- **Series Funding**
- **Debt financing**
- **Revenue based financing**
- **Initial public offering**
- **Initial Coin Offering**
- **Leasing**
- **Retained earnings**
- **Hedge funds**

- **An angel investor** (also known as a private investor, seed investor or angel funder) is a high-net-worth individual who provides financial backing for small start-ups or entrepreneurs, typically in exchange for ownership equity in the company.
- Often, angel investors are found among an entrepreneur's family and friends.
- The funds that angel investors provide may be a one-time investment in early stages

- **Crowdfunding** is a method of raising capital through the collective effort of friends, family, customers, and individual investors.
- This approach taps into the collective efforts of a large pool of individuals—primarily online via social media and crowdfunding platforms—and leverages their networks for greater reach and exposure.
- Types- **Donation-Based Crowdfunding, Rewards-Based Crowdfunding and Equity-Based Crowdfunding**

- **Venture capital** is a form of private equity financing that is provided by venture capital firms or funds to start-ups, early-stage, and emerging companies that have been deemed to have high growth potential or which have demonstrated high growth.
- **Private equity** describes investment partnerships that buy and manage companies before selling them. Private equity firms operate these investment funds on behalf of institutional and accredited investors.
- Forms- LBO, VC, Growth equity, REPE, Mezzanine Capital and Distressed Private Equity.

Private Equity vs. Venture Capital vs. Angel and Seed Investors

POD	Seed/Angel	Venture Capital	Private Equity
Stage of Business	Founding, start-up, pre-revenue	Early stage, pre-profitability	Mid to later stage, profitable, cash flow
Size of Investment ($)	$10,000's to a few million	A few million to tens of millions	Wide range: a few million to billions
Type of Investment	Equity, SAFE	Equity, convertible debt	Equity with leverage
Investment Team	Entrepreneurs/past founders	Mix of entrepreneurs and bankers/finance	Mostly bankers/finance professionals
Level of Risk	Extreme risk, high chance of losing all money	High risk, moderate chance of losing all money	Moderate risk, low chance of losing all money
Return Profile	>100x return targets	>10x return targets	>15% IRR
Industry Focus	Varies firm to firm	Varies firm to firm	Varies firm to firm
Investment Screening	Founders, TAM, market share potential, virality, # users, etc.	Founders, market share potential, revenue, margins, growth rate	EBITDA, cash flow, IRR, financial engineering
Examples	Paul Buchheit / Y Combinator, AngelList, Techstars, Jeff Clavier	Andreessen Horowitz, Sequoia Capital, VantagePoint, Highland	KKR, Carlyle Group, Blackstone, A

- **Bridge financing** is a form of temporary financing intended to cover a company's short-term costs until the moment when regular long-term financing is secured. Thus, it is named as bridge financing since it is like a bridge that connects a company to debt capital through short-term borrowings.
- It can take forms like:
- capital to meet its short-term obligations
- Initial public offerings (IPOs) to cover the flotation expenses (e.g., underwriting, stock exchange fees, etc.).

- **Series funding-** A start-up raises rounds of funds, each one higher than the next and each one increasing the value of the business. It's described alphabetically: Series A, B, C, D, & E
- A- Seed stage
- The typical valuation for a company raising a seed round is $10 million to $15 million.
- Series A funding usually comes from venture capital firms and Angel investors

- B- A start-up that reaches the point where they’re ready to raise a Series B round has already found their product/market fit and needs help expanding.
- A Series B round is usually between $7 million and $10 million
- Series B funding usually comes from venture capital firms, often the same investors who led the previous round.

- C- co’s ready to expand to new markets, acquire other businesses, or develop new products.
- Valuation of Series C companies often falls between $100 million and $120 million
- Series C funding typically comes from venture capital firms that invest in late-stage startups, private equity firms, banks, and even hedge funds.

- D- Co’s seeking **Expansion Opportunities and Down Round (**When a company hasn’t hit the expectations laid out after raising their Series C it's called a “down round)
- D rounds are typically funded by venture capital firms.
- E- Co’s that failed to meet expectations, Co’s that want to stay private longer and Co’s that need a little more help before going public

- A hedge fund is a limited partnership of private investors whose money is managed by professional fund managers who use a wide range of strategies, including leveraging or trading of non-traditional assets, to earn above-average investment returns.

THANK YOU

MODULE- III

Venture capital: Nature and overview, venture capital process, locating venture capitalists, Institutions supporting Entrepreneurs-A brief overview of financial institutions in India- Central level, state level institutions and other institutions. SIDBI, NABARD, EDI, DIC, NGOs, AWAKE, FIWE. List of Schemes by Govt : Make in India, Start up India, Smart India, Digital India, Smart Cities Mission, Stand up India. Skill India. Recent trends in Entrepreneurship of India

MEANING

- Venture capital (VC) is a form of private equity and a type of financing that investors provide to startup companies and small businesses that are believed to have long-term growth potential.
- Such investments are risky as they are illiquid, but are capable of giving impressive returns if invested in the right venture.
- The returns to the venture capitalists depend upon the growth of the company.
- Venture capitalists have the power to influence major decisions of the companies they are investing in as it is their money at stake.
- EX: Pepperfry.com- Goldman Sachs, Snapdeal- Nexus Partners, Policy bazaar.com- Inventus capital partners, etc

Characteristics of Venture Capital Investing

- **Illiquid-** Long-term returns from venture capital investing depend largely on the success of an IPO
- **Long-term investment horizon-** time-lag between the initial investment and the final pay-out(5-10 yrs)
- **Large discrepancy between private valuation and public valuation (market valuation)-** VC investments are held by private funds. Difficult to determine the value of the investment.
- **Entrepreneurs lack full information about the market-** entrepreneurs and VC investors often work in the dark because no one else has done what they are trying to do.
- **Mismatch between entrepreneurs and VC investors-** entrepreneur- process where as VC- return.
- **Mismatch between VC investors and fund managers-** VC-returns; fund managers- varied objectives

VC FUNDING

- The pre-seed stage.
- The seed stage.
- The Series A stage.
- The Series B stage.
- The expansion stage (Series C and beyond)
- The mezzanine stage.
- Going public — the IPO.

Stages of Venture Capital

Stage	Business Activity	Funding Sources
Pre-Seed	• Developing a business concept • Working on any partnership agreements • Getting any patents or copyrights • Creating a pitch deck	• Self, family and friends • Micro VCs
Seed	• Creating a product or prototype • Getting business running • Fundraising	• Self, family and friends • Angel investors • Early VCs
Series A	• Researching industry and markets • Writing a business plan • Marketing and advertising • Generating revenue • Planning to scale into new markets	• Accelerators • Super angel investors • Venture capitalists
Series B	• Expanding consumer interest • Establishing a commercially viable product or service • Scaling production, marketing and sales	• Venture capitalists • Late-stage venture capitalists
Series C & beyond	• Building new products and markets • Establishing a strong customer base • Acquiring other companies	• Late-stage venture capitalists • Private equity firms • Hedge funds • Banks
Mezzanine	• Being acquired by another company or SPAC • Remaining private using VC funds to grow • Making an initial public offering	• Private equity firms • Hedge funds
Exit	• Making an initial public offering	• Sale • VCs • SPAC • Public stock

VC PROCESS

- **1. Deal Origination**
- **2. Screening**
- **3. Evaluation**
- **4. Deal Negotiation**
- **5. Post Investment Activity**
- **6. Exit Plan.**

- **Deal Origination-** There may be various sources of origination of deals. One such source is referral system in which deals are referred to venture capitalists by their parent organizations, trade partners, industry association, friends, networks, trade fairs, conferences, seminars etc. Certain intermediaries who act as link between venture capitalists and the potential entrepreneurs, also become source of deal origination.
- **Screening**: VC undertakes preliminary scrutiny of all projects on the basis of certain broad criteria, such as technology or product, market scope, size of investment, geographical location and stage of financing. VC's in India ask the applicant to provide a brief profile of the proposed venture to establish prime facie eligibility. Entrepreneurs are also invited for face-to-face discussion for seeking certain clarifications.

- **Evaluation:** After a proposal has passed the preliminary screening, a detailed evaluation of the proposal takes place. A detailed study of project profile, track record of the entrepreneur, market potential, technological feasibility future turnover, profitability, etc. is undertaken. They also consider the entrepreneur's entre-preneurital skills, technical competence, manufacturing and marketing abilities and experience. Further, the project's viability in terms of product, market and technology is examined.

