SRI MUTHUKUMARAN INSTITUTE OF TECHNOLOGY

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DEPARTMENT OF MANAGEMENT STUDIES

BA4032-ENTREPRENEURSHIPDEVELOPMENT

(REGULATION-2021)

YEAR-ISEM-I

UNITI(2-MARKS)

1. What is an Enterprise?

Theenterpriseisthebasicunit foreconomic organization.Ittransactswith otherunit intheeconomy,itproducesaproductworthmorethantheresourcesused.An enterprise is a term in the commercial world used to describe a project or venture undertaken for gain. It is often used with the word "business" as in "business enterprise".

2. Define Entrepreneur.

According to Noah Webster, Entrepreneur is “one who assumes the risk and management ofbusiness”.An entrepreneur is someone who has an idea and who works to create a product or service that people will buy, as well as an organization to support that effort. An entrepreneur takes on most of the risk and initiative for their new business, and is often seen as a visionary or innovator.

3. What is Intrapreneurship?

Intrapreneurship is the process by which other new ventures are born within the confines of Anexisting Corporation. It involves expansion by exploring new opportunities through new combinationsofexistingresources.Intrapreneurship is simply **entrepreneurship in an existing organization**. In many ways, intrapreneurship is easier for an individual than entrepreneurship because it has the support of an existing organization. However, there are both facilitators and barriers to intrapreneurship.

4. List out the Characteristics of Entrepreneur.

- Clearobjectives
- CommunicationAbility
- HumanRelationalability
- Technicalknowledge
- Initiative
- Problemsolver

- Risktaker

5. Mention the different features of an Entrepreneur

- Capacity and willingness toassume risk
- Willingnesstohardwork
- Vision and foresightedness
- Creative and imaginative thinking
- Innovativeandwillingnesstochange

6. List out some of the qualities of true Entrepreneur.

- Energetic,hardworking
- Interestedinexpandingthescale ofoperations
- Visualizechanges
- Firmbelieverinplanning&systematicwork.
- Self-starting. This may seem obvious but an entrepreneur can't sit around waiting for someone else to give them permission to do something.
- Disciplined. .
- Risk-taking.
- Relationship-building.
- Open-minded.

7. Statethevarious functionsofEntrepreneur

- Ideageneration&screening
- Determinationofbusinessobjectives
- Determinationofformofownership
- RecruitingofMen
- Productanalysis&marketresearch

8. What do you meant by entrepreneurship?

Entrepreneurship is the process of developing, organizing, and running a new business to generate profit while taking on financial risk. 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. The most prominent example of entrepreneurship is the starting of new businesses.

9. What are the types of Entrepreneur?

- InnovatingEntrepreneur
- ImitatingEntrepreneur
- FabianEntrepreneur
- DroneEntrepreneur
- Small Business Entrepreneur
- Large Business Entrepreneur
- Startup Entrepreneur
- Solo Entrepreneur
- Innovator Entrepreneur

- Imitator Entrepreneur
- Social Entrepreneur
- Buyer Entrepreneur
- Hustler Entrepreneur

10. What are the skills needed by an Entrepreneur?

- Analyticalskills
- Negotiationskill
- Interpersonalskills
- Flexibilitytoworkunder changingcondition
- Create an opportunity
- Passion and energy

11. What are the characteristics of successful entrepreneurs?

- Curiosity
- Structured Experimentation
- Adaptability
- Decisiveness
- Team Building
- Risk Tolerance
- Comfortable with Failure
- Persistence
- Innovation
- Long-Term Focus

12. What is entrepreneurial personality?

An entrepreneurial personality sees opportunities and exploits them by creating value for themselves and others, sustainably.These personality traits can enhance an entrepreneur's willingness to take initiative, tolerate risk, and deal with setbacks, enabling new ventures to continue to innovate, renew, and keep pushing forward, even after having achieved success.

13. Whatarethe Factorsaffecting Entrepreneurshipgrowth?

- Economicfactors
- Socialfactors
- Culturalfactors
- Personalityfactors
- Psychologicalandsociologicalfactors.

14. What aretheEconomicFactors?

- Lackof adequatebasicfacilities
- Non-availabilityofcapital
- Non-availabilityofrawmaterialsandfinishedgoods.
- Greaterriskinvolvedin business
- Non-availabilityofskilledlabor

15. What are the Social factors?

- Customsandtraditions

- Rationalityofthesociety
- Socialsystem
- Socialset-up
- Physical Environment
- Demographic (biological) Factor
- Cultural Factor
- Ideational Factor
- Economic Factor
- Political Factor

16. Whatarethe PersonalityFactors?

- Suspectpersonality
- Emergenceofplanning
- Extraversion
- Agreeableness
- Conscientiousness
- Neuroticism
- Openness to experience

17. What is drone entrepreneur?

These are entrepreneurs who do not like a change. They are considered as 'old school'. They want to do business in their own traditional or orthodox methods of production and systems. Such people attach pride and tradition to even outdated methods of doing business.They will try to run their business in the traditional way and they will even accept loss but not willing to adopt the changes. Example: There is a tobacco making industry which is still making tobaccos entirely by hand.

18. What is Fabian entrepreneur?

These are entrepreneurs that are very careful in their approaches and cautious in adopting any changes. They are not prone to sudden decisions and try to shy away from any innovations or change that doesn't fit their narrative. Fabian entrepreneurs are entrepreneurs who are second generation entrepreneurs; they do not take the risk and will always prefer a stable business.

19. Define innovating entrepreneur.

Innovative entrepreneurs are individuals who have the capability of creating and bringing innovative products to the market. Innovative entrepreneurship can help professionals develop ideas to successfully manage businesses. Understanding this concept can help you become a successful entrepreneur.

20. Highlight the barriers to entrepreneurship.

- Managing Finances.
- Inadequate Market Experience.
- Human Resource Problem
- Non-strategic Planning
- Lack of Capacity
- Political Barriers
- Lack of Practical knowledge
- Not Having the Right Team

21. Define the term competency.

Competency is a set of demonstrable characteristics and skills that enable, and improve the efficiency of, performance of a job. Competencies are not skills, although they are similar. Skills are learned, while competencies are inherent qualities an individual possesses – collaboration skills, knowledge and ability.

22. Entrepreneur versus entrepreneurship.

BASIS FOR COMPARISON	ENTREPRENEUR	ENTREPRENEURSHIP
Meaning	An entrepreneur is an individual or a team thereof, having an innovative idea, and takes every step to turn the idea into reality, while bearing the risks.	Entrepreneurship is a risky activity of commencing a business usually a start up company, offering distinct products and services to the target customers, which may or may not get success.
What is it?	Person who has an idea and gives shape to it.	Process which gives shape to the idea.
Represents	An innovator, who chased the dream, till it becomes true.	A procedure through which an innovation is done.
Business Venture	He/She is the one who sets up the business venture, to turn a concept into reality.	It is the activity, which an entrepreneur undertakes to set up the business venture.

23. How does and entrepreneur differ from a manager?

The main difference between entrepreneur and manager is their role in the organization. An entrepreneur is the company owner, while a manager is the company's employee. Entrepreneurs take risks, particularly financial ones, while managers are not susceptible to such business-related risks. An entrepreneur is a visionary that converts an idea into a business. He is the owner of the business, so he bears all the financial and other risks. A manager, on the other hand, is an employee, he works for a salary. So he does not have to bear any risks.

24. What are entrepreneurial competencies?

Entrepreneurial competencies have been defined as the knowledge, skills, abilities, values, attitudes, personality and expertise that lead to entrepreneurial action and success. Entrepreneurial competency is a set of skills and behaviour needed to create, develop, manage, and grow a business venture. It also includes the ability to handle the risks that come with running a business.

25. What are the skills of entrepreneurs?

- Business management skills.
- Communication and active listening skills.
- Risk-taking skills.
- Networking skills.
- Critical thinking skills.

- Problem-solving skills.
- Creative thinking skills.
- Customer service skills.

UNIT II

2-MARKS:

1. What is Business Environment?

Business environment is the sum total of all external and internal factors that influence a**business**. You should keep in mind that external factors and intern.al factors can influence each otherandworktogethertoaffecta**business.**Business environment refers to “the total of all things external to firms and industries which affect their organization and operation.

2. List out the objectives of Entrepreneurial Training.

- Set/resettheobjectivesof business
- Topreparefor Acceptingunforeseenrisk
- Totakestrategicdecision
- Scanbusinessopportunities

3. What is Entrepreneurship Development?

Entrepreneurial Development means designed to help a person instrengthening his entrepreneurial motive and in acquiring skills & capabilities necessary for playinghisEntrepreneurialroleeffectively. Entrepreneurship development is the means of enhancing the knowledge and skill of entrepreneurs through several classroom coaching and programs, and training. The main point of the development process is to strengthen and increase the number of entrepreneurs.

4. List out the steps involved in Entrepreneurship Training Programme.

- Setting Training objectives
- Training objectives
- Developingcoursecontent
- Idea generation
- Planning
- Company formation
- Growth

5. List out the contents of EDP.

- GeneralIntroductionto Entrepreneurship
- MotivationTraining
- Managementskills
- Supportsystem&procedure
- Fundamentalsofprojectfeasibilitystudy

- PlantVisits

6. What is macro environment?

A macro environment refers to the set of conditions that exist in the economy as a whole, rather than in a particular sector or region. In general, the macro environment includes trends in the gross domestic product (GDP), inflation, employment, spending, and monetary and fiscal policy.

7. Mention the Nature of International Entrepreneurship.

- InvolvementofTwocountries
- Languagedifferences
- GovernmentInterventions
- PaymentinForeignCurrency&DifferfromInternalBusiness

8. Write a brief note on SISI.

- SISI was Established in 1956. Small Industries Services Institute are setup one ineachstatetoprovideconsultancyandtrainingtosmall&prospectiveEntrepreneurs.**Small Industries Services Institute**. (SISI) Madras provides a comprehensive range of services to the small sale industrial sector in Tamil Nadu in terms of technical assistance, Economic information services, provision of workshop facilities, training and other general consultancy services.

Assistance:

- Technicalconsultancy& advisoryservice
- CommonFacilityservice
- TrainingFacilities
- TestingFacilities
- MarketingAssistance

9. What is the role of the Entrepreneurship in economic development?

- Capitalformation
- Improvementinpercapitaincome
- Generationofemployment
- Balancedregionaldevelopment
- Improvementinlivingstandards

10. What are the objectives of EDPs?

- Developandstrengththeirentrepreneurialquality.
- Analysisenvironmentalsetuprelatingtosmallindustryandsmall business.
- Selectproduct
- Formulateprojectforthe product
- Knowprosandconsin becominganentrepreneurs
- Developabroadvisionaboutthebusiness.

11. What is micro environment?

The micro environment is the operating environment of the firm. This is because the functioning of the micro environment has a direct and immediate bearing on the company. They are more interlinked with the company than macro environmental factors. It is a collection of forces or factors that are close to the organization and can influence the performance as well as the day to day activities of the firm. Six components of micro environment are: Company, Suppliers, Marketing Intermediaries, Competitors, General Public and the Customers.

12. Define international entrepreneurship.

International entrepreneurship (IE) research draws on the notion that internationalization is an entrepreneurial behavior oriented to the discovery, enactment, evaluation, and exploitation of opportunities across national borders to create value and get a competitive advantage.Ishita Anand is an entrepreneur from India who is the founder and CEO of BitGiving. Anand's company was the first online social crowdfunding platform in India. The platform has partnered with all types of charities to raise money for those in need from India and Nepal.

13. What are the objectives of training?

1. To improve job performance by enhancing employees knowledge and skill
2. Topreparemployeeswell competenttodischargethenewresponsibilities.
3. Toimpartskillhowtooperatethenewmachineryandequipments
4. Toreducethewastageandaccidents.
5. Tobuildasecondlineformoreresponsiblepositionsatalaterstage.

14. What is licensing?

A licensing agreement gives a licensee rights to use a product that the licensor already owns. Numerous items can be part of a licensing agreement, including a trademark, a patent, or even branding. In business, licensing is a contractual agreement between two business entities where one company leases its intellectual property (IP) to another company under specific terms and conditions.

15. What are the characteristics of a successful Training programme?

1. Itsobjectivesandscopeareclearlydefined
2. Thetrainingtechniquesarerelateddirectlytotheneedsandobjectivesoftheorganization
3. Itemploysacceptedprinciplesoflearning.

16. What is exporting?

Producing goods in one country and selling them to another is known as exporting. The two main types of exporting are direct exporting and indirect exporting. Direct exporting is a type of exporting where the company directly sells products to overseas customers.Exporting can be profitable for businesses of all sizes. On average, sales grow faster, more jobs are created, and employees earn more than in non-exporting firms.

17. What is industrial licensing?

Industrial licenses are issued under the Industrial Development and

Regulation Act (IDRA), 1951 and are approved by the Secretarial of Industrial Assistance (SIA) on the recommendation of the industrial licensing committee. Its aim was to establishment, expansion and ownership of private industries according to priorities of five-year plans and to check the monoply tendency in industries. It also had the objective of removing regional disparities.

18. What is Apprenticeship training?

It combines both formal classroom learning and on the job experience. This kind of training programme disprovided mainly in the technical cadres. Plumbers, electrician's and bankers are example or such training.

19. How training is given in the small scale industries?

Thetrainingopportunitiesforbothskilledandunskilledemployees.

(i) Fearthatthetrainedemployeeswoulddemandfor highersalaries

(ii) Employeestrainingwilldislocatetheirschedule

(iii) Impartingtrainingto employeesinvolvessizeableexpenses.

20. International versus domestic entrepreneurship.

Domestic Business	**International Business**
Definition	
Domestic business involves those economic transactions that take place within the geographical boundaries of a country.	International business involves those economic transactions that take place outside the geographical boundaries of a country.
Buyer and Seller	
Both the buyer and seller belong to the same country in domestic business.	The buyer and seller belong to different countries in international business.
Currency	
Domestic businesses deal with the same currency since both the buyer and seller are from the same country.	International businesses deal with different currencies since the buyer and seller are not from the same country.
Customers	
There is greater homogeneity in terms of the nature of customers of domestic businesses.	There is greater heterogeneity in terms of the nature of customers of international businesses.

21. List any four factors affecting entrepreneurship growth.

- Political Factors. Political factors play a huge role in the development of entrepreneurship in a given geographical area.

- Legal Factors. Entrepreneurs are dependent upon law for a wide variety of factors.
- Taxation.
- Availability of Capital.
- Labor Markets.
- Raw Materials.
- Infrastructure.

22. Mention any four financial incentives available to SSI's in India.

- Preference in Government purchases
- Price preference
- Supply of raw materials
- Excise duty
- RBI's credit guarantee scheme
- Financial assistance
- Technical consultancy services

23. State the role of family in entrepreneurial development.

- Marginality:

Scholars hold a strong view that social marginalized also promotes entrepreneurship.

- Security:

Entrepreneurial security is an important facilitator of entrepreneurial behaviors. Scholars are not consensus (same) on the amount of security that is needed.

Psychological factors:

- Need achievement:

David McClelland's theory of need achievement states that, a constellation (gathering) of personality characteristics which are indicative of high need achievement is the major determinant of entrepreneurship development.

24. Define Franchising.

Franchising is a contractual relationship between a licensor (franchisor) and a licensee (franchisee) that allows the business owner to use the licensor's brand and method of doing business to distribute products or services to consumers. Franchising is a business relationship between two entities wherein one party allows another to sell its products and intellectual property. For example, several fast food chains like Dominos and McDonalds operate in India through franchising.

25. List the objectives of EDP's programme.

- Develop and strengthen the entrepreneurial quality, i.e. motivation or need for achievement.
- Analyze environmental set up relating to small industry and small business.
- Select the product.
- Formulate proposal for the product.
- Understand the process and procedure involved in setting up a small enterprise.

UNIT-III

2MARKS:

1. Whatisprojectidentification?

It is the process of identifying opportunities for new business ventures. The purpose of project identification is to develop a preliminary proposal for the most appropriate set of interventions and course of action, within specific time and budget frames, to address a specific development goal in a particular region or setting. Project Identification and selection is a process to assess each project idea and select the project with the highest priority.

2. What is selection of product?

It is the first major step in the setting up of a business enterprise. Choice of the right product istobeproducedisthefirstessentialofsuccessinentrepreneurship. Product selection refers to the process by which health programs, as a whole, select, evaluate and ultimately procure the products that will be used and consumed in service delivery.

3. What is project formulated?

Project formulated is the systematic development of a project idea for the eventual purpose ofarriving at an investment decision. It involves a step by step investigation and development of projectidea. Project formulation is a process by which one obtains a complete picture about the project being undertaken without really arriving at a detailed feasibility study. The information collected through this exercise can be used for preliminary evaluation and screening of projects.

4. What is Technical feasibility?

Identifyingthetechnicalspecificationoftheproductintermsofitsfunctionaldesign, adaptability of new customer demand, durability, and reliability of performance, acceptable level of obsolescence, safety and standardization.

5. **What are the assessments of projectfeasibility?**
   - TechnicalFeasibility
   - EconomicViability
     - Financial Feasibility
     - ManagerialCompetence
     - ImplementationScheme

6. **What is financial planning?**

Financialplanningistheprocessofformulatingpoliciesandstrategyrelatingtotheprocurement,investment and administration of funds for an enterprise. Financial planning is the task of determining how a business will afford to achieve its strategic goals and objectives. Usually, a company creates a Financial Plan immediately after the vision and objectives have been set.

7. **What is debt equity consideration?**

Optimum capital structure implies the most economical and safe ratio between debt and equity. It is the ideal mix of ownership funds and borrowed funds. From a strictly financial point ofview, the optimum capital structure is achieved by balancing the financial so as to achieve the lowestaveragecostoflongtermfunds.

8. **Whatare the elements in project profile preparation?**

- Outline business justification and stakeholder needs
- List of requirements and project objectives
- Project scope statement
- List of deliverables and estimated due dates
- Risk assessment and management plan
- Defined roles and responsibilities

9. **Whatarethedifferent sources for idea generations?**

- Customers
- Distribution Channel Members
- Competitors
- Own Sales Force
- Marketing Research and Advertising Agencies
- Suppliers & Vendors
- Company Management

10. **What is Venture capital?**

It is a form of equity financing of projects with high risk and return. It is meant for financinghightechnologyprojects. 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. Venture capital generally comes from well-off investors, investment banks, and any other financial institutions.

11. What is export finance?

In order to encourage export from small scale sector, export credit is provided to small scaleexporters.State BankofIndiaandotherpublic sectorbanksprovidedexportfinance.TheRBIandtheIDBIproviderefinancefacility.

Export financing is a cash flow solution for exporters. Export Finance facilitates the commerce of goods internationally. The seller agrees on the payment terms of the cross border buyer. Thus, there is a cash flow issue. The supplier ships the goods overseas while the payment will be received at a later stage.

12. What is idea generation?

Idea generation or ideation is the act of forming ideas. It is a creative process that encompasses the generation, development and communication of new thoughts and concepts, which become the basis of your innovation strategy. Idea creation tools are defined as tools that encourage thinking and organization of new ideas around issues or opportunities, either individually or with other people. Examples are brainstorming, the Delphi method, role-playing, TRIZ, and visioning.

13. How are creativity and innovation related to idea generation?

Creativity goes hand in hand with innovation. And there is no innovation without creativity. While creativity is the ability to produce new and unique ideas, innovation is the implementation of that creativity – that's the introduction of a new idea, solution, process, or product.

14. Define pre-feasibility study.

Pre-Feasibility Study means a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating, economic factors.

15. Write in brief precautions regarding product selection.

- The production process should not be very long or time-taking.
- The employed production process should be smooth and straightforward.
- There should be adequate and consistent demand for the selected product.
- The product industry must have potentials for growth and development.
- The product should be accepted by consumers and a healthy competition should exist for the same.

16. What is the nature of business plan?

- It helps determine the viability of the venture in a target market.
- It guides the entrepreneur in starting the enterprise.
- The thinking involved in the preparation of the business plan makes the entrepreneur aware of the issues that could impede the

venture's success.

- It serves as a guide to investors and thereby helps in obtaining finance.
- Writing the business plan forces the founders to think about all aspects of the venture.
- A clear business plan articulates the vision and goals of the founders.

17. Describe business ownership.

Business ownership refers to the control over an enterprise, providing the power to dictate the operations and functions. Business ownership refers to the legal control over a business. It gives the owner the legal capacity to dictate the business operations and dealings. There are six major business ownership structures namely: Sole Proprietorships, Partnerships.

18. Give the importance of capital budgeting.

- #1 – Long Term Effect on Profitability
- #2 – Huge Investments
- #3 – Decision cannot be Undone
- #4 – Expenditure Control
- #5 – Information Flow
- #6 – Helps in Investment Decision
- #7 – Wealth Maximization
- #8 – Risk and Uncertainty
- #9 – Complicacies of Investment Decisions
- #10 – National Importance

19. Define project profile.

A project profile is a simplified description of an eventual project. In addition to defining the purpose and ownership of the project, it presents a first estimate of the activities involved and the total investment that will be required, as well as the annual operating costs and, in the case of income generating projects, the annual income.

20. List the content of project feasibility report.

- Executive Summary
- Background
- Product
- Market
- Process Selection and Plant Layout
- Materials and Transportation
- Machinery and Transportation

21. Describe project evaluation.

Project evaluation is a systematic and objective assessment of an ongoing or completed project. Project evaluation is the systematic assessment of a project's worth or merit, usually intending to determine whether it was successful. This can be done during or after the project is completed, and it involves looking at different factors such as time, cost, and resources used.

22. Define capital budgeting.

Capital budgeting is the process a business undertakes to evaluate potential major projects or investments. Construction of a new plant or a big investment in an outside venture are examples of projects that would require capital budgeting before they are approved or rejected.Capital is a broad term that can describe anything that confers value or benefit to its owners, such as a factory and its machinery, intellectual property like patents, or the financial assets of a business or an individual.

23. List the sources of product for business.

- **Product Sourcing From Manufacturers**
- **Product Sourcing From Wholesale Suppliers**
  - Trade organizations
  - Online databases
  - Local sourcing

24. When an idea will be an opportunity?

- Figure out a problem that your idea solves.
- Research the competition.
- See a business consultant.
- Find a market for your idea.
- Find support and build your team.
- Create your business plan.
- Find investors for your idea.

25. Define project appraisal.

Project appraisal is the process of assessing, in a structured way, the case for proceeding with a project or proposal, or the project's viability. It often involves comparing various options, using economic appraisal or some other decision analysis technique. The entire project should be objectively appraised for the same feasibility study should be taken in its principal dimensions, technical, economic, financial, social and so far to establish the justification of the project or project appraisal is the process of judging whether the project is profitable or not to client.

UNIT-IV

2 MARKS:

1. **Define resource mobilization.**

   The term resource mobilization refers to all activities undertaken by an organization to secure new and additional financial, human and material resources to advance its mission. Inherent in efforts to mobilize resources is the drive for organizational sustainability.

2. **What factors should be considered in the choice of plant location?**

   - Availability of Raw Materials
   - Proximity to Markets
   - Transport Facilities
   - Availability of Power, Fuel or Gas
   - Water Supply
   - Disposal Facility for Waste Products
   - Climatic and Atmospheric Conditions
   - Availability of Labor

3. **Define plant layout.**

   Plant Layout is the arrangement of machines, equipment and other physical facilities in a planned manner. We design Plant Layout according to many factors like- Machinery, Product , material etc.Plant layout can be defined as a technique of locating machines, processes and plant services within the factory so as to achieve the greatest possible output of high quality at the lowest possible total cost of manufacturing.

