

SELF LEARNING MATERIAL

COMMERCE

COURSE : COM - 104

(1st Semester)

ENTREPRENEURSHIP DEVELOPMENT

BLOCK : 1, 2, 3, 4 & 5

DIRECTORATE OF OPEN AND DISTANCE LEARNING

DIBRUGARH UNIVERSITY

DIBRUGARH - 786004

COMMERCE
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ENTREPRENEURSHIP DEVELOPMENT

Contributor :

Prof. A B. Rajkonwar
Department of Commerce
Dibrugarh University

Editor :

Prof. ARM Rehman
Department of Commerce
Dibrugarh University

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Published on behalf of the Directorate of Open and Distance Learning, Dibrugarh University by the Director, DODL, D.U. and printed at **SUNPRINT**, Dibrugarh University Market Complex, Dibrugarh-786004.

Acknowledgement

The Directorate of Open and Distance Learning, Dibrugarh University duely acknowledges the financial assistance from the Distance Education Council, IGNOU, New Delhi for preparation of this Self Learning Material.

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	Pages
BLOCK - 1 : Introduction to Entrepreneurship	1-18
Unit I : Definition of Entrepreneur and Entrepreneurship	2 - 6
Unit II : Entrepreneurs in small Firms	7 - 9
Unit III : Differences	10 - 18
BLOCK - 2 : Entrepreneurial Qualities and Traits, Competencies, Views and Theories	19 - 46
Unit I : Qualities, Traits and Competencies	20 - 34
Unit II : Views on Entrepreneurship	35 - 39
Unit III : Entrepreneurial Theories	40 - 46
Block - 3 : Opportunity Analysis	47 - 113
Unit I : Business Opportunities	48 - 82
Unit II : Institutions Assisting Entrepreneurs	83 - 88
Unit III : Marketing	89 - 113
Block - 4 : Entrepreneurship Development Programmes	114 - 130
Unit I : Entrepreneurship Development programme	115 - 116
Unit II : Content and Coverage of EDPs	117 - 125
Unit III : Strategies and Approaches for EDP	126 - 130
Block - 5 : Entrepreneurship Development with special reference to North East	131 - 166
Unit I : Entrepreneurship and Economic Development	132 - 138
Unit II : Brief Reference of Entrepreneurship in North East	139 - 166

BLOCK - 1**Introduction to Entrepreneur and Entrepreneurship**

This block would facilitate in grasping the definition of entrepreneur and entrepreneurship and literature description of entrepreneur and entrepreneurship. Further, it emphasises on what is an entrepreneur and shows entrepreneurial practice in small firms. Moreover, it highlights the distinction between entrepreneur and enterprise and entrepreneurs and managers. Lastly, the block consisting of three units is been summed up. The contents of this block is further made more clear in Block-2 where qualities, traits, competencies, views and theories are shown in detail. To avail of more readings entrepreneurship development, C.B. Gupta and N.P. Srinivasan, (Sultan Chand and sons, New Delhi) has been suggested.

UNIT - I :**Definition of Entrepreneur and Entrepreneurship****1.1 Definition of entrepreneur and entrepreneurship :**

There is no universally accepted definition of entrepreneur and entrepreneurship. The term entrepreneur is derived from the French term *entreprendre*, meaning the undertaker. The entrepreneur is one who undertakes to organize, manage and assume risk of business.

In the middle ages an entrepreneur was considered as an actor and a person in charge of large-scale production project. In the 16th century an entrepreneur was considered as a person who was engaged in military expedition. In the 17th century persons engaged in civil engineering activities were also considered as entrepreneurs.

It is said that the noted 18th century economist Richard Cantillon (1725) first used the term entrepreneur in economic theory. He considered an entrepreneur as a risk taker who buys factor services at certain price to sell their product at an uncertain price, thereby operating at a risk. J.B. Say (1803), another economist differentiated entrepreneurs from capitalist as financier and entrepreneur as an organizer. Francis Walker (1876), another economist distinguished between those who received profit from managerial capabilities. Frank Knight described an entrepreneur as a person who faces uncertainty and risks of business. The entrepreneur bears the responsibility and consequences to make decisions under conditions of uncertainty.

Joseph A. Schumpeter (1934) was the first economist to identify the human agent as a center of the process of economic development. He considered the entrepreneur as dynamic agent to change and the catalyst who transforms physical natural and human resources into corresponding production possibilities. According to him an entrepreneur is an innovator who introduces a new product, a new production process and finds out new market, a new source of raw material or introduces a new type of organization.

David Mc Clelland (1961) considers an entrepreneur to be an energetic moderate risk taker having need for achievement.

Albert Shapero (1975) defined entrepreneur as follows : Entrepreneur takes initiative, organizes economic and social mechanism to practical account and accepts risk of failure.

Karl Vesper (1980) wrote economists, psychologists, business persons and politicians see entrepreneur differently. While economists consider an entrepreneur to be a risk taker, an organizer, an innovator, psychologists consider him to be a person driven by achievement motivation to do something. Again while one businessman considers another businessman may consider the same person as his collaborator.

Entrepreneurship is the dynamic process of creating incremental wealth by assuming risk of business in terms of equity, time, and/or career commitment or provides value for the same product or may not be new or unique but the entrepreneur must somehow infuse value by receiving and locating the necessary skills and resources. (Rosstandt, 1984)

Robert Hisrich (1995) defined entrepreneurship thus : Entrepreneurship is the process of creating something different by devoting the necessary time and effort assuming the accompanying financial, psychological and social risks and receiving and resulting rewards of monetary and personal satisfaction.

Each of these definitions views entrepreneurs from a slightly different perspective. However, they all contain similar taking. But each definition is somewhat narrow, since entrepreneur is found in all professions - education, medicine, research, law, architecture, engineering, social work, and distribution. (Peters, 1998). In order to include all types of entrepreneurial behaviour it is necessary to widen the definition of entrepreneurship.

This has been done in the following definitions :

Entrepreneurship is the process of creating something new with value by devoting the necessary time, effort, assuming the accompanying financial, psychic, and social risks and receiving the resulting rewards of personal and monetary satisfaction. (Hisrich and Brush, 1985). This definition stresses four basic aspects of being an entrepreneur irrespective of the field : first, entrepreneurship involves the creation process, that is, creation of something new of value time and effort : third, entrepreneur assumes the risk for creating something of value : fourth, reward of being entrepreneur independence, personal satisfaction, monetary reward.

Entrepreneurship is fundamentally a human creative act. It is the ability to create and build a vision from practically nothing. This vision requires willingness to take calculated risks both personal and financial and then do everything possible to reduce the chances of failure. Entrepreneurship also includes the ability to build an entrepreneurial team to complement the skills and talents of the entrepreneur. It is knack of sensing opportunities where others see chaos, contradiction and confusion. (Timmons, 1994).

International Labour Organization defined entrepreneurs as people who have the ability to see and evaluate business opportunities, to gather necessary resources to take advantage of them and to initiate appropriate action to ensure success. They are action-oriented, highly motivated individuals to take moderate and calculated risks to achieve their goals.

In the Indian context an entrepreneur is a person who undertakes to organize, own and run an enterprise. In this sense a person who takes up self-employment under various programs launched by the Government and who in addition to being employed himself also employes at least one person in his enterprise can be called an entrepreneur.

In recent years (Gifford Pinchot, 1983) a new concept has been evolved, the concept of entrepreneurship. The term refers to entrepreneurial activities that receive organizational sanction and resource commitment for the purpose of innovative results. The major thrust of intrapreneuring is to develop entrepreneurial spirit within organizational boundaries, thus allowing an atmosphere of innovation to prosper. (Donald F. Kuratko et. al 1998).

The above discussion shows that definition of entrepreneur and entrepreneurship is still in the process of refinement.

1.2 Literature on Entrepreneur and Entrepreneurship

There is a substantial literature from the last thirty years or so of the twentieth century that attempted to define entrepreneurs and entrepreneurship in terms of inherent characteristics (Timmons 1978; Meredith et. al. 1982). Definitional attempts stemmed from an intuitive

perception that entrepreneurs are different in some way from that of managers, or at least perform tasks in such a way that distinguishes them from managers. Obviously entrepreneurs must take decisions beyond a functional domain and their decisions involve the firm's survival and well-being as a whole. It is this dimension that dictates elements of entrepreneurship behaviour as opposed to simply taking decisions within known and defined frameworks and operational tasks.

Therefore, the conventional literature descriptions of entrepreneurs and entrepreneurship can be characterized by aspects such as :

risk-taking-in that they must take risks in order to be competitive or to grow the business ;

opportunistic-in terms of seeking and identifying opportunities for future survival and success ;

innovative/creative-because they need to do things differently in order to differentiate themselves from competitors or to develop something new;

adaptive and change oriented - because they are small and flexible and must react to and anticipate changes in their environment ;

visionary - because they, more than most, have to see into the future;

individualistic - because they are constantly thinking about issues that are inherently personal, especially if it is their own business ;

The literature on the motivations for entrepreneurs and entrepreneurship largely agrees that such individuals have strong motivations for being in business (Arens 1990 ; Osborne 1995). Indeed, such motivation are often founded in a need for growth. However, there are a number of widely recognized motivations for being in business. For example :

independence - such individuals prefer to be their own boss and like the freedom of taking their own decisions;

personal satisfaction-derived from the above, such individuals glean satisfaction from doing business for themselves and the challenges that this presents ;

employee well-being-entrepreneurs are concerned with the well-being of their employees in an almost paternal sense;

satisfying customers-entrepreneurs are concerned with satisfying customers and devote considerable effort ensuring that their customers get good service; they might often perceive this as part of their competitive advantage ;

integrity, morality, ethics- such individuals perceive themselves as possessing all these characteristics when doing business.

'...successful entrepreneurs and traders have always accepted as a fundamental truth the fact that creating customer satisfaction is the only way to long-term business success'.

There are, of course, many other characteristics and motivations describing entrepreneurs, but these lists are sufficient to make the point that entrepreneurs and entrepreneurship are distinguished as being 'different' by these and other characteristics. It must, of course, also be acknowledged that there are significant similarities between entrepreneurs and managers in performing tasks and it is easy to find a few, such as that both are task oriented, both are judgemental, both are directive, both are cost control conscious, and so on. However, it is the differences that are most striking. Hisrich and Peters (1995) offer a meaningful discussion of the differences between entrepreneurs and managers. In considering, Hisrich and Peters, it is reasonable to deduce that, on a continuum of differences to similarities, there is a bias towards differences in characteristics in terms of a general style and emphasis in decision-making. If this is so, then there are significant implications for understanding the essence of small-firm marketing decision-making.

UNIT - II :**Entrepreneurs in Small Firms****2.1 What is an entrepreneur**

Typically, entrepreneurs are people who own and control their own enterprises. They are almost always focused upon the well-being, survival and development of their enterprises. Their everyday activities are centred around doing business and simply running their enterprise.

If entrepreneurs are seen outside the premises of their enterprise, it is likely to be for a reason that concerns or impacts upon the enterprise. Thus, most typically, they will be seen with customers or potential customers. If they are seen at an 'event', it is likely that they are there in order to assess the threat or opportunity presented by the event. Even, they are likely to take up such an invitation only if they see some potential gain as a result of attending.

Whilst entrepreneurs will display a wide range of traits and characteristics, in essence they are clever, highly focused, self-centred individuals whose primary concern is the well-being and development of their own enterprise.

2.2 Entrepreneurs in practice in small firms

There is no clear definition of who the entrepreneur is. Indeed, it can be argued that little is known about entrepreneurs, even though interest and publications on the subject abound. The literature on entrepreneurship generally is characterised by its diversity of findings and arguments. Manifold discussion and, most writers would agree, have not advanced any specific generic definitions of the entrepreneur. Cunningham and Lischevan (1991), in seeking to dispel some of the confusion, present their interpretations of the literature in six schools of thought ; the great person, the psychological, the classical, the management, the leadership and the intreprenurial schools of entrepreneurship. Key characteristics that emerge from this are that the entrepreneur is an agent for innovation and change, a calculating risk-taker, a 'goal-setter' and 'goal-getter', who, though domineering in management style, is inspirational in terms of his

or her influence on associates. In addition to flexibility and creativity, vision is identified as being a key characteristic. As Kirzner (1973) states, "The entrepreneur perceives what others have not seen and acts upon that perception. The market is constantly sending signals to those alert enough to perceive them. The entrepreneur is one who sees the future as no-one sees it".

The entrepreneur values his or her personal networks and business freedom and is constantly on the look-out for opportunities to create wealth. This person has, it is argued inborn character traits that differentiate him or her from other groups of individuals.

Whilst all of the above may indeed be important motivations for entrepreneurs, it must be recognized that there are several other immensely strong motivations that will drive entrepreneurs. There is a long-held view, shared by some academics and most practitioners, that entrepreneurs' primary motivation is 'profit' - a view supported here. Entrepreneurs are in business to make money ; they strive to achieve security through having enough money to do business and to make profit. Allied to this motivation is a constant constraint and therefore concern surrounding lack of cash and cash flow.

If such a notion is accepted, then it is interesting to compare this primary 'in-practice' motivation with some of the literature characteristics and motivations supposedly possessed by entrepreneurs. For example :

Innovative/creative - In practice, entrepreneurs will display these characteristics only if they have a need for new sources of money. They will often take on new work in the hope of success and if this is forthcoming, then all is well ; if not, then innovation stops.

Opportunistic - In practice, entrepreneurs will display this characteristic in similar circumstances to the above, but only until a barrier occurs and risk is involved.

Risk-Taker - In practice, again, entrepreneurs will display this characteristic in similar circumstances to the above but will take risks only until money is threatened.

Change oriented - In practice, entrepreneurs display this characteristic only because the business is likely to be small, and, as it will always have to grow, change is unavoidable.

It can be argued that, when it comes to understanding good marketing practice by entrepreneurs, much more sensitivity to the unique characteristics of the entrepreneurs is required. Tried and tested perceptions, refined in a big business environment, will not do. Characteristics in which small firms are uniquely different can be summarized as negative attitudes to marketing ; the perception of marketing as a cost ; distribution and selling treated as uncontrollable problems ; and, possibly more significant, the belief that each case is so specific that it cannot be treated with general rules.

A definition of small-firm marketing characteristics would typically acknowledge limited resources, lack of specialist expertise for the small-firm owner to seek a strategy for growth that is sensitive to his or her unique characteristics and circumstances is apparent.

UNIT - III :
Differences**3.1 Entrepreneur and Enterprise**

According to the classical economist, entrepreneur is one who provides the fourth factor of production, namely 'enterprise'. As the fourth factor, it assembles, co-ordinates and manages the other factors namely land, labour and capital. Enterprise may be defined as an undertaking or adventure involving uncertainty and risk and requiring innovation. It also refers to the ability to think out and start new business. Just as family is the basic unit for social organization, enterprise is the basic unit for economic organization. It interacts with other units in the economic, e.g., industry, financial institutions, and others. It obtains factors of production from the society and supplies the finished product to the society. Enterprise serves as the framework within which decisions concerning what to produce, how much to produce, when to produce and how to produce are taken by the owner and/or manager. Development is the aggregate result of the efforts made in individual enterprises.