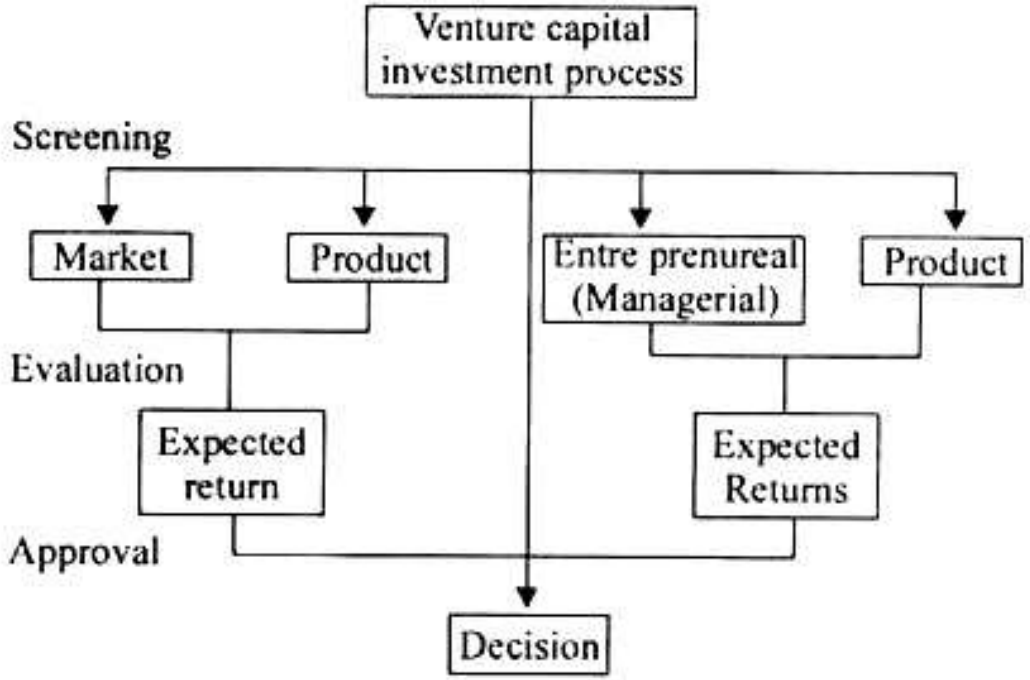


Figure. 31.1. Venture capital Investment Process

source : Typsee and Burno (1984).

- **Deal Negotiation**: To protect the interest of VC the terms of deal are negotiated. It includes amount, form and price of the investment. It also contains protective covenants such as venture capitalists right to control the venture company and to change its management, if necessary, buy back arrangements, acquisition, making IPOs. Terms of the deal should be mutually beneficial to both venture capitalist and the entrepreneur. It should be flexible and its structure should safeguard interests of both the parties.
- **Post Investment Activity**: Once the deal is financed and the venture begins working, the venture capitalist associates himself with the enterprise as a partner and collaborator in order to ensure that the enterprise is operating as per the plan. The venture capitalists participation in the enterprise is generally through a representation in the Board of Directors or informal influence in improving the quality of marketing, finance and other managerial functions.

- **Exit Plan**: The last stage of venture capital financing is the exit to realize the investment so as to make a profit/minimize losses. The venture capitalist should make exit plan, determining precise timing of exit that would depend on various factors, such as nature of the venture, the extent and type of financial stake, the state of actual and potential competition, market conditions, etc. A VC may exit through IPOs, acquisition by another company, purchase of the venture capitalist's share by the promoter and purchase of the venture capitalist's share by an outsider.

VC's in India

INVESTOR	NOTABLE INVESTMENTS	FUND
Anand Daniel	Swiggy, TaxiForSure, BlackBuck	Accel Partners
Anand Lunia	Lendingkart, ShareChat	India Quotient
Ash Lilani	Snapdeal, Paytm, Mezi, AppLabs	Saama Capital
Avnish Bajaj	Ola, Quikr, ItzCash	Matrix Partners
Bejul Somaia	Oyo, Udaan, Indian Energy Exchange	Lightspeed India Partners
Deepak Gaur	Swiggy, BookMyShow, Rivigo	SAIF Partners
Deepak Shahdadpuri	Oyo, Mswipe, Drums Food	DSG Consumer Partners
Dev Khare	Byjus, Sharechat	Lightspeed India Partners
GV Ravishankar	Byjus, Faasos, Equitas	Sequoia Capital India Advisors
Karthik Reddy	GreyOrange, Unacademy,	Blume Ventures
Mohit Bhatnagar	Citrus Payments, Dailyhunt, Freshworks, Zomato	Sequoia Capital India Advisors
Mukul Arora	Swiggy, Rivigo, BookMyShow, FirstCry	SAIF Partners
Parag Dhol	redBus, Policybazaar, Power2SME	Inventus India Partners
Prashanth Prakash	BookMyShow, Qwikcilver	Accel Partners
Ravi Adusumalli	Paytm, Justdial, MakeMyTrip	SAIF Partners
Sanjeev Bikhchandani	Zomato, Policybazaar	Info Edge
Shailendra Singh	Druva, FreeCharge, Go-Jek, One Championship, Pine Labs, Tokopedia, SCIO Health Analytics	Sequoia Capital India Advisors
Shekhar Kirani	BrowserStack, Freshworks, Zenoti	Accel Partners
Subrata Mitra	Flipkart, Myntra, Cure.fit	Accel Partners
Sudhir Sethi	Cure.fit, FirstCry, Myntra, Xpressbees, Newgen	Chiratae Ventures
Suvir Sujan	Delhivery, MapmyIndia, OLX	Nexus Venture Partners
Tarun Davda	Ola, Practo	Matrix Partners
TCM Sundaram	Lenskart, Policybazaar	Chiratae Ventures
Vani Kola	Myntra, Cure.fit, Dream11	Kalaari Capital
Vikram Vaidyanathan	Dailyhunt, Five Star Finance, Mswipe	Matrix Partners

HOW TO LOCATE A VC

- **Meet Them on Their Blog**
- **Meet Them on Twitter**
- **Meet Them on LinkedIn**
- **Meet them at Industry Events**
- **Meet them at Local Events**
- **Meet them via Email**

MAKE IN INDIA CONCEPT

- **Make in India**' initiative was launched on September 25, 2014 by GOI.
- Aim: To make India a global manufacturing hub, by encouraging both multinational as well as domestic companies to **manufacture** their products within the country.
- The program includes major new initiatives designed to facilitate investment, foster innovation, protect intellectual property, and build best-in-class manufacturing infrastructure.

REASON FOR INTRODUCTION

- Make in India campaign is at loggerheads with the Make in China ideal that has gained momentum over the past decade.
- China is a major rival to India when it comes to the outsourcing, manufacturing, and services business. India's ailing infrastructure scenario and defunct logistics facilities make it difficult for the country to achieve an elite status as a manufacturing hub.
- The bureaucratic approach of former governments, lack of robust transport networks, and widespread corruption makes it difficult for manufacturers to achieve timely and adequate production.
- The Modi government has vowed to remove these hurdles and make the nation an ideal destination for investors to set up industries.

MAKE IN INDIA VISION

- "Make in India" had three stated objectives:
- to increase the manufacturing sector's growth rate to 12-14% per annum;
- to create 100 million additional manufacturing jobs in the economy by 2022;
- to ensure that the manufacturing sector's contribution to GDP is increased to 25% by 2022 (later revised to 2025)

SECTORS COVERED

- 25 nos. Namely: Automobiles; Auto components; **Aviation**; **Biotechnology**; **Chemicals**;**Construction**; Defense **manufacturing**; **Electrical machinery**; Electronic system design and **manufacturing**; Food processing; IT and BPO; Leather; Media and entertainment; Mining; Oil and gas; **Pharmaceuticals**; Ports; Railways; Renewable energy; Roads and Infrastucture

MERITS & DEMERITS

MERITS:

India is a country rich in **natural resources.**

Labour is a plenty and skilled labour is easily available given the **high rates of unemployment** among the educated class of the country.

With Asia developing as the **outsourcing hub** of the world, India is soon becoming the **preferred manufacturing destination** of most investors across the globe.