4. **What are the different aspects which are affected by capacity planning?**

   - Global full-time labor shortages
   - Demand for internal learning and development opportunities
   - Varying work schedules and locations
   - Misalignment of employees' skill sets and project needs
   - A shift to the Agile method

5. **Explain inventory management.**

   Inventory management is the supervision of non capitalized assets -- or inventory -- and stock items. As a component of supply chain management, inventory management supervises the flow of goods from manufacturers to warehouses and from these facilities to point of sale. A key function of inventory management is to keep a detailed record of each new or returned product as it enters or leaves a warehouse or point of sale.

6. **Write note on market selection.**

   Market Selection is the process of deciding which markets to invest in and pursuing. One of the major criteria to be kept in mind while doing a market selection is the growth potential of the market i.e. what is the potential for a company's revenue to grow by investing in a particular market.

7. **Elucidate channel selection.**

   A company has to consider factors related to the market and customers, its own situation, the product and the competitive environment. All these factors have a strong bearing on the type of distribution channel selected.

8. **Explain sole-selling agent/marketer.**

   Sole selling agent is a person/firm which has been hired to sell the product of another company. Sole selling agents have the exclusive jurisdiction to sell the product in the region of which they are appointed.

9. State the types of incubators.

Types of Business Incubators

- Venture Capital Incubators
- Startup Studio
- Seed accelerators
- Corporate Incubators
- Kitchen incubators
- Virtual Business Incubators
- Academic Incubators
- Social Incubators
- Medical Incubators

10. Write note on technology incubation parks in academic set-ups.

Technology incubators are economic development tools used for promoting the concept of growth through innovation and application of technology, support economic development strategies for small business development. It encourages growth from within local economies, while also providing a mechanism for technology transfer.

11. What is venture capital?

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. Venture capital generally comes from well-off investors, investment banks, and any other financial institutions. A venture capital fund is a form of private equity raised from private and institutional investors, such as investment banks, insurance companies, or pension funds.

12. Define business incubators.

A business incubator is a program that gives very early-stage companies access to mentorship, investors and other support to help them get established. Business incubators work with early-stage companies to get them to move beyond their embryonic phase. Business incubators are institutions that support entrepreneurs in developing their businesses, especially in initial stages. These are organizations geared towards speeding up the growth and success of start-ups and early stage companies.

13. State few important sources of product for business.

- Information from Customers.
- Information from Distributor.
- Competitor Analysis.
- Exhibition.
- Publications, Journal.
- Universities, private Institutions.
- Patents.

14. What is channel of distribution in marketing perspective?

Distribution channels are the paths that products and services take on their way from the manufacturer or service provider to the end consumer. Distribution channels include wholesalers, retailers, distributors, and the Internet. In a direct distribution channel, the manufacturer sells directly to the consumer. Indirect channels involve multiple intermediaries before the product ends up in the hands of the consumer.

15. Define working capital management.

Working capital management ensures the best utilisation of a business's current assets and liabilities for the company's effective operation. The main aim of managing working capital is to monitor a company's assets and liabilities to maintain adequate cash flow and meet short-term business goals.

16. What is operation planning?

Operational planning is the process of creating actionable steps that your team can take to meet the goals in your strategic plan. An operational plan outlines daily, weekly, and monthly tasks for each department or employee. During operational planning, you'll also create milestones that help you achieve your strategic plan.

17. What is EOQ?

Economic order quantity (EOQ) is the ideal quantity of units a company should purchase to meet demand while minimizing inventory costs such as holding costs, shortage costs, and order costs. Economic order quantity (EOQ) is a calculation companies perform that represents their ideal order size, allowing them to meet demand without overspending.

18. Define VED analysis.

The VED criticality analysis of all the listed items was performed by classifying the items into vital (V), essential (E) and desirable (D) categories. The items critically needed for the survival of the patients and those that must be available at all times were included in the V category. It categorizes stock under three heads based on its importance and necessity for an organization for production or any of its other activities.

19. What is capacity planning?

Capacity planning is the act of balancing available resources to satisfy customer demand or project capacity needs. In project management and production, capacity refers to the amount of work that can get completed in a given amount of time.

20. What is plant location?

Plant location refers to the choice of region and the selection of a particular site for setting up a business or factory. But the choice is made only after considering cost and benefits of different alternative sites. It is a strategic decision that cannot be changed once taken.

21. Define JIT.

Just-in-time, or JIT, is an inventory management method in which goods are received from suppliers only as they are needed. The main objective of this method is to reduce inventory holding costs and increase inventory turnover.JIT, is an inventory management method in which goods are received from suppliers only as they are needed.

22. What is mean by ABC analysis?

ABC analysis is an inventory management technique that determines the value of inventory items based on their importance to the business. ABC ranks items on demand, cost and risk data, and inventory mangers group items into classes based on those criteria.

23. Give few benefits of choosing an appropriate channel for promoting business.

- It is free. Yes, there are certain paid channels but most of them are free.
- It helps you in building authority.
- It acts as a medium through which you can reach your target audience easily and effectively.
- It helps in building trust with your audience and customers. Creating a great reputation for your brand and business.
- It leads to direct conversions.`

- More reach ultimately leads to more customers.

24. Mention the types of incubators.

- Government sponsored
- Non-profit sponsored
- University or academic institutions
- Privately sponsored

25. What are the factors inducing growth of firm?

- Customer Loyalty
- Smart Adoption of Technology
- Commitment to Employee Training
- Social Responsibility
- Leadership
- Building teams
- Adeptness to technologies

UNIT-V

2Marks:

1. **Define small business.**

   Small business is defined as a privately owned corporation, partnership, or sole proprietorship that has fewer employees and less annual revenue than a corporation or regular-sized business. The definition of "small"—in terms of being able to apply for government support and qualify for preferential tax policy—varies by country and industry.

2. **What is meant by organizing?**

   Organizing, is the management function that follows after planning, it involves the assignment of tasks, the grouping of tasks into departments and the assignment of authority with adequate responsibility and allocation of resources across the organization to achieve common goals.

3. **Explain controlling.**

   Controlling refers to the process of measurement of performance against the standards, measuring deviations and taking corrective action to achieve predetermined goals. Managing a company that sells motorcycles on credit is an example of controlling in management. The four-step process of management's regulating function includes: Setting work performance standards. Monitoring actual performance. Comparing actual performance to the set standards.

4. **Define monitoring**

   Monitoring is a periodically recurring task already beginning in the planning stage of a project or programme. Monitoring allows results, processes and experiences to be documented and used as a basis to steer decision-making and learning processes. Monitoring is checking progress against plans.

5. **List the objective of monitoring and evaluation.**

   - Relevance
   - Efficiency
   - Effectiveness
   - Impact
   - Sustainability

- Causality
- Alternative strategy

6. What are the symptoms for sickness?

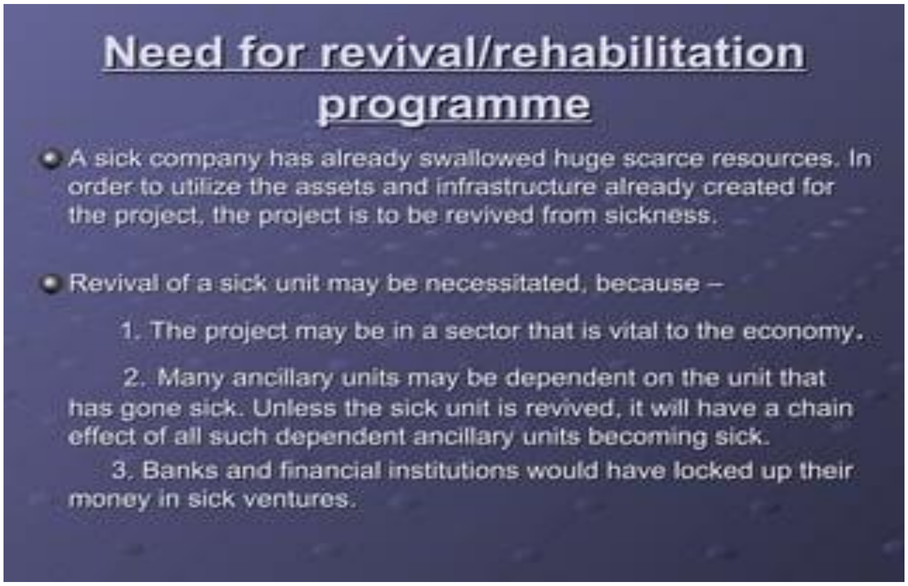
- Deteriorating financial ratio
- Delay in the audit of annual account
- Persisting shortage of cash flow
- Continuous tumble in the price of the shares
- Delay in the payment of statutory dues
- Widespread use of creative accounting
- Frequent request for loans
- Morale degration of the employees
- Desperation amongst the top and middle managerial level.

7. Enumerate the signals of incipient sickness.

The important signals of sickness are:

- Decline in capacity utilization
- Irregularity in maintaining bank account
- Non-submission of the data to bank financial institutions
- Inventories in excessive quantities
- Frequent break down in plant/equipments
- Decline in technical deficiency
- Decline in the quality of the products/services
- Shortage of liquid funds for short-term financial obligations
- Default in the payment of statutory dues
- Frequent turnover of personnel in the industries.

8. State the need for rehabilitation program.



9. List the reasons for sickness in small business.

The main reasons for the sickness can be categorized as:

1. External or Exogenous causes

2. Internal or Endogenous causes

1. Exogenous Causes:

There may be several exogenous factors causing a unit sick. It may vary from time to time for industry to industry and/or even one time to other or the same industry.

The important external reasons may be:

(i) Shortage of financial resources

(ii) Labour unrest/strike

(iii) Lack of demands of the product

2. Endogenous Reasons:

These are mainly due to some internal deficiencies in several functional areas, viz. personnel, production, marketing, management and/or finance.

10. Write the merits of small business.

- **Independence.** As a business owner, you're your own boss. You can't get fired. More importantly, you have the freedom to make the decisions that are crucial to your own business success.
- **Lifestyle.** Owning a small business gives you certain lifestyle advantages. Because you're in charge, you decide when and where you want to work.
- **Financial rewards**. In spite of high financial risk, running your own business gives you a chance to make more money than if you were employed by someone else. You benefit from your own hard work.
- **Learning opportunities.** As a business owner, you'll be involved in all aspects of your business. This situation creates numerous opportunities to gain a thorough understanding of the various business functions.
- **Creative freedom and personal satisfaction**. As a business owner, you'll be able to work in a field that you really enjoy.

11. List the reasons for monitoring and evaluation.

- Greater transparency and accountability
- Improved project performance
- Effective resource allocation
- Promotes learning & data-driven decision making
- Systematic management of organisation

12. What are the different approaches of evaluation?

- Logical framework approach
- Rapid appraisal methods
- Participatory evaluation
- Cost-benefit and cost-effectiveness analysis
- Impact evaluation
- Meta evaluation

13. Define sickness with reference to small business.

Industrial sickness can be defined as a steady imbalance in the debt-equity ratio and distortion in the financial position of the unit. A sick unit is one which is unable to support itself through the operation of internal resources. Industrial sickness usually refers to a situation when an industrial firm performs poorly, incurs losses for several years and often defaults in its debt repayment obligations.

14. State the two vital measures to prevent sickness in small business

- Cooperation between Term-Lending Institutions and Commercial Banks
- Coordination between Various Government Agencies
- Willing Cooperation and Clear Understanding with the Project Promoters
- Checking Over-Valuation of Inventories
- Improving Labour Relations
- Efficient Management
- Sympathetic Government Attitude

15. Define product launch.

A product launch refers to a business's planned and coordinated effort to debut a new product to the market and make that product generally available for purchase. A product launch serves many purposes for an organization—giving customers the chance to buy the new product is only one of them.

16. Sate the factors affecting selection of distribution channel?

(1) **The Nature of the Product**

(a) Perishability
(b) Size and weight of product
(c) Unit value of a product

(2**) The Nature of the market**

(a)Consumer of industrial market
(b) Number of prospective buyers
(c)Size of the order

(3) **The Nature of Middlemen**

(a) Cost of distribution of goods
(b) Availability of desired middlemen
(c) Unsuitable marketing policies for middlemen

17. What are the ways of rehabilitation of sick units?

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.

18. Mention the stages of sickness in SSI.

Table 3.6 Stages of Sickness in an Industrial Unit

Stages	Manifestations
Normal Unit	a) Generating sufficient internal surpluses b) All operational areas functioning efficiently c) Current ratio satisfactory d) Net worth positive e) Debt-equity ratio favourable
Tending towards Sickness	a) Continuous decline in profit b) Likely to incur losses in the succeeding years c) Problems in one or more operational areas
Incipient Sickness	a) Cash losses incurred in the last year and expected to incur in the current year as well b) Deterioration in current ratio and debt-equity ratio c) Contraction in net worth
Sickness	a) Cash losses incurred in the last few years and expected to incur cash losses in the current and succeeding years b) Current ratio less than 1:1 c) Debt-equity ratio has seriously worsened d) Considerable contraction of net worth
Chronic Sickness	a) Cash losses accumulated equal to or more than entire net worth b) No access to finances c) Stoppage of manufacturing operations d) Revival very difficult

19. State the methods of product launching.

20. Functions of management in small business.

1. Planning
2. Organizing
3. Staffing
4. Directing
5. Motivating
6. Controlling
7. Co-coordinating and
8. Communicating.

21. Role of small business in economic development.

- Industrial Units
- Labor – Oriented
- Human Resource
- Utilization of Local Resources

- Flexible and Adaptable
- Promotes Development & Growth
- Increased Tax Revenue
- Increased GDP

22. What are the problems faced by small business?

- Company registration
- Funds/Accounting
- Raw materials
- Office space
- Technology
- Marketing/Advertising
- Infrastructure
- Inflation
- No proper utilization of capacity
- No project planning

23. Write few salient points to manage a business successfully.

- Get Organized
- Keep Detailed Records
- Analyze Your Competition
- Understand the Risks and Rewards
- Be Creative
- Stay Focused
- Prepare to Make Sacrifices
- Provide Great Service
- Be Consistent

24. What support services are available to entrepreneurs?

- Entrepreneurs' Organization
- Founders Card
- Young Entrepreneur Council
- Young Presidents Organization
- Vistage
- Dynamite Circle
- The Entrepreneur's Club
- The Association of Private Enterprise Education
- Startup Grind

25. What are the sources of funds for new entrepreneurs?

Equity Financing

- Personal savings
- Life insurance policies
- Home equity loans
- Friends and relatives
- Venture capital
- Angel investors
- Government grants
- Equity offerings

Debt financing

- Banks and other commercial lenders
- Commercial finance operations
- Government programs
- Bonds

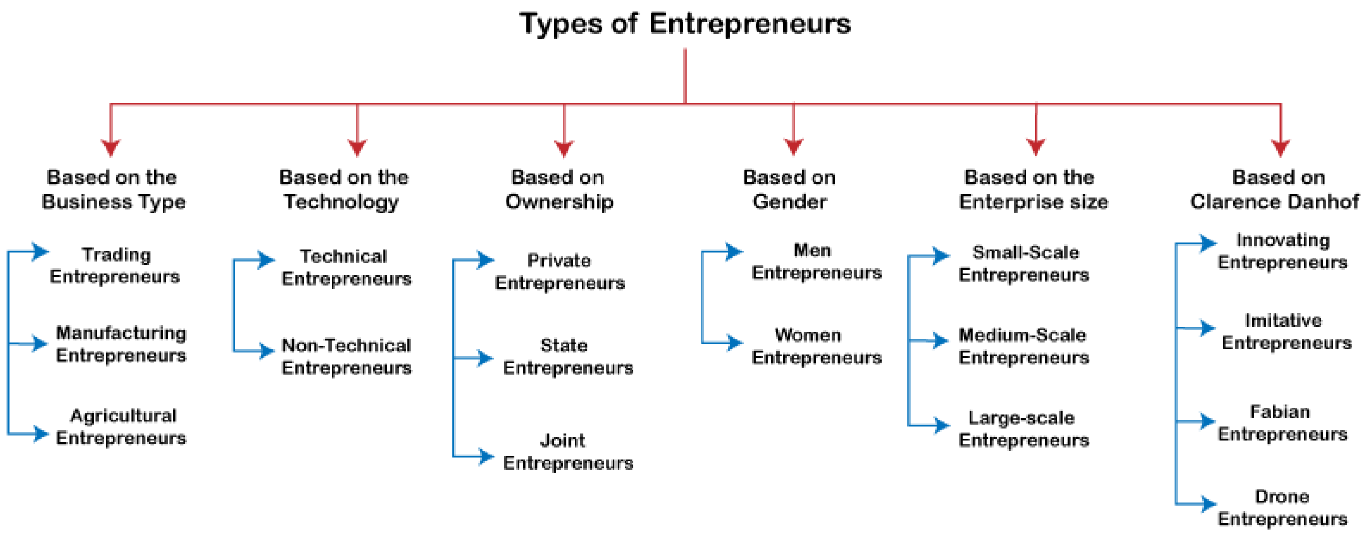
UNIT-I

13MARKS:

1. Describe the types of Entrepreneurs? Which one do you think most suitable for India?

Types of Entrepreneurs
Entrepreneurs are categorized into different types based on the following classifications:

- Based on the Business Type
- Based on the Technology
- Based on Ownership
- Based on Gender
- Based on the Enterprise size
- Based on Clarence Danhof



Let us understand each type in detail:

Based on the Business Type

Depending on the type of business, entrepreneurs are classified into the following types:

Trading Entrepreneur

A trading entrepreneur refers to a person who undertakes business-related activities. These types of entrepreneurs usually buy finished products in bulk from manufacturers at some discount. They then sell these products directly or with the help of retailers or vendors with profits. A business entrepreneur usually acts as a middleman between manufacturers and customers. This may include wholesalers, retailers, dealers, etc.

Manufacturing Entrepreneur

The founder of a business to manufacture products is known as a manufacturing entrepreneur. Manufacturing entrepreneurs analyze market needs or customer needs and manufacture products to meet such needs using various resources or technologies. In simple words, manufacturing entrepreneurs transform raw materials into finished products according to the customer's needs.

Agricultural Entrepreneur

Agricultural entrepreneurs refer to the types of entrepreneurs who primarily do agricultural work. They participate in a wide range of agricultural activities such as farming, irrigation, agricultural produce, mechanization, technology, etc.

Based on the Technology

Based on technology, entrepreneurs are classified into the following types:

Technical Entrepreneur

Such entrepreneurs are called technology entrepreneurs who use to start and continue industries primarily based on science and technology. These entrepreneurs develop new ideas and turn those ideas into technology-based innovations and inventions. They always work to create new methods of production in the fields of technology and science. Besides, they also manufacture products that can help ordinary citizens and other non-technical entrepreneurs in their enterprises.

Non-Technical Entrepreneur

As the name suggests, entrepreneurs who do not set up and run enterprises based on science and technology are known as non-technical entrepreneurs. In short, non-tech entrepreneurs are those who work for innovations using traditional methods. They typically use alternative and exemplary marketing methods and follow non-technical delivery strategies to engage directly with customers. This ultimately helps them to survive and grow their business in a competitive market. Moreover, they create better relationships and meet customer needs.

Based on Ownership

Based on ownership, entrepreneurs are classified into the following types:

Private Entrepreneur

When an entrepreneur starts something personal of his or her own, such as setting up an enterprise, he/she is called a private entrepreneur. A private entrepreneur is the only person who plays the sole proprietor role for a business venture and bears the risk associated with it.

State Entrepreneur

When a state or government does a business or industrial undertaking, it is referred to as a 'state entrepreneur'. In this case, the government is the sole owner of the enterprise and will bear all the profits and losses involved with it.

Joint Entrepreneurs

When a business or industrial undertaking is established and operated jointly by the private entrepreneur and the government, it is called joint entrepreneurship. The parties involved are called joint entrepreneurs. In this case, risk and profits are shared by both parties. However, the sharing percentages generally depend on the type of business and the agreement between the two parties.

Based on Gender

Based on gender, entrepreneurs are classified into the following types:

Men Entrepreneurs

When any business venture is formed, managed and operated by men, these men are referred to as men entrepreneurs.

Women Entrepreneurs

When any business venture is formed, managed and operated by women, these women are referred to as women entrepreneurs. Besides, if women have a minimum 51 percent share of the capital, they can also be known as women entrepreneurs.

Based on the Enterprise size

Based on the size of the enterprise, entrepreneurs are classified into the following types:

Small-Scale Entrepreneur

If an entrepreneur has invested up to a maximum of 1 crore in starting an enterprise, including plant and machinery, such entrepreneur is called Small Scale Entrepreneur.

Medium-Scale Entrepreneur

If an entrepreneur has invested a minimum of 1 crore to a maximum of 5 crores in starting an enterprise, including plant and machinery, then such entrepreneur is called Medium Scale Entrepreneur.

Large-Scale Entrepreneur

If an entrepreneur has invested more than 5 crores in starting an enterprise, including plant and machinery, such an entrepreneur is called a large-scale entrepreneur. This includes any investment above 5 crores.

Based on Clarence Danhof Study

Clarence Danhoff conducted a study on American agriculture and classified entrepreneurs accordingly. According to him, entrepreneurs generally have less initiative and drive when they start any business venture. However, they learn things with their continued economic work and become more innovative and enthusiastic. Based on his study, he classified entrepreneurs as follows:

Innovating Entrepreneurs

Innovative entrepreneurs, also known as innovators, are the type of entrepreneurs who usually come to the market with new ideas or innovations. In particular, they create new products, find new production methods, create new markets and restructure the business. Such entrepreneurs always try to innovate and invest their time and money in research and development.

Imitative Entrepreneurs

Imitative entrepreneurs or imitating entrepreneurs are often called 'copy cats'. This is because these entrepreneurs mainly follow and adopt the innovative entrepreneurs' existing successful enterprise system. They do nothing new of their own. Imitative entrepreneurs apply strategy from other enterprises in a manner where all core fundamentals of the original business model are replicated, and all efficiencies are retained. These entrepreneurs help improve any product, production process or suggest the use of improved technology addressed by other enterprises.

Fabian Entrepreneurs

Fabian entrepreneurs are defined as those types of entrepreneurs who generally do not seek to implement changes in their enterprise techniques. They are very careful in applying any approach and cautious in exercising any change. These entrepreneurs are known for not making sudden decisions. They imitate the change in their strategy only when it is completely clear that failing to do so will not harm.

Drone Entrepreneurs

Drone entrepreneurs are defined as entrepreneurs who do not like to adopt any changes in their enterprise techniques. They strictly follow their traditional strategies or methods for development, production or marketing. These entrepreneurs feel or experience pride and tradition in the old ways of doing business. This is why drone entrepreneurs sometimes suffer losses, yet they do not adopt changes in their current methods.

2. Elaborate the Concept of Entrepreneurial Personality with examples.

Successful Entrepreneur Personality Traits

1. Discipline

Starting and operating a business is no easy feat. Unlike a traditional job where you often have upper-level management driving business objectives and keeping you accountable, being an entrepreneur requires the ability to hold yourself accountable when you don’t have a "boss" to do so.

Those who are able to create and execute plants even without external factors holding them accountable have a competitive edge in business. When an entrepreneur has self-discipline they are able to manage the urge to procrastinate and can take decisive action when needed.

2. Creativity

Though creativity is often associated with artistic output, it is an important trait for all entrepreneurs to have. Creativity doesn’t only apply to visual elements or branding. Entrepreneurs who are able to creatively solve problems and think outside of the box when facing everyday business challenges, they are able to quickly pivot and implement necessary solutions that lead to business growth.