The essential features of an enterprise are as follows :

- (i)* An enterprise consists of people who work together primarily for the purpose of making and/or selling a product a service. Production for self-consumption and non-business organizations. For example trade associations providing economically valuable services are not enterprise, whether public or private, large or small exists in order to produce a product or service that others consume and pay for it.
- (ii)* An enterprise utilizes raw materials, machinery, energy, space and other inputs to produce and/or sell. It has to incur costs on the procurement of these inputs.
- (iii)* Every enterprise makes a comparison between its costs (inputs) and gains (outputs). Therefore, its management must have sufficient autonomy to take appropriate actions to maintain and improve the success of the enterprise.

- (iv) An enterprise is a continuing entity. It is not an ad hoc effort to produce a single product but rather a recurring effort to produce a stream of product. Some firms may go out of business after single transaction. But this is due to failure of management or unforeseen conditions and not a planned or desired outcome.

To conclude, enterprise is an undertaking involving some economic activity, particularly a new though not necessarily an unknown activity. It may or may not involve any innovation. It always involves risktaking, decision-making and co-ordination of resources. The success of an enterprise depends upon several factors-internal and external to the business world. Some of these factors may be under the control of the entrepreneur. But most of the factors are beyond control. In the modern business world environment has become the decisive factor not only for entering into business but also for survival and growth of business. Entrepreneurs and managers try to monitor and cope with business environment through techniques like business forecasting, SWOT analysis, contingency planning etc.

3.2 Entrepreneurs and Managers

Very often entrepreneur and manager are used as interchangeable terms. For instance, Kao's model of entrepreneurship does not treat the manager and the entrepreneurs as distinct species within the business world. According to the model people may behave in a managerial or entrepreneurial style depending upon the demands of the task, the characteristics of the environment and their own personal predispositions.

Strictly speaking, however, an entrepreneur is different from a manager. The main points of difference between the two may be described as follows:

1. Innovation : The entrepreneur does not live with the status quo. He works to change in accordance with his or her personal vision and values. He is more than an inventor. An inventor only originates the invention. But the entrepreneur goes much further by exploiting the invention

commercially or by applying the invention. On the other hand, the manager keeps running a business on established lines. He is neither an inventor nor an innovator. An entrepreneur changes the factors combinations and thereby increases productivity and profit. But a manager only deals with day to day affairs of a going concern. An entrepreneur is not a mere executive though he may also be appointed as one for the promotion of his company.

2. Risk taking : An entrepreneur takes calculated risks. He is not a gambler but he faces uncertainty and the security of others. By contrast, the manager is less tolerant of uncertainty. He does not face the uncertainty of a new venture with its potential for failure and financial loss. He does not share in business risks.

3. Reward : An entrepreneur is motivated by profits while the manager is motivated by externally imposed goals and rewards. The gains of an entrepreneur are uncertain and irregular and can at times be negative. The salary of a manager is on the contrary, fixed and regular and can never be negative.

4. Skills : The roles of entrepreneur and manager demand different types of personal skills. An entrepreneur needs intuition, creative thinking and innovative ability among other skills. On the other hand, a manager depends more on human relations and conceptual abilities.

5. Status : An entrepreneur is self-employed and he is his own boss. On the contrary, a manager is a salaried person and he is not independent of his employer, the entrepreneur.

6. Response to authority : One of the main features that distinguish managers from entrepreneurs is their ability to identify in a positive constructive way with authority figures using them as role models. This type of behaviour is largely absent in entrepreneurs. Case histories of many entrepreneurs suggest that it was their inability to submit to authority and accept organizational roles that drove them to become entrepreneurs. In a sense they were 'misfits' who had to enact their own environment.

Management involves combining or co-ordinating resources to produce whereas entrepreneurship involves combining to initiate changes

in production. Management is an ongoing or continuous process while entrepreneurship is a discontinuous phenomenon. It appears to initiate changes in the production process and then disappears until it reappears to initiate another change.

Joseph Schumpeter also makes a distinction between entrepreneur and manager. According to him, a manager is one who deals with day-to-day affairs of a going concern. But an entrepreneur attempts to change the factor combinations and thus increases productivity and profits. An entrepreneur launches a new enterprise whereas a manager operates an existing enterprise.

The roles of entrepreneur and manager may, however, overlap in many cases. Entrepreneurs who start enterprises must use managerial skills to implement their innovation. Similarly, managers must use entrepreneurial skills in order to manage change and innovation.

Summing up the terms Entrepreneur and Entrepreneurship

There is no universally accepted definition of entrepreneur and entrepreneurship.

The term entrepreneur is derived from the French term *entreprendre*, meaning go-between or undertake.

Middle Ages : Actor and person in charge of large-scale production projects.

16th Century : Person engaged in leading military expeditions.

17th Century : Person engaged in civil engineering activities are also called entrepreneur.

18th Century : Person bearing risks of loss or profit in fixed-price contract with Government. That is, the word was used to refer to economic aspects.

1725 : Richard Cantillon - Entrepreneur as a risk taker : Buys factor services at certain price to sell their product at uncertain price, thereby operating at a risk.

F H Knight - Entrepreneur as an uncertainty bearer - bearer of non-insurable risk.

1776 : Adam Smith - Entrepreneur, an individual, who undertook the function of an organization of commercial purposes.

19th Century

1803 : JB Say - Entrepreneur as an organizer : Organises factors of production activity. He distinguishes capitalist as financier and entrepreneur as an organizer. An entrepreneur who possessed certain arts and skills for creating new economic enterprises, a person who had exceptional insight into society's needs and was able to fulfil them. Thus, he combined economic risk taker of Cantillon and industrial manager of Smith.

1876 : Francis Walker - Distinguished between those who supplied funds and received interest and those who received profit for managerial capabilities.

1934 : Joseph Schumpeter : Entrepreneur as an innovator : He introduces - New product, New production technology, New market, New sources of supply of raw material, New organization.

1961 : David Mc Clelland - Entrepreneur is an energetic, moderate risk taker with high need for achievement.

Basic qualities of entrepreneur

- Desire for responsibility
- Preference for moderate risk
- Confidence in personal success
- Desire for immediate feed-back
- High level of energy
- Future orientation
- Skill at organizing
- Value of achievement over money

1964 : Peter Ducker - Entrepreneur maximizes opportunities.

1975 : Albert Shapero - Entrepreneur takes initiative, organizes some social and economic mechanism and accepts risks of failure.

1980 : Karl Vesper - Entrepreneur is seen differently by economists, psychologists, businessmen and politicians.

International Labour Organisation defined entrepreneurs as people who have the ability to see and evaluate business opportunities, to gather necessary resources to take advantage of them and to initiate appropriate action to ensure success. They are action oriented highly motivated individuals to take moderate and calculated risk to achieve their goals.

In the Indian context a entrepreneur is a person who undertakes to organize, own and run an enterprise. In this sense a person who takes up self-employment under various program launched by the Government and who in addition to being employed himself also employ at least one person in his enterprise can be called an entrepreneur.

1983 : Gifford Pinchot - Intrapreneur is an entrepreneur within an already established organization.

1988 : Donald F. Kurtko - In recent years (Gifford Pinchot, 1983) a new concept has been evolved, the concept of intrapreneurship. The term refers to entrepreneurial commitment for the purpose of innovative results. The major thrust of intrapreneuring is to develop entrepreneurial spirit within organizational boundaries, thus allowing an atmosphere of innovation to prosper.

1984 : Ronstandt - Entrepreneurship is the dynamics process of creating incremental wealth by assuming risk of business in terms of equity, time, and/or career commitment or provides value for the same product of service to create the wealth. The product or service may or may not be new or unique but the entrepreneur must somehow infuse value by receiving and locating the necessary skills and resources.

1985 : Robert Hisrich - Entrepreneurship is the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychological and social risks and receiving the resulting rewards of monetary and personal satisfaction.

Four aspects of this definition

- Entrepreneurship involves the creation process-creating something of value for entrepreneur and buyer ;
- Entrepreneurship requires devotion of necessary time and effort ;
- Entrepreneurship involves risk taking-finacial, psychic and social ;
- Entrepreneurship results in getting rewards-money, personal satisfaction and independence.

1994 : J Timmons — Entrepreneurship is the ability to create and build a vision from practically nothing : fundamentally it is a human, creative act. It is the application of energy to initiating and building an enterprise or organisation, rather than just watching and analysing. This vision requires a willingness to take calculated risks-both personal and financial — and then to do everything possible to reduce the chances of failure.

Entrepreneurship also includes the ability to build an entrepreneurial or venture team to complement your own skills and talents. It is the knack for sensing an opportunity where others see chaos, contradiction and confusion. It is possessing know-how to find, marshal and control resources (often owned by others).

Our views : An entrepreneur is a person who keeps his eyes and ears open, sees opportunities in his/her environment and is capable of organising required resources of men and materials for exploiting the resources by taking risk and putting necessary time, effort and money. In the process not only he/she benefits, but the society at large is also benefited.

There may be entrepreneur in any field of activity.

Again while entrepreneur is basically a human being, entrepreneurship is his quality.

2. Entrepreneurial Function

- Risk-bearing function

- Innovative function
- Decision making function
- Managerial function
- Environmental function
- Leadership function
- Communication function
- Social accountability function
- Development function
- Dynamism function
- Pioneering function
- Profit making function

3. Why Entrepreneurship

(Importance of entrepreneurship)

- A risk taker
- An uncertainty bearer
- An innovator
- A change agent
- An exploiter of opportunities
- A creator of opportunities
- A destroyer of existing system

Economic Importance

- Contributes to nation's wealth
- Create job opportunities
- Provides self-employment
- Major source of invention and innovation

Social importance

- Raises income and standard of living of people

- Creates competitive environment
- Solves some social problems (unemployment)
- Sows seeds for growth of small enterprises

Psychological Importance

- Allows fulfillment of one's dream
- Helps in self-expression and creativity

Summing up

The meaning of entrepreneur and entrepreneurship, entrepreneurs in small firms and the differences between entrepreneur and enterprise and entrepreneurs and managers.

Model Questions :

- (i) Define the terms entrepreneur and entrepreneurship
- (ii) Elucidate the role of an entrepreneur in small firms.
- (iii) Details out the differences between an entrepreneur and enterprise and an entrepreneur and manager.

BLOCK - 2**Entrepreneurial Qualities and Traits, Competencies,
Views and Theories**

As stated in Block -1, this Block - 2 consists of entrepreneurs qualities and traits, competencies, the different views and theories on entrepreneurship which would familiarize one with some of the macro aspects of entrepreneurship. All these aspects are packed into III units and is also been summed up. There is a substantial flow of opportunity analysis in Block-3 to make these macro concepts more relevant to practical fields. However, further readings for this block can be suggested by availing of Encyclopedia of Business Management, Entrepreneurship and Small Business Management, B.S. Bhatia, G.S. batra (ed), Deep and Deep Publications, New Delhi.

UNIT - I :**Qualities, Traits and Competencies****1.1 Essential qualities and traits of an entrepreneur****Strong Desire to be a Winner (Need to Achieve)**

Most people dream of success and achievement, but do not take any action towards achieving those dreams. People with entrepreneurial qualities, on the other hand, have a strong desire to achieve a higher goal and make their dreams come true. For them winning is achievement.

'Stick-to-it' Quality (Perseverance)

Once committed to a goal and a course of action, entrepreneurs become absorbed in it. They are not deterred by difficulties and problems that beset any project ; they work hard until the entire project is successfully accomplished.

Moderate and Calculated Risk-taking

Entrepreneurs are not high risk-takers ; they are not gamblers. They choose a moderate risk rather than a wild speculative gamble. They love a moderate risk situation, high enough to be exciting, but with a fairly reasonable chance of winning.

Alertness to opportunities-seizing and Converting them to your Advantage (Ability to identify and develop opportunities)

Entrepreneurial persons are quick to see and seize opportunities. They show an innovative turn of mind and convert difficulties into opportunities. But they are realistic too. They carefully plan how to achieve their goals and anticipate problems that might arise in realizing an opportunity.

Analytical Ability

If an entrepreneur has analytical ability he can effectively analyse situations, problems and difficulties and identify solutions for them. This

makes the management and running of the enterprise smooth and successful.

Using Feedback

Entrepreneurs like to have immediate feedback on their performance. They seek prompt and accurate data and it does not make any difference whether or not the information they get is favourable. In fact, they are stimulated by unfavourable feedback into pouring more energy into attaining their objectives.

Hope for Success

Achievement-oriented people tend to be optimistic even in unfamiliar situations. The odds may not be clear but the circumstances may be appealing. In such situations entrepreneurial persons see no reason for failure given their abilities. They go ahead undeterred, sometimes even without guidelines and frequently make the best of whatever opportunities there are. As they begin to understand their environment they start calculating their chances very closely. Thus, paradoxically, they present a picture of boldness in the face of the unknown and prudence in the face of the familiar. They usually win by applying their special insight and skill.

Independence

It is found that most entrepreneurs start off on their own because they do not like to work for other people. They like to be their own masters and want to be responsible for their own decisions.

Systematic Planning

Most successful people tend to set a goal for themselves and make systematic plans to achieve that goal within a certain time limit.

Coping with Stress

As a central figure in your enterprise, you will have to cope with many situations at the time and make the right decisions which may involve

a lot of physical and emotional stress. All this can be done if you have the capacity to work long hours and keep cool under a lot of tension.

Positive Self-Concept

An achiever directs his energies towards accomplishment of worthwhile goals and sets standards of excellence in what he is doing. This is based upon his awareness of his strengths and weakness. He uses positive knowledge to support his thinking. He is rarely negative. He has self-confidence.

No entrepreneur has all these qualities. But most of them possess at least some of them. So the first step for a person aspiring for entrepreneurship is to make an inventory of the traits he possesses. This self-awareness analysis will help define your strengths and overcome your weaknesses.

REWARDS OF BEING AN ENTREPRENEUR

But the path is not strewn with roses ; there are difficulties and lots of hard work and although you may be your master, you are dependent not only on financial institutions but they might also be long and continuous. There are risks and frustrations too. If you are prepared and willing, then take the plunge

You may also go through the case of Ramesh Patil, which tells us how he went through difficulties, persevered and set up his enterprise.