- Creating new job opportunities.
- Increasing GDP via accelerating economic growth.
- The rupee will rise as FDI inflows increase.
- Small manufacturers will benefit, mainly if foreign investors invest in them.

DEMERITS:

- India ranks low on the "ease of doing business index“ released by World Bank(63rd rank amongst 190 countries as on 2022).
- **Labour laws** in the country are **still not conducive** to the Make in India campaign. This is one of the universally noted disadvantages of manufacturing and investing in India.
- Impact on Agriculture. Sixty-one percent of India's farmland is devoted to agriculture, making it an agrarian society. Resource Exploitation.
- Loss to Small Entrepreneurs.
- The loss of Arable land.
- Losses to Other Sectors.

Make in India is the Indian government's effort to harness this demand and **boost the Indian economy**.

Where India stands

Indicator	2019	2018
Starting business	137	156
Construction permits	52	181
Getting electricity	24	29
Registering property	166	154
Getting credit	22	29
Protecting minority interests	7	4
Paying taxes	121	119
Trade	80	146
Enforcing contracts	163	164
Resolving insolvency	108	103
Overall rank	**77**	**100**



The two years are not strictly comparable due to small methodology changes, but the relative rankings stand

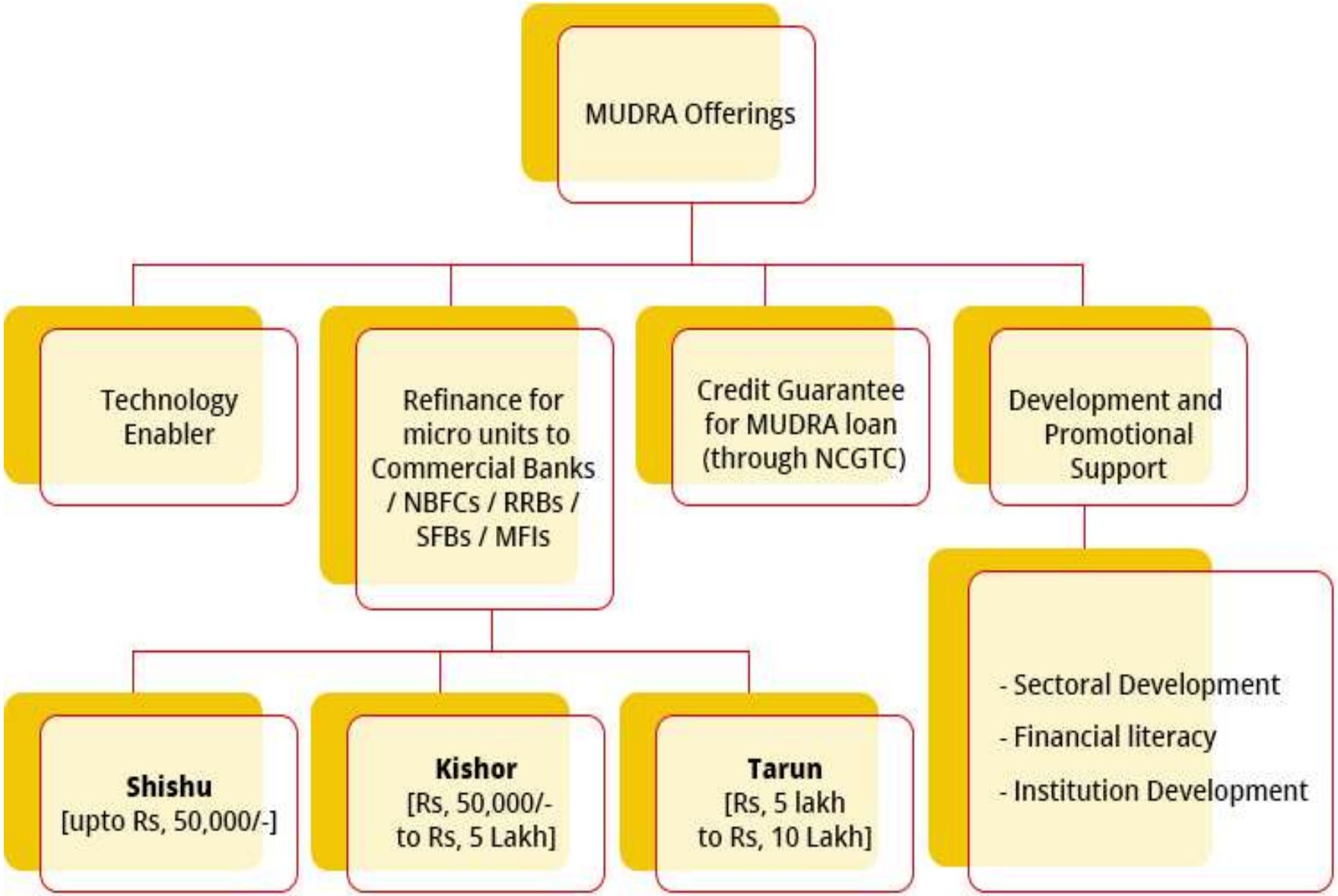
Micro Units Development and Refinance Agency Ltd.

- MUDRA is an NBFC supporting development of micro enterprise sector in the country. MUDRA provides refinance support to Banks / MFIs / NBFCs for lending to micro units having loan requirement up to Rs. 10 lakh. MUDRA provides refinance support to micro business under the Scheme of Pradhan Mantri MUDRA Yojana.

PURPOSE OF MUDRA LOAN

- Mudra loan is extended for a variety of purposes which result in income generation and employment creation. The loans are extended mainly for:
- Business loan for Vendors, Traders, Shopkeepers and other Service Sector activities
- Working capital loan through MUDRA Cards
- Equipment Finance for Micro Units
- Transport Vehicle loans – for commercial use only
- Loans for agri-allied non-farm income generating activities, e.g. pisciculture. bee keeping, poultry farming, etc.
- Tractors, tillers as well as two wheelers used for commercial purposes only.

OFFERINGS


MUDRA Offerings
Technology Enabler
Refinance for micro units to Commercial Banks / NBFCs / RRBs / SFBs / MFIs
Credit Guarantee for MUDRA loan (through NCGTC)
Development and Promotional Support
Shishu [upto Rs, 50,000/-]
Kishor [Rs, 50,000/- to Rs, 5 Lakh]
Tarun [Rs, 5 lakh to Rs, 10 Lakh]
- Sectoral Development
- Financial literacy
- Institution Development

Banks offering MUDRA loan

- Corporation Bank
- Dena Bank
- HDFC Bank
- Allahabad Bank
- Andhra Bank
- Bank of Baroda
- IDBI Bank
- Indian Bank
- United Bank of India
- Syndicate Bank
- Tamilnad Mercantile Bank
- Union Bank of India
- Punjab and Sind Bank
- Punjab National Bank
- State Bank of India

START-UP INDIA

- Start- up India is an initiative of the Government of India. The campaign was first announced by Indian Prime Minister, Narendra Modi during his speech on 15 August 2015.
- The action plan of this initiative is focussing on three areas: Simplification and Handholding. Funding Support and Incentives.

Definition of “Startup”

- Any company which fall into below list of category will be called as “Startup” and eligible to be recognised by the DPIIT to avail the benefits from the Government of India.
- **Age of the Company** – The Date of Incorporation should not exceed 10 years
- **Type of Company** – Should have been Incorporated as a Private Limited Company or a Registered Partnership Firm or a Limited Liability Partnership
- **Annual Turnover** – Should not exceed Rs.100 crore for any of the financial years since its Incorporation
- **Original Entity** – The company or Entity should have been formed originally by the promoters and should not have been formed by splitting up or reconstructing an existing business
- **Innovative & Scalable** – Should have plan for development or improvement of a product, process or service and/or have a scalable business model with high potential for the creation of wealth & employment

ACTION PLAN

The Action Plan is divided across the following areas:

- Simplification and Handholding
- Funding Support and Incentives
- Industry-Academia Partnership and Incubation

STAND UP INDIA

Stand-Up India Scheme Facilitates bank loans between 10 lakh and 1 Crore to at least one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower and at least one woman borrower per bank branch for setting up a greenfield enterprise. This enterprise may be in manufacturing, services, agri-allied activities or the trading sector. In case of non-individual enterprises at least 51% of the shareholding and controlling stake should be held either SC/ST or WE

OBJECTIVE

- The Stand-Up India Scheme’s objective is to promote entrepreneurship among women or scheduled caste and scheduled tribes by facilitating bank loans. Minimum one ST or SC borrower and at least one woman can avail of loans ranging between ₹10 lakh to ₹1 crore from banks to set up a greenfield enterprise under this scheme.