Inspired by a financial guru and the high cost of sweets in her area, Mignon Francois went from "household manager" to founder and CEO. "I got the idea of having a bake sale everyday while listening to a financial guru on the radio. I was a household manager of 6+1 (aka stay at home mom) and I really couldn’t afford the luxury of taking my children out for sweets because everything was expensive and we were struggling. Once I started to get my recipes together I would practice all day."

3. Self-Awareness

Entrepreneurs who have a sense of self-awareness that they are able to apply professionally to achieve business success. When an entrepreneur is self-aware they are able to own up to their strengths and weaknesses related to running their business.

With this awareness, they are able to zero in on the tasks and elements of running the business they can excel in and are more willing to delegate the areas they are not as strong in. Another benefit of being self-aware is that it increases one's ability to give, receive, and apply meaningful feedback.

4. Resourcefulness

Many entrepreneurs are faced with tasks and challenges they have never faced before. The ability to be resourceful is a mindset that helps entrepreneurs reach lofty goals without a clear way to achieve them.

When entrepreneurs are able to work resourcefully, they can effectively problem-solve and grow and scale their businesses without having all of the answers or resources to do so. Being resourceful requires a can-do attitude and willingness to work creatively to effectively manage a business without having the immediate know-how.

5. Process-Oriented

Having solid processes in place is essential for any successful entrepreneur. In the world of business, a process is a repeatable series of steps that help those working within a business to complete necessary tasks. Processes can apply to various aspects of the business including sales, onboarding new team members, production, and product fulfillment.

When business owners have a process-oriented mindset, they are able to work smarter, not harder. Implementing processes in various areas of the business can prevent waste, allowing business owners to scale and grow their businesses. Additionally, when business owners have repeatable processes in place, they are able to easily train new team members to fulfill important aspects of the business without sacrificing time or quality.

Masaaki Imai, management consultant and founder of the Kaizen Institute Consulting Group, says this about processes and systems: "The message of the Kaizen strategy is that not a day should go by without some kind of improvement being made somewhere in the company."

6. Empathetic

Empathy is an essential trait for entrepreneurs. Whether a business owner manages a large team of employees or works directly with their customers as a high-performing solopreneur, they must be able to connect with others on a genuine level.

Successful entrepreneurs are able to put themselves in others' shoes, considering the perspectives of their employees and customers as they navigate key business decisions. In business, empathy can look like anticipating your customer's needs, empowering your team members to take time off to recharge when they need it, and giving both employees and customers space to voice their opinions and concerns.

7. Communicative

According to research from Wroclaw University, the top three communication skills for leaders are effective listening, getting a message across clearly and vividly, and providing feedback in a supportive manner.

These skills can put entrepreneurs at a competitive advantage. When a business owner is able to effectively listen to their customer, they are able to implement customer feedback that can help them improve their offerings. Additionally, when business leaders exhibit these skills with their own employees and team members, they are able to build trust which can improve productivity and business performance.

8. Self-Motivated

Simply put, when you're your own boss you have to be able to keep yourself motivated to work effectively and consistently. Entrepreneurs must be able to work through creative ruts and points of feeling uninspired to keep their businesses going. This starts with knowing what drives you to keep going and drawing upon necessary inspiration when motivation is low.

A great example of this is entrepreneur Noëlle Santos, who didn't intend to open a book store — she worked in HR for an IT firm — but was shaken by the news that the Barnes & Noble she frequented was closing.

9. Confident

If you have an idea you want to bring to life and share with others, you have to have the confidence to see it through. Whether you are introducing a new product to market, or are seeking outside funding for your business, you must be able to speak to what you offer clearly and confidently. Successful entrepreneurs stand behind their ideas without letting concern over what others may think get in the way.

10. Flexible

To have a sustainable business and see long-term success, entrepreneurs must be willing to pivot when necessary. Whether it is reformulating a product to make it better, or revising a business strategy to remain competitive, entrepreneurs who are too rigid and afraid to embrace change are at a disadvantage.

When an entrepreneur is flexible in their approach, they are able to take advantage of new opportunities as they come which can pay off in the long run. Business owners who are slow to adapt to change can miss out on valuable opportunities to innovate and adapt to their customer's needs.

11. Risk-Taker

The ability to take a calculated risk is one of the most valuable skills an entrepreneur can have. When business owners are willing to take risks, they are able to learn valuable lessons in business that can help their company in the long run.

Microsoft's Bill Gates is credited with the quote, "To win big, you sometimes have to take big risks." Gates certainly took risks throughout the history of Microsoft, but perhaps his most notable risk was leaving Harvard during his sophomore year in 1975 to found the company. His vision was "a computer on every desk and in every home," which was something no one could have conceived of at the time. The risk he took to make that vision a reality paid off, and Microsoft is worth more than a Harvard degree.

12. Resilient

Last but certainly not least, successful entrepreneurs must have a sense of resiliency. While running a business, it is common for entrepreneurs to face closed doors and to be told "no" often from potential customers and those they are seeking funding from.

Many entrepreneurs may find themselves starting multiple businesses if their initial idea doesn't take off.

3. Discuss the knowledge & skills of Entrepreneur with neat sketch.

Characteristics of successful Entrepreneur

- Capacity to take risk
- Capacity to work hand
- Above average intelligence and wide knowledge
- Self Motivation
- Vision and foresight
- Willingness to defer consumption
- Imagination initiative and emulation
- Incentive ability and sound judgment
- Flexibility and sociability
- Desire to take personal responsibility.
- Desire to seek and use feedback
- Persistence in the face of adversity
- Innovativeness and future orientation
- Mobility and drive
- Creative Thinking.
- Strong need for achievement
- Ability to Marshall resources
- High degree of ambition
- Will to conquer & impulse to fight.
- Will to prove superior to others.

Knowledge and Skills of Entrepreneur

- Idea generation & scanning of the best suitable idea
- Determination of the business objective
- Product analysis and market research
- Determination of form of ownership
- Completion of promotional formalities
- Raising necessary funds
- Procuring machine & material
- Recruitment of men
- Undertaking the business operations

The following skills are required for an entrepreneur:

1. Conceptual – An entrepreneur has the ability to identify relationships quickly in the midst of complex situations. He identifies problems and begins to work in their solution faster than other people.

2. Technical – A good entrepreneur should have interest to explore new ideas, new technology and new production method. He must have a reasonable level of technical knowledge.

3. Human Relation – An entrepreneur should maintain good relations with his customers and the public. He must also maintain good relations with his employees to motivate them to higher levels of efficiency.
4. Communication – Communication of an entrepreneur must be to the point, crisp and convincing. Communication ability is the secret of the success of most entrepreneurs.
5. Decision-making – It means the ability to choose the correct alternative from a numbers of alternatives. An entrepreneur should have the ability to analyse the various aspects of the business to arrive at a decision.
6. Managerial – An entrepreneur should have the skill to manage the men and other factors of production. He should be able to select, train and maintain the persons composing of labour force.
7. Time Management – Time Management is the act or process of exercising continuous control over time spent on specific activities. This is necessary to increase efficiency or productivity. An entrepreneur must possess this skill to manage the time.
8. Stress Management – Stress management is one of the keys to a happy and successful life in modern society. It is the best way to manage anxiety and maintain overall well-being. Entrepreneur must be able to adopt various mechanisms to control the level of stress.
9. Personality and Individual skill – Impressive personality and individual skill help to develop entrepreneurship. These qualities are inevitable for entrepreneurs since they have to work with officers, engineers, labourers, customers, investors, Govt. officers, etc.
10. Pioneering – Entrepreneurs have the skill to explore into new opportunities. They always like discover new methods of production and new markets. Thus, they are pioneers in their own field.
11. Unification and Organization – An entrepreneur comes in contact with many unions and organizations. He has to arrange many things in many ways and to unite all of them for a common goal. So, he must have unification and organization skills.
12. Computer knowledge – If an entrepreneur is computer literate he can use the computers and software to perform different aspects of his jobs. Computer is a helpful tool for decision-making. Some important applications of the internet are e-mail, telnet, acquiring software and world-wide web.

4."Entrepreneurship as a Career"- comments this statement.

Entrepreneurship as a Career

The greatest challenge before the youngsters in India today is to build the country into an economic global giant. The obvious questions that come to the minds of most of them are - "Why should we in India think of being an entrepreneur? Why not work as part of a larger organisation where the opportunities and resources to scale ideas are perhaps far greater?

Entrepreneurship is important for two reasons. One, it furthers innovation to find new solutions to existing and emerging demands. Two, it offers far greater opportunities for wealth creation for self and the society than anything else. Entrepreneurship has its challenges. It is about 20 per cent luck and 80 per cent effort, clarity, courage, confidence, passion and above all smartness.

A strong urge from within to start a business, combined with workable innovative ideas, careful planning, and hard work can lead to a very engaging, self-satisfying, enjoyable and profitable endeavour. The greatest contributory factor to entrepreneurship is an intention i.e. a strong purpose in life coupled with determination to produce desired results.

Positive aspects of entrepreneurship.

There is no age bar to entrepreneurship. But youth is certainly more suited to take up an entrepreneurial venture because they are technologically precocious, do not fear from change and challenge, and have greater ability to see things differently.

Thus, leaving aside the pull and push factors leading to entrepreneurship, the fundamental decision to take up entrepreneurship as a career option gets guided by a three part process in which an individual weighs the desirability of self-employment with the desirability of working for others, possession of competencies and capabilities to undertake entrepreneurial venture. The fact remains that present environment provides great entrepreneurial opportunities and more and more youngsters are consciously opting for it a as career option.

Being the boss if his own business, he enjoys unlimited powers. He can do things in his own way and he need not take orders from someone else. He can make his own decisions and act on them.

Negative aspects

Though an entrepreneur is his own boss, in some respects he is not. It is so because he is constrained by various people like his financiers, labourers, suppliers, customers and so on.

He may have to face frustration since the scope of his operations is limited by his limited resources.

He has to work long and hard hours from morning to dusk and his venture tends to absorb all his energy and time. This may affect his social and family life.

Nurtures development of entrepreneurial skills and capabilities:

Entrepreneurship cultivates unique skills and encourages outside the box thinking. Moreover, it creates opportunity, instills confidence, ensures social justice and stimulates the economy. Entrepreneurship education also provides with the skills and knowledge to come up with business ideas and develop own ventures. This includes learning about core business areas such as finance, sales, marketing, management and accounting, and developing broader ranging skills such as adaptability, effective communication, and confidence.

Enables application of an entrepreneurial mindset:

The advantage of working towards developing an entrepreneurial mindset and learning entrepreneurial skills over more traditional subjects is that they are not necessarily only relevant to becoming an entrepreneur. The mindset and skills are relevant in any field and are be desirable attributes for being an employee as well. In fact, having an entrepreneurial mindset and wide range of businessrelevant skills acquired through studying entrepreneurship would make one an ideal candidate in most fields.

Develops the ability to handle failure and ambiguity:

In the Indian culture, since childhood failure is looked upon as something intolerably bad. However, a critical part of learning in the entrepreneurial process is to learn from failure. Hence, going through this process helps to learn from mistakes, take failure positively and stay motivated to work towards achieving the goal. Similarly, just like life is uncertain, business is full of ambiguity. 15 While actually finding solutions to deal with ambiguity, one develops certain traits such as risk management, perseverance and persistence.

Enhances critical thinking and problem-solving ability:

The ability to think critically and solve problems is essential to succeed in the world of business. The focus of learning is not on these aspects during our school years. Learning entrepreneurship exposes one to numerous opportunities that force one to think critically, analyze all alternatives and consider possible solutions.

Provides early exposure to the real world:

Ultimately, working professionally in the real world requires one to collaborate, think creatively and demonstrate proficiency. In most cases, real life exposure during educational years remains limited. Entrepreneurship practice at an early stage in one's career encourages activities such as going out and interacting with customers, creating tangible concepts and ideas, preparing detailed documents, working with investors etc., which gives great exposure and knowledge about the trends and needs of the real world.

Inspires to think about one's career differently:

Many students do not even consider that they can try to work on business ideas, take up entrepreneurial projects, take the initiative to impact society etc. Thus, they tend to develop a certain trail of thought about their career – from graduating high school to college to looking for a job. If entrepreneurship exposure is given at the first point when one starts thinking towards building a career, it can help them to think of different career options and exploring what they are actually passionate about.

Leads to creating difference in society:

Entrepreneurs not only economically impact society but they also work on identifying the real needs and problems of people and solving them. Learning entrepreneurship encourages one to find problems that need to be solved, invent a solution for them, and ultimately, make the world a better place.

5. What are factors affecting Entrepreneurship growth?

Factors Affecting Entrepreneurial Growth

1. Economic Factors
2. Non-Economic Factors

Economic Factors:

1. Capital

Capital is one of the most important factors of production for the establishment of an enterprise. Increase in capital investment in viable projects results in increase in profits which help in accelerating the process of capital formation. Entrepreneurship activity too gets a boost with the easy availability of funds for investment.

Availability of capital facilitates for the entrepreneur to bring together the land of one, machine of another and raw material of yet another to combine them to produce goods. Capital is therefore, regarded as lubricant to the process of production.

2. Labor

Easy availability of right type of workers also effect entrepreneurship. The quality rather than quantity of labor influences the emergence and growth of entrepreneurship. The problem of labor immobility can be solved by providing infrastructural facilities including efficient transportation.

The quality rather quantity of labor is another factor which influences the emergence of entrepreneurship. Most less developed countries are labor rich nations owing to a dense and even increasing population. But entrepreneurship is encouraged if there is a mobile and flexible labor force. And, the potential advantages of low-cost labor are regulated by the deleterious effects of labor immobility. The considerations of economic and emotional security inhibit labor mobility. Entrepreneurs, therefore, often find difficulty to secure sufficient labor.

3. Raw Materials

The necessity of raw materials hardly needs any emphasis for establishing any industrial activity and its influence in the emergence of entrepreneurship. In the absence of raw materials, neither any enterprise can be established nor can an entrepreneur be emerged

It is one of the basic ingredients required for production. Shortage of raw material can adversely affect entrepreneurial environment. Without adequate supply of raw materials no industry can function properly and emergence of entrepreneurship to is adversely affected.

In fact, the supply of raw materials is not influenced by themselves but becomes influential depending upon other opportunity conditions. The more favorable these conditions are, the more likely is the raw material to have its influence of entrepreneurial emergence.

4. Market

The role and importance of market and marketing is very important for the growth of entrepreneurship. In modern competitive world no entrepreneur can think of surviving in the absence of latest knowledge about market and various marketing techniques.

The fact remains that the potential of the market constitutes the major determinant of probable rewards from entrepreneurial function. Frankly speaking, if the proof of pudding lies in eating, the proof of all production lies in consumption, i.e., marketing.

The size and composition of market both influence entrepreneurship in their own ways. Practically, monopoly in a particular product in a market becomes more influential for entrepreneurship than a competitive market. However, the disadvantage of a competitive market can be cancelled to some extent by improvement in transportation system facilitating the movement of raw material and finished goods, and increasing the demand for producer goods.

5. Infrastructure

Expansion of entrepreneurship presupposes properly developed communication and transportation facilities. It not only helps to enlarge the market, but expand the horizons of business too. Take for instance, the establishment of post and telegraph system and construction of roads and highways in India. It helped considerable entrepreneurial activities which took place in the 1850s.

Apart from the above factors, institutions like trade/ business associations, business schools, libraries, etc. also make valuable contribution towards promoting and sustaining entrepreneurship' in the economy. You can gather all the information you want from these bodies. They also act as a forum for communication and joint action.

Non-Economic Factors

1. Education

Education enables one to understand the outside world and equips him with the basic knowledge and skills to deal with day-to-day problems. In any society, the system of education has a significant role to play in inculcating entrepreneurial values.

In India, the system of education prior to the 20th century was based on religion. In this rigid system, critical and questioning attitudes towards society were discouraged. The caste system and the resultant occupational structure were reinforced by such education. It promoted the idea that business is not a respectable occupation. Later, when the British came to our country, they introduced an education system, just to produce clerks and accountants for the East India Company, The base of such a system, as you can well see, is very anti-entrepreneurial.

Our educational methods have not changed much even today. The emphasis is till on preparing students for standard jobs, rather than marking them capable enough to stand on their feet.

2. Attitude of the Society

A related aspect to these is the attitude of the society towards entrepreneurship. Certain societies encourage innovations and novelties, and thus approve entrepreneurs' actions and rewards like profits. Certain others do not tolerate changes and in such circumstances, entrepreneurship cannot take root and grow. Similarly, some societies have an inherent dislike for any money-making activity. It is said, that in Russia, in the nineteenth century, the upper classes did not like entrepreneurs. For them, cultivating the land meant a good life. They believed that rand belongs to God and the produce of the land was nothing but god's blessing. Russian folk-tales, proverbs and songs during this period carried the message that making wealth through business was not right.

3. Cultural Value

Motives impel men to action. Entrepreneurial growth requires proper motives like profit-making, acquisition of prestige and attainment of social status. Ambitious and talented men would take risks and innovate if these motives are strong. The strength of these motives depends upon the culture of the society. If the culture is economically or monetarily oriented, entrepreneurship would be applauded and praised; wealth accumulation as a way of life would be appreciated. In the less developed countries, people are not economically motivated. Monetary incentives have relatively less attraction. People have ample opportunities of attaining social distinction by non-economic pursuits. Men with organizational abilities are, therefore, not dragged into business. They use their talents for non-economic end.

UNIT-II

1. Explain the Techniques of environmental Analysis.

1. Environmental Threat and Opportunity Profile Analysis (ETOP)
ETOP is considered as a useful device that facilitates an assessment of information related to the environment and also in determining the relative significance of external environment threats and opportunities to systematically evaluate environmental scanning. By dividing the environment into different sections, the ETOP analysis helps in analyzing its impact on the organization. The analysis is based on threats and opportunities in the environment.

ETOP

Steps involved in the preparation of ETOP:

- Dividing the environment into different sectors
- Analysing the impact of each sector on the organisation
- Subdividing each environmental factor into sub factors for a comprehensive ETOP
- Analysing the impact of each subfactor on the organisation in the form of a statement
- Preparing a summary to show the major factors for the sake of simplicity

2. Quick Environmental Scanning Technique Analysis (QUEST)
QUEST is an environmental scanning technique that is designed to assist with organizational strategies by keeping adheres to change and its implications. Different steps involved in this technique are as follows:

- The process of environmental scanning starts with the observation of the organization's events and trends by strategists.
- After observation, important issues that may impact the organization are considered using environment appraisal.
- A report is created by making a summary of these issues and their impact.
- In the final step, planners who are responsible for deciding the feasibility of the proposed strategy, review reports.

3. SWOT Analysis
SWOT analysis stands for strengths, weaknesses, opportunities and threats analysis of a business environment. Strengths and weaknesses are an organization's internal factor while threats and opportunities are considered as external factors. So, the process of SWOT analysis includes the systematic analysis of these factors to determine an effective marketing strategy. It is a tool that is used by the organization for auditing purposes to find its different key problems and issues.

These are identified through internal and external environmental analysis.

Internal environment analysis/ scanning

Different factors are considered while analyzing the internal environment of an organization like the structure of the organization, physical location, the operational capacity and efficiency of the organization, market share, financial resources, skills and expertise of employees, etc.

Strengths: The strength of any organization is related to its core competencies i.e. efficient resources or technology or skills or advantages over its competitors. **For example,** the marketing expertise of a firm can be its strength. Apart from this, an organization's strength can be:

- Strong customer relations
- Market leader in its product or services
- Sound market image and reputation
- Smooth cash-flows

Weaknesses: A weakness or limitation of an organization is related to the scarcity of its resources or skill-set of staff or capabilities that creates an adverse effect on its performance. **For example,** limited cash-flow and high cost are considered as a financial weakness of the organization. Similarly, other weaknesses can be:

- Poor product quality
- Low productivity
- Unrecognized brand name or poor brand image

External environment analysis/scanning

Different factors that are considered while scanning the external environment of the organization like Competitors, customers, suppliers, technology, social and economic factors, political and legal issues, market trends, etc.

Opportunities: An opportunity of the organization's environment is considered as its most favorable situation. These are the circumstances that are external to the business and can become an advantage to the organization. **For example,** different opportunities for a firm can be:

- Social media marketing
- Mergers & acquisitions
- Tapping new markets
- Expansion in International market
- New product development

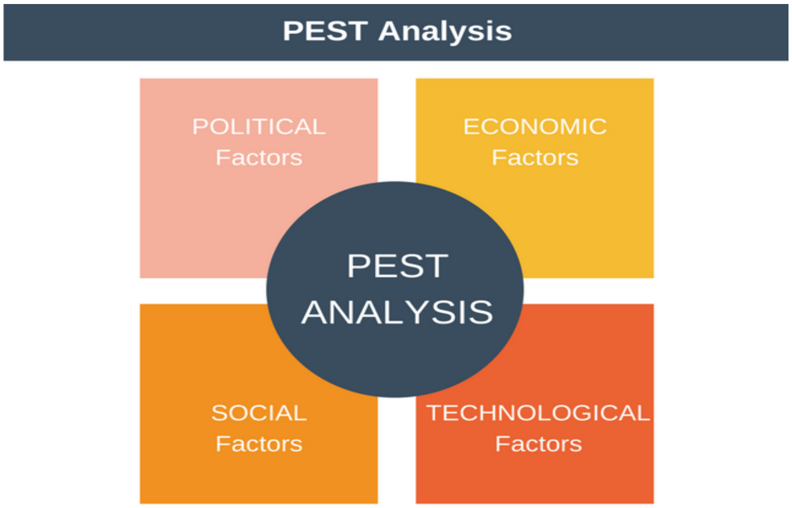
Threats: Threats of an organization are current or future unfavorable situations that may occur in its external environment. **For example,** below are a few major threats for a firm:

- A new competitor in the market

- The slow growth of the market
- Changing customer preferences
- Increase in the bargaining power of consumers
- Change in regulations or major technical changes

4. PEST Analysis

PEST technique for a firm's environmental scanning includes analysis of political, economic, social, and technical factors of the environment.



a) Political/ Legal factors: Different factors like changes in tax policy, availability of raw material, etc. creates a direct effect on a business. So organizations are required to constantly monitor tax-related policy changes as an increase in tax may increase the heavy financial burden on them. Similarly, different laws like "Consumer protection act" also play an important role in an organization's operation activities as it is important to abide by the act.

More examples can be foreign trade policy, political changes, regulations in competition, trade restrictions, etc. also considered as different political/ legal factors that exist in the external business environment.

b) Economic factors: Different economical Factors like the unemployment rate, inflation, cost of labor, economic trends, disposable income of consumers, monetary policies, etc. play an important role in environmental scanning.

For example, in the case of high unemployment, a company may decrease the prices of its products or services and in opposite situation i.e. when the unemployment rate is low then prices can be high. This happens because if more customers are unemployed then by lowering the prices, an organization can attract them.

c) Social / Cultural factors: Attitude, trends, and behavioral aspects of society also create an impact on the functioning of the organization. Studying and understanding the lifestyle of consumers is very much required to target the right audience and to offer the right product or services based on their preferences.

For example, Issues and policies related to the environment like pollution control are also being considered by organizations to ensure that it operates in an environment-friendly atmosphere. Taking care of the cultural aspect of different countries while doing business at the international level, is also an important factor.

d) Technological Factors: Technological factors affect the way firms produce products and services as well as market them. Like, "processes based on new technologies" is one of the important factors of a technological environment. To maximize profits, production should be handled most cost-effectively and this, technology has an important contribution.