Ramesh Patil belongs to a lower middle class family. His father was a clerk in a textile mill in Ahmedabad. After acquiring an M.Sc. Degree in Chemistry, Ramesh thought of pursuing research, but he was still not very clear about his further plans. One day a friend of his father informed him about an EDP to be conducted by CED (Centre for Entrepreneurship Development) Gujarat. He said why don't you participate in this training programme, may be you would like to set up a venture of your own ? The idea appealed to Ramesh ; it was worth pursuing. He participated in the programme, selected a product and prepared a project report. As the product was pollutant, he could not get No Objection Certificate (NOC) from the Pollution Control Board to manufacture it.

The trainer-motivator in-charge of the EDP suggested that Ramesh take over a sick chemical unit manufacturing the same product and avail of the benefits. Unfortunately his financial resources were inadequate for the required margin money, though he received a term loan from a financial institution. However, he managed to raise his contribution from private sources and after doing a market survey for the product, started production.

To his dismay, he discovered that his costs were on the high side. The price that worked out for the product was also higher than that of his competitors. Marketing of the product was too difficult. Ramesh did not lose heart. He did some research work and found uses for by-products of the main product. This way he could reduce his costs. Realizing the importance of intensive marketing, he traveled to other states to market his products and built up a market.

But the initial failure meant accumulation of losses and Ramesh had to borrow money at high interest. All these difficulties and problems did not deter him and he continued : not only that, he even set up R&D facilities in his unit. This has paid off and the drugs that he has developed and manufactured have brought him a good market and success. His turnover today is Rs. 80 lakhs and he provides employment to twenty workers.

Ramesh has plans to expand and diversify. But he bemoans the time a small scale entrepreneur has to spend in complying with numerous procedures and formalities. Besides, installing pollution control equipment is beyond his financial capacity and this also creates problems.

Ramesh Patil, in spite of all this, is a content man. He is happy with his achievement and has the satisfaction of being his own boss.

Summary

Individuals who are willing to take the risks of making their own profits and incurring their own losses are entrepreneurs. However, it takes certain personal traits to be successful.

Some of them are :

- Independence
- Initiative
- Opportunity
- Risk-taking
(moderate and
calculated)
- Problem-solving
- Hope for success
- Hard work
- Perseverance
- Need to achieve
- Positive self concept

An entrepreneur has to struggle, overcome difficulties and hurdles in his/her path and reach the goal.

1.2 Entrepreneurial Competencies

The success of a small scale industrial venture depends on the inherent viability of the project and the way the project is planned, implemented and managed.

As far as the planning, implementation and management of a small scale enterprise is concerned, it is the entrepreneur who carries out most of the functions. It is he/she who acts as a driving force behind the performance of these tasks. And, in order to carry them out efficiently, the entrepreneur needs to have certain knowledge, skills and an appropriate personality profile. All these put together could be termed as competencies.

WHAT DO WE MEAN BY COMPETENCE ?

Competence is a combination of knowledge, skills and appropriate motives or traits that an individual must possess to perform a given task.

WHAT ARE COMPETENCIES ?

Let us first know what a competency means. Competency is an underlying characteristic of a person which results in effective and/or superior performance in a job. It may be the result of motive, traits, skills, or a body of knowledge or combination of these.

Knowledge means the collection of information and retained facts that an individual possesses. But mere possession of knowledge is not sufficient for the performance of a task. One needs, besides knowledge, skills to translate that knowledge into action.

Skill is the ability to demonstrate a system and sequence of behaviour that are functionally related to attaining a performance goal.

Motives and Traits. Motive is a recurrent concern for a goal which drives, directs and selects the behaviour of person. A trait is a characteristic way in which a person responds to an equivalent set of stimuli. A trait includes thoughts and psychological activities related to a general category of events.

Competencies are of two kinds. Hard-skill competencies and Soft-skill competencies.

Hard-skill competencies refer to those skills which are acquired through academic education or through work experience, e.g. an engineer engaged in designing a gear uses his technical knowledge and skills. However, there could be a difference between a successful engineer and a not so-successful engineer; such a difference arises because of the possession of soft skills. The successful one would think of improving the design, process etc. and that is on account of the fact that he/she possesses certain soft skills.

Soft skills are skills which cannot be acquired through education or work experience. They are generally inherent in an individual or are developed by him/her consciously. For example, communication skills, interpersonal skills and entrepreneurial competencies, etc.

Having understood that both hard skills and soft skills are necessary to perform task efficiently, the question that arises is how to identify them. In other words how can one decide what it takes to perform a task effectively ?

The best way to understand is to find out what good performers do, how they approach a given situation and compare the same with what average performers do. For the purpose, a research project was initiated by Professor David C. McClelland with the involvement of EDI where entrepreneurs in the small scale sector who had performed well, and a matching sample of average performers operating in the same product-

line and in the same or similar environment, were interviewed and the competencies of the top performers were identified and validated.

Let us examine the soft mskills identified and also see what they mean.

Initiative

When do we say that a person has initiative. When he/she takes action that goes beyond the job requirement or the demands of the situation. He/she thinks before asked or forced by the circumstances and acts to develop the business by entry into new areas, products or services. Most successful entrepreneurs show this competence in some form or the other. They take decisions on their own to launch their enterprise or to expand and grow. Take a couple of simple examples.

Naresh was standing near the sea wall at Marine Drive in Mumbai along with a number of people. A boy who stretched too far out fell into the water and began to drown. People shouted but did not do anything else. Naresh jumped into the sea, swam out and saved the boy. Naresh took the initiative which brought out some of his hidden skills.

Rasiklal Zaveri was a successful businessman trading in species. He was rich and well established. But he felt that this was not enough. He decided to produce some mixtures of the species by processing them. He set up a unit for grinding, processing and packaging these. He did this although it was not required and he succeeded. A person seeks and acts on opportunities for either business or personal growth or seizes unusual opportunities to obtain finance, equipment, land, work space or assistance.

There is the case of a film distributor in Jamshedpur, Mr. Nair. The story of how he become a distributor is interesting. He was working for TISCO when he happened to meet the Secretary of "United Club" who asked him whether he could help in getting a movie to show in the Club as he had difficulties in procuring it. Nair agreed and went to Kolkata to get the movie. There he met an acquaintance offered to help him but Hair refused and collected names and addresses of some distributors on his own. He then went to a well known firm of distributors, got a movie for Rs. 5,000 and gave it to the club for Rs.7,000. This started him off

and he began supplying movies to the Club and other movie theatres in Jamshedpur. Gradually, the work increased and he established an office in Kolkata and became a full-time film distributor.

Persistence

A person takes repeated action to overcome obstacles that get in the way of reaching goals. This is a very important competence. As an entrepreneur, your path may not be smooth, you might face difficulties, but you have to develop the qualities of a spider and carry on without getting disheartened. And success will finally be yours.

Look at the case of Leela, She decided to set up a unit manufacturing FRP (Fibreglass Reinforced Plastic) products. She purchased land and engaged a firm of contractors for constructing the building. As luck would have it the watchman engaged there got murdered (some personal enmity) and the contractor's workers panicked and left the construction work. Somehow, Leela managed to get the construction completed. By the time she could start production, FRP technology had changed and she hardly had any orders. As a result she defaulted in payment of interest to the financial institution which had extended financial assistance. But did she lose heart? No she sold the land and building, paid back the financial institution, salvaged the machinery, shifted it to a rented place and started again. She is now an established entrepreneur.

Information Seeking

A person take action on his own to get information to help reach objectives or clarify and solve problems. A person does research on how to provide a product or service, consult experts for business or technical advice, seeks information on what is needed, and uses contactor or information networks to obtain information. When you set out to establish your own enterprise, you will not know everything. You will have to acquire knowledge and gather information from elsewhere. You will have to take help from experts and refer to books and journals.

Shreyas Gandhi of Ahmedabad is a successful manufacturer of office equipment, mainly inter-communication systems. But as he puts it,

in electronics one has to be on one's toes all the time, as it is a fast changing line. So, he has constantly to be on the look out and search for other products and gather information about them and he does that by reading several electronics magazines available in India. These magazines and information on market conditions help him in deciding whether and when he should go in for a change. For example, when he found that television (TV) as a communication lines was coming up very fast, he decided to manufacture TVs.

So, once you have set up your industry and established yourself, do not sit back and relax, be up to date on information about the line of your choice.

Concern for High Quality of Work

Act to do things that meet or beat existing standards for excellence. Such persons always have a desire to produce work of high quality and to favourably compare one's own work with that of others. This would help you withstand the competition, create or expand your market and give you a sense of satisfaction and achievement.

Take the case of Gopukumar. He is architect. He started by designing private residences and graduated to designing big hotels and shopping complexes. What had made him successful and popular is the fact that he believes in maintaining a high quality and has self-set standards of excellence which has earned him a reputation in the building construction line.

Commitment to Work Contract

Place the highest priority on getting a job completed, make a personal sacrifice or extend extraordinary effort to complete a job, or accept full responsibility for problems in completing a job for others and pitch in with workers or work in their place to get the job done and express a concern for satisfying the customer. A successful entrepreneur not only provides quality goods and keeps up to date on information about his/her product but he/she is also particular about keeping to time schedule for delivery and satisfying a customer. He/she would go to any lengths to make required efforts to complete work on time.

Agnes Kottoor is a woman entrepreneur manufacturing optical lenses in Kochi. She employed about a dozen girl workers and has built up a good clientele. Kerala is known for load shedding so obviously the work would have to stop and as all her workers are girls, they have to be allowed to go home on time. But what about timely delivery to the customers? Agnes is very particular about that. So, what does she do? She herself works on the machines, grinding the lenses, sometimes upto 2 a.m. and finished the work. That is an example of commitment to the work contract.

Efficiency Orientation

Find ways to do things faster or with fewer resources or at a lower cost. Such a person looks for ways to reduce costs and time, uses information on business tools to improve efficiency and expresses concern about costs against benefits of any improvement or change.

It is not enough merely to manufacture and sell. A successful entrepreneur always thinks of ways in which he/she can improve the product or service, innovate and reduce costs wherever he/she can. That is an orientation to efficiency.

Manish of Ahmedabad is a successful trader in intercoms, calculators, refrigerators, vacuum cleaners, air-conditioners and other electronic equipment. His planning for inventory and the market is good. Manish deals in approximately forty items, the market requirement for each is different and he wants to ensure that he does not overstock and increase his interest burden. At the same time, he does not want to understock, in which case he would not be able to satisfy the customers. So he engaged a person from an Institute of Management to conduct a survey of the market for his items, which in turn would enable him to assess the minimum level of stock he should keep for each item. This is certainly an efficient way of managing productive operations.

Systematic Planning

Develop and use logical, step by step plans to reach goals. You must plan by breaking up a large task into sub-tasks, develop plans that

anticipate obstacles, evaluate alternatives and most importantly, take a logical and systematic approach to activities. When you have set up or are in the process of setting up your venture, if you plan everything systematically and go step by step, half the battle is won. Not that there would not be any difficulties, but your planning will enable you to deal with them.

For systematic planning, one can refer to Chandy Sam of Thiruvananthapuram. Chandy lost his father while still in college. Though he was still a student he had a hobby of repairing electrical and mechanical items. Due to his father's demise, he had to leave his studies and here his hobby helped him. He started a service chain for repairing refrigerators and air-conditioners.

But what he really wanted to do was to go into manufacturing. He started planning and preparing himself for this. He first tried to find out what equipment he could manufacture which would involve low investment, less machinery and have a good market in Kerala. He observed and studied various equipments, even imported freezers. He read up on the subject, referred to technical material, and then made one or two models of freezers based on the imported one. He could see them at a low price and low profit. He received more orders and needed money for machinery and working capital. Though he could not furnish collateral security, he convinced bankers by showing them the few freezers he had already manufactured. The loan was sanctioned. He started production of freezers and innovative voltage stabilizers. Slowly, he headed for new products. Today, he manufactures refrigerators, water coolers, air-conditioners and combination coolers and has a high turnover.

You can see how he planned step by step to reach his goal and achieved it.

Problem-solving

Identify new and potentially unique ideas to reach goals. Switch to an alternative strategy to reach goal if required, generate new ideas or innovative solutions. Everyone faces problems in life, more so if you happen to be an entrepreneur. It is important that as an entrepreneur you

have a problem solving attitude and not a problem avoiding one. Problems are bound to occur during the life of your enterprise, so if you have to develop this competency your enterprise will run smoothly.

George Thomas of Kerala had taken entrepreneurship development training from EDI and was all set to start production in his engineering unit. The building was ready, machinery had been installed and raw material stocked. There was, however, one snag. He had not yet received a power connection. Countless visits to and voluminous correspondence with the electricity department had not produced any results. The problem was how to procure it. He thought and came up with a solution.

He printed cards inviting for the inauguration of his unit (dated three days later) stating that the Chief Minister of the State would be inaugurating it (with the tacit agreement of the P.S. to the Chief Minister). He then showed the card to the concerned official of the Electricity department. The next day he got the power connection.

We are not saying that you have to resort to such means to solve a problem, but you have to bear in mind that you should be a problem-solver-if you are not, develop this capacity in yourself.

Self-confidence

Have a strong belief in self and own abilities. Express confidence in your own ability to complete a task or meet a challenge. Stick with your own judgement in the face of opposition or initial lack of success, or when you do something which you find risky. If you have confidence in yourself and your abilities, you can succeed in whatever you do. When you take up a task and you have the confidence that you are capable of doing it well, you can accomplish it in a much better fashion.

Assertiveness

Confront problems with others directly, tell others what they have to do and discipline those failing to perform as expected. Assertiveness should not be confused with aggressiveness. Aggression can be or indirect,

honest or dishonest - but it always communicates an impression of superiority and disrespect, while assertive behaviour is pro-active, direct and honest. It communicates an impression of self-respect and respect for others. Such behaviour rubbed the wrong way, and encourage honest, open relationship.

Let us look at three examples of conversation :

- Only an idiot would think of a solution like this! Don't you even think before you talk?
- You know, we might want to think of another alternative. What do you think?
- I am not completely comfortable with your solution. Would you please develop at least one more option?

The first is an example of aggressive behaviour, the second of non-assertive behaviour, while the third is a good example of assertiveness. It is honest, respectful and invites co-operation.

Persuasion

Success persuade others. An entrepreneur is said to be persuasive when he/she can convince someone to buy a product or service, provide financing or do something that he/she would like that person to do. Persuasive entrepreneurs assert their own and their company's competence and qualities. If you, as an entrepreneur, cannot or do not convince others about the viability of your product or products or your own capabilities, how can you be successful? Possessing this competence is, therefore, very important for you. This competence is also linked to self-confidence. Only if you have self-confidence can you persuade or convince others and get your work done.

Persuasion can be of different types

Jayabharati, a women entrepreneur , was refused a loan by a bank as the bankers felt that her project was not viable and she had no managerial skills. At the end of numerous visits to the bank, Jayabharati

managed to convince the bank of both, and her loan was sanctioned.