ELIGIBILITY

- SC/ST and/or woman entrepreneurs, above 18 years of age.
- Loans under the scheme is available for only green field project. Green field signifies, in this context, the first time venture of the beneficiary in the manufacturing, services, agri-allied activities or the trading sector.
- In case of non-individual enterprises, 51% of the shareholding and controlling stake should be held by either SC/ST and/or Women Entrepreneur.
- Borrower should not be in default to any bank/financial institution.

ELIGIBILITY

- Nature of Loan- Composite loan of 10 to 100 lakh
- Purpose of Loan

For setting up a new enterprise in manufacturing, services, agri-allied activities or the trading sector by SC/ST/Women entrepreneur.

- Size of Loan

Composite loan of 85% of the project cost inclusive of term loan and working capital. The stipulation of the loan being expected to cover 85% of the project cost would not apply if the borrower's contribution along with convergence support from any other schemes exceeds 15% of the project cost.

- Interest Rate

The rate of interest would be lowest applicable rate of the bank for that category

- Working Capital

Applicants can draw up to ₹10 lakh as working capital by an Overdraft. For the borrower's convenience, a Rupay debit card will get issued. Any working capital above ₹10 lakh will get sanctioned by Cash Credit limit.

Repayment- 7 years with a moratorium period of 18 months

Margin money- 15 %

SKILL INDIA

- Skill India campaign was launched by Prime Minister Narendra Modi on 15 July 2015 to train over 30 crore people in India in different skills by 2022. The goal of this project was to establish and implement comprehensive skill development training programs. These programs would assist bridge the gap between industry demands and skill requirements.
- It is managed by the National Skills Development Corporation of India.

Various initiatives under this campaign are:

- National Skill Development Mission
- National Policy for Skill Development and Entrepreneurship, 2015
- Pradhan Mantri Kaushal Vikas Yojana (PMKVY)
- Skill Loan scheme
- Rural India Skill

OBJECTIVE

- The main goal of this programme was to create opportunities, space, and scope for the development of the talents of the Indian youth and to develop more of those sectors which have already been put under skill development for the last so many years, and also to identify new sectors for skill development.

Features of Skill India

- The emphasis is to **skill the youths in such a way so that they get employment and also improve entrepreneurship.**
- Provides **training, support and guidance for all occupations** that were of traditional type like carpenters, cobblers, welders, blacksmiths, masons, nurses, tailors, weavers etc.
- More emphasis will be given on **new areas** like real estate, construction, transportation, textile, gem industry, jewelry designing, banking, tourism and various other sectors, where skill development is inadequate or nil.
- The training programmes would be on the **lines of international level** so that the youths of our country can not only meet the domestic demands but also of other countries like the US, Japan, China, Germany, Russia, and those in West Asia.
- Another remarkable feature of the **'Skill India'** programme would be to create a hallmark called **'Rural India Skill',** so as to standardise and certify the training process.
- **Tailor-made, need-based programmes** would be initiated for specific age groups which can be like language and communication skills, life and positive thinking skills, personality development skills, management skills, behavioural skills, including job and employability skills.
- The **course methodology of 'Skill India**' would be innovative, which would include games, group discussions, brainstorming sessions, practical experiences, case studies, etc.

Skills Under the Skill India Mission

- **Apprenticeship training** – The program was established to expand apprenticeship opportunities in the country by giving post-secondary job training to engineering graduates and diploma holders.
- **Technical intern training program (TITP)** – This program promotes international collaboration by facilitating the transfer of skills, technology, and expertise between participating nations, assisting in the development of human resources. Students can take professional development courses in Japan's industrial society for a specified length of time through this program (3-5 years).
- **Online skilling** – The 'e-Skill' India portal connects B2C digital e-learning sites that create and source e-learning content.

SMART CITIES VISION

- The Smart Cities Mission was launched on June 25, 2015, with the key objective of **promoting cities to provide core infrastructure, clean and sustainable environment and give a decent quality of life to their citizens through the application of 'smart solutions'**.
- A smart city is a technologically modern urban area that uses different types of electronic methods and sensors to collect specific data. Information gained from that data is used to manage assets, resources and services efficiently; in return, that data is used to improve operations across the city.

- The **core infrastructure elements** in a Smart City would include:

i. adequate water supply, ii. assured electricity supply, iii. sanitation, including solid waste management, iv. efficient urban mobility and public transport, v. affordable housing, especially for the poor, vi. robust IT connectivity and digitalization, vii. good governance, especially e-Governance and citizen participation, viii. sustainable environment, ix. safety and security of citizens, particularly women, children and the elderly, and x. health and education.

The main objectives of the Smart Cities Mission are as follows -

- Promote economic development.
- Improve the quality of life of people by using technology that offers smart results.
- Generate employment.
- Increase income, especially for poor and marginalised people.

Digital India

- Digital India was an initiative taken by the Government of India for providing high-speed internet networks to rural areas. Digital India Mission was launched by PM Narendra Modi on 1st July 2015 as a beneficiary to other government schemes including Make in India, Bharatmala, Sagarmala, Startup India, BharatNet, and Standup India.

Digital India Mission is mainly focused on three areas:

- Providing digital infrastructure as a source of utility to every citizen.
- Governance and services on demand.
- To look after the digital empowerment of every citizen.

Objectives of Digital India

- The motto of the Digital India Mission is ‘Power to Empower’. There are three core components to the Digital India initiative. They are digital infrastructure creation, digital delivery of services, and digital literacy.
- The major objectives of this initiative are listed below:
- To provide high-speed internet in all gram panchayats.
- To provide easy access to Common Service Centre (CSC) in all the locality.
- Digital India is an initiative that combines a large number of ideas and thoughts into a single, comprehensive vision so that each of them is seen as part of a larger goal.
- The Digital India Programme also focuses on restructuring many existing schemes that can be implemented in a synchronized manner.

Digital India Initiatives

- The Government has taken up many initiatives under the Digital India campaign. Discussed below are few such important initiatives:
- **DigiLockers –** This flagship initiative aims at ‘Digital Empowerment’ of the citizen by providing access to authentic digital documents to citizen’s digital document wallet
- **E-Hospitals –** It is a Hospital Management Information System (HMIS) which is a one-stop solution in connecting patients, hospitals and doctors through a single digital platform. Till February 2021, as many as 420 e-Hospitals had been established under the Digital India campaign
- **E-Pathshala –** Developed by NCERT, e-Pathshala showcases and disseminates all educational e-resources including textbooks, audio, video, periodicals and a variety of other print and non-print materials through the website and mobile app
- **BHIM –** Bharat Interface for Money is an app that makes payment transactions simple, easy and quick using Unified Payments Interface (UPI)

Nine pillars of Digital India

- The are given below:
- **Broadband Highways**– This covers three sub components, namely Broadband for All – Rural, Broadband for All – Urban and National Information Infrastructure (NII).
- **Universal Access to Mobile Connectivity-** This initiative focuses on network penetration and filling the gaps in connectivity in the country.
- **Public Internet Access Programme-** The two sub components of Public Internet Access Programme are Common Services Centres (CSCs) and Post Offices as multi-service centres.
- **e-Governance**: Reforming Government through Technology- Government Process Re-engineering using IT to simplify and make the government processes more efficient is critical for transformation to make the delivery of government services more effective across various government domains and therefore needs to be implemented by all Ministries/ Departments.
- **e-Kranti** – Electronic Delivery of Services- To improve the delivery of public services and simplify the process of accessing them. In this regard, several e-governance initiatives have been undertaken by various State Governments and Central Ministries to usher in an era of e-Government. e-Governance in India has steadily evolved from the computerization of Government Departments to initiatives that encapsulate the finer points of Governance, such as citizen centricity, service orientation and transparency.
- **Information for All-** This pillar aims to ensure transparency and availability of reliable data generated by the line ministries for use, reuse and redistribution for the people of India.
- **Electronics Manufacturing-** This pillar focuses on promoting electronics manufacturing in the country.
- **IT for Jobs-** This pillar focuses on providing training to the youth in the skills required for availing employment opportunities in the IT/ITES sector.
- **Early Harvest Programmes-** This pillar consists of a group of different short-term projects which have immediate effect on the Indian digital ecosystem like IT platform for mass messaging, crowd Sourcing of eGreetings, biometric attendance in the government offices, WI-FI in all universities etc.