For example, an increase in computer and internet-based technology is playing a major role in the way organizations are distributing and marketing their products and services. Also, different advancements in technologies like automation of the manual process and use of machinery based on more advanced and latest technologies, more investment in research & development by organizations have increased their efficiency by increasing production in less time, cost-reduction and better investment in the long run.

2.Explain the components of business environment with an example.

Business Environment Definition:

The term “Business environment " is the sum of all conditions, events, and influences that surround and affect business activities and growth.

Components Of Business Environment

The business environment can be categorised into two types based on the factors within the control or outside the control of a business.

Internal Environment

The internal business environment constitutes several internal forces or elements within the control of a business that influences its operations. These include:

- **Value System:** It is the ethical belief that guides the business towards achieving its mission and objective. The value system includes all components that form a business’s regulatory framework – organisational culture, climate, work processes, management practices and organisational norms.
- **Vision, Mission, and Objectives:** The vision, mission, and objective of a business relate to what it wants to achieve or accomplish in future. It is the reason why the business exists.
- **Organisational Structure:** It outlines how the activities are directed within the organisation to achieve its goals. It includes the rules, roles, and responsibilities, along with how tasks are delegated and how the information flows among the organisation’s levels.
- **Corporate Culture:** It is a powerful system of shared norms and attitudes that works as a homogenising factor for an organisation’s employees and gets appropriated by them.
- **Human Resources:** Human resources form all the employees and other personnel associated with the business. It forms the most valuable asset of the organisation as success or failure depends on it.
- **Physical Resources and Technological Capabilities:** It includes tangible assets and the technical know-how that play an essential role in ascertaining the business’s competitive capability and future growth prospects.

External Environment

External components are those factors that a business cannot control. These exist beyond a business’ jurisdiction and supervision limit. External components influencing a business environment are further classified into two categories:

- Micro Environment
- Macro Environment

Micro Environment

Micro environment is the business’s immediate external environment that influences its performance as it has a direct bearing on the firm’s regular business operations.

It includes factors outside of the business’s control but can be analysed and worked upon by managing the business to prevent any business losses.

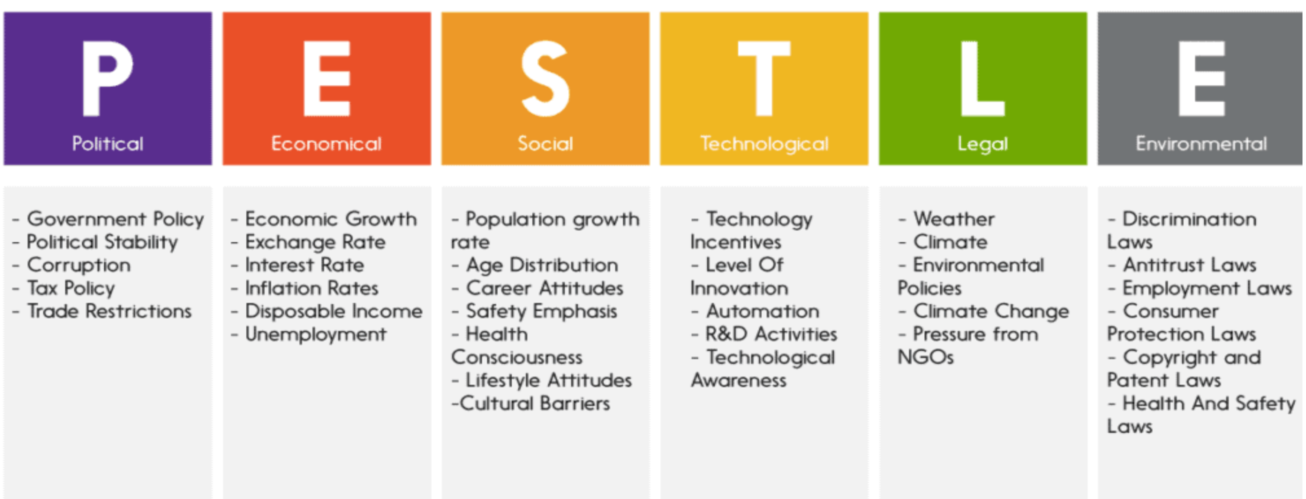
Micro factors include:

- **Customers** comprise the target group of the business.
- **Competitors** are other market players who target a similar target group and provide similar offerings.
- **Media** is the channel the business use to market its offering to the customer.
- **Suppliers** include all the parties that provide the business with the resources it needs to perform its operations.
- **Intermediaries** comprise the parties involved in delivering the offering to the final customers.
- **Partners** are all external entities like advertising agencies, market research organisations, consultants, etc., who conduct business with the organisation and satisfy customer needs.
- **Public** includes any group with actual or potential interest in the business's operations or a group that affects its ability to serve its customers.

Macro Environment: PESTLE

The macro environment includes remote environmental factors that influence an organisation. The extent of influence a macro element can have on a business is significant as they usually affect the industry as a whole.

These factors are classified under PESTLE: P – Political, E – Environmental, S – Social, T – Technological, L – Legal, E – Economical.

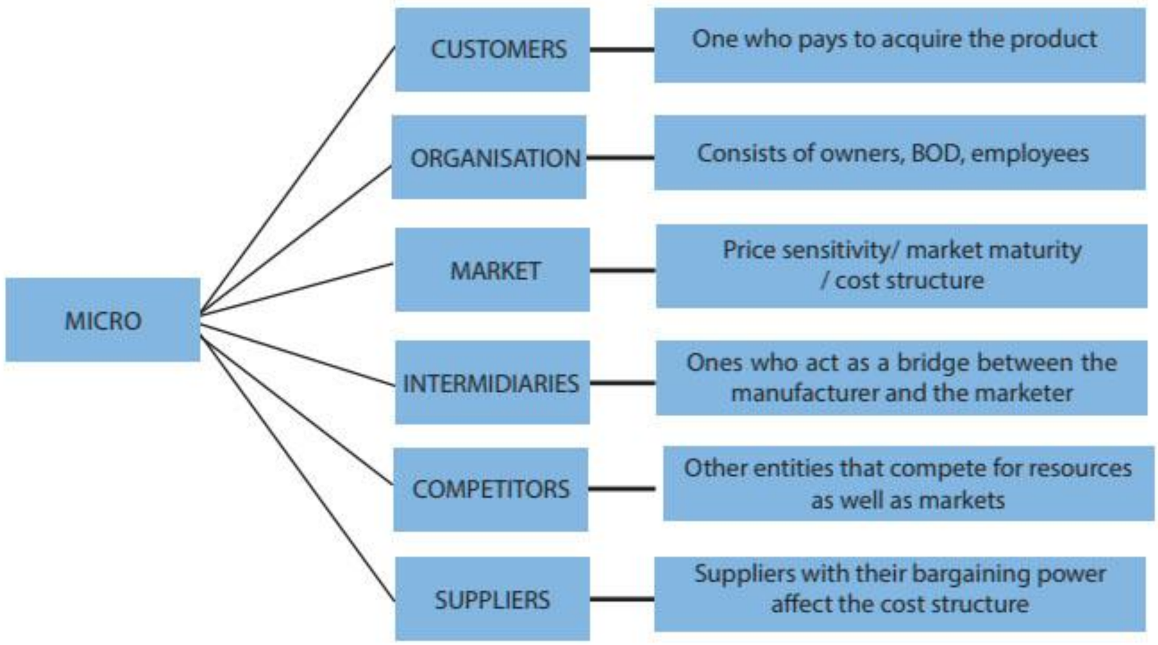


- **Political Factors** comprise government policies, political stability, corruption in the system, tax policies, labour laws, and trade restrictions that affect the business or the industry.
- **Economical Factors** relate to the economy of the country. They include economic growth, exchange rate, interest and inflation rates, etc.
- **Social Factors** comprise the demographics of the country. They include population growth rate, age distribution, career attitudes, health consciousness, etc.
- **Technological Factors** pertain to innovation in technology that affects the operations of the business. This refers to automation, research and development activities, technological awareness, etc.

- **Legal Factors** are laws that affect business operations. They include business-specific, industry-specific, and even state-specific laws.
- **Environmental Factors** comprise of all those that influence or are determined by the environment a business operates in. It includes the weather, climate, environmental policies, and even pressure from NGOs to care for the environment.

Elements of Micro Environment

Let's take a quick look at all elements of a micro environment:



Customers and Consumers

Customers are people who buy an organization's products/services. In simple words, an organization cannot survive without customers. A consumer, on the other hand, is the ultimate user of the product/service.

For example, a husband might purchase a product for his wife. In this case, the husband is the customer and the wife is the consumer.

A successful business keeps a close watch on both customers and consumers of its products/services. It must monitor and track any changes in tastes and preferences of the consumer along with changes in the buying habits of the customer.

Competitors

Every business has competition. Competitors are other organizations that compete with each other for both resources and markets. Hence, it is important that an organization is aware of its competitors and in a position to analyze threats from its competition. A business must be aware of its competitors, their strengths and weaknesses, and the most aggressive and powerful competitors at all times.

Further, an organization can have direct or indirect competitors. When organizations are involved in the same business activity, they compete for both resources and markets. This is Direct Competition.

For example, Pantene and Sunsilk shampoo companies are direct competitors. On the other hand, a five-star holiday resort and a luxury car company are Indirect competitors since they offer different products but vie for the same market.

Organization

One of the most important aspects of the micro environment of an organization is the self-analysis of the organization itself. It must understand its own strengths and weaknesses, objectives and goals of the business, and resource availability. The following non-specific elements of an organization can affect its performance:

- Owners – People who have a major shareholding in the organization and have vested interests in the well-being of the company.
- Board of Directors – The board of directors is elected by the shareholders for overseeing the general management of the business and ensuring that the shareholder's interests are met.
- Employees – People who work in the organization are major contributors to its success. It is important that all employees embrace the organization's goals and objectives.

Market

The market is much more than the sum of all the customers. The organization must study the market in terms of its actual size, the potential for growth, and its attractiveness. Some important issues are:

- The cost structure of the market
- Price Sensitivity of the market
- Technological structure of the market
- The existing distribution system of the market
- The maturity of the market

Suppliers

Suppliers are another important component of the micro environment. Organizations depend on many suppliers for equipment, raw material, etc. to maintain their production. Suppliers can influence the cost structure of the industry and are hence a major force.

Intermediaries

Intermediaries are also a major determining force in business. Most customers are unaware of the manufacturer of the products they buy since they approach retailers, departmental store, chain stores or online stores for their purchases

3. Discuss the promotional schemes promoting the entrepreneur by government.

Top 10 Government Schemes that provide Financial Support to Start-ups in India

1. **Start-up India**

Launched by Prime Minister Narendra Modi in 2016, the scheme falls under the purview of the Department of Industrial Policy and Promotion. Aims to support Indian entrepreneurs in creating 10 lakh mobile app startups.

The flagship programme under Start-up India is the **MUDRA loan** scheme (Pradhan Mantri Mudra Yojana). This programme offers microfinance loans at low interest to emerging entrepreneurs from low socioeconomic strata. Funding of Rs. 20,000 crores have been allotted for this scheme.

Read **all that you need to know about Pradhan Mantri Mudra Yojana** - what it is, types of funding available, how to get funding and more.

2. **ATAL Innovation Mission**

The government scheme, set up by Niti Aayog, was created to promote an innovative culture and the development of the spirit of entrepreneurship across India. The scheme aims to create cooperation between state, central, and local innovation schemes and implement entrepreneurship spirit from schools to corporates by developing world-class Atal Incubators

(AICs). This would help to address commercial and social entrepreneurship ventures in India.

3. e-Biz Portal

Founded in 2013, this is the first online platform that allows government-to-business (G2B) communication. e-Biz's portal primary purpose was to create an entrepreneurship friendly atmosphere in the country. The platform has been developed by Infosys and has launched 29 services across 5 states in India. It is a single communication online forum for Indian businesspeople and investors for conducting transactions, clearances, and activities related to both of them.

4. Support for International Patent Protection in Electronics & Information Technology (SIP-EIT)

The SIP-EIT scheme was launched by the Ministry of Electronics and Information Technology to provide financial funding for MSMEs and Technology Startups to encourage innovation, acknowledge international patent rights and optimise the growth of the sector in the county. Businesses that want to go global need to apply for intellectual property rights as innovations are at risk of being stolen or misappropriated. Hence, the government has executed various protection measures through the SIP-EIT scheme.

5. Multiplier Grants Scheme (MGS)

MGS was launched under the Department of Electronics and Information Technology (DeitY) for promoting integrated research and development (R&D) between industry and educational institutions for developing products and packages. Under this scheme, the government provides financial assistance at 2x times the amount contributed by the industry, provided the industry supports R&D of products that get marketed at the institutional level.

MGS encourages and hastens the development of indigenous products/services. Government grants are available up to Rs. 2 crores per project with project tenure limited to around 2 years. For industrial collaborations, the cost is limited to Rs. 4 crores with a maximum tenure of 3 years.

6. Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

The government established CGTMSE for providing collateral-free business loans to MSME and startups. The scheme allows business units to get collateral-free loans at a low rate of interest up to a maximum of Rs. 100 lakhs under a tie-up with SIDBI (Small Industries Development Bank of India) for promoting new businesses and relaunching existing ones. The loan is provided mainly for manufacturing companies, either as working capital or term loan.

7. Software Technology Park (STP)

STP scheme has been established as a 100% export-oriented programme for promoting and exporting computer software and professional services through communication networks or physical media. The scheme focuses solely on computer software. 100% Export Oriented Units (EOU) and Export Processing Zones (EPZ) concepts for forming Science Parks/Technology Parks are covered under this scheme.

8. Loan For Rooftop Solar Pv Power Projects

The scheme is committed to the development of 40,000 MWp of Grid-Interactive Rooftop Solar PV Plants over the next five years for increasing reliance on non-conventional energy sources. Such rooftop solar PV plants, with capacities between 1 kW - 500 kW are expected to be installed in various sectors like residential, commercial, and the like across India. Under the scheme, a subsidy of 15% is provided to organisations or individual enterprises for such plants.

9. NewGen Innovation and Entrepreneurship Development Centre (NewGen IEDC)

The NewGen IEDC scheme has been launched by the National Science and Technology Entrepreneurship Development Board. The scheme aims to instil a spirit of creativity and entrepreneurship among the youth in India through various methods like counselling, coaching, and assistance. There is also provision for supporting and encouraging entrepreneurship.

10. Dairy Processing and Infrastructure Development Fund (DIDF)

DIDF is a fund constituted under NABARD in 2017, wherein milk unions, multi-state milk cooperatives, state dairy federations, milk-producing enterprises, and NDDB subsidiaries project's eligibility criteria can avail a loan. The loan component consists of 80% with the borrower to pay the remaining 20% payment. Interest is charged at 6.5 % p.a. and loan tenure is decided based on the amount of money borrowed. The loan repayment is guaranteed by the respective state government, and in case of borrower default, the state government steps in to contribute the defaulted portion.

4. Explain the central government industrial policies and regulations.

Industrial Policy is the set of standards and measures set by the Government to evaluate the progress of the manufacturing sector that ultimately enhances economic growth and development of the country.

The government takes measures to encourage and improve the competitiveness and capabilities of various firms.

Objectives of Industrial Policy

1. To maintain steady growth in productivity.
2. To create more employment opportunities.
3. Utilize the available human resources better
4. To accelerate the progress of the country through different means
5. To match the level of international standards and competitiveness

Industrial Policy in India

The various industrial policy introduced by the Indian government are as follows:

Industrial Policy Resolution, 1948

- It declared the Indian economy as Mixed Economy
- Small scale and cottage industries were given the importance
- The government restricted foreign investments
- Industries were divided into 4 categories
    - Exclusive monopoly of central government(arms and ammunitions, production of atomic energy and management of railways)
    - New undertaking undertaken only by state(coal, iron and steel, aircraft manufacturing, ship building, telegraph, telephone etc.)
    - Industries to be regulated by the government(Industries of basic importance)
    - Open to private enterprise, individuals and cooperatives(remaining)

Industrial Policy Resolution, 1956 (IPR 1956)

- This policy laid down the basic framework of Industrial Policy
- This policy is also known as the Economic Constitution of India

It is classified into three sectors

- Schedule A – which covers Public Sector (17 Industries)
- Schedule B – covering Mixed Sector (i.e. Public & Private) (12 Industries)
- Schedule C – only Private Industries

This has provisions for Public Sector, Small Scale Industry, Foreign Investment. To meet new challenges, from time to time, it was modified through statements in 1973, 1977, and 1980.

Industrial Policy Statement, 1977

- This policy was an extension of the 1956 policy.
- The main was employment to the poor and reduction in the concentration of wealth.
- This policy majorly focused on Decentralisation
- It gave priority to small scale Industries
- It created a new unit called "Tiny Unit"
- This policy imposed restrictions on Multinational Companies (MNC).

Industrial Policy Statement, 1980

- The Industrial Policy Statement of 1980 addressed the need for promoting competition in the domestic market, modernization, selective Liberalization, and technological up-gradation.
- It liberalised licensing and provided for the automatic expansion of capacity.
- Due to this policy, the MRTP Act (Monopolies Restrictive Trade Practices) and FERA Act (Foreign Exchange Regulation Act, 1973) were introduced.
- The objective was to liberalize the industrial sector to increase industrial productivity and competitiveness of the industrial sector.
- The policy laid the foundation for an increasingly competitive export-based and for encouraging foreign investment in high-technology areas.

Aspirants can refer to the links below for UPSC preparation:

New Industrial Policy, 1991

The New Industrial Policy, 1991 had the main objective of providing facilities to market forces and to increase efficiency.

Larger roles were provided by

- L – Liberalization (Reduction of government control)
- P – Privatization (Increasing the role & scope of the private sector)
- G – Globalisation (Integration of the Indian economy with the world economy)

Because of LPG, old domestic firms have to compete with New Domestic firms, MNC's and imported items

The government allowed Domestic firms to import better technology to improve efficiency and to have access to better technology. The Foreign Direct Investment ceiling was increased from 40% to 51% in selected sectors.

The maximum FDI limit is 100% in selected sectors like infrastructure sectors. Foreign Investment promotion board was established. It is a single-window FDI clearance agency. The technology transfer agreement was allowed under the automatic route.

FIVE YEAR PLANS:

The first five-year plan in India was launched in 1951 and since then, India has witnessed twelve Five Year Plans. The present government had however discontinued the Five-year plan system and a new mechanism was put into place. Let us have a look at all the Five Year Plans the country has witnessed so far.

1. First Five Year Plan:
I. It was launched for the duration of 1951 to 1956, under the leadership of Jawaharlal Nehru.
II. It was based on the Harrod-Domar model with a few modifications.

III. Its main focus was on the agricultural development of the country.

IV. This plan was successful and achieved a growth rate of 3.6% (more than its target of 2.1%).
V. At the end of this plan, five IITs were set up in the country.

2. Second Five Year Plan:
I. It was made for the duration of 1956 to 1961, under the leadership of Jawaharlal Nehru.
II. It was based on the P.C. Mahalanobis Model made in the year 1953.
III. Its main focus was on the industrial development of the country.

IV. This plan lags behind its target growth rate of 4.5% and achieved a growth rate of 4.27%.

V. However, this plan was criticized by many experts and as a result, India faced a payment crisis in the year 1957.

(P.C. Mahalanobis)

3. Third Five Year Plan:
I. It was made for the duration of 1961 to 1966, under the leadership of Jawaharlal Nehru.
II. This plan is also called 'Gadgil Yojna', after the Deputy Chairman of Planning Commission D.R. Gadgil.
III. The main target of this plan was to make the economy independent. The stress was laid on agriculture and the improvement in the production of wheat.

IV. During the execution of this plan, India was engaged in two wars: (1) the Sino-India war of 1962 and (2) the Indo-Pakistani war of 1965. These wars exposed the weakness in our economy and shifted the focus to the defence industry, the Indian Army, and the stabilization of the price (India witnessed inflation).

V. The plan was a flop due to wars and drought. The target growth was 5.6% while the achieved growth was 2.4%.

Welfare Programmes by the Government of India
4. Plan Holidays:
I. Due to the failure of the previous plan, the government announced three annual plans called Plan Holidays from 1966 to 1969.
II. The main reason behind the plan holidays was the Indo-Pakistani war and the Sino-India war, leading to the failure of the third Five Year Plan.

III. During this plan, annual plans were made and equal priority was given to agriculture its allied sectors and the industry sector.

5. Fourth Five Year Plan:
I. Its duration was from 1969 to 1974, under the leadership of Indira Gandhi.
II. There were two main objectives of this plan i.e. growth with stability and progressive achievement of self-reliance.

III. During this time, 14 major Indian banks were nationalized and the Green Revolution was started. Indo-Pakistani War of 1971 and the Bangladesh Liberation War took place.

IV. Implementation of Family Planning Programmes was amongst major targets of the Plan

V. This plan failed and could achieve a growth rate of 3.3% only against the target of 5.7%.

6. Fifth Five Year Plan:
I. Its duration was 1974 to 1978.
II. This plan focussed on Garibi Hatao, employment, justice, agricultural production and defence.

III. The Electricity Supply Act was amended in 1975, a Twenty-point program was launched in 1975, the Minimum Needs Programme (MNP) and the Indian National Highway System was introduced.

IV. Overall this plan was successful which achieved a growth of 4.8% against the target of 4.4%.

V. This plan was terminated in 1978 by the newly elected Moraji Desai government.
7. Rolling Plan:
I. After the termination of the fifth Five Year Plan, the Rolling Plan came into effect from 1978 to 1990.
II. In 1980, Congress rejected the Rolling Plan and a new sixth Five Year Plan was introduced.

III. Three plans were introduced under the Rolling plan: (1) For the budget of the present year (2) this plan was for a fixed number of years-- 3,4 or 5 (3) Perspective plan for long terms-- 10, 15 or 20 years.

IV. The plan has several advantages as the targets could be mended and projects, allocations, etc. were variable to the country's economy. This means that if the targets can be amended each year, it would be difficult to achieve the targets and will result in destabilization in the Indian economy.

8. Sixth Five Year Plan:
I. Its duration was from 1980 to 1985, under the leadership of Indira Gandhi.
II. The basic objective of this plan was economic liberalization by eradicating poverty and achieving technological self-reliance.

III. It was based on investment Yojna, infrastructural changing, and trend to the growth model.

IV. Its growth target was 5.2% but it achieved a 5.7% growth.

9. Seventh Five Year Plan:
I. Its duration was from 1985 to 1990, under the leadership of Rajiv Gandhi.
II. The objectives of this plan include the establishment of a self-sufficient economy, opportunities for productive employment, and up-gradation of technology.

III. The Plan aimed at accelerating food grain production, increasing employment opportunities & raising productivity with a focus on ‘food, work & productivity

IV. For the first time, the private sector got priority over the public sector.
V. Its growth target was 5.0% but it achieved 6.01%.

10. Annual Plans:
I. Eighth Five Year Plan could not take place due to the volatile political situation at the centre.

II. Two annual programmes were formed for the year 1990-91& 1991-92.

Nature of Indian Economy: Structure and Key Features
11. Eighth Five Year Plan:
I. Its duration was from 1992 to 1997, under the leadership of P.V. Narasimha Rao.
II. In this plan, the top priority was given to the development of human resources i.e. employment, education, and public health.