Then there is Dinesh Shah, a very successful entrepreneur who owns not one but a number a chemical units. His persuasion techniques are different. Whe he set up his firs small unit in 1977, the government declared 100% excise exemption for dyestuff units with a turnover co-manufacturers and led a delegation to the then Finance Minister and persuaded a number of small and medium dyestuff manufacturers to close down their units for two months in protest. Production resumed only afte the government relented and offered the concession.

Use of Influence Strategies

Use a veriety of strategies to influence others. Such as entrepreneur acts to develo business contacts, uses influential people to accomplish his/her own objectives, and limits the information given to others.

Kalindi is an entrepreneur who manufactures paper napkins for use in hotels, restaurants and bars. She has customers in all the southern states and is now well established. There was a time before she set up her unit when she could not get financial assistance from any bank in her home town, Bangalore, But she did not give up. Fortunately for her, she knew the President of the Association of Woman Entrepreneurs of Karnataka (AWAKE). The President of AWAKE is a very influential and resourceful person and arranged to get the loan sanctioned from a scheduled bank. (Kalindi used her contact to get her work done).

Now you know what these competencies are and how important they are for you as a potential entrepreneur. So if any of them need to be developed in youi, start the process now and success will be yours.

Summary

Entrepreneurial competencies are underlying characterstics of a person which result in effective and/or superior performance of a job. Competencies may be hard (technical) and soft. The following soft skills

are observed in successful entrepreneurs.

- Initiative
- Opportunity seeking
- Persistence
- Information seeking
- Concern of high quality of work
- Commitment to work contract
- Efficiency orientation
- Systematic Planning
- Problem-solving
- Self-confidence
- Assertiveness
- Persuasion
- Use of influence strategies

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UNIT - II :**Views on Entrepreneurship****2.1 Schumpeter's Views on Entrepreneurship**

Joseph Schumpeter has done pioneering work on entrepreneurship. According to him, entrepreneurship is essentially a creative activity. It consists in doing such things as are generally not done in the ordinary course of business. An entrepreneur is one who innovates, i.e. carries out new combinations or enterprise. Entrepreneurs are especially motivated and talented class of people and key figures in development. They foresee the potentially profitable opportunity and try to exploit it. Innovations involve problem solving and the entrepreneur is a problem solver. An entrepreneur gets satisfaction from using capabilities in the following forms:

Innovation may occur in the following forms:

- (i) The introduction of a new product with which consumers are not yet familiar or introduction of a new quality of an existing product.
- (ii) The introduction of a new method of production, that is not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new and can also exist in a new way of handling a commodity commercially.
- (iii) The opening of a new market, into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before.
- (iv) The conquest of a new source of supply of raw materials or semi-manufactured goods, irrespective of whether this source already exists or whether it has first to be created.
- (v) The carrying out of the new organization of any industry, like the creation of a monopoly position or the breaking up of monopoly position.

Schumpeter makes a distinction between an innovator and an inventor. An inventor discovers new methods and new materials. On the contrary, an innovator is one who utilizes or applies inventions and discoveries in order to make new combinations and thus produces newer and better and goods which yield both satisfaction and profits. An inventor produces ideas while the innovator implements these ideas. An inventor is concerned with his technical work of invention whereas an entrepreneur converts the technical work into economic performance. An innovator is more than an inventor because he does not only originate as the inventor does but goes much farther in exploiting the invention commercially.

Every social environment has its own way of carrying out innovations. For example, in a developing country like India revolutionizing of agricultural methods by the government is an innovation. Introduction of nylon garments, development of mail order business, evolution of computer-aided manufacture, rise of joint stock company are all example of innovation.

Schumpeter stressed the role of the entrepreneurial function in economic development. He recognized that development was more than putting money into the bank of watching it grow. Development requires basic changes and entrepreneurs carry out the required changes. Entrepreneurial growth brings economic development. The entrepreneur leads the means of production into productive channels.

Schumpeter's concept of entrepreneurship is both wide and narrow. It is wide in the sense that it includes not only the independent businessman but also company directors and manager who actually carry out innovative functions. It is narrow to the extent that individuals who merely operate an established business without performing innovative functions are excluded.

Schumpeter's innovating entrepreneur represents the most vigorous type of enterprise. But this type of entrepreneur is a rare species in developing countries. The type of entrepreneur who exploits possibilities as they present themselves within a limited time horizon and mostly on a small scale can only produce limited results. Society must produce innovators with a long time horizon and who are capable of achieving substantial transformations.

Schumpeter's views are particularly relevant to developing countries where innovation need to be encouraged. The transformation of an agrarian economy into an industrial economy requires a great deal of initiative and changes on the part of businessman and managers. However, Schumpeter's theory puts too much emphasis on innovative functions. It ignores the risk taking and organizing aspects of entrepreneurship. An entrepreneur has not only to innovate but also assemble the resources and put them to optimum use. While stressing upon the innovative function of the entrepreneur, Schumpeter ignored the risk-taking function which is equally important. It is quite difficult to imagine an enterprise without risk and profit is the main force for undertaking risk. When an entrepreneur develops a new combination of factors of production, there is enough risk involved.

Schumpeter's entrepreneur is a large scale businessman who creates some thing new. But an entrepreneur cannot have large scale operations for the very beginning. Moreover, in underdeveloped countries people who can adopt the existing technology are needed. Such countries need more 'imitators' than 'innovators'. They have to launch a small scale enterprise due to imperfect market, shortage of capital and scarcity of skilled labour.

Schumpeter did not explain why some countries had more entrepreneurial talent than others. He only pointed out that entrepreneurs are not a class in themselves like capitalists and workers. An individual is an entrepreneur only when he actually carries out new combinations and ceases to be an entrepreneur the moment he settled down to running the established business. The entrepreneur leads the means of production into new channels.

2.2 WALKER'S VIEWS ON ENTREPRENEURSHIP

Walker has considered an entrepreneur as an organizer and co-ordinator of the various factors of factors of production. According to him the true entrepreneur is one who is endowed with above average ability for organization and co-ordination. He is a pioneer and a captain of industry. However, in practice, entrepreneurs possess different degrees or organizational skill and co-ordinating capacity. The supply of true

entrepreneurs is limited. The more competent entrepreneurs earn superior rewards in terms of profits.

2.3 DRUCKER'S VIEWS ON ENTREPRENEURSHIP

According to Peter Drucker, an "entrepreneur is one who always searches for change, responds to it, and exploits it as an opportunity". Entrepreneurs innovate and innovation is a specific instrument of entrepreneurship. It creates resources because there is no such thing as a 'resource' until man finds a use for something and endows it with economic value.

Both mineral oil and bauxite were nuisances which rendered the soil infertile, until man discovered their use. Purchasing power is the greatest resource in an economy and it was created by an American innovative entrepreneur, Cyrus McCormick, who invented installment buying. Similarly, whatever improves the wealth-producing potential of already existing resources constitutes innovation. Innovation is an economic or social rather than a technical term.

J.B. Say defined entrepreneurship as improving the yield of resources. Drucker defines it as increasing the value and satisfaction obtained from resources by the consumer. Successful entrepreneurs create new value or increase the values of what already exists. They convert a material into a resource or combine existing resources in a new or more productive configuration.

Entrepreneurship is based on purposeful and systematic innovation. "Systematic innovation consists in the purposeful and organized search for changes, and in the systematic analysis of the opportunities such changes might offer for economic or social innovation".

The test of an innovation lies not in its novelty or scientific content but in the market place. While many writers treat entrepreneurship as mysterious or flush of genius, Drucker treats it as a practice or discipline that has a knowledge base (theory). It is a purposeful task that can be organized and learnt. The focus should be not on psychology or character traits of entrepreneurs but on their actions and behaviour. According to Drucker, entrepreneurship is not confined to big business and economic institutions. It is also equally important to small business and non-economic

institutions. In fact what has made possible the emergence of the entrepreneurial skills to small business and non-economic institutions. In fact what has made possible the emergence of the entrepreneurial economy in America is the applications entrepreneurial skills to small enterprises, new enterprises, non-business sector and exploitation of new opportunities for satisfying human needs.

Drucker considers entrepreneurship behaviour rather than personality trait as people with diverse personalities and temperaments have performed well in entrepreneurial challenges. The foundation of entrepreneurship lies in concept and theory rather than in intuition. An entrepreneur need not necessarily be a capitalist or an owner. A banker who mobilizes others' money and allocates it in areas of higher yield is very much an entrepreneur though he is not the owner of the money.

UNIT - III :**Entrepreneurial Theories****3.1 Theories of Entrepreneurial Supply (Origin)**

The concept of entrepreneurship and its theory have been evolved over a period of more than two centuries. There are different opinions on the emergence of entrepreneurship. These opinions may be classified into three categories :

1. The Economist's view
2. The Sociologist's view
3. The Psychologist's view

1. Economic Theory : According to economists, entrepreneurship and economic growth will take place in those situations where particular economic conditions are most favourable. G.F. Papanek and J.R. Harris are the main drive for the entrepreneurial activities. In some cases, it is not so evident, but the persons' inner drives have always been associated with economic gains. Therefore, these incentives and gains are regarded as the sufficient condition for the emergence of industrial entrepreneurship. When an individual recognizes that the market for a product or service is out of equilibrium, he may purchase or produce at the prevailing price and sell to those who are prepared to buy at the highest price. Lack of vigorous entrepreneurship is due to various kinds of market imperfections and inefficient economic policies.

2. Sociological Theory : Sociologists argue that entrepreneurship is most likely to emerge under a specific social culture. According to them, social sanctions, cultural values and role expectations are responsible for the emergence of entrepreneurship. According to Cochran, the entrepreneur represents society's model personality. His performance depends upon his own attitudes towards his occupation, the role expectations of sanctioning groups and the occupational requirements of the job. Society's values are the most important determinant of the attitudes

and role expectations. According to Weber, religious beliefs produce intensive exertion in occupational pursuits, the systematic ordering of means to end, and the accumulation of assets. It is these beliefs which generate a drive for entrepreneurial growth. Hoselitz suggests that culturally marginal groups promote entrepreneurship and economic development. Such groups, because of their ambiguous position, are peculiarly suited to make creative adjustments and thereby develop genuine innovations. In several countries, entrepreneurs have emerged from a particular socio-economic class. The protestant ethic of the west is said to have contributed to the emergence of a new class of industrialists. In Britain, the United States and Turkey, ranks of entrepreneurs were filled from commerce. Samurai in Japan, family pattern in France, Yoruba in Nigeria, Kijuyu in Kenya, Christians in Lebanon, Halai Memon industrialist in Pakistan, Marwaris and Parsees in India are considered to be the dominant social classes as source of entrepreneurship. In his study of the origin and background of entrepreneurs in several countries, Hegen also concluded that entrepreneurs have emerged from certain communities and castes.

According to Stokes, socio-cultural values channel economic action. He suggests that personal and societal opportunity and the presence of the requisite psychological distributions may be seen as conditions for an individual's movement into industrial entrepreneurship.

3. Psychological Theory : According to the advocates of this theory, entrepreneurship is most likely to emerge when a society has sufficient supply of individuals possessing particular psychological characteristics. Schumpeter believes that entrepreneurs are primarily motivated by an atavistic will to power, will to found a private kingdom or will to conquer. Their main characteristics are :

- (a) an institutional capacity to see things in a way which afterwards proves correct,
- (b) energy of will and mind to overcome fixed habits of thought; and
- (c) the capacity to withstand social opposition.

According to McClelland, it is the high need for achievement which drives people towards entrepreneurial activities. This achievement motive is inculcated through child rearing practices, which stress standards of excellence, maternal warmth, self-reliance training and low father dominance. Individuals with high achievement motive tend to take keen interest in situations of high risk, desire for responsibility and a desire for a concrete measure of task performance. Hagen considers withdrawal of status respect as the trigger mechanism for changes in personality formation. Status withdrawal is the perception of the part of the members of some social group that their purposes and values in life are not respected by groups in the society whom they respect and whose esteem their value. Hagen identifies four types of events that can produce status withdrawal : (a) displacement by force, (b) denigration of valued symbols (c) inconsistency of status symbols with a changing distribution of economic power, and (d) non-acceptance of expected status on migration to a new society.

Kunkel's behavioural model is concerned with the overtly expressed activities of individuals and their relation to the previously and presently surrounding social structures and physical conditions. Behavioural patterns in this model are determined by reinforcing and aversive stimuli present in the social context. Hence, entrepreneurial behaviour is a function of the surrounding social structure, both past and present and can be readily influenced by the manipulative economic and social incentive to give new force and strength.

Each of the above theories is incomplete and none of them is right or wrong. Entrepreneurship is influenced by a multitude of factors and, therefore, no single factor by itself can generate entrepreneurship. Thus, entrepreneurship is the outcome of a complex and varying combination of socio-economic, psychological and other factors.

On the other hand, sociological and psychological factors take sufficiently long time to change. It may, therefore, be concluded that given a degree of ambition and ability, external environment rather than personality or ego are the major determinants of whether or not an individual become an entrepreneur.

3.2 The Theory of Invisible Cost or the Theory of Transaction Cost

After years of existence, and obviously after a log of creative and organizational effort, these organizations now face a serious threat. How do we understand their predicament? Should we think it just punishment for wicked selfishness, unenlightened self-interest? Or should we take it as unenlightened public interest over-running a beneficial activity that the entire country badly needs at this hour? Such a question would not have occurred to a student of economics a few generations ago. But it is a question that present-day economists should very much bother about and responsibly respond to.

Ronald Coase, a London-based economist, was awarded the Nobel Prize in 1991 for his theory on transaction cost analysis. The award especially referred to his major contribution to the field of Micro-economics. His paper entitled "The Nature of the firm and the Social Costs" was published in 1964 but it took the world 27 years to recognize the truth of his vision. His theory has become the cornerstone of any economic theory developed thereafter. His theory raises such questions as have been raised above and tries to suggest answers to them.

Ronald Coase's theory is based on simple ideas. Its basic idea is derived from P.C. Pigou's concept of Welfare Economics. The key concept of Pigou's theory is the concept of Externalities. Pigou disputed the traditional Invisible Hand Theory relating to business enterprises. That theory believed that if the efforts of an entrepreneur are unhindered, the Invisible Hand would guide the enterprise to success and to grow. Pigou disputed this idea. His objection stemmed from the perception that the entrepreneur whose efforts are unhindered by any authority would consider only his own interest and not the interests of society. Pigou felt that society pays a certain cost for the enterprise of any individual to make a living and then a profit, because such an enterprise would be unimaginable without the implied presence of the society. This cost that society pays for any enterprise was not recognized in traditional thinking.

So Pigou protested against unhindered freedom being given to entrepreneurs. The relevance of this protest to today's world is evident.