THANK YOU

MODULE-IV

Industrial Sickness: Definition, Specific Management Problems, Causes, Rehabilitation of Sick units.

International Entrepreneurship Opportunities: The nature of international entrepreneurship, Importance of international business to the firm, International versus domestic entrepreneurship, Entrepreneurship entry into international business, exporting, Direct foreign investment, barriers to international trade.

DEFINITIONS

- Industrial sickness can be defined as a steady imbalance in the debt-equity ratio and distortion in the financial position of the unit.
- Once the sick units continue to operate below the break-even point (at which total revenue = total cost), industries are forced to depend on the external sources for funds of their long-term survival.
- As per the definition by the Sick Industrial Companies Act, 1985. “A sick industrial unit is an industrial company (being a company registered for not less than seven years) which has at the end of any financial year accumulated losses in that financial year and in the financial year immediately preceding it.
- Industrial sickness is defined as "an industrial company which has, at the end of any financial year, accumulated losses equal to, or exceeding, its entire net worth and has also suffered cash losses in such financial year and the financial year immediately preceding such financial year".

- As per the definition of RBI, a unit is considered as sick when any of the borrowal account of the unit remains substandard for more than 6 months or there is erosion in the net worth due to accumulated cash losses to the extent of 50% of its net worth during the previous accounting year and the unit has been in commercial production for at least two years.

Actual Sickness:

- Erosion of net worth by 50% or more.
- Units being closed for a total period of six months and more during the last year
- Default in the payment of loan installments

Symptoms of Industrial Sickness

- Little to no movement of inventory
- Decrease in the company's sales
- Decline in capacity utilization
- Shortage of cash to meet the day to day obligations
- Frequent proposals to extend the credit limit
- Deteriorating financial ratio
- Continuous fall in the prices of shares
- Non-payment or delay in the payment of dues like taxes, interest, dividends, salaries, etc.
- Delay in the audit of accounts.
- Disparities among various levels of management.
- Decline in technological innovations
- Irregularity in the maintenance of books of accounts.
- Overdependence on external funds
- Continuous losses

Causes of Industrial Sickness

Internal Causes:

- **Technical feasibility**
  - Inadequate Technical Knowhow
  - Inappropriate choice of technology
  - Obsolete production process
  - Poor information system
  - Wrong or defective idea of industry
- **Economic Viability**
  - High cost of inputs
  - High break-even point
  - Excessive investment in fixed assets
  - Non-flexibility of fixed assets
  - Underestimation of financial requirements.

- **Production Management**
  - Underutilization of production capacity
  - Huge wastage of raw materials and supplies
  - Poor maintenance and replacement of plant and machinery
  - Wrong location or layout
  - Poor quality maintenance
- **Labour Management**
  - Poor performance and productivity of labour
  - Huge workforce, than required.
  - Lack of skilled labour
  - Unreasonably high wage structure.
  - Poor handling of labour
  - Inadequate training
- **Marketing Management**
  - Lack of market research and feedback
  - Unsound pricing policy
  - Inappropriate product mix
  - Improper demand forecast
  - Small customer base
  - Poor marketing strategies
  - Absence of horizontal and vertical integration

- **Financial Management**
  - Shortage of working capital
  - Lack of funds
  - Defective Capital structure
- **Administrative Management**
  - Huge expenditure on Research and Development
  - Incompetent Management
  - Lack of timely diversification.

External Causes

- **General Issues**
  - Improper supply or non-availability of important raw material, or availability at higher prices
  - Improper supply of critical inputs like power, water and transportation
  - Chronic Power storage
  - High production cost
  - Ignorance of potential market

- **Government controls and policies**
  - Sudden unfavourable change in the policies of the government
  - Taxes and duties
  - Price control
- **Market Constraints**
  - Innovative technological changes, due to which products turn out as obsolete.
  - Recessionary trend in the entire economy, affecting the performance of the firms
- **Extraneous factors**
  - Natural Calamities, like an earthquake, floods, etc
  - Political Situation
  - Industrial Strikes
  - War between countries

Types of Sick Companies

- **Born Sick**: Industrial Sickness is not necessarily an after-birth characteristic. This means that some industrial projects are sick right from their inception on account of poorly-conceived projects, the wrong idea of industry, wrong choice of location, inexperienced promoters, long gestation period, unproductive capital assets, inadequate market surveys, wrong selection of product, etc.
- **Become Sick**: There are some projects which are not sick by birth, rather they turn out to be sick, in their later stages, due to internal causes like poor management or mismanagement, faulty management policies, deliberate diversion of funds, etc.
- **Made Sick**: Some industrial projects are neither sick by birth nor they turn out as sick, rather sickness is thrust upon them due to various external causes which are not in the control of the company's management. This may include abrupt changes in the policies of the government, change in trend or technology, etc.

SICA

- The Sick Industrial Companies Act of 1985 (SICA) was a key piece of legislation dealing with the issue of rampant industrial sickness in India. The Sick Industrial Companies Act (SICA) was enacted in India to detect unviable ("sick") or potentially sick companies and to help with their revival, if possible, or their closure, if not. This measure was taken to release investment locked up in unviable companies for productive use elsewhere.

BIFR

- Board for Industrial and Financial Reconstruction. It was an agency of the Government of India and a division of the Department of Financial Services of the Ministry of Finance, created under the Sick Industrial Companies Act (SICA), 1985 in the year 1987. The board was set up in January 1987 and became functional as of 15 May 1987.
- its objective was to determine sickness of industrial companies and to assist in reviving those that may be viable and shutting down the others

- The Appellate Authority for Industrial and Financial Reconstruction (AAIFR) was constituted in April 1987. Government companies were brought under the purview of SICA in 1991.
- In the year 1999 Government felt that the above two organisations were not been able to fulfill the purpose under SICA, and High level committee was formed to investigate the same. In the second amendment of Companies Act, 2002 NCLT and NCLAT were introduced.

PROCESS

- **Revival and Rehabilitation of Sick Companies**
- The **Ministry of Corporate Affairs** has formulated the framework for Revival and Rehabilitation of Sick Companies under the **Companies Act**. This framework intends to timely detect the sickness and take appropriate measures for revival of sick companies. In this article, we look at the Revival and Rehabilitation of Sick Companies in detail.

The **objectives** of the Revival and Rehabilitation of Sick Companies are listed below:

- To enable sick companies to seek relief and concession to revive over difficult financial times.
- To assess the economic viability of sick companies and rehabilitate them.

- **Determination of Sickness of Company**
- The company is assessed to be sick on demand by the creditors of a company representing 50% of the amount of debt under the following circumstances:
- Any company has failed to pay the debt within 30 days from the issuance of notice by the creditors.
- Any company has failed to secure the debt received from the creditors.
- **Overview of the Process**
- Once the company is determined to be a sick company, the application can be filed by the creditors to the tribunal in the prescribed format. The tribunal would make decisions within 60 days from the date of submission of application.
- Once the tribunal is satisfied on that a company has turned a sick company, and it is in the state to repay its debts, within a specified time, then the order from the tribunal to the company is made to repay its debts.

- **Application for Revival and Rehabilitation**
- Any companies determined as the sick company can make an application in the prescribed format to the tribunal in order to take necessary steps to be taken for its revival and rehabilitation and the application has to be accompanied by the following documents:
- Audited financial statements of the sick company relating to the immediately preceding financial year.
- The draft of the scheme for revival and rehabilitation of the company in the prescribed format.
- The above-mentioned documents and particulars have to be duly authenticated in such manner, along with such fees as prescribed.
- Note: The application has to made to the tribunal within 60 days from the date of identification of the company as a sick company by the tribunal under the Companies Act, 2013.