III. During this plan, Narasimha Rao Govt. launched the New Economic Policy of India.
IV. Some of the main economic outcomes during the eighth plan period were rapid economic growth (highest annual growth rate so far – 6.8 %), high growth of agriculture and allied sector, and manufacturing sector, growth in exports and imports, improvement in trade and current account deficit. A high growth rate was achieved even though the share of the public sector in total investment had declined considerably to about 34 %
V. This plan was successful and got an annual growth rate of 6.8% against the target of 5.6%.

12. Ninth Five Year Plan:
I. Its duration was from 1997 to 2002, under the leadership of Atal Bihari Vajpayee.
II. The main focus of this plan was "Growth with Social Justice and Equality".
III. It was launched in the 50th year of independence of India.

IV. This plan failed to achieve the growth target of 6.5% and achieved a growth rate of 5.6%.

13. Tenth Five Year Plan:
I. Its duration was from 2002 to 2007, under the leadership of Atal Bihari Vajpayee and Manmohan Singh.
II. This plan aimed to double the Per Capita Income of India in the next 10 years.

III. It also aimed to reduce the poverty ratio to 15% by 2012.

IV. Its growth target was 8.0% but it achieved only 7.6%.

14. Eleventh Five Year Plan:
I. Its duration was from 2007 to 2012, under the leadership of Manmohan Singh.
II. It was prepared by the C. Rangarajan.

III. Its main theme was "rapid and more inclusive growth".
IV. It achieved a growth rate of 8% against a target of 9% growth.

15. Twelfth Five Year Plan:
I. Its duration is from 2012 to 2017, under the leadership of Manmohan Singh.
II. Its main theme is "Faster, More Inclusive and Sustainable Growth".
III. Its growth rate target was 8%.

5. Discuss the nature and importance of international business.

Nature of International Business

Foreign Investments
Foreign investment is an important part of international business. Foreign investment contain investments of funds from the abroad in exchange for financial return. Foreign investment is done through investment in foreign countries through international business. Foreign investments are two types which are direct investment and portfolio investment.

Exports And Imports Of Merchandise
Merchandise are the goods which are tangible. (those goods which can be seen and touched.) As mentioned above merchandise export means sending the home country's goods to other countries which are tangible and merchandise imports means bringing tangible goods to the home country.

Licensing And Franchising
Franchising means giving permission to the new party of the foreign country in order to produce and sell goods under your trademarks, patents or copyrights in exchange of some fee is also the way to enter into the international business. Licensing system refers to the companies like Pepsi and Coca-Cola which are produced and sold by local bottlers in foreign countries.

Service Exports And Imports
Services exports and imports consist of the intangible items which cannot be seen and touched. The trade between the countries of the services is also known as invisible trade. There is a variety of services like tourism, travel, boarding, lodging, constructing, training, educational, financial services etc. Tourism and travel are major components of world trade in services.

Growth Opportunities
There are lots of growth opportunities for both of the countries, developing and under-developing countries by trading with each other at a global level. The imports and exports of the countries grow their profits and help them to grow at a global level.

Benefiting From Currency Exchange
International business also plays an important role while the currency exchange rate as one can take advantage of the currency fluctuations. For example, when the U.S. dollar is down, you might be able to export more as foreign customers benefit from the favourable currency exchange rate.

Limitations Of The Domestic Market
If the domestic market of a country is small then the international business is a good option for the growth of the business in the host country. Depression of domestic market firms will force to explore foreign markets.

Importance of International Business

Market Expansion

International businesses are opened to perform business in different countries across the globe. These business keeps on expanding its activities and explore new markets for selling more and more products. The international business earns high amount of profits which helps them in expanding their market share.

Brings Foreign Exchange

The international business earns large amount of foreign exchange by selling its products among different countries. All payments are received in terms of foreign currency which are used by its home country for payment of imports. The foreign exchange earned by these businesses helps in the overall economic development of the country.

Spreading Of Business Risks

Presence of international businesses around the globe helps in spreading its risk. In case, if there is a loss incurred by this business in any one of the countries then that can be easily adjusted with the profit earned in other countries. International business transferred their surplus goods or resources in one country to another country which helps them in reducing their risk.

Economies Of Scale

These business are able to enjoy economies of scale due to their large scale production. International businesses produce large amount of goods for selling in different countries. With the increase in amount of production, per unit cost of producing goods goes down which helps them in earning large profits.

Cost Advantage
International business takes cost advantage over its competitors by producing goods in one country and exporting them in another country. They carry on their production in a country where factors of production are easily and cheaply available. This helps in minimizing the cost of product and earn huge profits by selling them at better prices in other countries.

Improves International Relations
International business helps in strengthening the economic relations among nations. These business helps other nations by exporting them goods of their requirements. It helps in developing better mutual understanding among countries due to which they are ready to support each other in time of needs.

Provide Employment Opportunities
International business employs large number of people for carrying out its operations across the globe. They perform large scale operations in many countries for which they require large amount of human resource.

Government Support
These businesses also enjoy government support for carrying out their operations and expanding their size. The government provides tax and financial benefits to these businesses as they earn a large amount of foreign reserves for the country.

UNIT-III

1. Explain the methods of capital budgeting and write the merits and demerits.

Techniques/Methods of Capital Budgeting

In addition to the many capital budgeting methods available, the following list outlines a few by which companies can decide which projects to explore:

#1 Payback Period Method

It refers to the time taken by a proposed project to generate enough income to cover the initial investment. The project with the quickest payback is chosen by the company.

Formula:

$$\textit{Payback Period} = \frac{\textit{Initial Cash Investment}}{\textit{Annual Cash Flow}}$$

#2 Net Present Value Method (NPV)

Evaluating capital investment projects is what the NPV method helps the companies with. There may be inconsistencies in the cash flows created over time. The cost of capital is used to discount it. An evaluation is done based on the investment made. Whether a project is accepted or rejected depends on the value of inflows over current outflows.

This method considers the time value of money and attributes it to the company's objective, which is to maximize profits for its owners. The capital cost factors in the cash flow during the entire lifespan of the product and the risks associated with such a cash flow. Then, the capital cost is calculated with the help of an estimate.

Formula:

Net Present Value (NPV) =
t ***= time of cash flow*** ***i = discount rate*** R_t ***= net cash flow***

#3 Internal Rate of Return (IRR)

IRR refers to the method where the NPV is zero. In such as condition, the cash inflow rate equals the cash outflow rate. Although it considers the time value of money, it is one of the complicated methods.

It follows the rule that if the IRR is more than the average cost of the capital, then the company accepts the project, or else it rejects the project. If the company faces a situation with multiple projects, then the project offering the highest IRR is selected by them.

Internal Rate of Return= ***equal to discounted cash outflows***
pt investments if IRR greater than Threshold Rate of Return, else reject.

#4 Profitability Index

This method provides the ratio of the present value of future cash inflows to the initial investment. A Profitability Index that presents a value lower than 1.0 is indicative of lower cash inflows than the initial cost of investment. Aligned with this, a profitability index great than 1.0 presents better cash inflows and therefore, the project will be accepted.

Formula:

Profitability Index =	***Present value of Cash Inflows***

	Initial Investment

Process of Capital Budgeting

The process of Capital Budgeting involves the following points:

Identifying and generating projects

Investment proposals are the first step in capital budgeting. Taking up investments in a business can be motivated by a number of reasons. There could be the addition or expansion of a product line. An increase in production or a decrease in production costs could also be suggested.

Evaluating the project

It mainly consists of selecting all criteria necessary for judging the need for a proposal. In order to maximize market value, it has to match the company's mission. It is crucial to consider the time value of money here.

In addition to estimating the benefits and costs, you should weigh the pros and cons associated with the process. There could be a lot of risks involved with the total cash inflows and outflows. This needs to be scrutinized thoroughly before moving ahead.

Selecting a Project

Since there is no 'one-size-fits-all' factor, there is no defined technique for selecting a project. Every business has diverse requirements and therefore, the approval over a project comes based on the objectives of the organization.

After the project has been finalized, the other components need to be attended to. These include the acquisition of funds which can be explored by the finance department of the company. The companies need to explore all the options before concluding and approving the project. Besides, the factors like viability, profitability, and market conditions also play a vital role in the selection of the project.

Implementation

Once the project is implemented, now come the other critical elements such as completing it in the stipulated time frame or reduction of costs. Hereafter, the management takes charge of monitoring the impact of implementing the project.

Performance Review

This involves the process of analyzing and assessing the actual results over the estimated outcomes. This step helps the management identify the flaws and eliminate them for future proposals.

Factors Affecting Capital Budgeting

So far in the article, we have observed how measurability and accountability are two primary aspects that achieve the center stage through capital budgeting. However, while on the path to accomplish a competent capital budgeting process, you may come across various factors that may affect it.

Let us move on to observing the factors that affect the capital budgeting process.

Factors Affecting Capital Budgeting

Capital Return
Accounting Methods
Structure of Capital
Availability of Funds
Management decisions
Government Policies
Working Capital
Need of the project
Lending terms of financial institutions
Earnings
Taxation Policies
The economic value of the project

Objectives of Capital Budgeting

The following points present the objectives of the capital budgeting:

- **Capital Expenditure Control**: Organizations need to estimate the cost of investment as it allows them to control and manage the required capital expenditures.
- **Selecting Profitable Projects**: The company will have to select the most appropriate project from the multiple possibilities in front of it.
- **Identification of Source of funds: The businesses need to locate and select the most viable and apt source of funds for long-term capital investment. It needs to compare the various costs like the costs of borrowing and the cost of expected profits.**

Advantages of Capital Budgeting

- Helps in making decisions in the investments opportunities
- Adequate control over expenditures of the company
- Promotes understanding of risks and its effects on the business
- Increase shareholders' wealth and improve market holding
- Abstain from Over or Under Investment

Limitations of Capital Budgeting

Although capital budgeting provides a lot of insight into the future prospects of a business, it cannot be termed a flawless method after all. In this section, we learn about some of the limitations of capital budgeting.

Cash Flow

It is a simple technique that determines if an enhanced value of a project justifies the required investment. The primary reason to implement capital budgeting is to achieve forecasting revenue a project may possibly generate. The problem could be the estimate itself. All the upfront costs or the future revenue are all only estimates at this point. An overestimation or an underestimation could ultimately be detrimental to the performance of the business.

Time Horizon

Usually, capital budgeting as a process works across for long spans of years. While the shorter duration forecasts may be estimated, the longer ones are bound to be miscalculated. Therefore, an expanded time horizon could be a potential problem while computing figures with capital budgeting.

Besides, there could be additional factors such as competition or legal or technological innovations that could be problematic.

Time Value

The payback period method of capital budgeting holds a lot of relevance, especially for small businesses. It is a simple method that only requires the business to repay in the predecided timeframe. However, the problem it poses is that it does not count in the time value of money. This is to say that equal amounts (of money) have different values at different points in time.

Discount Rates

The accounting for the time value of money is done either by borrowing money, paying interest, or using one's own money. The knowledge of discount rates is essential. The proper estimation and calculation of which could be a cumbersome task.

Even if this is achieved, there are other fluctuations like the varying interest rates that could hamper future cash flows. Therefore, this is a factor that adds up to the list of limitations of capital budgeting.

2. Explain the sources of product for business and discuss the project profile preparation.

Top sources of business ideas and opportunities Looking for sources of ideas for your new entrepreneurial venture can be daunting, especially if you want to establish your first business. As you look for these sources, remember to embrace creativity and innovation to make your venture outstanding. The sources can be internal or external. Internal and external sources of business ideas differ - internal ones come from within, for example, talents, while external sources are inspired by things or scenarios outside someone. Below is a list of various ways of generating business ideas that you can employ to help you decide on your next entrepreneurial venture.

Past work experience/ spin-off from employment

The experience you gain from your workplace can help you start an entrepreneurial venture. Past work experience, especially in the business world, opens your mind to endless opportunities in the field. You can choose to start a venture using the skills and knowledge gained at the workplace. If you decide to spin-off from employment, ensure you leverage the skills and experiences you have gained over the years.

Hobbies, talents, and interests

A hobby is something you enjoy doing during your leisure time. On the other hand, talent is a natural aptitude, while interest is something that catches your attention that you wish to learn. You can turn your hobby, talent, or interest into a profitable business, especially if you conduct research on the target market and market your services or products. For example, if you enjoy painting in your free time, you can come up with an art-selling business. READ ALSO Top 20 most unique hobbies that you can do at home in 2021 For an interest to become profitable, you must be willing to pursue and master it. If necessary, get the relevant training before starting the venture.

Customer surveys

For a business to succeed, it must meet a specific consumer need. Therefore, customers are the best source of ideas as they know the products and services they need to make life easier. Before you start your entrepreneurial journey, you should ensure you understand the expressed or unexpressed consumer needs. You can discover these needs by conducting consumer surveys online and offline. Consumer surveys entail getting feedback from consumers to assess their needs, satisfaction, and expectations. The responses you get from these surveys help you to understand what motivates, excites, and frustrates consumers and guides you in selecting a suitable business concept.

Brainstorming

Every human being has thoughts that could be potential enterprises. In brainstorming, you identify a challenge experienced by customers and allow your brain to come up with all possible solutions to the gap.

Expert consultations

In expert consultations, the person seeking business ideas meets with experienced or successful entrepreneurs to seek advice. The aim is to learn as much as possible about entrepreneurship. Listening keenly to experts will give you tips on approaching the business world and the dos and don'ts. You can also get information on the most profitable ventures. If you prefer to make consultations, have a budget because most consultants will charge you for their time and insight. Remember, they are also in business!

Market gap analysis

Wise people said that necessity is the mother of invention. Market gap analysis involves identifying products or services whose demand is greater than the supply. A gap analysis helps an entrepreneur to recognise the current state of products or services in the market in terms of time, money and labour. Entrepreneurs can also adapt an existing product or service to make it suit their own business

Family and friends

Listening and talking with family and friends can help you come up with entrepreneurial concepts. Each family member has a different perspective of life. They also have different needs, wants, and ambitions. Listening to your loved ones will give you insight into entrepreneurship. Once you get ideas, exercise caution when implementing them to avoid loss and frustration.

Research and development

An entrepreneur can also conduct research on the products that are available in the market and which ones have the highest demand. Resources for conducting research include books, the internet, journals, newspapers, research institutions, etc. READ ALSO How to start a tech company in Kenya and become successful You can get the best business ideas over the internet by simply browsing on your phone at a minimal cost. With just a click of a button on your computer or phone, you can get numerous ideas. Afterwards, you can screen the concepts and pick out the most feasible one. The goal is to identify the gaps in the market and develop creative solutions.

Current trends

Most people like being up to date with the latest trends in fashion, electronics, and other things. You can analyse consumer trends and take advantage of the prevailing trends to make a profit. Ideas based on trends require flexibility because trends change overnight, and you do not want to be left with dead stock or offer outdated services. These ideas are for people who do not mind taking risks often and who have fantastic forecasting skills.

Mass media

The mass media, including television, newspapers, the internet, radio, and magazines, are a great source of information, including business ideas. Various mass media platforms offer great insight into consumer wants and needs. Besides mainstream media, you can also use social media to find out what people want or need.

PREPARATION OF PROJECT REPORT

After the preparation of a business plan by evaluating a business idea, the next step is to garner financial support. For bringing in financial support an entrepreneur requires to submit a detailed project report which should cover the following basic aspect.

- Information about the promoters of the enterprise
- Information about the basic objective of the enterprise
- Information about the product and the processes involved
- Location of the enterprise
- Size of investments
- Estimated cost of the project and ability of financing thereof
- Technical arrangements
- Information about environmental concerns
- Profitability projections and cash flows Management Evaluation
- Memorandum and Articles of Association: Object, authorized and paid-up share capital, promoter's contribution.
- Constitution and management of the industrial concern
- Present and proposed composition of the board of directors, borrowing powers, list of directors on the Board, terms of appointment of directors, details of full time directors and their responsibilities, details of Chief Executive and functional executives.

Technical Feasibility

1. Technology and manufacturing process:

• novel technology to be used, • basis of selection of technology,

• competing technologies,

• performance data of plants based on the technology,

• licensor documents.

2. Location of the Project:

• advantages based on location,

• availability of inputs viz., raw material and other resources,

• labour availability,

• environmental clearances

3. Plant and Machinery:

• list of machinery & equipment,

• details of suppliers, competitive quotations, technical & commercial evaluation of major equipment

4. Raw material, Utilities and Manpower

5. Project monitoring and implementations:

• mode of implementation,

• details of monitoring team,

• detailed schedule of implementation. Environmental Aspects Air, Water and Soil Pollution, list of pollutants/hazardous substances, their safety, handling and affluent disposal arrangements, compliance with national and International Standards, clearances and no objection certificates required and obtained etc. Commercial Viability

• Proposed products existing and potential market demand and supply

• Proposed products share forecasted and analysed with respect to the market

• Manufacturing cost analysis

• Sale price of the proposed product

• Export potential analysis Financial Feasibility

• Project Cost Analysis

• Operating cost and profits

• Operational performance and financial evaluation

• Financing modes

• Working Capital requirements

• PROJECT APPRAISAL

Project appraisal is examined prima facie that whether the project is acceptable under certain rules which could be the experience and background of the applicant, the potential demand of the product, whether the project is meeting the governmental requirements and status etc.

1. Appraisal from External Agencies:

Financial Agencies The financial external agencies appraising the project, their point in contention is to look for credit appraisal. In this before a credit facility is provided to the entrepreneur, the proposal is checked rigorously. It involves in-depth study of all the feasibility aspects studied earlier viz., financial, technical, commercial, managerial etc. Generally, in order to sanction an amount it is prudent for the banks and other financial institutions to assess the data provided by the entrepreneur in an unbiased manner.

This assessment can be further by financial institutions by outsourcing the data gathering exercise to independent agencies because the borrowers could tamper or favourably place the data to suit their needs. Loan appraisal by financial institutions and banks require careful scrutiny of the highest level. Loan appraisal signifies the capability of the borrower to repay the principal loan amount and the interest thereof in the period specified.

2. Appraisal from External Agencies:

Non-Financial Agencies Project appraisal done by non-financial agencies could require a checks and balances on all the aspects of feasibility testing which is carried out by the entrepreneur in the first step. It may involve a detailed estimation and research on the way of production of the product in offing, proposed way of marketing the final product after the launch etc. Project appraisal by non-financial institutions may also involve examining in a systematic manner proper i.e effective and efficient utilization of resources which could result into best results and ultimately ensuring product viability.

3. Explain the Feasibility Report Preparation and Evaluative Criteria

1. General Information

The feasibility report should include an analysis of the industry to which the project belongs. It should deal with the past performance of the industry. The description of the type of industry should also be given (i.e) the priority of the industry, increase in production, role of the public sector, allocation of investment funds, choice of technique etc. This should contain information about the enterprise submitting the feasibility report.

2. Preliminary Analysis of Alternatives

This should contain present data on the gap between demand and supply for the outputs which are to be produced, date on the capacity that would be available from projects that are in production or under implementation at the time the report is prepared.

All opinions are technically feasible should be considered at this preliminary stage. An account of the foreign exchange requirement should be taken. The profitability of di erent opinions should also be looked into an account of the foreign exchange requirement should be taken.

3. Project Description

The feasibility report should provide a brief description of the technology chosen for the project. Information relevant for determining the optimality of the location chosen should also be included.

To assist on the assessment of the environmental e ects of the project very feasibility report must present the information on specificpoint (i.e) population, water, land air, e ects raising out of the project pollution, other environmental disruption etc.

Report should contain a list of important items of capital equipment and also the list of the operational requirements of the plant, requirement of water, power, personnel, organizational structure envisaged, transport cost and factors a ecting it.

4. Marketing Plan

It should contain the following items/ data on the marketing plan. Demand and prospective supply in each of the area to be served.

The method and the data used for making estimates of domestic supply and selection of the market area should be presented.

Estimates of the degree of price sensitivity should be presented. It should contain an analysis of past trends in prices.

5. Capital Requirement and Cost

The estimates should be reasonably complete and properly estimated information on all items of costs should be carefully collected and presented.

6. Operating Requirements and Cost

Operating cost are essentially those cost which are included after the commencement of commercial production.

Information about all items of operating cost should be collected. Operating cost relate to
cost of raw materials and intermediaries, fuels, utilities, labour, repair and maintenance, selling and other expenses.

7. Financial Analysis

The purpose of this analysis is to present measures to assess the nancial viability of the project. A performance balance sheet for the project data should be presented.

Depreciation should be allowed on the basis specifiedby the Bureau of public enterprises. Foreign exchange requirements should be cleared by the department of economic a airs.

The feasibility report should take into account income tax rebates for priority industries, incentives for backward areas, accelerated depreciation etc.

The sensitivity analysis should also be presented. The report must analyse the sensitivity of the rate on the level and pattern of product prise.

8. Economic Analysis

Social profitability analysis need some adjustments in the data relating to the cost and return to the enterprises. One important type of adjustment involves a correction in input and cost to react the true value of foreign exchange, labour and capital.

The enterprise should try to access the impact of its operation on foreign trade. Indirect cost and benefits should be included. If they cannot be quantified they should be analyzed.

4. Explain the concept of various forms of business ownership.

Factors Affecting the Business Forms

Business organizations can be of different types, depending upon factors like their nature, the extent of operation, ownership, legalities, terms, financial structure, liabilities, etc. The form of a business is likely to have long-term impacts on the company. Thus, the members of an organization must choose wisely as to which sort of business would be ideal for them.
The primary aspect, based on which forms of business organizations are decided, is its characteristics. Various factors determining the character of business include:

1. Ease of Formation
2. Capital or Financial Requirements
3. Nature of Liability

4. Control
5. Stability and Continuity
6. Flexibility to Conduct Operations.
7. Secrecy
8. Legal Aspects

VARIOUS FORMS OF BUSINESS OWNERSHIP:

Sole Proprietorship

The simplest and most common form of business ownership, sole proprietorship is a business owned and run by someone for their own benefit. The business' existence is entirely dependent on the owner's decisions, so when the owner dies, so does the business.

Advantages of sole proprietorship:

- All profits are subject to the owner
- There is very little regulation for proprietorships
- Owners have total flexibility when running the business
- Very few requirements for starting—often only a business license

Disadvantages:

- Owner is 100% liable for business debts
- Equity is limited to the owner's personal resources
- Ownership of proprietorship is difficult to transfer
- No distinction between personal and business income

Partnership

These come in two types: general and limited. In general partnerships, both owners invest their money, property, labor, etc. to the business and are both 100% liable for business debts. In other words, even if you invest a little into a general partnership, you are still potentially responsible for all its debt. General partnerships do not require a formal agreement—partnerships can be verbal or even implied between the two business owners.

Limited partnerships require a formal agreement between the partners. They must also file a certificate of partnership with the state. Limited partnerships allow partners to limit their own liability for business debts according to their portion of ownership or investment.

Advantages of partnerships:

- Shared resources provides more capital for the business
- Each partner shares the total profits of the company
- Similar flexibility and simple design of a proprietorship
- Inexpensive to establish a business partnership, formal or informal

Disadvantages:

- Each partner is 100% responsible for debts and losses
- Selling the business is difficult—requires finding new partner
- Partnership ends when any partner decides to end it

Corporation

Corporations are, for tax purposes, separate entities and are considered a legal person. This means, among other things, that the profits generated by a corporation are taxed as the “personal income” of the company. Then, any income distributed to the shareholders as dividends or profits are taxed again as the personal income of the owners.

Advantages of a corporation:

- Limits liability of the owner to debts or losses
- Profits and losses belong to the corporation
- Can be transferred to new owners fairly easily
- Personal assets cannot be seized to pay for business debts

Disadvantages:

- Corporate operations are costly
- Establishing a corporation is costly
- Start a corporate business requires complex paperwork
- With some exceptions, corporate income is taxed twice

Limited Liability Company (LLC)

Similar to a limited partnership, an LLC provides owners with limited liability while providing some of the income advantages of a partnership. Essentially, the advantages of partnerships and corporations are combined in an LLC, mitigating some of the disadvantages of each.