Let us consider two examples

An entrepreneur takes into account his input cost. Many items go into this calculation naturally. But they are all items for which the entrepreneur has to pay a price. He even reckons the interest he might derive on the capital he invests. When these calculations compared with what he can make in the market for his finished product must give him a positive signal for him to conclude that his venture is profitable and that he could afford to continue with it.

But is this calculation sufficiently comprehensive. The other party involved in all enterprise is the consumer, and beyond the consumer is the society that accommodates this and other enterprises. This society imaginably pays a cost for this enterprise. For instance, its natural possessions, like the air, water and land, are used by the entrepreneur, and his exertions may deplete the society's stock of these or in some measure pollute these resources. Society has to make other arrangements to counter these bad effects. These costs are not met formally by society, but are felt and met by the people individually and are not easily understood as the cost they pay for the enterprise of somebody.

This can be made very clear from a more specific example. A paper mill (naturally) comes up near a forest area. It uses the wood as its raw material. The traditional inhabitants of the place have probably been using these forests as their source of fuel. More, the forests have long been regulating the climate conditions of the area. In various other ways also the forests have been influencing the lifestyle of the people. Now the forests are affected by the new enterprise. The people lose their free access to the forest products. The rainfall and other natural cycles are affected. All this may involve the loss of livelihood for some, and may entail other provocations to yet others. In course of time, the mill discharges its industrial waste into a stream or nearby river. This contaminates the water source of the local people, and naturally leads to health problems. The waste material, thrown somewhere, percolates into the deeper levels of the soil, in due course affecting the health of the soil, and consequently, again, affecting the health of the people. The spoiling of these natural resources badly upsets the economy of the people.

Considering such factors, it is pertinent to ask the question as to who is responsible for these other costs which cannot be readily calculated.

However, there is also the positive possibility of an enterprise. Number one is of course the job opportunities. These benefits are easily enough understood and are well emphasized and publicized. But here are small things that go unnoticed. For instance, if one plants a few trees in ones' garden the tree produces things and gives certain natural benefits to the neighbourhood. These are reards that a society gets out of the enterprise of any individual. Traditional calculations do not take into account either of these aspects. And by and large, society has not devised any system of reards and punishments in the light of these considerations.

Pigou objects to the concept of absolute freedom for the entrepreneur. When others are subjected to privations and difficulties, Pigou wants the government to step in and intervence on behalf of the sufferers. The entrepreneurs should compensate the sufferers for their sufferings. The government should also make the entrepreneur responsible to society's welfare and oblige him to take effective steps to eliminate or minimizes the bad consequences of his enterprise.

It can be seen, then that the concept of private and social cost has to be applied to the cost calculating process. Such an application must influence even the designing of the methods of production. It can be seen that this is not mere social-benefit control it is in the log-rage interest of the entrepreneur himself. Only that can make his venture sustainable in the long-run.

Naturally, a theory like this cannot expect to go unchallenged. Fierce opposition came, for instance, from the United States of America, and economists from that country argued the case carefulluy. But it should not be mistaken that only capitalist economy bristles up against such thought. One cannot think of a wrose offender than the government itself, in the person of public sector undertakings, in such matters. Take for instance the management of transport by public sector undertakings. In Tamil Nadu, the government nationalized all long distance bus routes and in several places even town bus services are maintained now by government transport organizations. Not one of theses organizations has a good record of maintenance. The fuel pollution they inject into the atmosphere, the maintenance of vehicles, their accident statistics, also their lack of all accountability. Yet they are given monopoly rights in the field, and there is no question of social control there!

Professor Knight endorsed the theory of Pigou. He opposed anybody's monopolistic control over natural resources. The Theory of Public Utilities took shape in the thirties and forties of this century. By the fifties and sixties, the Theory of State Intervention had gained the support of great economists like Milton Friedman (who won the Nobel Prize later for his monetary theories) and George Atingler (also a Nobel Prize awarded) and Ronald Coase.

The Coase theorem hinges on the question "Who is to have how much right to use the resources commonly available to society?" Does the owner of the Paper mill have the right to discharge his effluents into the river? Or are the residents of the locality the only ones with a right over the river? Both have the right to use the river for the enhancement of their well-being. The paper mill owner who discharges the effluents into the river has the responsibility to see that the water of the river is kept in fact for the use of the public. Stopping the paper mill from functioning will not benefit any body. On the contrary, it will lead to palpable deprivation in many sections of society. The interference of the state is the intervention of an outside agency. The direct parties involved are the owner of the mill and the people of the locality. According to Coase, this problem of externality can be eliminated if the two parties enter into direct negotiations. The polluter can be asked to pay the cost of the Pollution Abatement Process, and cost can be calculated with reasonable accuracy.

Summing up :

The qualities, traits and competencies of entrepreneurs, views on entrepreneurship and the Entrepreneurial Theories

Model Questions :

- (i) What are the qualities, traits and competencies of entrepreneurs.
- (ii) Explain the various views on entrepreneurship.
- (iii) Briefly highlight the entrepreneurial theories.

BLOCK - 3 :**Opportunity Analysis**

As an outcome of Block-2, there is a substantial flow of opportunity analysis, Institutions assisting entrepreneurs and the aspects of marketing in Block-3. This block is divided into III units and is also been summed up on the basis of Block- 3 there arises the need for having an overview of Entrepreneurship Development programmes which is been put forwarded in Block-4

Suggested reading : Desai, Vasant, ED, HPH, Mumbai, 1991.

Unit - I :**Business Opportunities****1.1 Identifying and Evaluating Business opportunities
Ideas and Opportunities****Ideas**

It is not possible for anyone to come up with an idea and at the very first instance, convert it into a business opportunity and start a small business on that basis. Person interested in becoming entrepreneurs must have the ability to generate a large number of ideas so that at least one of the ideas has the potential for a business opportunity and adopt a series of steps to finalize it into a profitable business.

Sources for Ideas

Different sources and methods help us to develop a wide range of ideas. Following are some of the sources for ideas:

- Good understanding of economics and the economy.
- Changing needs of the people in a locality/society.
- Emerging trends in the society, (e.g. migration of people from rural areas to urban centers, preference for fast food among youth).
- Extensive traveling and wide range of reading.

Even with such sources of ideas, a creative person is likely to derive more advantages than a person who is less creative and continues to think on traditional lines. Creativity plays a vital role in setting up a small business.

Creativity

Every problem is an opportunity for a creative person. Creativity is a major tool for the survival of an entrepreneur. It not only gives one

the edge for recognizing needs, generating business and marketing ideas, but it also helps in solving problems. The person who faces a problem and finds a novel solution or is able to quickly convert the problem into an opportunity that has ready solutions, will be a survivor in a field where others less flexible and less creative, will be left behind.

This is particularly true as small businesses are considered to be more flexible and pro-active than large, bureaucratic organizations and thus, can react better and faster to changing circumstances.

Rules for Creative (and examples)

Are you good at solving problems? Well, there are ways to expand your mind-set. First, let's establish some rules for creativity:

- (1) Every problem holds an opportunity.
- (2) Problems are NOT excuses for giving up,
- (3) Every problem has more than one solution.
- (4) Think sideways.
- (5) Creative is FUN-you get more ideas in an uncritical atmosphere.

We tend to limit our thought processes into traditional and standard ways of doing things which often become security blankets to the point where change scares us and creativity is often stifled by our own mind-set of routine experience and also peer pressure. Initially, we have to force ourselves out of our mind-set to begin to think sideways (laterally).

Thinking Creativity

There are a variety of methods to help you think creativity Two or them are described below.

Brain Storming

- (a) Brain storming is a process of detaching analysis of ideas from the actual development of ideas. We tend to bog down

when we take time to explain or think through an idea and take considerable time to justify or sell the idea to others. Sometimes, non-conventional thinking also gives rise to more ideas may lead to the best solution.

(b) There are a variety of ways to approach brain storming, but the principles remain the same.

(1) Idea generation is separated from analysis of the idea.

(2) You usually get more ideas with a group than by yourself.

(3) No criticisms during the idea generating phase.

(4) Do not waste time by trying to sell or explain your idea to other the idea generating stage.

(5) The apparently weird and silly ideas often are not so

(6) Weird and sill ideas can lead to more and better ones.

(7) Changes in the way you look at something may generate new ideas.

(8) Avoid experts in the idea generating group, as they to have rigid minds loaded with traditional approaches.

(9) At the idea generating stage, you are seeking a large quantity of ideas.

(10) Ideas should breed a combination of ideas.

(c) You will find that weird and silly ideas will lead to an euphoric or idea high which makes the ideas flow. The secret to the idea generating stage is simple : No criticism and no attempt to explain or sell your ideas to others.

(d) After a list has been generated, analysis of each idea can take place. In problems solving, it helps in the analysis stage to have clear objectives of what you want the idea to achieve and a list of the restraints, (e.g., cost to be paid out of cost savings) you are working under. You

will find the brain storming method great for both new ideas, (e.g., what can we do with this product ?) and problem solving, (e.g., how do we handle this ?)

Attribution Listing : The second for creativity looks at the properties or features in different ways. This process is based on changing the ways you look at something in order to find new uses for it. A typical was the situation where a Bricklayers union limited the number of bricks to be laid in a work day and the management responded by developing jumbo (bigger size) bricks.

Example

Using the problem of what we can do with old types as an example, let us look at the principles of attribute listing.

- (a) Identify attributes and examine the item in its present form to list new other uses for it.
- Does its SHAPE suggest other uses ? e.g, round = swing.
 - Does its WEIGHT suggest other uses ? e.g., hold down tarpaulins.
 - Does its COLOUR suggest other uses ? e.g. black = carbon black for charcoal, etc.
 - Does its TEXTURE suggest other uses ? e.g
 - Does its DIMENSION suggest other uses ? e.g. flower pot.
 - Does its PROPERTIES suggest other uses ?e.g. inflammable starting a fire.
- (b) If modified, rearranged or combined, are there uses for it ?
- What could you do if you REVERSED it ? e.g. flower pot.
 - What could you do if you COMBINED it with something else ? e.g. add. Styrofoam to make marine floats.
 - What could you do if you MULTIPLIED it ? e.g. flower bed border.
 - What could you do if you SHRUNK it ? e.g. ashtray.

- What could you do if you ENLARGED it? *e.g.*, giant sign.
 - What could you do if you REARRANGED it? *e.g.*, ground up additive to asphalt, cut into sandals.
 - What could you do if you CHANGED THE MATERIAL in it? *e.g.*, banquet centerpiece.
- (c) In the attribute method, each highlighted item could be brainstormed. It helps to do this in a group in order to get more ideas. It also helps to a good background awareness of trends and needs.

Recognizing needs

A Need is an opportunity : We build our reasoning process to work up from the general needs that are more or less in every one sense what needs a product may serve. It is the essence of good marketing to sell a consumer product based on the needs it will satisfy, rather than on its technical attributes. The reason one person buys a product may be completely different from someone else's reason. Often, an item is invented and there is a strong search to find marketable uses for it. For example, the self-sticking memo sheets.

Maslow and the Needs Theory : Abraham Maslow stated that we have a number of levels of needs which range from very basic physical needs, such as the desire for food, water, clothing and shelter, to very subtle physiological needs, such as the needs present and at any one time, some may be more dominant than others. Generally, the lower level needs have to be satisfied before the higher level needs have a chance to come to the surface. The hierarchy of needs runs from basic to self-fulfillment (Self-actualization) in the following order :

- Basic
- Safety
- Social
- Ego
- Self-fulfillment

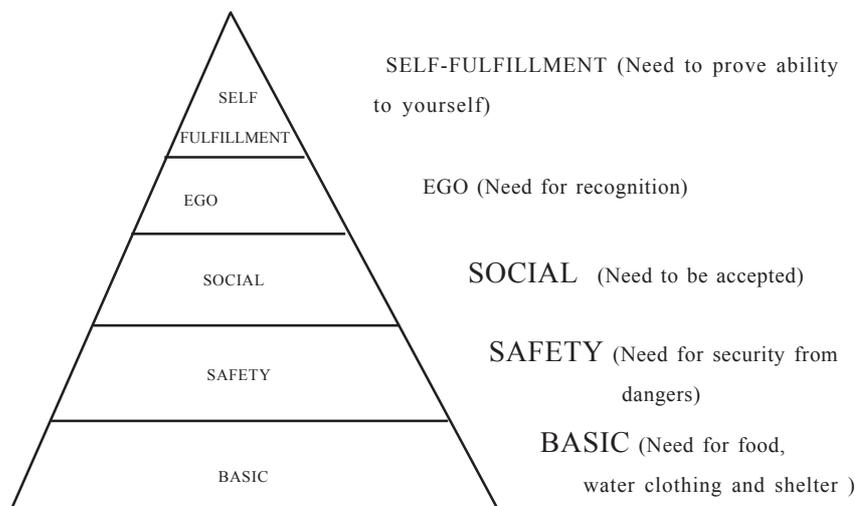


Fig 3.6 Maslow's hierarchy of needs

Maslow's hierarchy is often described in a triangle with basic needs on the bottom

Generally, needs at the lower levels of the hierarchy, (e.g. hunger) occur more frequently involving larger numbers of people. Needs at the higher levels of the hierarchy, (e.g., need to be accepted by your peers) are more difficult to satisfy and they persist much longer.

When you apply this to products, you may find a number of needs at play, especially in the development of a product image. For example, a chocolate bar can not only satisfy the basic need of hunger, you may select a specify brand in which advertising has also been playing on your social (your friends or heroes buy that brand) and ego (very exclusive) needs.

How can you use This for Generating a Business Idea ?

A few examples

Basic	:	Food stall
Safety	:	Fire extinguisher
Social	:	Deodorant or Perfume

Ego	:	Gold wrist watch
Self-fulfillment	:	Personal Computer

Recognizing Trends

By developing an awareness of trends, you will be able to anticipate successful products, service or directions to take and get a jump on the competition. Trends occur because of world events such as a war, or climate change, or shift in economics (new Economic policies and selective privatization of power, telecommunications and transport sectors). Demographics such as population shifts (as migration of rural population to urban centers in search of jobs and better living standards), technological changes such as the computer age and the knowledge explosion, socio-psychological change (psychographics) such as a trend to good health and fitness.

- (1) Start with a review of the demographics of your locality and determine the implications of each trend. For example, the middle class is growing and is projected to grow rapidly in the decade. Also, the govt. places emphasis on economic reforms. This results in a greater demand for consumer goods from the middle class and the opportunity to produce them in India, using the latest technologies.
- (2) As an exercise, identify at least three major demographic trends and the implied business opportunity areas.
- (3) Let us look at some major trends and some business implications for each. This may stimulate your thinking.
 - (a) Increasing investments in rural development Implications :
 - Greater demand for non-formal vocational training programmers.
 - Maintenance and repairs of farm equipment, pump-sets, etc.
 - Scope for food processing units.