- **Appointment of Interim Administrator**
- Upon submission of application, the tribunal would fix a date of hearing and appoint an interim administrator who should appoint a meeting with creditors of the company within 45 days and prepare a draft of the scheme for revival and present it before the tribunal within sixty days from the meeting.
- In case of no draft, the scheme is provided, then the tribunal would assist the interim administrator in taking over the management of the business. The full assistance in coordinating the interim administrator would be provided by the Director or Management of the company.
- **Committee of Creditors**
- The interim administrator will appoint a committee of creditors such number of creditors would not exceed seven, and these members should be present in all the meetings, and the interim administrator would direct all the directors, promoters, key managerial personnel of the company to attend the meeting and furnish the information whichever is required and necessary.

- **Order of Tribunal**
- If the tribunal has approved the report passed by the interim administrator stating that it is not likely to revive and rehabilitate the sick company, then the tribunal would take the following steps:
- In case of the revival and rehabilitation of the sick company is not possible, the tribunal would order that the proceedings for the winding up of the company to initiate.
- In case of revival and rehabilitation of the sick company is possible, the tribunal would appoint a company administrator for the company to prepare a scheme for revival and rehabilitation of a company by adopting certain measures.
- **Scheme of Revival and Rehabilitation**
- A revival and rehabilitation of sick industries scheme will be prepared by the company administrator which includes measures like proper management of the sick company, financial reconstruction of the sick company, lease or sale of a part of any assets, amalgamation of the sick company with another company or another company with the sick company, takeover of the sick company by solvent company, rationalization of managerial personnel.

- **Sanction of the Scheme**
- The scheme prepared by the management of the company should be placed before the creditors of the sick company in a meeting for their approval within the period of 60 days. If the scheme is approved by the secured creditors and then it would be examined by the tribunal and copy of the scheme draft with modifications made by the tribunal would be forwarded to the sick company for the suggestion. Then the tribunal would pass the order within 60 days sanctioning the scheme on receipt of the scheme.
- **Winding up of a Company**
- If the revival and rehabilitation scheme is not sanctioned by the secured creditors and the administrator has to present the report within 15 days stating the same, and the tribunal would order for the winding up of the company.
- **Rehabilitation and Insolvency Fund**
- A fund which is known as the Rehabilitation and **Insolvency Fund** will be allocated for the purposes of revival, rehabilitation, and liquidation of the sick companies.
- **Penalty**
- In case of providing a false statement or violating any order made the tribunal or the **appellate tribunal** would be punishable with imprisonment for a term of seven-year or more along with a fine of Rs.1 lakh.

International Entrepreneurship

When an Entrepreneur goes to other countries to run and operate their business, then it is known as International Entrepreneurship. These are the industries that cross the national boundaries of their nation.

Importance of International Entrepreneurship

- A Decline in domestic Market
- Maturity Stage
- Reduce Manufacturing Costs
- Enhance Reputation
- Meet the Quality Expectations
- Customer Relationship Management
- Hire Employees Globally

International Entrepreneurship Vs Domestic Entrepreneurship

Basis of difference	International Entrepreneurship	Domestic Entrepreneurship
Economics	Dealing with the various levels of economic developments, valuation in currencies, government rules and regulations, venture capital, marketing, and distribution systems that took a lot of entrepreneurial efforts.	The focus of entrepreneurial efforts is related to only a single nation and thus, it is easy to control economics.
Cultural Environment	A lot of cultural issues are also there and it affects the business as well as strategies too. An Entrepreneur should need to cope up with the different cultural beliefs of local people.	An Entrepreneur is already aware of the cultural stuff and knows how to deal with it.
Technological advancements	It is surprising if there is no availability of updated technologies in the host nation as if the entrepreneur belongs to a developed nation.	An Entrepreneur is aware of the technologies available within borderline and uses the same to develop products.
Government Policies	An Entrepreneur who wants to do internationalization of the business need to be aware of all domestic as well as international policies of the government.	They just need to consider the regulations and policies of the domestic nation.
Legal environment	To expand the business internationally, it is required to understand all ins and outs of legal communities at the global level.	No need to understand global legalities.
Currency	Multiple	Single
Customers	Hetrogeneous	Homogeneous
Capital Investment	Huge	Less

Entrepreneurship entry into IB

- Exporting. Exporting is the direct sale of goods and / or services in another country.
- Licensing. Licensing allows another company in your target country to use your property.
- Franchising.
- Joint venture.
- Foreign direct investment.
- Wholly owned subsidiary.
- Piggybacking.

- **Franchising** is a business model where the franchisor extends business know-how, intellectual rights and the right to operate in the name of a brand for consideration (usually in the form of fees and royalties) to the franchisee.
- For example, several fast food chains like Dominos and McDonalds operate in India through franchising.

- **An international joint venture** (IJV) : An agreement by two companies, typically one foreign and one domestic to work together for mutual benefit with specific ownership percentages specified in a long-term contract. These two companies set up a third company (the Joint Venture). This new company would usually be located in the same country as one of the two partner companies, with the purpose of mutually establishing an activity with its own objectives: marketing and distribution, research, manufacturing, etc. The terms of some joint ventures deals are regulated heavily by governments of certain countries (mainly developing counties) as to the limits of foreign ownership and the minimum amounts of money or assets invested. Companies of different countries that enter into a joint venture govern their relationship through the International Joint Venture Contract.
- Ex: **Kellogg and Wilmar International Limited**. ng a joint venture with a foreign partner.

- **Foreign direct investment** (FDI) is an ownership stake in a foreign company or project made by an investor, company, or government from another country.
- Generally, the term is used to describe a business decision to acquire a substantial stake in a foreign business or to buy it outright to expand operations to a new region.

- Foreign direct investments are commonly categorized as horizontal, vertical, or conglomerate.
- With a horizontal FDI, a company establishes the same type of business operation in a foreign country as it operates in its home country. A U.S.-based cellphone provider buying a chain of phone stores in China is an example.
- In a vertical FDI, a business acquires a complementary business in another country. For example, a U.S. manufacturer might acquire an interest in a foreign company that supplies it with the raw materials it needs.
- In a conglomerate FDI, a company invests in a foreign business that is unrelated to its core business. Because the investing company has no prior experience in the foreign company's area of expertise, this often takes the form of a joint venture.

- **Wholly owned subsidiary:** A wholly owned subsidiary is a company whose common stock is 100% owned by another company.
- The parent organization makes 100% investment in its equity capital and in this way takes full control over the foreign organization. There are two ways to set up a wholly owned subsidiary in the international market:
- Setting up another organization thoroughly to begin activities abroad – also known as a greenfield venture, or
- Acquiring a ready organization in the foreign nation and utilizing that organization to deliver or market its services in the host nation.

- **Piggybacking** in international business refers to a strategy where a company enters a new market by leveraging the existing infrastructure, distribution channels, or reputation of another company. This can include forming partnerships or joint ventures with local companies, licensing agreements, or even acquiring established businesses. The idea is to take advantage of the established company's existing resources, relationships, and knowledge of the market to reduce the risks and costs of entering a new market.

Barriers to International trade

- Obstacles that hinder the trade that takes place between countries.

There three main types of barriers to international trade:

- **Tariffs:** taxes that a government adds on imported goods. The higher the tariff, the less international trade between countries.
- **Quotas:** quantity limits on how many certain products can be imported from another country.
- **Non-tariff barriers:** other limitations to international trade that aren't tariffs, such as regulations that make it hard for foreign imports to enter the domestic market. Non-tariff obstacles include **regulations, licenses**, and **sanctions**.
- **Others:** There are also natural barriers to trade. These are the obstacles to international trade that result from the distances countries have from one another.

MODULE- V

Women Entrepreneurs: Challenges, Strategies for the development of women entrepreneurs.

Social Entrepreneurship: Social enterprise-need - types - characteristics and benefits of social enterprises-

Rural entrepreneurship- Need of rural entrepreneurship - challenges and opportunities.

Family Business: Importance of family business, Stages in development of a Family business, Responsibilities and rights of members in a family business, Challenges faced, Succession in family business.

WOMEN ENTREPRENEURS

Definition by Indian Govt.- An orgn. owned and controlled by a woman having a minimum financial interest of 51% of the capital and giving at least 51% of the employment generated by the enterprise to women.

Reasons for Growth

- Need for economic independence
- Technology
- Achievement of excellence
- Establishing an identity

PROBLEMS/ CHALLENGES

- **Micro sphere**- Local environment- Family related problems
- **Meso sphere**- Regional and National Level-lack of awareness, insensitivity to gender issues, bureaucracy.
- **Macro sphere-** Global Level-LPG, less education, availability of finance, labour market negotiability, gender ideology, unequal sharing of responsibilities at micro level, accessibility of funds from financial institutions, collateral issues, inadequate training & marketing skills, low self confidence.