Advantages of an LLC:

- Limits liability to the company owners for debts or losses
- The profits of the LLC are shared by the owners without double-taxation

Disadvantages:

- Ownership is limited by certain state laws
- Agreements must be comprehensive and complex
- Beginning an LLC has high costs due to legal and filing fees

JOIN STOCK COMPANY:

A joint stock company is an organization which is owned jointly by all its shareholders. Here, all the stakeholders have a specific portion of stock owned, usually displayed as a share.

Each joint stock company share is transferable, and if the company is public, then its shares are marketed on registered stock exchanges. Private joint stock company shares can be transferred from one party to another party. However, the transfer is limited by agreement and family members.

Features of Joint Stock Company

1. **Separate Legal Entity –** A joint stock company is an individual legal entity, apart from the persons involved. It can own assets and can because it is an entity it can sue or can be sued. Whereas a partnership or a sole proprietor, it has no such legal existence apart from the person involved in it. So the members of the joint stock company are not liable to the company and are not dependent on each other for business activities.
2. **Perpetual –** Once a firm is born, it can only be dissolved by the functioning of law. So, company life is not affected even if its member keeps changing.
3. **Number of Members –** For a public limited company, there can be an unlimited number of members but minimum being seven. For a private limited company, only two members. In general, a partnership firm cannot have more than 10 members in one business.
4. **Limited Liability –** In this type of company, the liability of the company's shareholders is limited. However, no member can liquidate the personal assets to pay the debts of a firm.
5. **Transferable share –** A company's shareholder without consulting can transfer his shares to others. Whereas, in a partnership firm without any approval of other partners, a partner cannot move his share.
6. **Incorporation –** For a firm to be accepted as an individual legal entity, it has to be incorporated. So, it is compulsory to register a firm under a joint stock company.

Types of Joint Stock Company

The joint stock company is divided into three different types.

- **Chartered Company –** A firm incorporated by the king or the head of the state is known as a chartered company.
- **Statutory Company –** A company which is formed by a particular act of parliament is known as a statutory company. Here, all the power, object, right, and responsibility are all defined by the act.

- **Registered Company –** An organisation that is formed by registering under the law of the company comes under a registered company.

Example of Joint Stock Company

Few examples are mentioned below.

- Indian Oil Corporation Ltd.
- Tata Motors Ltd.
- Reliance Industries Ltd.

5. Explain the process and techniques of project evaluation and discuss the scope and principles of project evaluation.

The project evaluation process has been around as long as projects themselves. But when it comes to the science of project management, project evaluation can be broken down into three main types or methods: pre-project evaluation, ongoing evaluation and post-project evaluation. Let's look at the project evaluation process, what it entails and how you can improve your technique.

Project Evaluation Criteria

The specific details of the project evaluation criteria vary from one project or one organization to another. In general terms, a project evaluation process goes over the project constraints including time, cost, scope, resources, risk and quality. In addition, organizations may add their own business goals, strategic objectives and other metrics.

Project Evaluation Methods

There are three points in a project where evaluation is most needed. While you can evaluate your project at any time, these are points where you should have the process officially scheduled.

1. Pre-Project Evaluation

In a sense, you're pre-evaluating your project when you write your project charter to pitch to the stakeholders. You cannot effectively plan, staff and control a new project if you've first not evaluated it. Pre-project evaluation is the only sure way you can determine the effectiveness of the project before executing it.

2. Ongoing Project Evaluation

To make sure your project is proceeding as planned and hitting all of the scheduling and budget milestones you've set, it's crucial that you constantly monitor and report on your work in real-time. Only by using project metrics can you measure the success of your project and whether or not you're meeting the project's goals and objectives. It's strongly recommended that you use project management software for real-time and ongoing project evaluation.

3. Post-Project Evaluation

Think of this as a postmortem. Post-project evaluation is when you go through the project's paperwork, interview the project team and principles and analyze all relevant data so you can understand what worked and what went wrong. Only by developing this clear picture can you resolve issues in upcoming projects.

Project Evaluation Steps

Regardless of when you choose to run a project evaluation, the process always

has four phases: planning, implementation, completion and dissemination of reports.

1. Planning

The ultimate goal of this step is to create a project evaluation plan, a document that explains all details of your organization's project evaluation process. When planning for a project evaluation, it's important to identify the stakeholders and what their short-and-long-term goals are. You must make sure that your goals and objectives for the project are clear, and it's critical to have settled on criteria that will tell you whether these goals and objects are being met.

So, you'll want to write a series of questions to pose to the stakeholders. These queries should include subjects such as the project framework, best practices and metrics that determine success.

2. Implementation

While the project is running, you must monitor all aspects to make sure you're meeting the schedule and budget. One of the things you should monitor during the project is the percentage completed. This is something you should do when creating status reports and meeting with your team. To make sure you're on track, hold the team accountable for delivering timely tasks and maintain baseline dates to know when tasks are due.

Maintaining a close relationship with the project budget is just as important as tracking the schedule and quality. Keep an eye on costs. They will fluctuate throughout the project, so don't panic. However, be transparent if you notice a need growing for more funds. Let your steering committee know as soon as possible, so there are no surprises.

3. Completion

When you're done with your project, you still have work to do. You'll want to take the data you gathered in the evaluation and learn from it so you can fix problems that you discovered in the process. Figure out the short- and long-term impacts of what you learned in the evaluation.

4. Reporting and Disseminating

Once the evaluation is complete, you need to record the results. To do so, you'll create a project evaluation report, a document that provides lessons for the future. Deliver your report to your stakeholders to keep them updated on the project's progress.

Benefits of Project Evaluation

Project evaluation is always advisable and it can bring a wide array of benefits to your organization. As noted above, there are many aspects that can be measured through the project evaluation process. It's up to you and your stakeholders to decide the most critical factors to consider. Here are some of the main benefits of implementing a project evaluation process.

Better Project Management: Project evaluation helps you easily find areas of improvement when it comes to managing your costs, tasks, resources and time.

Improves Team performance: Project evaluation allows you to keep track of your team's performance and increases accountability.

Better Project Planning: Helps you compare your project baseline against actual project performance for better planning and estimating.

Helps with Stakeholder Management: Having a good relationship with stakeholders is key to success as a project manager. Creating a project evaluation report is very important to keep them updated.

The Best Project Evaluation Methods

You may still feel like you're in the dark on how to best start evaluating your projects. Luckily, we have a handy guide for some of the most common techniques and methods used today.

1. Return on Investment (ROI)

The most popular and common way to evaluate a project is through its return on investment (ROI). This approach calculates the amount of money gained or lost as a result of the project.

The calculation compares the initial investment with the final revenue generated by the project. A positive ROI means that the benefits are greater than the costs, while a negative ROI indicates that the costs outweighed any benefits.

2. Cost-Benefit Analysis (CBA)

A cost-benefit analysis is another one of the most popular and successful techniques for evaluating projects. It takes into account the costs associated with a project and compares them to the benefits that are expected to be gained.

Importantly, this does not necessarily need to be measured in revenue, and can instead take into account other things such as environmental or social benefits.

3. Net Present Value (NPV)

The NPV measures the present value of all cash flows associated with a project— both benefits and costs. This approach is often used for long-term projects where some cash flows are received in the future.

NPV takes into account both the time value of money (the fact that money today is worth more than money tomorrow) and the risks associated with future cash flows. A positive NPV means that the present value of all benefits exceeds the present value of all costs, while a negative NPV means the opposite.

4. Internal Rate of Return (IRR)

An IRR is used to determine how profitable a project is. It calculates the rate of return that would make the net present value of all cash flows from the project equal to zero. This can help you decide if a project is worth doing, and whether or not it's worth borrowing money to finance it. Generally, the higher the IRR, the better the investment.

5. The Payback Period

The payback period method measures how long it will take for a project to generate enough cash flow to cover its initial costs. It ignores cash flows after the payback period has been reached. This method is often used when there is uncertainty about future cash flows.

6. Benefit-Cost Ratio (BCR)

Related but slightly different than a CBA, the benefit-cost ratio is an individual number that can be an easy way to tell if a project is going to provide positive value. A ratio greater than 1.0 would mean that it is expected to provide value, and could then be applied to several other analysis techniques to determine if the project is worthwhile.

Again, this can include benefits that are not directly tied to revenue, though a value will need to be assigned. In today's market, for instance, corporate social responsibility and sustainability can be just as important as anything else.

7. Risk-Adjusted Discount Rate (RADR)

Instead of just looking at straight costs and benefits, a RADR takes into account the risk associated with a project and adjusts the discount rate accordingly. This can help you make better decisions about whether or not to undertake a risky project, giving you a more accurate estimate of future returns.

Each of these methods has its strengths and weaknesses, and you may find that one works better for your particular project than another. It's important to tailor the evaluation method to the project at hand so that you can get the most accurate results.

UNIT-IV

13MARKS:

1. **Define inventory management. Briefly explain the different techniques of inventory management with suitable examples.**

Meaning of Inventory Management

Inventory management refers to **the process of ordering, storing, using, and selling a company's inventory**. This includes the management of raw materials, components, and finished products, as well as warehousing and processing of such items.

Objectives of Inventory Management:

1. Material Availability

The primary goal of inventory management is to ensure that all kinds of materials are accessible whenever the production department needs them, ensuring that production is not stopped or slowed down due to a lack of resources.

It is thus prudent to maintain a buffer stock of all critical goods in order to keep production on track.

2. Better Level of Customer Service

It is impossible to fulfil a received order if you do not have an accurate count of the items in your possession. In order to meet requests, you must have accessible the appropriate goods at the right time. Otherwise, you may end yourself in a state of confusion.

To fulfill the needs for quality products, the concern must maintain an adequate supply of completed items to guarantee that customers' orders are fulfilled. It will increase the company's brand image.

3. Keeping Wastage and Losses to a Minimum

Inventory management is very successful in mitigating losses. When there is no monitoring system in place, it is very normal for an item to be squandered or misplaced.

4. Maintaining Sufficient Stock

Supplies should be easily available for all stages of production, from raw materials to completed goods. You need to make sure you have enough of the necessary material on hand to meet client demand without having to cut corners.
The manufacturing department no longer has to be concerned about running out of raw materials or products because of the steady supply.

5. Cost-Effective Storage

It eliminates the possibility of keeping extra stock, since the needs are predetermined, thus eliminating needless storage expenses.

6. Cost Value of Inventories Can Be Reduced

When purchasing products or stock on a regular basis, an organisation may negotiate discounts and other incentives to lower the overall cost.

7. Optimizing Product Sales

Additionally, inventory management may be used to determine the volume of product sales. Sales is one of the most essential and crucial phases of the whole process. Understanding the present condition as well as making future assumptions from the analysis are two key elements in making a successful prediction. You can identify things that move at a slower rate, and remove them.

Inventory Management Techniques

Especially for larger apps with lots of moving parts, inventory management can become complex, encompassing several techniques and strategies. Let's take a look at some inventory control techniques you may choose to utilize in your own warehouse.

- **Economic order quantity.**

Economic order quantity (EOQ) is a formula for how much inventory a company should purchase with a set of variables like total costs of production, demand rate and other factors. The formula identifies the greatest number of units in order to minimize buying, holding and other costs.

- **Minimum order quantity.**

Minimum order quantity (MOQ) is the smallest amount of inventory a retail business will purchase in order to keep costs low. However, keep in mind that inventory items that cost more to produce typically have a smaller MOQ, as opposed to cheaper items that are easier and more cost effective to make.

- **ABC analysis.**

This technique splits goods into three categories to identify items that have a heavy impact on overall inventory cost.

- **Category A** is your most valuable products that contribute the most to overall profit.
- **Category B** is the products that fall in between the most and least valuable.
- **Category C** is for small transactions that are vital for overall profit but don't matter much individually.

- **Just-in-time inventory management.**

Just-in-time (JIT) inventory management is a technique in which companies receive inventory on an as-needed basis instead of ordering too much and risking dead stock (inventory that was never sold or used by customers before being removed from sale status).

- **Safety stock inventory.**

Safety stock inventory management is extra inventory that is ordered and set aside in case the company doesn't have enough for replenishment. This helps prevent stock-outs typically caused by incorrect forecasting or unforeseen changes in customer demand.

- **FIFO and LIFO.**

LIFO and FIFO are methods to determine the cost of goods. FIFO, or first-in, first-out, assumes the older inventory is sold first in order to keep inventory fresh.

LIFO, or last-in, first-out, assumes the newer inventory is typically sold first to prevent inventory from going bad.

- **Batch tracking.**

Batch tracking is a quality control technique wherein users can group and monitor similar goods to track inventory expiration or trace defective items back to their original batch.

- **Consignment inventory.**

If you're thinking about your local consignment store here, you're exactly right.

Consignment inventory is when a consigner (vendor or wholesaler) agrees to give a consignee (retailer) their goods without the consignee paying for the inventory upfront. The consigner offering the inventory still owns the goods, and the consignee pays for them only when they sell.

- **Perpetual inventory management.**

Perpetual inventory management is simply counting inventory as soon as it arrives to deliver real-time insights.

It's the most basic type of inventory management system and can be recorded manually on pen and paper or an Excel spreadsheet. Or, by using handheld devices that scan product barcodes and RFID tags, you may use an inventory system that automates inventory balances as soon as stock is moved, sold, used or discarded.

- **Dropshipping.**

Dropshipping is an order fulfillment method in which the supplier ships products directly to the customer. When a store makes a sale, instead of picking the item from their own inventory, they purchase the item from a third party and have it shipped to the consumer.

- **Lean Manufacturing.**

Lean manufacturing is a broad set of management practices that can be applied to any business practice. Its goal is to improve efficiency by eliminating waste and any non-value-adding activities from daily business.

- **Six Sigma.**

Six Sigma is a method that gives companies tools to improve the performance of their business (increase profits) and decrease excess inventory.

- **Lean Six Sigma.**

Lean Six Sigma enhances the tools of Six Sigma, but instead focuses more on increasing word standardization and the flow of business.

- **Demand forecasting.**

Demand forecasting is based on historical sales data to forecast customer demand. Essentially, it’s an estimate of the goods and services a company expects customers to purchase in the future.

- **Cross-docking.**

Cross-docking is a technique whereby a supplier truck unloads materials directly into outbound trucks to create a JIT shipping process. This essentially eliminates warehousing, and there is little to no storage in between deliveries.

- **Bulk shipments.**

Bulk shipments is a cost efficient method of shipping in which a business palletizes inventory to ship more at once. To see some examples of effective inventory management in action, check out our BigCommerce Case Studies page, where you can find success stories from both B2C and B2B merchants.

7 Most Effective Inventory Management Techniques

There are various **types of inventory management techniques** that can help in efficient inventory management. They are as follows:

ABC Analysis

ABC analysis stands for Always Better Control Analysis. It is an inventory management technique where inventory items are classified into three categories: A, B, and C. The items in the A category of inventory are closely controlled as it consists of high-priced inventory, which may be less in number but are very expensive. The items in the B category are relatively less expensive than in the A category, and the number of items in the B category is moderate, so the control level is also moderate. The C category consists of a high number of inventory items that require lesser investments, so the control level is minimum.

Just In Time (JIT) Method

In the Just in Time method of inventory control, the company keeps only as much inventory as it needs during the production process. With no excess inventory in hand, the company saves the cost of storage and insurance. The company orders further inventory when the old inventory stock is close to replenishment. This is a little risky method of inventory management because a little delay in ordering new inventory can lead to a stock-out situation. Thus this method requires proper planning so that new orders can be timely placed.

Material Requirements Planning (MRP) Method

Material Requirements Planning is an inventory control method in which the manufacturers order the inventory after considering the sales forecast. MRP system integrates data from various areas of the business where inventory exists. Based on the data and demand in the market, the manager would carefully place the order for new inventory with the material suppliers.

Economic Order Quantity (EOQ) Model

Economic Order Quantity technique focuses on making a decision regarding how much quantity of inventory the company should order at any point in time and when they should place the order. In this model, the store manager will reorder the inventory when it reaches the reordering level. EOQ model helps to save the ordering cost and carrying costs incurred while placing the order. With the EOQ model, the organization is able to place the right quantity of inventory.

Minimum Safety Stocks

The minimum safety stock is the inventory level that an organization maintains to avoid a stock-out situation. It is the level when we place the new order before the existing inventory is over. For example, if the total inventory in an organization is 18,000 units, they place a new order when the inventory reaches 15,000 units. Therefore, the 3,000 units of inventory shall form part of the minimum safety stock level.

VED Analysis

VED stands for Vital Essential and Desirable. Organizations mainly use this technique for controlling spare parts of inventory. Like, a higher level of inventory is required for vital parts that are very costly and essential for production. Others are essential spare parts whose absence may slow down the production process. Hence it is necessary to maintain such inventory. Similarly, an organization can maintain a low level of inventory for desirable parts whose requirement does not arise more often for production.

Fast, Slow & Non-moving (FSN) Method

FSN method of inventory control is very useful for controlling obsolescence. All the inventory items are not used in the same order; some are required frequently, while some are not required at all. So this method classifies inventory into three categories, fast-moving inventory, slow-moving inventory, and non-moving inventory. The order for new inventory takes place on the basis of the utilization of inventory.

Perpetual Inventory System

This technique keeps a continuous and updated record of inventories after each transaction of purchase, sale, withdrawal, etc.

2. Define selection. Explain the commonly used selection procedure with suitable examples.

Definition of Selection in HRM

Selection is the process of choosing from the candidates, from within the organization or from outside, the most suitable person for the current or future positions.

8 Steps in Selection Process

The selection process typically begins with the preliminary interview; candidates complete the employment application.

They progress through selection tests, employment interviews, and reference and background checks. The successful applicant receives a company physical examination and is employed if the results are satisfactory.

Several external and internal factors impact the selection process, and the manager must consider them in making selection decisions.

8 steps in the selection process are;

1. Initial Screening
2. Completion of the Application Form
3. Employment Tests
4. Job Interview
5. Conditional Job Offer
6. Background Investigation
7. Medical/Physical Examination
8. Permanent Job Offer

1. Initial Screening

The selection process often begins with an initial screening of applicants to remove individuals who do not meet the position requirements.

At this stage, a few straightforward questions are asked. An applicant may be unqualified to fill the advertised position but be well qualified to work in other open positions.

The Purpose of Screening is to decrease the number of applicants being considered for selection.

Sources utilized in the screening effort.

A personal Resume presented with the job application is considered a source of information that can be used for the initial screening process. It mainly includes information in the following areas:

- Employment & education history.
- Evaluation of character.
- Evaluation of job performance.

Advantages of Successful Screening

If the screening effort is successful, those applicants that do not meet the minimum required qualifications will not move to the next stage in the selection process.

Companies utilizing expensive selection procedures put more effort into screening to reduce costs.

2. Completion of the Application Form

Application Blank is a formal record of an individual's application for employment. The next step in the selection process may involve having the prospective employee complete an employment application.

This may be as brief as requiring only an applicant's name, address, and telephone number.

The application form gives a job-performance-related synopsis of applicants' life, skills, and accomplishments.

The specific type of information may vary from firm to firm and even by job type within an organization.

Application forms are a good way to quickly collect verifiable and fairly accurate historical data from the candidate.

3. Employment Tests

Personnel testing are a valuable way to measure individual characteristics. Hundreds of tests have been developed to measure various dimensions of behavior.

The tests measure mental abilities, knowledge, physical abilities, personality, interest, temperament, and other attitudes and behaviors.

Evidence suggests that tests are becoming more prevalent for assessing an applicant's qualifications and potential for success.

Tests are used more in the public sector than in the private sector and in medium-sized and large companies than in small companies.

Large organizations are likely to have trained specialists to run their testing programs.

4. Job Interview

An interview is a goal-oriented conversation in which the interviewer and applicant exchange information.

The employment interview is especially significant because the applicants who reach this stage are considered the most promising candidates.

Content of the Interview

The specific content of employment interviews varies greatly by the organization and the job level.

1. **Occupational experience:** Exploring an individual's occupational experience requires determining the applicant's skills, abilities, and willingness to handle responsibility.
2. **Academic achievement:** In the absence of significant work experience, a person's academic background is more important.
3. **Interpersonal skills:** If an individual cannot work well with other employees, chances for success are slim. This is especially true today, with increasing emphasis on using teams.
4. **Personal qualities:** Personal qualities normally observed during the interview include physical appearance, speaking ability, vocabulary, poise, adaptability, and assertiveness.
5. **Organizational fit:** A hiring criterion that is not prominently mentioned in the literature is organizational fit. Organizational fit is ill-defined but refers to management's perception of the degree to which the prospective employee will fit in with, for example, the firm's culture or value system.

5. Conditional Job Offer

A conditional job offer means a tentative job offer that becomes permanent after certain conditions are met.

A conditional job offer is usually made if a job applicant has passed each step of the selection process.

In essence, the conditional job offer implies that if everything checks out – such as passing a certain medical, physical, or substance abuse test – the conditional nature of the job offer will be removed, and the offer will be permanent.

6. Background Investigation

Background Investigation is intended to verify that information on the application form is correct and accurate.

This step is used to check the accuracy of the application form through former employers and references. Verification of education and legal status to work, credit history, and criminal record are also made.

Background investigations primarily seek data from references supplied by the applicant, including his or her previous employers.

7. Medical/Physical Examination

After the decision to extend a job offer, the next phase of the selection process involves completing a medical/physical examination.

This examination determines an applicant's physical fitness for essential job performance.

Typically, a job offer is contingent on successfully passing this examination.

For example, firefighters must perform activities that require a certain physical condition. Whether climbing a ladder, lugging a water-filled four-inch hose, or carrying an injured victim, these individuals must demonstrate that they are fit for the job.

8. Permanent Job Offer

Individuals who perform successfully in the preceding steps are eligible to receive the employment offer. The hiring decision should be made by the manager in the department where the vacancy exists.

3. Explain market and channel selection in relation to a small business.

Marketing channels are the avenues through which brands deliver messages to (and communicate with) their target audiences. Those messages may be delivered through different types of content or collateral.

For example, a business may have an **SEO marketing strategy** that takes advantage of **marketing tactics** such as:

1. Topic clusters
2. Semantic website structure

A topic cluster marketing tactic may leverage **content types** such as:

1. Blog posts
2. Web pages

A semantic website structure marketing tactic may take advantage of **content types** such as:

1. Hub knowledge base pages
2. Ultimate guide pages

Types of Marketing Channels:

1. Free Marketing Channels

Marketing channels that are free to use fall into this category.
If you plan and execute a marketing strategy using a free channel, you'll invest in nothing more than time. If you hire professionals to help with the marketing, you'll be investing more resources such as cash in free marketing channels.

Free marketing channels include social media apps like LinkedIn, Q&A platforms like Quora, and websites like Product Hunt.

For example, look at this Product Hunt launch of Harry Dry's website, MarketingExamples.com. Product Hunt's platform allows businesses like his to advertise their products and services for free and helps them gain a customer base with honest reviews and votes.

2. Paid Marketing Channels

As the name indicates, marketing platforms that you pay to access or use for marketing your business fall into this marketing channel.

Examples can include paid ads, commercials, and influencer marketing. Remember that certain marketing channels can be free and paid by nature. For instance, where Twitter is free to use, Twitter ads are paid. Check out this promoted post from Bridgecrew on Twitter as an example of how you can utilize paid ads.