- (b) Trend toward greater fitness implications :
- Demand for health foods
 - Increase in fitness sports
 - Desire to learn yoga and meditation
- (c) Extensive use of computers in all walks of life Implication :
- Greater demand for learning computer programming and applications.
 - Maintenance of computers.
 - Requirements of computer stationary.
- (d) Two income families (Husband and wife employed/working) implications :
- Time becomes valuable.
 - Will pay for someone to do household work.
 - Want and can afford quality leisure experiences.
 - Less time to make meals.
- (e) Interdependent economics and international competition implications :
- More trade.
 - More shared knowledge.
 - Need for cross-cultural understanding.
- (f) Increased productivity
- Fewer workers per unit production-re-training of displaced workers.
 - More potential for international trade.
- (g) Growing singles market (unmarried persons) Implications
- Need for smaller dwelling units.
 - More leisure time.
 - More disposable income.
 - Social needs.

A Varied and traveled Background

Often ideas develop by comparison when you travel to other countries or parts of the country and see different ways of doing things or products which you may work at home. Examples are abundant in food (salad, soup and sandwich, pizza, hamburgers, etc.) and sports and pleasures (karate, ballooning, wind surfing, hot tubs, saunas and massages).

A varied background helps you recognize opportunities because of your awareness of alternatives. Transfer a cross knowledge fields is also in this area. Examples : the knowledge of athletic training and injuries coupled with medicine to develop the relatively new field of sports medicine ; the blending of computer expertise with accounting and law to create automated legal offices ; or the blending of electronics with low temperature physics to develop superconductors.

Recognizing Fads

A fad is a short-lived business opportunity which has people wildly excited for a little while. It is very common in clothing fashion, sports and games. A fad can be a gold mine as long as you plan for a short business cycle to get in and out. As a precaution, it may be wise to regard all new consumer ideas as fads and plan accordingly. This probably contributes to the business statistics which states that a large portion of businesses which starts do not survive for more than 5 years, as many who ride a fad go out business or starts a new venture within 5 years. In planning for a fad, the initial profit margin must be planned to be high and payback period for the investment must be short. Of course, some fads turn into long lasting, good volume business, (bicycling, surfboards, jeans, waterbeds, water slides) but it is still prudent to look to a quick payback the fad stage.

A Potpourri of Ideas for Ideas

We have considered some sources of ideas in earlier sections : recognizing needs, recognizing trends, a varied and traveled background and recognizing fads. We have also seen two methods-brainstorming and

attribute listing for expanding our thinking more creatively. The following is a somewhat exhaustive basket of ideas which will help you to generate your own ideas. Consider only those that are relevant to your own situation.

- Borrow someone else's idea by importing it to your own location (the varied and traveled background helps) or improving on it.
- Interview a lot of people to determine unfilled needs and gaps in the market. This may be making mental notes when talking to people which can be filed away to surface when other experiences trigger a solution to the need.
- Look for a better way to do things. There may be activities that are slow, awkward, tedious, or exhausting which could be improved. (e.g. facsimile mail, word processor, etc.
- Turn science fiction into fact. A lot of products exist which were just day dreams a few years ago (voice activated switches).
- An event is an opportunity. This may be selling refreshments or souvenirs at a fair or game or it may be the sale of a product for a need such as oil bath, caps for cricket viewers during a cricket match or umbrellas in rainstorm.
- A problem is an opportunity. You may be able to profit by disposing of or finding a use for waste. Good examples are recycling aluminum, restoring pallets or making firewood from pallets, recycling cartons and boxes, or gathering methane gas from garbage dumps to produce heat and electricity.
- Analyze existing businesses to see where they are weak.
- Convert your hobby or sport into a business venture.
Examples: the tourist guide selling photographs and beautiful scenic locations, the kite flier making and selling kites and accessories, the computer nut inventing and selling software applications.

- Try combinations of Ideas. Examples : Farms of plantations with resorts, wine and soft drink coolers, and amphibious car.
- Create a novelty, small pleasure or cheap thrill. Examples : water slides, aluminum balloons.
- Create different uses for common products. Examples : Milk or egg carton, flowerpots.
- Create different products or use different materials for the same function. Examples : replace zippers with buttons, video camera for a movie camera, non-sugar sweeteners, milk substitutes, mosquito repellent attached to plugs.
- Is there an opportunity to go over or under a product in quality? There may be room in a market for a higher or lower quality of the product. Examples : Watches, no detergents, no brand name food, without brand names.
- Buy an idea. This is especially possible in new products as universities and research departments of large companies offer for sale, patented inventions and processes. There may be inventions in search of a use, a proven idea available to be commercialized plan.
- Check out foreign suppliers. Consulates and Embassies and some Chambers of Commerce have lists of firms in other countries looking to sell their products or service in your country or to buy specific products and commodities of services from you country.
- Consider import replacement. Search out items that are imported to see if you could produce an equal and cheaper product locally.
- Review the local economic development plans and policies of your state, district as you may find a list of business opportunities.
- Review trade magazines, which may list business opportunities.

- Create an opportunity. Organizes an event for revenue and concession revenue. Build something that helps sell other items. For examples, a computer game center with a soft drink-ice cream parlour.
- Review that which has failed, great ideas are premature and the time may have come where an idea is now right (fitness gymnasium).
- Add value. Local raw materials could provide opportunities for finished good (logs into boards into furniture components or logs into fine grade paper).
- Break bulk. Take product in large containers and package into small containers appropriate for your market (drums of detergent powder, industrial soap diluted and repackaged into small pouches).
- New portions. Package a families product to serve the needs of different markets (large package of ice cream for large families and institutions, very small packages for the singles market).
- Specialize for a target market. Identify a market segment and develop a product line for them (locally made tourist souvenirs, health foods).
- After market, repair and salvage. Servicing new products (e.g. personal computer, T.V., pressure cooker).
Reconditioning products and sale of used products often follow sales of a new product. Salvage of old products often provides good profits through sale of parts or high value metals.
- Became an export agent for a local product, (e.g. honey handicrafts, pottery).
- Add service to an existing product or idea, (e.g. make house calls, provide replacements during repairs, pick up and delivery, twenty-four hour service, etc.).

IDEAS INTO OPPORTUNITIES

Ideas into Business

An idea does not become a business opportunity for you until it looks as if it will meet two tests :

- (1) Is it business opportunity ? That is, does it have the potential to be profitable ?
 - *Marketing* : Can the product (s) or service (s) be successful in the market place ?
 - *Production* : Can you product the required volume and quality at a profitable margin ?
 - *Financial* : Can financial goals be satisfied ? Return on investment target profitability ?
- (2) Does it satisfy your personal constraints ?

Initial Evaluation of your Idea

Is it worth the effort ? That is the key question. Now, how do you go about answering it ? you may wish to start by getting a rough estimate to the time, effort and costs involved and compare to the potential payoff to determine of there is enough profit potential to motivate you into action. You may have set minimum goals and personal constraints for yourself. Minimum goals may be the desirable hourly wages or annual income. Perhaps you should have an idea of the amount of funds available for investment and the returns expected on them. It would then be a matter of comparing costs to income and effort to determine if the venture is worth the effort. These are the sorts of questions one would be asking in initial evaluation of any business idea of these aspects. Let us take a quick and simple example, to understand some.

Example 5 : Balloons, You notice a local two-day festival will be held soon and wonder what could you sell at the festival that may earn you good amount of money. In your creative mood, you conjure up a longer list of ideas from sweetmeat to toys and settle on the fact there has not been anyone selling balloons at the festival for a few years, thus there may be an opportunity to do so.

- (a) A little investigation reveals that the average cost of an aluminum balloon is Re. 1. With the cost of helium gas at 50 paise, such balloons tend to sell from Rs. 3 to Rs. 5. It is estimated that about 10,000 people will attend the festival, of which one-third will be children. You feel you may be able to sell at least 500 balloons during the two days of the festivals. You will have to work two twelve-hour days. Is it worth your effort ?
- (b) If you only sell for Rs. 3, you will clear about Rs. 1.50 per balloons (forget about the cost of the string and shrinkage).
 Rs. 1.50 margin x 500 Balloons - Rs. 750 for the effort.
 It is Rs. 750 for two long days of work = Rs. 375/day.
 Or Rs. 750/24 = Rs. 3125/hour (less time running to the suppliers).
 (The numerical values given above for the balloons and helium gas are not to be taken as market prices. It is only for illustrative purposes.)
- (c) Is it worth the effort to you ? Well, it is better than remaining idle, isn't it ?

Personal Constraints

- (d) Always look at personal constraints after you have a good glimpse of the potential profit in a business opportunity, as the potential may override many of personal constraints.
- (e) You may wish to impose some personal constraints in your valuation of an idea to determine further if it is worth your time and effort. Perhaps the idea does not fit with your idea of something you would wish to do. You may consider it demeaning for your social status, for example. Or, you may want only a part-time effort rather than a full-time effort. Let us look at a list of personal constraint considerations against which you can evaluate an idea :
- (1) Do I want to do it ?

- (2) Do I want to work at it part-time or full-time ?
- (3) Does it have the potential to satisfy my target income/ profit ?
- (4) Is it worth the effort ?
- (5) Is it legal ? Within my moral/ethical standards ?
- (6) Is it within my status ? Will it advance my status ?
- (7) Do I want to work with the types of people involved ?
- (8) Is the idea high on my list of priorities ?
- (9) Do I have the time ?
- (10) Will it be fun ?
- (11) Do I want to live with the lifestyle it will entail ? e.g., constant travel
- (12) Do I have the required knowledge/skills/experience, or if not.
- (13) Do I have the time interest ability to learn ?
- (14) Do I have the necessary knowledge of markets/suppliers?
- (15) Do I have enough finances available/accessible ?

Let us continue with the Balloon, example, assuming you have set the following personal constrains and that it satisfies them :

- It can be started in my spare-time.
- It will be fun.
- I want to earn at least Rs. 20 per hour.
- Low financial entry.
- Large market potential.
- Within my skill.

At this point, may be worth the effort to investigate a little further t see if you have the ability to finance the venture. You would have to rent helium cylinders and a valve and purchase the balloons. You can make an arrangement to return the helium gas cylinder and value, but you must come up with Rs. 150 as a deposit. Can you come up with Rs. 150 ? Is it still worth the effort ?

Market Research

If you think it is still worth effort, it would be time to get down to serious market research to see if a close look will continue to confirm your profit estimates and help to refine a technique (develop a plan for how to run the business) as you mean more about how the business is run. Your market research may take you to observe others selling balloons at events in other districts, close questioning of potential suppliers will also help to learn about the trade. You may be able to interview a vendor or even work for someone else to learn the little skills that increase the chances of success.

Action

It then remains for you to make the big step and reserve the gas cylinder, valve and balloons and get permission to sell at the festival occurs and your plan turns into action. You have the planning phase to use as a guide to your degree of success. Will you sell as many as planned ? What is your wastage ? Are you using too much helium ? How much money are you making ?

Basic Cycle

This is basically the cycle for planning and a business. You should always evaluate your idea by a quick calculation of possible profitability, effort and personal constraints, then if attractive financially, it is time to dig deeper.

A preliminary look at an idea is valuable, as you may be able to quickly see a serious flaw before you spend too much time and effort. It is not uncommon to make major revisions to an idea as you dig deeper into it. Always start with a quick look at the competition and try to estimate market size and profit potential. From there, if things still excite you, you can take a more organized approach, such as proceeding through the elements of a business plan as this will force you to think out all the little details.

SWOT Analysis

In evaluating a business opportunity and arriving at a decision on starting a business or not, a sort of SWOT analysis of the business idea

or opportunity, i.e., analysis of strengths (S), weaknesses (W), opportunities (O) and threats (T).

When evaluating business opportunities, you could apply the SWOT analysis more rigorously. This is a method which compels you to think or reason out systematically and analytically, the important facts of :

Strengths	Weaknesses
Opportunities	Threats

Strengths and weaknesses are always related to the individual or an organization interest in a business. Opportunities and threats are usually related to the outside environment.

(a) Now, let us consider the example on balloons and apply SWOT analysis. The strengths and weaknesses of a particular individual, as identified by himself or herself, could be as under;

Strengths	Weaknesses
Capacity to put in hard work.	Poor communication skills.
Good understanding of market trends.	Losing temper quickly.
Tenacity to complete work in spite problems and hurdles	Deficiency in skill to operate gas. Cylinder and valve.
Willingness to take calculated risks.	

(b) The Opportunities and Threats, as perceived by the same individual could be as under :

Opportunities	Threats
Large number of children to Come to festival.	Unexpected competition
Aluminium balloons are Novelty.	disturbances during festival
	Due to rains or other unforeseeable events.
Dealers available to give helium Cylinder, valve and balloons	

Many people are not yet familiar
With these new balloons.

- (c) With this analysis, it will now be possible for the individual to assess the implications of all the four factors - strengths, weaknesses, opportunities and threats-in a total and integrated way. He or she can, thus arrive, at a reasoned decision on converting this opportunity to a business or not. It should be emphasized that these analyses will be different when undertaken by different individuals.

If you try to identify each of the above associated with each opportunity, it would enhance your reasoning process. Often, it helps to ask a friend to assist in recognizing the weaknesses and threats as you may be too excited about the idea to notice. This is called the role of the devil's advocate in some circles. Once you have a fair and exhaustive list of each, you can then weigh the strength and opportunities against the weaknesses and threats and see if the positives outweigh the negatives. It also enables you to think ways to overcome the risks or threats.

An Idea File

When you are feeling creative, it is best to make a long list of business ideas and opportunities for you. Ideally, you should strive to have a list of fifty opportunities for which you have listed the top ten which best fit your personal constraints and are ripe for exploiting. This way, when you start to dig deeper into an opportunity and discover it is no longer attractive, you have a reserve supply of other opportunities to fall back on.

Protecting Your Business Idea

Good ideas tend get borrowed. You must be careful who you talk to, and how much you reveal. It may be prudent to create a confidentiality form on which you could make people sign before you discuss the idea with them. If you are producing an original idea such as

a work of art, always sign it and date it. It would help to have the signing/dating witnessed by a reliable person. If you have created a proto-type, it may be valuable to see a notary and have a dated statement (with photographs) that they have seen the prototype. If the item is patentable, apply as quickly as possible. If the item can be copyrighted, do so as quickly possible. Usually, with copyright and trademark, the that of first use is the start date and you may not have to file formal registration papers, but is pays to have witnessed proof when you first commercially use the item. Patents tends to be improved upon rapidly and you may not have as much protection as implied because someone can come up with an improved product or you may not be able to afford the legal battle in a patent infringement suit. Regardless of your idea, once you have started to mention it around, you must move as quickly as possible, as you may have given a competitor the idea.

SUMMARY

Idea become opportunities only if they have a chance to succeed.