SOCIAL ENTREPRENEURSHIP -SE

- SE is the use of start-up companies and other entrepreneurs to develop, fund and implement solutions to social, cultural, or environmental issues.
- This concept may be applied to a variety of organizations with different sizes, aims, and beliefs.
- For-profit entrepreneurs typically measure performance using business metrics like profit, revenues and increases in stock prices, but social entrepreneurs are either non-profits or

SOCIAL ENTREPRENEUR

SE- a person who establishes an enterprise with the aim of solving social problems or effecting social change.

SUCESSFULL SOCIAL ENTREPRENEURS

Bindeshwar Pathak, founder of the Sulabh toilet movement

Anita Ahuja, founder of Conserve India handbags

Vineet Rai, founder of Aavishkaar Social Venture Fund

Ishita Khanna, founder of eco-tourism company Spiti Ecosphere

Harish Hande, founder of solar lighting firm Selco

Anand Kumar, founder of JEE coaching classes Super 30

CHARACTERISTICS OF SE

- **Enterprise Orientation:**

First is enterprise orientation. They are directly involved in producing goods or providing services to a market and they seek to be a viable trading organization with an operating surplus.

- **Social Aims:**

Second, are their social aims. They have explicit social aims such as job creation, training, or the provision of local services.

- **Social Ownership:**

The last common characteristic is social ownership. They are autonomous organizations with governance and ownership structures based on participation by stakeholder groups or trustees. Profits are distributed as profit sharing to stakeholders or used for the benefit of the community.

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NEED FOR SE

- Helps in creating more job opportunities
- Innovative ideas to make the world a better place
- Connecting with customers beyond economical purposes

- **BENEFITS:**
- Impactful strategies
- Strong professional relationships
- Audience reach
- Employee motivation
- Customer loyalty
- Employee retention
- Creativity
- Productivity

TYPES of SE

Community Enterprises: enterprises which serve a particular geographical community or community of interest and have representatives from the community on their board of directors.

Social Firms: which aim to integrate people who might otherwise find it difficult in the mainstream job market, such as people with learning disabilities or mental health problems.

Co-operatives: organisation owned, controlled, and run for the benefit of their members.

Credit Unions: community based financial institutions providing savings and loan facilities for their members.

TYPES of SE

Community Development Finance Institutions: providers of loans and other types of investment primarily for social enterprises and other small businesses.

Development Trusts: community enterprises which aim to develop a community, usually through the ownership and management of property.

Public sector spin-outs: independent social enterprises set up to deliver services that were previously provided by public sector organisations. Also known as 'externalised' services.

Trading arms of charities: set up to undertake trading activity in order to raise money for their charity parent company e.g. charity shops, catalogues, training and consultancy.

TYPES of SE

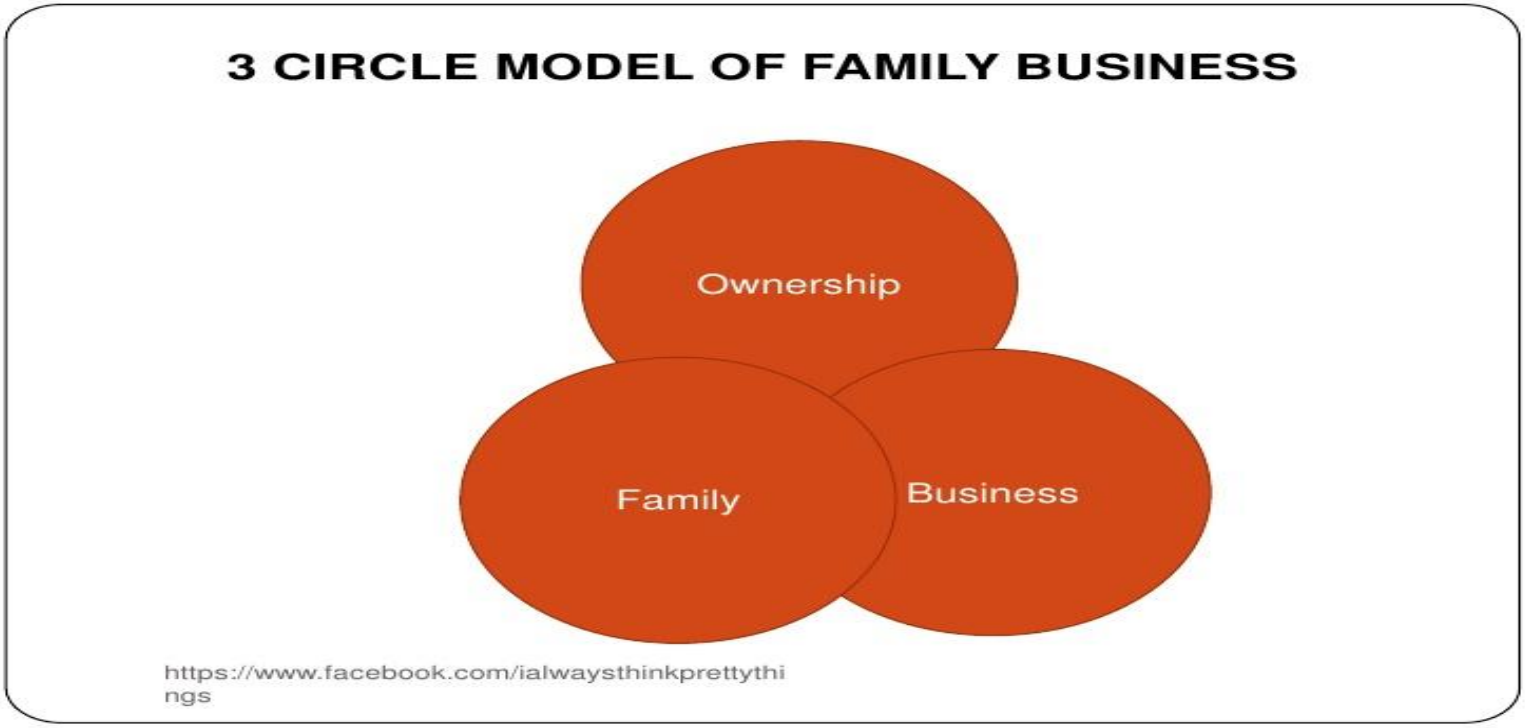
- **Fair Trade organisations:** committed to ensuring that producers are paid a fair price for what they produce.
- **Other types of social enterprise:** businesses with social objectives as central as their economic objectives.
- **Charity sales enterprises.** As usual, these are the stores that sell goods or services and send their income to the charity funds, organizations or just help various orphanages, care homes, etc.
- **The companies that help with employment of the invalids, single mothers, people in difficulty.** For example, the deaf can sew toys and they will be sold by this organization.

TYPES of SE

- **The enterprises which create the services which are not or poorly provided by the government.** As an example, we may cite the special schools or kinder-gardens for disabled children.
- **Social enterprises which provide exclusive services.** For instance, the enterprise, which provides taxi services for invalids or provide the specialists who can help around the house (e.g. to hang a shelf, to move the furniture, etc.)
- **The organizations aimed at the development of the districts or territories as well as their community.** As an example, there may be a company which is in charge of the provision of urban amenities and it tries to get the local community involved into their projects as well.

Family Business

Family business has been as common in the Indian economy like elsewhere in the world, it is perceived in a common sense. Various terms like ‘family-owned,’ family controlled,’ ‘family managed,’ ‘business houses,’ and ‘industrial houses’ are used to refer to family business.



Family Business-Meaning

A family business is a commercial organisation in which decision-making is influenced by multiple generations of a family — related by blood or marriage or adoption — who has both the ability to influence the vision of the business and the willingness to use this ability to pursue distinctive goals. They are closely identified with the firm through leadership or ownership.

OR

Single family effectively controls firm through the ownership of greater than 50 per cent of the voting shares; a significant portion of the firm's senior management is drawn from the same family." — Leach et al.