3. Digital Marketing Channels

Any marketing done online is known as digital marketing.
Some leading marketing channels that fall under digital marketing are social media, organic search (SEO), paid search, blogs, emails, and video marketing.
The Australian beauty brand, Frank Body, is a great example of digital marketing.
Frank Body gained traction using Facebook and Instagram with a starting budget of less than $10,000.
The founders created a cheeky brand persona that resonated with their audience, grew their presence on social media, and then leveraged user-generated (UGC) content to fuel further growth on the same marketing channels.

4. Traditional Marketing Channels

Any marketing that you don't conduct online is traditional marketing.
Traditional marketing channels include direct mail, broadcast, print, and outdoor advertising such as billboards.
Traditional marketing helps you connect with a diverse, local audience. It also gives you more control of your marketing message and helps you better get your audience's attention as digital marketing channels become crowded. In fact,

marketers are predicting a growth in traditional marketing is just around the corner. Here's a clever marketing move from Netflix for the launch of their popular show, Stranger Things' fourth season:

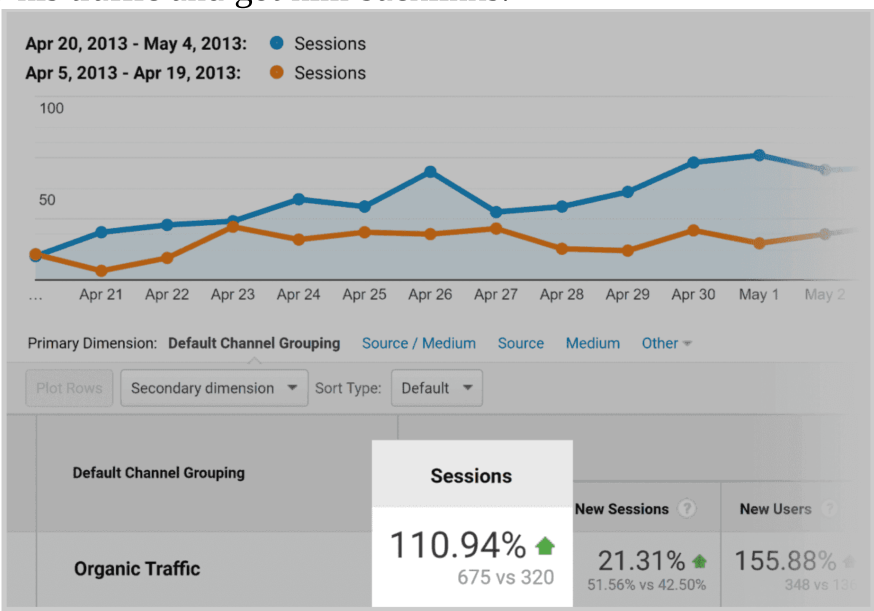
Marketing Channel Examples

5. Website and Blog

A website is your business's digital home on the internet. On the other hand, a blog is a regular publication on a site that brands can use strategically to educate or update their target audience.

1 in 5 bloggers says blogging helps drive "strong results" for them. These include more traffic to their business, lead nurturing, and conversion.

For instance, Brian Dean, founder of Backlinko, used blogging to grow organic traffic. He used the skyscraper technique to create comprehensive blog content that grew his traffic and got him backlinks.



6. Email Marketing

Another of the most effective marketing channels is email. Email is used by 4.3 billion people worldwide — about half the world population.

Use this channel to educate, nurture, and maintain relationships on your email list. You can include a call to action, provide helpful tips, or update subscribers on developments in your business, among other actionable items.

Take it from Pioneer: they share members-only discount codes with their email list while also getting them excited about upcoming product launches.

7. Content Marketing

Content marketing involves creating and distributing original content on the marketing channels a business's target audience uses.

97% of the 1,500 respondents SEMrush surveyed shared that they use content marketing as part of their marketing, with 72% agreeing they plan to increase their content marketing budget.

Masterclass is an excellent example of using content marketing to grow. It drives 6.7 million monthly unique visitors from organic search. In the first 4 months of its launch, it also sold 30,000 course sign-ups — all thanks to producing high-quality, actionable content.

8. Social Media Marketing

Adults spend 95 minutes daily on social media, making it another effective marketing channel to engage with your target audience.

You can also leverage social media for building a community of brand advocates and for social selling.

Chewy, for instance, uses Instagram to connect with its target audience of pet lovers. Instead of taking a “salesy” approach, the pet food retailer leads by educating.

9. Word of Mouth Marketing

Word of mouth marketing is growing through referrals or recommendations from your customers and others.

Offering an incentive or doing something outstanding (think: providing excellent customer service) are some ways to grow through this marketing channel. And it works wonders because 90% of people take recommendations from their friends — even trusting strangers over advertisements.

Dropbox saw a 3,900% growth in 15 months with its referral program that gave referrers 32 GB of free storage space when they invited friends to use Dropbox.

10. Influencer Marketing

Influencer marketing involves pairing up with influencers or creators your target audience already trusts to market your product/service.

89% of marketers using influencer marketing say its ROI is comparable to or better than other marketing channels.

For ButcherBox, for example, influencer marketing helped the Boston-based meat subscription service get on its target audience’s radar. Initially, health influencer Chris Kresser tweeted about the business, leading to many sign-ups. The founder, Mike Salguero, then paired with food and health bloggers to reach more of his audience.

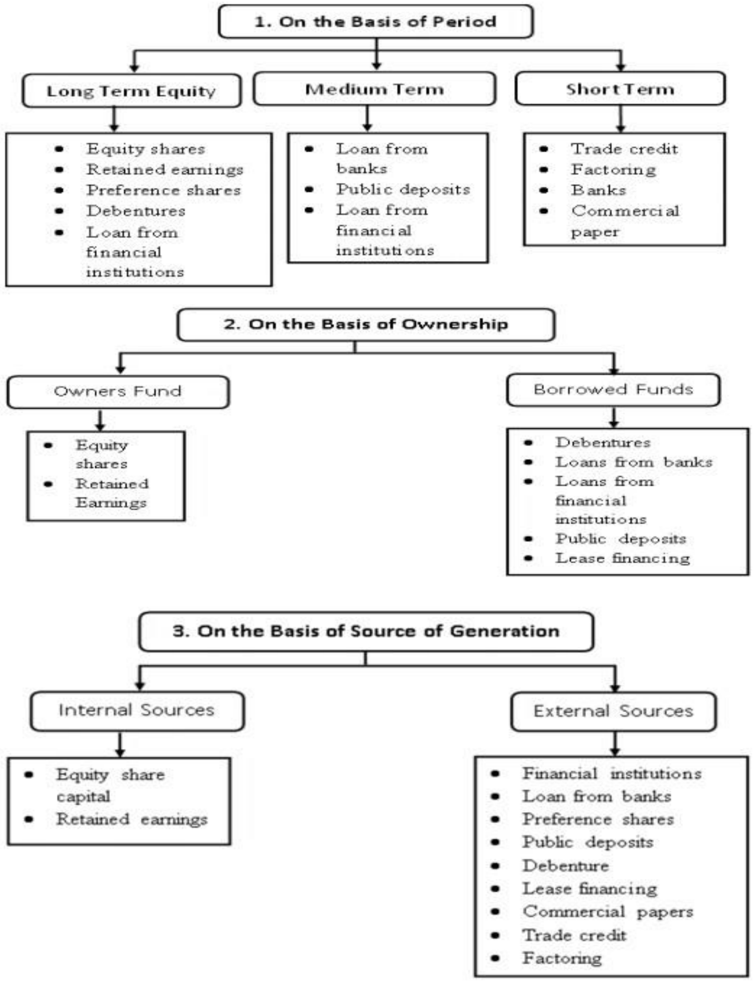
4. Explain how to mobilize financial resources for an enterprise.

On the basis of the period, the different sources of funds can be classified into three parts.

- **Long-term source**s fulfil the financial requirements of a business for *a period more than 5 years*. It includes various other sources such as shares and debentures, long-term borrowings and loans from financial institutions. Such financing is generally required for the procurement of fixed assets such as plant, equipment, machinery etc.

- **Medium-term sources** are the sources where the funds are required for *a period of more than one year but less than five years*. The sources of the medium term include borrowings from commercial banks, public deposits, lease financing and loans from financial institutions.

- **Short-term sources:** Funds which are required for *a period not exceeding one year* are called short-term sources. Trade credit, loans from commercial banks and commercial papers are the examples of the sources that provide funds for short duration.



Short-term financing:

The main sources of short-term financing are (1) trade credit, (2) commercial bank loans, (3) commercial paper, a specific type of promissory note, and (4) secured loans.

Trade credit

A firm customarily buys its supplies and materials on credit from other firms, recording the debt as an account payable. This trade credit, as it is commonly called, is the largest single category of short-term credit. Credit terms are usually expressed with a discount for prompt payment. Thus, the seller may state that if payment is made within 10 days of the invoice date, a 2 percent cash discount will be allowed. If the cash discount is not taken, payment is due 30 days after the date of invoice. The cost of not taking cash discounts is the price of the credit.

Commercial bank loans

Commercial bank lending appears on the balance sheet as notes payable and is second in importance to trade credit as a source of short-term financing. Banks occupy a pivotal position in the short-term and intermediate-term money markets. As a firm's financing needs grow, banks are called upon to provide additional funds. A single loan obtained from a bank by a business firm is not different in principle from a loan obtained by an individual. The firm signs a conventional promissory note. Repayment is made in a lump sum at maturity or in installments throughout the life of the loan. A line of credit, as distinguished from a single loan, is a formal or informal understanding between the bank and the borrower as to the maximum loan balance the bank will allow at any one time.

Commercial paper

Commercial paper, a third source of short-term credit, consists of well-established firms' promissory notes sold primarily to other businesses, insurance companies, pension funds, and banks. Commercial paper is issued for periods varying from two to six months. The rates on prime commercial paper vary, but they are generally slightly below the rates paid on prime business loans.

A basic limitation of the commercial-paper market is that its resources are limited to the excess liquidity that corporations, the main suppliers of funds, may have at any particular time. Another disadvantage is the impersonality of the dealings; a bank is much more likely to help a good customer weather a storm than is a commercial-paper dealer.

Secured loans

Most short-term business loans are unsecured, which means that an established company's credit rating qualifies it for a loan. It is ordinarily better to borrow on an unsecured basis, but frequently a borrower's credit rating is not strong enough to justify an unsecured loan. The most common types of collateral used for short-term credit are accounts receivable and inventories.

Intermediate-term financing

Whereas short-term loans are repaid in a period of weeks or months, intermediate-term loans are scheduled for repayment in 1 to 15 years. Obligations due in 15 or more years are thought of as long-term debt. The major forms of intermediate-term financing include (1) term loans, (2) conditional sales contracts, and (3) lease financing.

Term loans

A term loan is a business credit with a maturity of more than 1 year but less than 15 years. Usually the term loan is retired by systematic repayments (amortization payments) over its life. It may be secured by a chattel mortgage on equipment, but larger, stronger companies are able to borrow on an unsecured basis. Commercial banks and life insurance companies are the principal suppliers of term loans. The interest cost of term loans varies with the size of the loan and the strength of the borrower.

Term loans involve more risk to the lender than do short-term loans. The lending institution's funds are tied up for a long period, and during this time the borrower's situation can change markedly. To protect themselves, lenders often include in the loan agreement stipulations that the borrowing company maintain its current liquidity ratio at a specified level, limit its acquisitions of fixed assets, keep its debt ratio below a stated amount, and in general follow policies that are acceptable to the lending institution.

Conditional sales contracts

Conditional sales contracts represent a common method of obtaining equipment by agreeing to pay for it in installments over a period of up to five years. The seller of the equipment continues to hold title to the equipment until payment has been completed.

Lease financing

It is not necessary to purchase assets in order to use them. Railroad and airline companies in the United States, for instance, have acquired much of their equipment by leasing it. Whether leasing is advantageous depends—aside from tax advantages—on the firm's access to funds. Leasing provides an alternative method of financing. A lease contract, however, being a fixed obligation, is similar to debt and uses some of the firm's debt-carrying ability. It is generally advantageous for a firm to own its land and buildings, because their value is likely to increase, but the same possibility of appreciation does not apply to equipment.

Long-term financial operations

Bonds

Long-term capital may be raised either through borrowing or by the issuance of stock. Long-term borrowing is done by selling bonds, which are promissory notes that obligate the firm to pay interest at specific times. Secured bondholders have prior claim on the firm's assets. If the company goes out of business, the bondholders are entitled to be paid the face value of their holdings plus interest. Stockholders, on the other hand, have no more than a residual claim on the company; they are entitled to a share of the profits, if there are any, but it is the prerogative of the board of directors to decide whether a dividend will be paid and how large it will be.

Long-term debt
There are various forms of long-term debt. A mortgage bond is one secured by a lien on fixed assets such as plant and equipment. A debenture is a bond not secured by specific assets but accepted by investors because the firm has a high credit standing or obligates itself to follow policies that ensure a high rate of earnings. A still more junior lien is the subordinated debenture, which is secondary (in terms of ability to reclaim capital in the event of a business liquidation) to all other debentures and specifically to short-term bank loans.

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Periods of relatively stable sales and earnings encourage the use of long-term debt. Other conditions that favour the use of long-term debt include large profit margins (they make additional leverage advantageous to the stockholders), an expected increase in profits or price levels, a low debt ratio, a price–earnings ratio that is low in relation to interest rates, and bond indentures that do not impose heavy restrictions on management.

Stock
Equity financing is done with common and preferred stock. While both forms of stock represent shares of ownership in a company, preferred stock usually has priority over common stock with respect to earnings and claims on assets in the event of liquidation. Preferred stock is usually cumulative—that is, the omission of dividends in one or more years creates an accumulated claim that must be paid to holders of preferred shares. The dividends on preferred stock are usually fixed at a specific percentage of face value. A company issuing preferred stock gains the advantages of limited dividends and no maturity—that is, the advantages of selling bonds but without the restrictions of bonds.

Earnings and dividend policies
The size and frequency of dividend payments are critical issues in company policy. Dividend policy affects the financial structure, the flow of funds, corporate liquidity, stock prices, and the morale of stockholders. Some stockholders prefer receiving maximum current returns on their investment, while others prefer reinvestment of earnings so that the company's capital will increase. If earnings are paid out as dividends, however, they cannot be used for company expansion (which thereby diminishes the company's long-term prospects). Many companies have opted to pay no regular dividend to shareholders, choosing instead to pursue strategies that increase the value of the stock.

Companies tend to reinvest their earnings more when there are chances for profitable expansion. Thus, at times when profits are high, the amounts reinvested are greater and dividends are smaller. For similar reasons, reinvestment is likely to decrease when profits decline, and dividends are likely to increase.

Convertible bonds and stock warrants
Companies sometimes issue bonds or preferred stock that give holders the option of converting them into common stock or of purchasing stock at favourable prices. Convertible bonds carry the option of conversion into common stock at a specified price during a particular period. Stock purchase warrants are given with bonds or preferred stock as an inducement to the investor, because they permit the purchase of the company's common stock at a stated price at any time. Such option privileges make it easier for small companies to sell bonds or preferred stock.

5. Explain the role of HR practices which can facilitate growth of small business owners with illustration.

Introduction to HR Best Practices

We've identified the top HR best practices that can give you the most bang for your buck. In other words, if you focus on improving these areas, you'll likely see the greatest results. These areas include recruitment and selection, training and development, transparency, employee benefits, employee incentives, compensation and evaluations, compliance, and terminations.

1. Recruitment and Selection

Companies seeking to hire high-performers are turning to innovative processes to streamline hiring.

There are many different ways to assess whether someone will be a good fit for the company, both as a high-performer and as a cultural fit. While not every innovative hiring process will be right for your team, you can learn from companies who have paved the way and provided data for the rest of us. Here are a few strategies to consider.

- Panel-Based Interviews: When it comes to interviewing panels, Google's study of its interviewing practices showed both the ideal number of panelists and ideal number of interviews to be four or fewer. The study showed that scores from a panel of four interviewers made the same hiring decision 95 percent of the time as panels made up of more than four interviewers, and that any interviews beyond four added little or no value to the process. In fact, more interviews simply wasted time and resources and led to disinterest and frustration for both sides.
    - Internships: If your company intends to hire the majority of your interns, you should seriously consider paying them. While structuring your intern program, it's good to know that 60 percent of paid interns receive job offers, whereas only 37 percent of unpaid interns get job offers—only one point better than the 36 percent of graduates who receive job offers without an internship. If you intend to move an intern to a full-time position, invest in them early on.
- Video Interviewing: Video interviewing can be a great tool for saving time and allowing you to get a feel for the enthusiasm and passion an individual has for your organization before you bring them in for an interview. It can also help you weed out potential candidates who aren't serious about applying because video interviews represent a small investment on the candidate's part.

2. Training and Development

You've taken the time to find employees you want to hire, but your responsibility to them is only just beginning.

It is an HR best practice to invest in training and development opportunities to improve your current workforce, focus on skill-specific training, and realize the value that young workers place on learning. As industries are advancing at an ever-increasing pace, you can support and encourage your employees to grow as well, keeping them more engaged in their work and your organization.

- Invest in Training and Development: Some of the best practices for training employees might involve bringing on interns to reduce training costs before hiring them full-time. Once you've found your ideal employees, you'll need to keep them at the top of their field, and as technology develops at an ever-increasing rate, the importance of training employees cannot be overlooked. If you want your pros to stay pros, you need to keep training them.

- Focus on Skill-Specific Training: Another crucial element HR departments must implement is to focus on skill-specific forms of training. You might have a great general training program, but if you are focused on teaching skills that don't line up with the work requirements or company objectives, you are wasting time and money.

3. Transparency

A crucial HR practice is to always maintain transparency and be open with employees regarding the success and failures of the business. Organizations that foster an open environment of feedback and communication make employees feel trusted, respected, and valued.

In order to be a high-impact HR department, you should:

- Promote Collaboration and Idea Sharing: Focus on creating an environment that promotes collaboration of ideas and information sharing. Employees who are informed about business operations are better able to share their ideas, and think it's important to be able to contribute to company decisions that impact their careers.
- Maintain Openness and Transparency: When companies are honest and open with their employees, it promotes a culture of trust between both employer and employee.

As an HR department, you should also avoid focusing on efficiency and cutting costs above all else, as this could actually be less effective in the long run. Instead, promote practices that create transparent environments and encourage information sharing.

4. Employee Benefits

There is a myriad of benefits you can offer employees, but which ones provide the greatest value? The best benefit plans take a strategic approach to accomplishing company goals and retaining great employees as well as ensuring your employees understand their benefits.

- Choose Benefits that Show You Value Employees: Learning from other human resource practices can give you some great insight into where you can focus the company budget when it comes to employee benefits. It also helps you understand which benefits may actually help you retain the best employees. You can choose to provide medical and dental coverage, health and fitness centers, subsidized tuition, or any other benefits that will show you value your employees.
- Use Benefits to Solve Workplace Issues: Google is a great example of using benefits to solve workplace employment issues. Several years ago they noticed that the number of women working for the company was gradually decreasing. Google did some research and found that the decrease was mostly younger women who left to have children. In an effort to retain employees and maintain their bottom line, Google implemented a five-month maternity leave policy with full pay and benefits. This benefit alone led to a 50 percent increase in their retention rate of women.

While Google's approach certainly isn't feasible for all companies, it is important to identify where you are losing money and why you might be struggling with employee retention. If you want to hire and keep the best talent, you have to treat them like they're the best talent and show you value your employees.

5. Employee Incentives

Incentives have their pros and cons. For incentives to be effective, this HR best practice must be implemented in the correct manner, or you risk demotivating your employees instead of motivating them. Here are some HR best practices for providing effective employee incentives.

- Know what Motivates Employees: Some employers have found it helpful to motivate employees by using commision or productivity as an indicator of a raise, and not to limit raises to an annual review or bonus at the end of the year. Employers who simply raise wages once a year regardless of performance are not incentivizing employees to do their best because employees begin to simply expect the raise no matter what.
- Pay Raises vs. Bonuses: As far as the topic of bonuses goes, another study by Google found that employees valued a base-pay raise over a single bonus, because it has long-term effects. So if your company is weighing the overall benefits of pay raises versus a handsome bonus, go with the pay raise.
- Be Creative with Incentives: While HR might hear the word "incentive" and think of monetary rewards, there are other incentives that keep employees motivated, such as a recognition and rewards program or the use of social recognition to acknowledge employees for the work they do.

Providing the right incentives shows employees that you care about them and the value they add to your company.

6. Compensation

If you want great employees, you need to have great compensation plans in place. Above-average employees deserve above-average compensation, and you want to show your employees that you value them and the work they do.

Some HR best practices for compensation include:

- Combining Good Benefits with Compensation: A combination of good benefits and compensation (also known as a total rewards package) can help show employees that the company values and appreciates their contribution as workers and their well-being as people.
- Vary Compensation Options: Upping your compensation offer doesn't always mean adding more numbers. You could offer other types of compensation such as additional vacation days, gift cards, company discounts, stock options, or profit-sharing.
- Compensation Transparency: A winning compensation strategy comes down to two elements: transparency and communication. A study published by PayScale found that most employees don't actually know how their pay compares to the rest of the market. Of the employees who believed they were being paid below market rate, 77 percent were paid at market rate, while an additional 12 percent were paid above market rate. Only 11 percent of people who said that they are underpaid actually were paid less than the median market rate. In short, if your employees don't understand your organization's comp strategy, and if your leadership never communicates that strategy, then employees are much more likely to become dissatisfied on that point.

Whatever the compensation strategy of your company, it should be based on the productivity and contributions of the employees, and the managers in your organization should be prepared to communicate about it.

7. Compliance Issues

The best way to handle compliance issues is to avoid having them in the first place. That being said, it can be very difficult to juggle the complexities of compliance issues with the daily tasks of running other human resources practices in the workplace. Here are some human resource practices to prevent compliance issues.

- Utilize HR Software: One great way to avoid compliance errors is to use HR software to simplify your HR compliance practices. This will help you find and correct errors quickly and avoid future compliance issues.
- Designate a Point Person for Your HR Team: One of the best ways to stay up-to-date with compliance is to designate a point person for your HR team, who has the responsibility to keep up with new regulations and changing labor laws. They also have the responsibility to convey this information to the HR department, which ensures everyone is on the same page when it comes to legal considerations.

Hiring, employee classification, and wage requirements all require constant attention to stay in compliance. Utilizing your point person and your HR software can help you stay one step ahead of any upcoming changes to HR.

8. Terminations

This is probably the toughest place to implement HR best practices because it will always be difficult for those involved. HR best practices include learning from employees who are terminating their employment as well as understanding which topics to be sensitive of for legal reasons. Issues that may warrant termination should always be addressed before they reach a boiling point. However, when it does come to terminating an employee, you shouldn’t wait on the decision.

- Show Empathy, but Not Sympathy: HR professionals Amy Schrameck and Jeanne Knight recommend informing the employee as to why they are being let go; showing empathy, but not sympathy for the employee.
- Stand Your Ground: Stand your ground even if the employee gets emotional or says they will do better. You should be confident enough in your decision to not waver in your resolve when terminating an employee.
- Conduct an Effective Exit Interview: One of the best practices for HR professionals when going through the termination process (whether voluntary or involuntary) for an employee is to conduct an effective exit interview. A good exit interview can help emphasize things the organization does well and things they could improve upon. Exit interviews should be conducted face-to-face, if possible; otherwise, send a survey and try to follow up on the results in person. You don’t want to make the exit interview feel stiff. Rather, you are trying to gain real insight into what the company can do to retain people in the future.