STEPS

The following steps are involved in finding and evaluating business opportunities:

- (1) Recognize opportunities trends ideas.
- (2) Use methods such as Brainstorming and Attribute listing for generating ideas.
- (3) Determine trends and implications :
 - Demographic
 - Economic
 - Socio-demographic
 - Socio-economic
 - Socio-cultural
 - Psychology.

- (4) Identify opportunities inferred by these trends.
- (5) Consider ideas to become business opportunities.
- (6) Evaluate business opportunities.
- (7) Correlate opportunities to personal concerns or constraints.
- (8) Use SWOT analysis techniques
- (9) Create a personal opportunities file.
- (10) Guard your business ideas.

1.2 Project Identification and Classification

MEANING OF PROJECT

In the precise sense, a project presupposes commitment to be performed with well defined objectives, schedules and budget. It can be defined as a scientifically evolved work plan devised to achieve a specific task within a specified period of time. Taken in this perspective, while projects can differ in size, nature, objectives and complexity, they must all partake of three basic attributes of being a course of action, having specific objectives and of involving a definite time perspective.

From the point of view of resource allocation, a project can be considered as a proposal involving capital investment for the purpose of developing facilities to provide goods or services. A project may involve the establishment of a new plant for the manufacture of steel ingots, it may involve the provision of additional educational facilities to a particular age group in the community, or it may aim at developing infrastructure facilities for the marketing of agriculture products. Whatever the nature of the project, a project will involve allocation and consumption of resources on the one hand and generation of resources, goods or services on the other.

Webster's new 20th century Dictionary refers to it as a scheme, design, a proposal of something intended or devised. The Dictionary of Management regards it as an investment project carried out according to a plan in order to achieve a definite objective within a certain time and which is completed when the objective is achieved. Similarly, a project

according to the Encyclopedia of Management, is an organized unit dedicated to the attainment of a goal - the successful completion of a development project on time, within budget, in conformance with pre-determined programme specifications.

Another school of thought looks upon a project as a combination of interrelated activities to achieve a specific objective. For instance, a project according to Project Management Institute, USA, is a system involving the co-ordination of a number of separate department entities through the organization, and which must be completed within programme specifications.

Project management scholars emphasise that a project -a unique and non-repetitive activity-aims at systematically coordinating inputs in the direction of intended outputs. To quote Harrison, a project can be defined as a non-routine, non-repetitive, one-off undertaking normally with discrete time, financial and technical performance goals.

There are still others whose primary emphasis is on appraising investment proposals from the economic and social profitability angles. For instance, according to Little and Mirrlees, a project refers to any scheme, or part of a scheme, for investing resources which can reasonably be analysed and evaluated as an important unit. The manual or Economic advantages and the disadvantages attendant upon the allocation of country's resources to the production of specific goods and services.

Thus, a project may be defined as a scientifically evolved work plan devised to achieve a specific objective within a specified period of time. The objective may be to create, expand and/or develop certain facilities in order to increase the production of goods and/or services in the community.

Project Classification

Projects have been classified in various ways by different authorities. Little and Mirreless divide the projects into two broad categories, viz., quantifiable projects and non-quantifiable projects. The Planning Commission has accepted the sectoral criteria for classification of projects. Projects can also be classified on the basis of techno-economic characteristics. All India Financial Institutions classify the

projects on the basis of the nature of the project and its life cycle. The project classification are explained below:

1. Quantifiable and Non-quantifiable Projects

Quantifiable projects are those in which a plausible quantitative assessment of benefits can be made. Non-quantifiable projects are those where such an assessment is not possible. Projects concerned with industrial development power generation, mineral developments are forming part of quantifiable projects. The non-quantifiable project category comprises health, education and defence.

2. Sectoral Projects.

According to the Indian Planning Commission, a project may fall in the following sectors:

- (a) Agriculture and Allied Sector
- (b) Irrigation and Power Sector
- (c) Industry and Mining Sector
- (d) Transport and Communication Sector
- (e) Social Services Sector
- (f) Miscellaneous Sector

The sector classification of projects is quite useful for resource allocation at macro levels.

3. Techno-Economic Project

Techno-economic projects classification includes factors intensity-oriented classification, causation-oriented classification and magnitude-oriented classification. These three groupings are narrated as under:

- (a) Factor intensity oriented classification : The factor intensity is used as base for classification of projects such as capital-intensive or labour-intensive which depends upon the large scale investments in plant and machinery or human resources.

- (b) Causation oriented classification: The causation-oriented project are determined based, on its causes namely demand based or raw material-based projects. The non-availability of certain goods or services and consequent demand for such goods or services or the availability of certain raw materials, skills or other inputs is the dominant reason for starting the project.
- (c) Magnitude oriented classification: The size of investments forms the basis for magnitude-oriented projects. Projects may thus be classified based on its investment such as large-scale, medium-scale and small-scale projects.

Techno-economic characteristics-based classification is useful in facilitating the process of feasibility appraisal. United Nations and its specialized agencies use the International Standard Industrial Classification of all economic activities (ISIC) in collection and compilation of economic data. Since this classification covers the entire field of human economic endeavour, it forms a useful basis for classification of projects. Economic activities are under this classification grouped into ten divisions, which are sub-divided into ninety sub-divisions. The divisions are :

Division 0 - Agriculture, Forestry, Hunting and Fishing

Division 1 - Mining and Quarrying

Division 2 & 3 - Manufacturing

Division 4 - Construction

Division 5 - Electricity, Gas, Water and Sanitary Services

Division 6 - Commerce

Division 7 - Transport, Storage and Communications

Division 8 - Services

Division 9 - Activities not adequately described.

4. Financial Institutions Classification

All India and State Financial Institutions classify the projects according to their age and experience and the purpose for which the

project is being taken up –

They are as follows:

- (i) New projects
- (ii) Expansion projects
- (iii) Modernisation projects
- (iv) Diversification projects

The projects listed above are generally profit-oriented and the services oriented projects are classified as under :

- (i) Welfare projects
- (ii) Service projects
- (iii) Research and Development projects
- (iv) Education projects

Project Identification

Project identification is concerned with the collection, compilation and analysis of economic data for the eventual purpose of locating possible opportunities for investment and with the development of the characteristics of such opportunities. Opportunities, according to Drucker (1955), are of three kinds: Additive, Complementary and Break-through. Additive opportunities are those opportunities which enable the decisionmaker to better utilize the existing resources without in any way involving a change in the character of business. Complementary opportunities involve the introduction of new ideas and as such do lead to a certain amount of change in the existing structure. Break-through opportunities, on the other hand, involve fundamental changes in both the structure and character of business. Additive opportunities involve the least amount of disturbance to the existing state of affairs and hence the least amount of risk. The element of risk is more in the other two opportunities. When the element of risk increases, it becomes more important to precisely define the scope and nature of project idea, to develop alternative solutions for achieving the project objectives and to select the best possible approach so as to minimize both resource consumption and risks and to optimize the return or gains.

Project identification can not be complete without identifying the characteristics of a project. Every project has three basic dimensions - inputs, outputs and social costs and benefits. The input characteristics define what the project will consume in terms of raw materials, energy, manpower, finance and organizational set-up. The nature and magnitude of each of these inputs must be determined in order to make the input characteristics explicit.

The output characteristics of a project define what the project will generate in the form of goods and services, employment, revenue etc. The quantity and quality of all these outputs should be clearly specified.

In addition to inputs and outputs every project has an impact on the society. It inevitably affects the current equilibriums of the demand and supply in the economy. It is necessary to evaluate carefully the sacrifice which the society will be required to make and the benefits that will accrue to the society from a given project.

Projects do not emerge themselves. The inputs to set up a project can come from different sources such as Governmental agencies, credit and financial institutions, non-governmental organization like Chambers of Commerce and Industry, inter-institutional groups, technical consultancy organizations and international collaborations. Once the venture ideas have been developed by entrepreneurs by following one or combination of sources explained, these have to be screened and evaluated in a preliminary fashion on the basis of internal and external constraints prior to being put to additional tests of pre-feasibility. This project identification comes to an end by laying down specific project objectives clearly and concisely and without any ambiguity so that these convey one and the same meaning to all concerned.

INTERNAL CONSTRAINTS

Internal constraints arise on account of the limitations of the management system which will eventually be responsible for the implementation of a project. In India, the internal constraints for the entrepreneurs while venturing the projects comprise inputs, resources

and outputs. These are narrated as under

- (i) Entrepreneurs, while implementing the projects, rely more on outside consultants for preparation of feasibility reports in the formulations of their projects. The limitation on the part of entrepreneurs to provide inbuilt project services in the form of preparing feasibility reports in an important internal constraints in the early implementation of the project.
- (ii) For early implementation of projects within the budgeted cost and time schedule, all the entrepreneurs cannot develop independent project management systems, organization structure, network analysis and other element. In such a situation, the entrepreneurs' inherent internal constraints are developing well equipped project management strategies and tools while implementing them.
- (iii) Projects goals and objectives lay down the main purpose for which an organization exists. Practically, project management team is not much involved with the determination of project objectives. Certainly, this will be another internal constraint for the project team to achieve the unrealistic objective which is decided by the top management personnel of the business.
- (iv) The availability of the necessary internal project elements and resources are physical and non-physical resources. The physical resources include finance, personnel, inventories and facilities. The non-physical resources are patents, secret processes, unique experience and skills. Both physical and non-physical resources are the important constraints for the entrepreneurs to make available at a time when the project implementation is in progress.

External Constraints

The external constraints are also another important constraints for the entrepreneurs who venture into project implementation. The important external constraints are the project environments comprising, things, people and situations outside a project and also the size, nature,

location and extent of the project constitute the environment of the project. The other tangible environment factors are namely, social taboos, government policies and the state of capital market.

These are described as under:

- (i) The external environment factors like nature, size, location and the extent of project are the important limiting factors for the entrepreneurs when the project does not conform to the socio-economic objectives of the country.
- (ii) Government policies and regulations are another major hurdle for the entrepreneurs while implementing the projects. They are mainly in the form of delay in giving approval to the entrepreneurs in the medium of industrial licensing, foreign collaboration approval, environmental clearance, foreign exchange permit, capital goods approval and import goods clearance.
- (iii) Financial institutions, banks are the important external financial source for the entrepreneurs while financing their projects. The financial institutions' and commercial banks' cumbersome procedures and documentation system are important external constraints for the entrepreneurs in the form of delay in financing the projects.

Project Objectives

Project objective is an important element in the project planning cycle. Project objectives are concerned with defining in a precise manner what the project is expected to achieve and to provide a measure of performance for the project as a whole. Objectives are the foundations on which the entire edifice of the project design is built. The essential requirement for project objectives are:

- (a) Specific, not general
- (b) Not overly complex
- (c) Measurable, tangible and verifiable
- (d) Realistic and attainable

- (e) Established within resources bounds
- (f) Consistent with resources available or anticipated
- (g) Consistent with organizational

The project objectives are aimed to complete the project on time, completion of the project within contemplated costs and the completion of the project at a profit to the company. Project objectives are divided into two categories, namely, 'retentive' objectives and 'acquisitive' objectives. Retentive objectives are concerned with the retention and preservation of resources like money, time, energy, equipment, and skills. Acquisitive objectives, on the other hand, involve acquisition of resources or attaining states that the organization or its managers do not have.

Project objectives are also economical and social in nature. The economical objectives of the project are in the form of profit-oriented. The social project objectives are service-oriented. The economical objectives are primarily concerned only with the primary financial costs and benefits of the project. It quantifies the resources which the project will consume in the shape of capital expenditure and maintenance expenditure. The social project objectives are in conformity with social cost benefit aspects of individual projects. The social project objective is the process of evaluating a project from the point of view of the total impact which the project will have on the economy of the nation.

Projects are to start with certain objectives to achieve specified results within the specified period of time. Besides the specified results which in effect are a generalized statement of project objectives, projects achieve a number of other goals. The project formulation team should therefore try to locate as many consequences of the project activities as possible and thereafter take up the exercise of re-setting and re-defining the project objectives in unambiguous precise and as far as possible in quantitative terms. The conclusions drawn at the end of each stage form the basis of development of the ensuring stage. These conclusions also provide necessary material for re-checking of the initial premises from which a beginning was made. At the completion of each stage, the project team should, therefore, look not only forward but also backward. The backward look is necessary to recheck and if necessary modify the initial assumptions. The project team has to be ready to revise its opinion and conclusions in the light of further evidence. In fact, the success of the

team will depend on its persistence and alertness on the one hand and on its intent to be as objective as possible on the other.

Selection of Suitable mix of various funds

For starting and managing a project, funds are required. Finance is like blood in a body without which no organ can ever function. A promoter can tap various sources of funds as explained. At the time of finalizing a suitable mix, care has to be taken so that the investment not only generates adequate returns but also ensures consistency in return generation, so that all sources of funds get their due compensation or reward without worry and tension. Thus determining a suitable mix of funds is very important for an entrepreneur and he should handle it very carefully.

Once we know of the availability of funds from different sources, we can evaluate how individual investors react to various options. Each source has its own considerations and reasons for giving the finance and therefore, you should always keep in mind whether an investor is giving debt or equity to ensure his continued trouble-free involvement in your project.

Raising Long-Term Finance

In most cases, a financier is an outsider who is prepared to take the risk of investing in your project to earn a fixed income from the investment viz., interest and recovery of money giving to you way of loan. Since he is an outsider and does not have any significant say in the routine management of the project, the financier scrutinizes the investment proposal very carefully to ensure a safe and timely recovery of his investment and the interest that he charges for allowing you to use his funds. Therefore, securing long term finance becomes a lengthy and tedious process at times. Recently, lenders have started taking quick decisions, but by and large an entrepreneur had to handle the issue of procurement of finance very cleverly, intelligently and patiently. It will therefore, not be out of place to give you, as entrepreneurs, certain tips of availing debt finance which is mainly available in the form of term loans from various financial institutions at the national level as well as at the state level. For a small scale entrepreneur, term loans are available from state level financial institutions and development banks.

1.3 Funds for Starting a Business

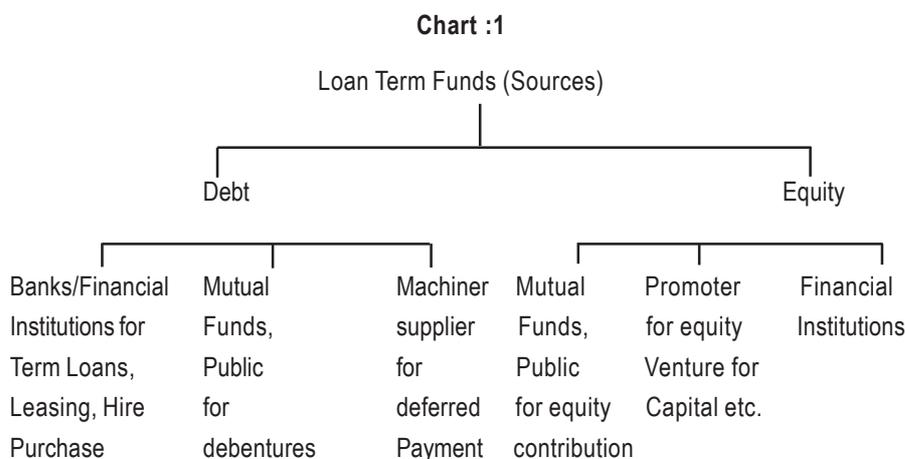
Capital is one of the basic inputs required to set up and run a unit. You need funds for starting a business, for the day to day management of the business and for the growth of the business. Till the late sixties, people generally set up and managed business using their own money. With the growth of development banking, entrepreneurs started procuring loans from banks and adding their own share of equity to set up their businesses. But these days, with the growth of the capital market and the public preferring to invest money in companies, the situation is speedily changing.