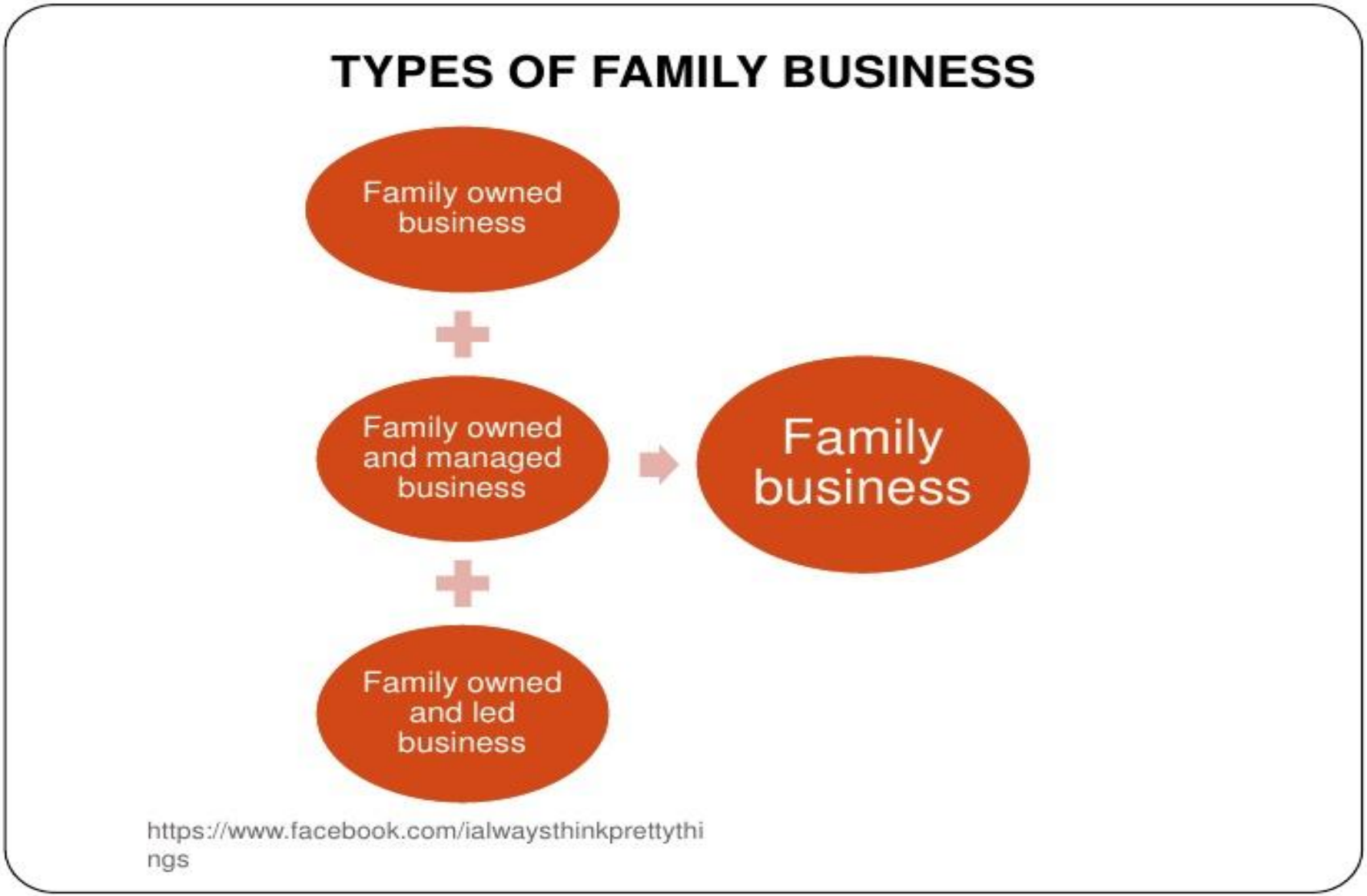
Eg.: Walmart, Arcelor Mittal, Cargill, Volkswagen etc.

Owner-manager entrepreneurial firms are not considered to be family businesses because they lack the multi-generational dimension and family influence that create the unique dynamics and relationships of family businesses.

Stages of development of FB

- **Entrepreneurial stage** – member of a family initiates the business-Customer centric – Vision & mission set for the FB
- **Functionally specialised** –Growth Phase-more flexible- use of control measures are limited.
- **Process driven-** attention to core competencies – competing with other businesses to achieve customer satisfaction.
- **Market driven** – Maturity stage – driven completely by market forces

Types of Family Business(FB)



Characteristics - FB

(a)A group of people belonging to one or more families run one business enterprise.

(b) Position in family business is influenced by the relationship the family members enjoy among themselves.

(c) Composition of the Board

(d) Loyalty

(e) Male dominated

(f) Dominance of certain trading communities

(g)The succession of family business goes to the next generation.

(h) Family business in India is largely caste-related.

Importance of Family business

- Family culture is a source of great pride.
- Long term orientation in business objectives as continuity of the firm is concerned to the family.
- Family firm functions in a less bureaucratic manner & not impersonal.
- Family firm shows greater willingness to weather bad times by ploughing back.
- Structured to impart training to members of the family from a young age.

Roles and Responsibilities

- **Founders-** identify business opportunity, establishment, directing, guiding and succession planning.
- **Directors-** Reserved only for competent and well trusted family members only
- **Shareholders-** Building a trusted environment and achieve the corporate goals
- **Family members-** differs based on their competencies

SUCCESSION PLANNING IN FB

- Succession planning is the process of identifying the critical positions within your organization and developing action plans for individuals to assume those positions.

Challenges of Family owned business:

- Non- participating family members
- Family emotions
- Family versus business
- Defining authority
- Fair to All approach
- Retaining non- family professionals
- Change management
- Decision Making
- Succession Planning

REASONS FOR FAILURE OF FAMILY BUSINESS

The success of family business inevitably comes down to the fine art of integrating and balancing the needs between ownership, family and business. Here are ten reasons why family businesses struggle:

1. Poor succession planning
2. Lack of trusted advisers.
3. Family conflict.
4. Different visions between generations.
5. Governance challenges.
6. Exclusion of family members outside the business
7. Unprepared next generation leaders.
8. Poor strategic planning.
9. Not using their 'familiness' advantage.
10. Fundamental principles of business are not applicable.

Rural Entrepreneurship

Entrepreneurship emerging or establishing industries in rural areas is called Rural entrepreneurship. It is synonymous with rural industrialisation.

An industry is called as rural industry if it is established in a area where the population is less than 10000, Per capita income of an individual is below Rs100000.

A **rural enterprise** can be any economic unit engaged in producing and distributing goods and services, from individual households to larger operations, and they play a vital role in poverty reduction and economic development.

DEFINITION : According to Khadi and Village Industries Commission (KVIC) rural industry is industry located in rural area, population of which does not exceed 10,000 or such other figure, which produces any goods or renders any services with or without power and in which the fixed capital investment per head of an artisan or a worker does not exceed a thousand rupees.

NEED FOR RURAL ENTREPRENEURSHIP

1. Labour Intensive
2. Employment Generation
3. Income generation
4. Encourages dispersal of economic activities- Balanced Regional Development
5. Development leads to village republics
6. Helps to protect and promote art and creativity- Channapatna toys, ilakal sarees, handicrafts.
7. Fosters economic development by reducing migration of people from village to urban, reduces growth of slum areas, atmospheric pollution.
8. Improves per capita income of rural mass.

AREAS OF RURAL INDUSTRIES CATEGORIES

- Mineral-based industry
- Forest-based industry
- Agro-based industry
- Polymer and chemical – based industry
- Engineering and non-conventional industry
- Textile industry including khadi
- Service industry .

Challenges/Problems

- Financial problems – Lack of funds, infrastructure, credit crunch, procedural glitch, Regulatory challenges.
- Marketing problems – Competition, middlemen, distribution & logistics, scaling across geographies, pricing, advertisement expenses.
- Management problems – Lack of IT knowledge, legal formalities, lack of technical knowledge, poor quality products.
- HR problems – Low skill of workers, negative attitude, Lack of skill development & training, unorganised, lack of knowledge on labour laws.
- Other problems – culture values, poor self image of rural youth, growth of commercialisation, lack of respect to traditional jobs by youths

Opportunities

- Support & motivation to local people
- Low establishment cost
- Competitive advantages
- Employment generation for rural youth
- No promotion cost
- Potential customers
- Building the goodwill
- Free entry worldwide
- Removal of government restrictions/ grant of subsidies
- Social & cultural development