6. Explain the function and role of venture capitals for extending their support and assistance to prospective business ventures.

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. Venture capital generally comes from well-off investors, investment banks, and any other financial institutions.

Role and Importance of Venture Capital

1. Promotion of the Enterprise

- **For it, the entrepreneur carries out various functions**, like – emergence of the business idea, to obtain information about related facts, selection of the location, preparation of plant layout, registration of the enterprise and completion of various legal formalities.
- For all these activities, the role of venture capital is very important.
- Otherwise, the emergence and end of the business idea together are certain.

2. Management and Organization

Management and Organisation of the industry should be efficient for the performance of various economic activities.

For example, manpower planning, taking work from competent persons, to engage the service of professionals and maintaining balance therein, for getting economic activities accomplished.

For all these, venture capital in the required volume is essential.

Otherwise, other sources will remain in the form of the source only and it will not be possible to use them for actual economic activities.

3. Dominance of Desired Skills and Competencies

In each area, professionals are appointed.

If the entrepreneur has to avail of the services of any particular person for specific work, then the venture capital has a special role in obtaining his desired skills.

4. Fulfillment of Financial Requirements of High-Risk Entrepreneurs

- Use of automatic machines, computers, the latest machinery, robots, new sources of energy, email, rocket research, etc.
- Due to scientific progress have not only brought the technical Revolution but has also increased the risks.
- The financial requirement of entrepreneurs involving high risks has been met by venture capital companies.

5. Representation of Funds Incorporated in New Enterprise

- **Venture capital represents** the funds in the new enterprise.
- Sometimes, debt funds are also made available for it.

6. Assistance in Strategy Formulation

- Today's age is the age of competitions, which can be seen in all areas, activities, stages, and places.
- **However**, venture capital has to sustain in all types of competition, which enables the entrepreneur to prepare strategies right from the establishment of the industry to its development expansion.

7. Possibility of Rapid Development Expansion

- Venture capital includes all types of high risk and high probable investments.
- **Hence**, venture capital is made available to a new company from the starting stage (promotion of the enterprise) to advance further.
- As a result, the possibility of rapid development expansion of the company increases.

8. Other Roles and Importance

1. Investment of venture capital for the purchase of modern machinery establishment of laboratories, the appointment of scientists and training for new functions and activities, etc.

2. Employees' welfare and amenities.
3. Project evolution and reports.

Functions of Venture Capital:

Venture capital is growingly becoming popular in different parts of the world because of the crucial role it plays in fostering industrial development by exploiting vast and untapped potentialities and overcoming threats.

Venture capital plays this role with the help of the following major functions:

- Venture capital provides finance as well as skills to new enterprises and new ventures of existing ones based on high technology innovations. It provides seed capital to finance innovations even in the pre-start stage.
- In the development stage that follows the conceptual stage, venture capitalist develops a business plan (in partnership with the entrepreneur) which will detail the market opportunity, the product, the development and financial needs.
- In this crucial stage, the venture capitalist has to assess the intrinsic merits of the technological innovation, ensure that the innovation is directed at a clearly defined market opportunity and satisfies himself that the management team at the helm of affairs is competent enough to achieve the targets of the business plan.
- Therefore, venture capitalist helps the firm to move to the exploitation stage, i.e., launching of the innovation. While launching the innovation the venture capitalist will seek to establish a time frame for achieving the predetermined development marketing, sales and profit targets.
- In each investment, as the venture capitalist assumes absolute risk, his role is not restricted to that of a mere supplier of funds but that of an active partner with total investment in the assisted project.
- Thus, the venture capitalist is expected to perform not only the role of a financier but also a skilled faceted intermediary supplying a broad spectrum of specialist services-technical, commercial, managerial, financial and entrepreneurial.
- Venture capitalist fills the gap in the owner's funds in relation to the quantum of equity required to support the successful launching of a new business or the optimum scale of operations of an existing business.
- It acts as a trigger in launching new business and as a catalyst in stimulating existing firms to achieve optimum performance.

- Venture capitalists role extends even as far as to see that the firm has proper and adequate commercial banking and receivable financing.
- Venture capitalist assists the entrepreneurs in locating, interviewing and employing outstanding corporate achievers to professionalize the firm.

UNIT-V

13Marks:

1. Discuss about preventing sickness and rehabilitation of business units.

Preventing Industrial Sickness: Policy Measures and Reserve Bank Guidelines

Policy Measures:
The Government has initiated a number of measures for the revival of the sick industrial units as well as to prevent the incidence of industrial sickness.

The policy measures are as follows:
1. In October 1981, the Government announced guidelines to its Ministries, State Governments and financial institutions, regarding the sick industrial undertakings. Accordingly, responsibility was assigned to the concerned ministries for the prevention of such sickness as also for coordinated remedial action. Banks and other financial institutions providing credit facilities to the sick units were requested to ensure that such credits are utilised properly.

The aided sick units are required to submit periodical returns to financial institutions. Besides, banks are required to refer the cases of all sick units to the Industrial Reconstruction Corporation of India (IRCI) where term-lending institutions are not involved. (The IRCI has since been converted into Industrial Reconstruction Bank of India or IRBI).

2. The Government also announced a 'margin money' scheme (effective from January 1, 1982) for reviving viable sick small-scale units. Under the scheme, a sick small-scale unit was sanctioned a minimum loan of Rs. 1, 000 and a maximum of Rs. 20,000. These minimum and maximum amounts have now been raised.

3. In April 1983, the RBI advised financing banks that they should evolve methods to diagnose sickness in industrial units at the incipient stage itself and bring it to the notice of the concerned Ministries and Finance Ministry.

4. In August 1984, through a Parliamentary Act, the Industrial Reconstruction Corporation of India (IRCI) was converted into a statutory body called the Industrial Reconstruction Bank of India (IRBI). This new bank has been established with a capital base of Rs. 50 crores which

could go up to Rs. 200 crores, for the purpose of rehabilitating and reconstructing ailing industrial concerns.

With its head office in Kolkata, the IRBI is wholly owned by the Central Government. Apart from its role as the principal credit and reconstruction agency for industrial revival, the IRBI has been given powers to take over the management, lease out or sell the undertaking as a running concern or prepare schemes of merger or amalgamation and submit them for Central Government's approval.

5. In 1985, the Sick Industrial Companies (Special Provisions) Act (SICA) was passed. According to it the Government has removed sick industrial companies from the purview of the Monopolies and Restrictive Trade Practices Act, 1969, for purposes of modernisation, expansion, amalgamation or merger. Besides, for the early detection of industrial sickness, instructions have been given to the banks to monitor the progress of sick industrial units.

In cases, where the net worth has been substantially eroded, financial institutions have been directed to stop assistance to the Concerned units. The Act also provides for the setting up of a board of experts for industrial and financial reconstruction.

The Reserve Bank's Guidelines for Checking Industrial Sickness:
The Reserve Bank of India has suggested to all scheduled commercial banks parameters within which they are considered viable. The Reserve Bank of India has issued guidelines to the banks for re-strengthening the monitoring systems and for arresting industrial sickness at the incipient stage so that corrective measures could be taken in time. It has also asked banks to formulate rehabilitation packages for the revival of potentially viable units.

Some of the fresh guidelines issued by the RBI to scheduled commercial banks regarding the revival of sick units are as under:
(a) Banks participating under consortium arrangement of financing a healthy unit should provide for a clause to the effect that in case the unit turns sick, they would participate in the rehabilitation package in accordance with the instructions issued by the RBI.

(b) In the case of sick units where workers are interested in taking over the management by forming workers' cooperatives, banks have been advised to actively support the rehabilitation packages.

(c) Banks are given the option of selling their debts in respect of a sick unit to other willing banks at a discount as per the guidelines issued by the RBI.

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.

Also, read about Andhra Pradesh Small Scale Industries Revival Scheme

Objectives

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.

2. Explain the effective management of small business.

Effective Management of small Business

Manage a business effectively, manage staff effectively, is the key to the establishment and growth of the business. The key to successful management is to examine the marketplace environment and create employment and profit opportunities that provide the potential growth and financial viability of the business. Despite the importance of management, this area is often misunderstood and poorly implemented, primarily because people focus on the output rather than the process of management.

In large businesses, effective manage business skills requires planning. Planning is essential for developing a firm's potential.

This guide focuses on the importance of good management practices. Specifically, it addresses the responsibilities of managing the external and internal environments.

MANAGING THE EXTERNAL ENVIRONMENT

Three decades ago, Alvin Toffler suggested that the vision of the citizen in the tight grip of an omnipotent bureaucracy would be replaced by an organizational structure of ad-hocracy. The traditional business organization implied a social contract between employees and employers. By adhering to a fixed set of obligations and sharply defined roles and responsibilities, employees received a predefined set of rewards.

Another change in today's business environment is dealing with government agencies. Their effect on the conduct of business most recently appears to have increased. As industries fail to achieve high levels of ethical behavior or individual businesses exhibit specific lapses, the government rushes in to fill the breach with its regulations.

MANAGING THE INTERNAL ENVIRONMENT

HUMAN RESOURCE ISSUES

Ensuring Open Communications

Effective communications play an integral role in managing and operating any successful business. With open communications changes and their effects on the organization are quickly shared. Your firm then has the time and skills needed to respond to changes and take advantage of evolving opportunities.

The following checklist addressing how you would respond to an employee's suggestion provides an assessment of the communication process in your business. Place a check next to the statements that are commonly heard in your business.

Balancing Schedules Stress and Personnel

Without organization and good management the compressed time schedules associated with modern business can cause stress and make extraordinary demands on people. An effective management structure can reduce stress and channel the productive capacity of employees into business growth and profits.

Setting Duties Tasks and Responsibilities

An organization is characterized by the nature and determination of employees' duties tasks and responsibilities. While many organizations use different methods for determining these it is essential that they be clearly defined.

The core of any organization is its people and their functions. Duties tasks and responsibilities often evolve in an ad hoc manner. A typical firm starts with a few people often one performing all duties. As the firm grows others are hired to fill specific roles often on a functional basis. Roles that were handled by consultants and specialists outside the firm now are handled internally. As new needs emerge new roles are developed.

Business Team

The apex of an effective organization lies in developing the business team. Such a team involves delegating authority and increasing productivity.

Controlling Conflict

Another key to successful management lies in controlling conflict. Conflict cannot be eliminated from either the business or the interpersonal activities of the enterprise. A measure of the organization's success is the degree to which conflict can be exposed and the energies associated with it channeled to develop the firm. Although establishing policies and procedures represents the tangible aspect of organization and management the mechanisms to tolerate and embody challenges to the established operation serve as the real essence of a firm that will survive and prosper.

Structural Issues

Organization

The effectiveness of a particular organizational form depends on a variety of internal and external events for example:

- Competitors (number or activity)
- Technology (internal or external)
- Regulatory environment

- Customer characteristics
- Supplier characteristics
- Economic environment
- Key employees
- Growth
- Strategy (including new products and markets)

Even though you may discover that certain events are affecting your business be careful not to change the organizational structure of your firm without discussing it with your management team. Employees generally can accomplish goals despite organizational structures imposed by management. Because restructuring involves spending a lot of time learning new rules implementing a new organizational structure is costly.

Structure

The essence of a successful organization can be more simply summarized than implemented. The following checklist can help you determine measures to ensure your management structure is adequate. Check the entries that apply to your firm and also find out what measures your company needs to take to improve its management structure.

- **Policy and Procedural Issues**

Authority

The central element of organizational management is authority. Through authority your firm develops the structure necessary to achieve its objectives.

A primary component of authority is the exercise of control within the organization. A thorough system of controls ensures the firm's operation and provides a mechanism for imposing authority.

Internal controls include the provision that authority be delegated and circumscribed; examples of these provisions follow. Place a check by the provisions that apply to your firm.

To effectively delegate responsibility and authority in your organization you must:

- Accept the power of delegation.
- Know the capabilities of subordinates.
- Ensure that specific training is available.
- Select specific responsibilities to be delegated.

- Clearly define the extent and limits of delegation.
- Match each with necessary authority.
- Provide periodic monitoring and interest.
- Restrain the impulse to insist on how to do something.
- Remember there are many ways to accomplish a specific objective.
- Assess results and provide appropriate feedback.
- Praise and criticize.

The skills and abilities of each level of authority can be increased by effectively delegating authority throughout any organization.

Operating Reports

Operating reports form the organizational basis of your business. Such reports mirror the organization its structure and function. They define key relationships between employees and can either minimize or increase organizational stress.

For many businesses the following reports form the basis for analyzing the specific areas of a business (the frequency of each report depends on the nature size and organization of your business). Check the reports your firm currently generates.

3. Define industrial sickness. Explain the causes and symptoms of industrial sickness.

Industrial Sickness represents a stage wherein the firm is not in a position to generate a surplus on a regular basis and requires external credit, to survive in the market. When a unit is sick, it is not able to finance itself by way of regular operations.

Basically, industrial sickness is a hurdle in the process of industrial growth and development. When a unit is sick it shows signs of financial distress in the form of short term liquidity issues, revenue and operating losses, overuse of external funds until it gets to a position where the company is overburdened with indebtedness and is not able to make enough money to discharge obligations.

Symptoms of Industrial Sickness

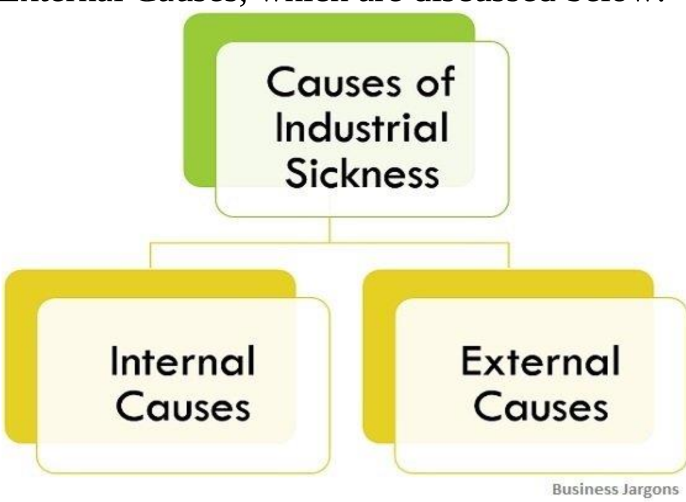
Some of the common symptoms of industrial sickness are listed hereunder:

- 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

When we talk about industrial sickness, it is not caused by a single factor, rather the collective impact of multiple factors results in industrial sickness. The factors causing industrial sickness are classified into two groups – Internal Causes and External Causes, which are discussed below:



Internal Causes

The causes which are under the control of the enterprise, are regarded as internal causes. It may be a result of some internal insufficiency or shortcoming, in different areas of business. Some of these causes are listed below:

1. **Technical feasibility**
   - Inadequate Technical Knowhow
   - Inappropriate choice of technology
   - Obsolete production process
   - Poor information system
   - Wrong or defective idea of industry
2. **Economic Viability**
   - High cost of inputs

- High break-even point
- Excessive investment in fixed assets
- Non-flexibility of fixed assets
- Underestimation of financial requirements.

3. **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

4. **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

5. **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

6. **Financial Management**

- Shortage of working capital
- Lack of funds
- Defective Capital structure

7. **Administrative Management**

- Huge expenditure on Research and Development
- Incompetent Management
- Lack of timely diversification.

External Causes

The causes which are beyond the control of the enterprise comes under external causes, which affects the industry as a whole.

1. **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
2. **Government controls and policies**
   - Sudden unfavourable change in the policies of the government
   - Taxes and duties
   - Price control
3. **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
4. **Extraneous factors**
   - Natural Calamities, like an earthquake, floods, etc
   - Political Situation
   - Industrial Strikes
   - War between countries

4. Explain the remedial measures and preventing sickness of business units.

Remedial Measures for Industrial Sickness

The measures to overcome industrial sickness or remedies of industrial sickness are enlisted below :

1) Effective Planning :

It is essential for every small and medium sized enterprise to conduct in-depth survey of prevailing circumstances in small scale sector and productive programmes. Only a small number of entrepreneurs initiate their operations based on an accurate and diligent plan. Thus, effective planning is essential as all small entrepreneurs require a detailed project report or an all-inclusive feasibility study to start their units. Absence of such a planning can affect entrepreneurs with issues like inappropriate technology, under-estimation of costs, unsuitable location, unqualified or inexpert consultancy service, etc. Hence, it is indispensable for SMEs to launch effective action plans for their sustenance.

2) Improvement in Techniques of Production and Proper Technology :
With the advent of technological advancements, firms must attempt. to upgrade their process of production. They must adopt the latest technology for producing goods/ services. Under the following circumstances, government consultancy organisations and laboratories play a crucial role. As small firms are incompetent to spend money on the latest technologies, government should arrange practical and modern methods of production for them. If financially possible, firms should also invest in their research and development activities. They should always strive for constant innovation for leading the market and sustaining in globalized business environment.

3) Training and Development :
Industries must make coordinated efforts in bestowing formal training and education to workers involved in this sector as they are the real profitable asset of the industry. Firms should consider the expenses incurred on training and educational activities as investments for ensuring long-term of the growth business. Expertise and skills essential in the dynamic business environment should be provided by the Small Industries Association. Further, in order to compete with medium and large-scale competitors, small firms should motivate their workers by providing motivation and offering rewards.

4) Provision of Infrastructural Facilities :
Firms require many important facilities to ensure smooth. functioning of its operations such as finance,, water supply, power arrangement, etc. These facilities are extended by small industries corporation. State technical consultancy organisations and State Development Corporation. However, their support system requires more improvement. Evolution of industrial estates has resolved this problem partly, yet more efforts are necessary to establish more industrial estates to accommodate more small units.

5) Regular Supply of Raw Materials :
Small-scale sectors get regular supply of raw materials by Small Industries Development Corporations and other canalizing agencies. These agencies should undertake requisite actions for maintaining a steady, but proper supply of raw materials to small and medium sized enterprises. Government should also take a hand on a regular basis in arranging economical and affordable imports of raw materials. Firms on the other hand, should maintain regular procurement of raw materials for avoiding industrial sickness.

6) Adequate Credit Arrangement :

For avoiding industrial sickness, firms and industries should arrange adequate credit for running their business efficiently. There are many small and medium sized firms which are incompetent to obtain proper financial support from banks and other funding agencies, they primarily depend more on owned funds and funds borrowed from non banking sector. However, SEBI has devised guidelines and directives for venture capital and better finance facility is expected for this sector. Moreover, lending schemes offered by priority sector should be made more wide-ranging and general credit with improved limit.

7) Effective Marketing Arrangements:

Every firm must emphasize on their market, brand and product development. They must strive to persist in the market by paying exceptional significance on quality enhancement programme. Offering products at cheaper rates and transmitting the benefits to consumers would be advantageous in the long-run to raise their marketing performance. Marketing the products of small units by charging a very high price from the customers enables large companies to earn substantial profits. Thus, firms should adopt effective marketing strategies to overcome industrial sickness.

Prevention of Industrial Sickness:

REVIVAL OF SICK UNITS

• While emphasizing new investments in Rajasthan, the State Government attaches equal importance to the revival of sick units. There are a large number of sick units which if revived can lead to utilisation of the assets and capacity already created.

Along with the revival of sick units the State Government is equally concerned with the prevention of sickness in industry. Series of measures are being taken to rehabilitate the sick units and also to prevent sickness.

• The State Government is planning to set-up a separate authority on the pattern of BIFR for dealing with the matters pertaining to revival and rehabilitation of sick units, which do not fall within the purview of the BIFR.

• The State level financial institutions will devote greater attention to prevent sickness. RIICO and RFC have decided to charge 2% lower interest rate from units making regular payments.

•The State level financial institutions will adopt other appropriate measures like change of management, One Time Settlement (OTS) etc.

• The new Sales Tax Incentive Schemes would provide a more liberal incentive to the sick units. Also sick units which are being revived with fresh investment through change of management would qualify for incentive equivalent to new units. Provided such units have not availed of similar incentive in the past.

• No land and building tax would be charged from a sick unit during the period of sick- ness in case a revival scheme is drawn by BIFR or financing institutions.

• Exemption from Octroi to sick units which are taken up for revival under the approved rehabilitation plan would be available as agreed in the rehabilitation package.

- RSEB would charge 1/3 of the minimum charges or the actual consumption charges whichever is higher for revival of the sick unit.
- In case of sale of surplus land by units set up on their own lands (i.e. where no concession in land has been granted by the State Government, converted for industrial purpose after paying the conversion charges, acquired under the Land Acquisition Act by fully paying the cost of acquisition and likewise) may be allowed, the sale proceeds from such sale would be al- lowed to be treated as the promoter's contribution instead of interest free loan from the State Government in cases where the re- habilitation/revival scheme is drawn by the BIFR/financing institutions.
- The State Level Inter Institutional Committee (SLIIC) has been reconstituted to focus greater attention on units not covered by the Board for Industrial and Financial Reconstruction.

5. Explain the rehabilitation of sick units along with the ways for rehabilitation of sick units.

- **Due interest on cash credit and term loan:**

If any penalty is imposed on non-payments, it should be relieved from the year the company is facing recurrent losses. It should be followed by separating interest amount from principal amount and grants.

- **Unadjusted interest dues:**

The due interest rate between the planning of the revival programme and its actual implementation can also be allowed to be repaid within three years.

- **Term loans:**

If required the term loan can be lowered by three percent for tiny/decentralized sector units and by maximum 2% for other SSI units, against the agreed rate.

- **Working capital term loan (WCTL):**

The scheme aims to provide one-time core working capital assistance to deserving units in the form of working capital term loan. Up to maximum of 75% of working capital requirement of business for one cycle of operation. Promoter margin would be a minimum of 25% of projected one cycle of working capital requirement.

- **Cash losses**:

The unit is expected to face losses during preliminary stages of rehabilitation plan until it reaches break-even stage. These cash losses (without interest) during the rehabilitation stage can also be financed by the bank or financial institution,who-so-ever is acting as the financier.

- **Working capital:**

The planning and control of working capital in sick industries need special attention.

A thorough analysis of causes for sickness is required for working capital management in sick industry.

The Finance manager require to take steps to restructure the working capital requirements and the banks may be approached for need based finance instead of operating on the basis of predetermined credit limits given by the bank.
The efforts to be made for improvement of current ratio and quick ratio, by reducing the levels of investment in stocks and receivable.

- **Contingency loan assistance:**

Contingency funds are funds created to cope with any unforeseen scenarios or emergencies that a business may run into at any point in time. Businesses hold this fund in the form of liquid assets or cash.

The role of a contingency fund is to improve an organization's monetary stability by building up a safety net for the firm so that it can use it to protect itself against adversities. This reserve is additionally utilized to lessen the need to take out high-interest advances and loans, like for example credit cards, to cover startling costs.

- **Funds for start – up costs and margin for working capital:**

The sick SSI unit under rehabilitation needs to be provided with funds to meet start-up expenditure or margin for working capital. This can be offered through long term loans. In case there is no financial institution, the bank has to offer loan to meet start up expense.

- **Promoter’s contribution:**

As per the extant RBI guidelines, promoter's contribution towards the rehabilitation package is fixed at a minimum of 10 per cent of the additional long-term requirements under the rehabilitation package in the case of tiny sector units and at 20 per cent of such requirements for other units. In the case of units in the decentralized sector, promoter’s contribution may not be insisted upon. A need is felt for increasing the promoters' contribution towards rehabilitation from the present limits. It is, therefore, open to banks and financial institutions to stipulate a higher promoters' contribution where warranted.