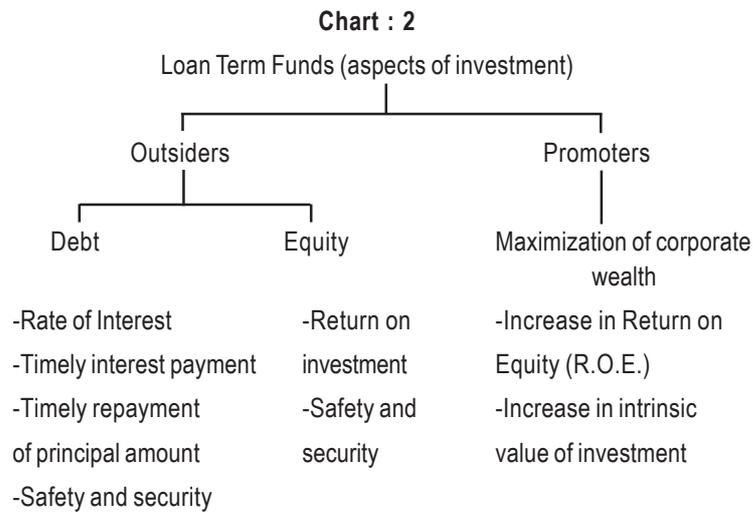
Although the promoters (entrepreneurs) remain the major equity contributors, they can get equity from the public through shares and debentures. Thus, today's promoters are no longer the only equity contributors ; however they still remain the managers of the funds.

SOURCES OF FUNDS

Capital has several names. It comes to the business in several forms various types of investors. Each form has its own characteristics, peculiarities, advantages and disadvantages.

The following charts give you the detail about various sources of funds and the aspects an investor considers while investing his/her funds in a business :





1.4 How to Approach a Leading Institution for a Term Loan Understanding Your Project Thoroughly

Prepare a good business plan or project report for your proposed venture. Accurately comprehend the interrelationship of the variables affecting the functions of production, marketing and investment. Try to make realistic projections about the different aspects of your project. Recognise the limiting factors in your venture and try to forecast the future behaviour of these limiting factors as accurately as possible. Through knowledge about your project will help you a lot in making the lender understand the project satisfactorily.

This exercise of understanding your project will ultimately lead you to identify and know the strengths, weaknesses, opportunities and threats of your project.

Be Convinced of the Feasibility of the Project

Every business is required to generate adequate returns. In order to generate adequate returns, the project must be technologically and economically sound. No lender will ever risk his money in project that is not viable. While considering the viability of your venture you must ensure that it :

- Is capable of producing and selling the proposed product.
- Can ensure the required quality of the product.

- Has the facility to produce and sell the proposed in required quantity.
- Is capable of producing and sell the proposed in required quantity.
- Is capable of producing the product at a cost which the market can absorb, and selling at a price which not only covers the cost but also generates surplus for the project.
- Is capable of functioning profitably through out its expected life.
- Generates adequate returns, as a result of its production and marketing functions, which ensure timely and total service of debt (loans) as well as timely and adequate service of equity.

Understand the Viewpoint of the Financier

The lender is always interested in the earnings from his investment and also concerned about the security of his investment. The project that you offer to him for investment must satisfy his objectives of earnings and security. Term lending institutions will definitely like to be assured of the regularity of repayment towards the loan and shall therefore try to understand not only the profitability but also the cash generation and repayment capacity of the project.

Take Care of the Financier's Interest

The project for which the lender is approached for finance must generate adequate surplus so that the lender's money and the interest due is paid periodically according to the agreed terms and conditions. This can be if the equity holders are also compensated adequately because otherwise the promoters, who are normally the sole equity holders, may divert a substantial portion of the returns towards the servicing of equity in case of inadequacy of returns. This would eventually lead to delay in servicing and repayment of debt finance, resulting in default. No term lender would welcome this situation and would therefore like to be assured of your commitment to meet repayment obligations. It is thus important to convince him of the priorities in surplus distribution and generation of adequate returns.

Know Your Strength to Handle the Project

By this time you as an entrepreneur must know the project and the complexities involved in managing the relationship between the variables pertaining to the project. Each project is a unique matrix of the interrelationship of variables and the managerial or entrepreneurial traits required to manage the unit, and must therefore be equipped with matching competencies to handle the complexity or sensitivity of these interrelationships.

The financier will always try to assess the entrepreneur and his capabilities in this context. Because no matter how profitable a project may be, if it does not have a suitable entrepreneur the project is bound to fail. Thereby making the investment absolutely irrecoverable and unproductive. Therefore try to select only that project which is your cup of tea (i.e. you are capable of handling and managing it) and then convince the lender of your skills and abilities to handle the project profitably.

Know the Tools of Appraisal

The lender of financier will appraise the business plan (project report) submitted by you and satisfy himself about its viability and feasibility, as well as about your managerial abilities, using various tools and techniques as given below in the check list :

CHECK LIST

Point to be checked	Tools of Appraisal
* Adequacy of returns	- Return on investment - Internal rate of return - Pay-back period - Net present value of each flows
* Consistency of returns repayment obligations	- Break-even point - Margin of safety - Operating and financial - Leverage - Debt/Equity ratio
* Capacity to honour	- Debt service coverage ratio - Repayment period - Current ratio - Cash-flow statement - Sensitivity analysis

- * Liquidity
 - Current ratio
 - Cash-flow statement
- * Complexity of interrelationship between various variables
 - Sensitivity analysis
- * Requisite entrepreneurial traits
 - Personal details of the entrepreneur, like :
 - personal interviews
 - credit opinion from bankers, market, etc.
- * Educational qualifications
- * Work experience
- * Knowledge
- * Resourcefulness
- * loss absorbing capacity

Additional Useful Tips

After having understood what a financial institution normally expects, you will find the following tips useful in presenting your case in a convincing manner to the financial institution :

- Present your case or report in a good written or typed form which should be available both to you and the officer making the appraisal of your case.
- Know your report thoroughly so that you can explain its contents without fumbling with papers or figures.
- Keep your presentation business-like because you are not asking for a favour. Do not compromise on any of your demands and be confident enough to defend your case or justify your demands.
- Be honest to the officer of the lending institution ; he will have his own ways to cross-check the information you give him. Slightest doubt about your honesty can close all doors for financial assistance.
- Do not doubt the capacity or skill of the interviewing officer. Try to understand his needs and help him assess your case.
- Do not try to hide any information. Be frank. If your

proposal is good, then the officer may even help you out in difficulty.

- Remember that all financiers are looking for good entrepreneurs with good projects. So, just prove that your case fits bill and you will get your share of their finance.
- Fill up the application form completely. Do not leave any question of the application form unanswered.
- Comply with queries raised by the financier at the earliest to avoid delay.

Summary

Sources of long term finance are :

- Banks and financial institutions
- Mutual funds
- Machinery suppliers
- Promoters

How to approach a lending institution for a term loan

- Understand your project thoroughly
- Be convinced the viewpoint of the financier
- Take care of the financier's interest
- Know your strength to handle the project
- Know the tools of appraisal
- Know your report thoroughly
- Present your case/report in a good form
- Keep your presentation business-like
- Be honest and do not try to hide any information
- Answer the queries of the appraisal officer at the earliest

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UNIT - II :

INSTITUTIONS ASSISTING ENTREPRENEURS

2.1 NSIC (National Small Industries Corporation Limited)

The National Small Industries Corporation Limited, a premier national level non-banking financial institution, wholly owned Government of India enterprise was established in 1955 for providing services to small enterprises through its promotional and development schemes.

NSIC has with the strength, wisdom and maturity of an organization, which has a record of forty years in meeting diverse requirements of small enterprise.

A sound resource base, countrywide network have propelled NSIC to attain the prestigious status of a financial company offering under one roof - a full spectrum of services ranging from hire purchase. Leasing raw materials assistance.

It has also created a technical culture in small enterprises through its technology transfer, training and technology development programmes.

As another steps in this direction, NSIC now expands range of services, with the launching of "**FINANCIAL SERVICES**".

Financial services division of NSIC provides a unique blend of rich experience and modern expertise to cater to the needs of small enterprises both old, new export oriented units.

FINANCIAL SERVICES OFFERED

- Financial assistance for the production and marketing activities under one roof with speed and efficiency.
- Prompt clearance of the proposals with minimum processing time and without the cumbersome paper work.
- On the spot assistance in preparing the proposal and completion of documentation formalities.
- Computerized environment with personalized service.
- Attractive interest rates and service charges with liberal terms of margin, level of assistance and repayment schedules.
- Working capital finance for meeting emergent needs of small enterprises and export oriented units for export development.

- Maintaining a pool of resources to meet the varied requirement of small-scale units.

THE SCHEME

Raw Material Assistance

NSIC arranges to provide raw material on credit as per specific needs and requirement of the small-scale units for a maximum period of 90 days.

- Works as Consignment Agent for various items like aluminium, cooper, zinc etc., on behalf of National Aluminium Company, Bharat Aluminium Co., Hindustan Zinc Ltd., Hindustan Copper Ltd., Sterlite Industries Ltd., TOT Ltd.

The Corporation opens Foreign Letter of Credit (FLC) on behalf of small units. Similarly, the concerned Agency in the case of indigenous raw materials, items, thus procured are kept in the godown of the unit or of the Central Warehousing Corporation, and the unit takes delivery in small lots, as per its requirement and capacity to make the payment, so as to clear the entire stock within 90 days from the date of storage. The Corporation continues to replenish the stock by opening repeat FLCs/ILC so as to ensure that production goes on smoothly.

(b) Integrated Marketing Support Programme (IMSP)

A large number of SIS units are required to supply their products, sub-assemblies etc. to medium and large enterprises who generally do not make payments to the SSI units on receipt of the material and procure the same on deferred payment basis. This results in shortage of funds with the SSI units. Accordingly, NSIC has commenced a scheme named Integrated Marketing Support Programme to meet their financing requirement of the bills submitted to mother unit.

(c) C & F Agency

The Corporation acts as a consignment agent for various items like Aluminium, Copper, Zinc, etc., under the MOUs signed with NALCO, BALCO, MALCO, Hindustan Zinc Limited, Hindustan Copper Limited

& Sterlite. The Corporation also works as godown agent and a distributor on behalf of the above mentioned organizations, thus providing a cushion against intense market fluctuations and ensures uniform supply to the SSI.

2.2 SIDBI (Small Industries Development Bank of India)

Enterprise Promotion

The four components of the Enterprise promotion initiative of the viz., Rural Industries Programme, Mahila Vikas Nidhi, Entrepreneurship Development programmes and Enterprise promotion through mass media are detailed below :

Objective

Development of viable self-sustaining enterprises in rural and semi-urban areas has been identified for an intensive thrust by the Bank with a view to addressing problems such as rural unemployment, urban migration, under-utilization of physical resources and skills or rural areas. The Rural Industries Programme (RIP) of the Bank provides a cohesive and integrated and integrated package of basic inputs like information, motivation, training and credit, backed by appropriate technology and market linkages.

Approach

One or more implementing agencies such as Non-Governmental organizations (NGOs), development professionals, Technical Consultancy Organizations (TCOs), etc. are identified and assigned the task of developing RIP at a fee given by the bank. The implementing agency either by itself or by networking with appropriate agencies, provides the following professional services :

- Identification and motivation of potential entrepreneurs in the rural areas.
- Identifying potential investment opportunities for these entrepreneurs.
- Facilitating skill upgradation.
- Assistance in securing finance from banks and other lending institutions.

- Helping entrepreneurs in selection, sourcing, installation and operating of machinery.
- Guiding entrepreneurs till their units commence commercial production.

Funding

In terms of funding for the programme, SIDBI meets part of the manpower cost of the implementing agency, mainly in the form of a performance fee. The fee is linked to units actually SIDBI'S institutional capability in marketing, are also high on the agenda of the Bank.

The Department would thus, endeavour to maintain a delicate balance between its financing and development roles so as to provide the necessary stimuli to the small scale sector to improve its marketing capabilities in order to face the challenges of an increasingly competitive environment.

2.3 Financing the Informal Sector

NABARD's Catalytic Role

The National Sample Survey Organisation has defined the unorganized sector as comprising units whose activity is not regulated by statute or legal provision and those which do not maintain regular accounts. This applies to the informal sector as well. The informal sector is heterogeneous in terms of its participants, activities and skill. Participants in this sector include persons employed in the unorganized sector of the economy, both rural and urban, agricultural labourers, small and marginal farmers, artisans and own account workers operating own units with or without family labour. Majority of them are poor.

The problems faced by the informal sector can be broadly categorized as those arising from low levels of owned resources, low literacy, low access to financial services, inadequate capital formation, low access of technological upgradation, and the threats emanating from the market forces. While a large number of persons are engaged in informal sector activities, their participation in economic and socio-political activities is largely passive. In tandem, all these problems manifest in perpetual low levels of income. Within the income hierarchy, the problems

assume a large proportion for the bottom half of the people engaged, which constitute the core of the poor. From the supply side perspective, the informal sector poses critical challenges due to (i) sheer magnitude in terms of number of families, (ii) their vast regional spread, and (iii) their limited interface with the market forces. When looked at from the point of their financial services needs, these challenges assume large proportions. Schemes, in the 80s and mass campaigns in the form of Loan Meals have created a psychological feeling that lending to the priority sector is fraught with risks. The vigilance procedures have had a serious impact on the psyche of the officers. Even now, running a small scale industry involves living with many uncertainties. Commercial decisions under such circumstances are subject to many vagaries.

If one is called upon post-factor to justify every commercial decision, it can only nurture a zero-risk approach. This more often than not would result in delay/denial of credit where it is essential. Few would undertake nursing a sick unit as failures which were likely could jeopardize careers and lives.

When SBI entered the field of financing small scale units, good faith and trust were the culture that were nurtured steadfast. This led to risk taking which in turn has led to tremendous growth of SSIs. No doubt the problem of non-performing assets exists for the banks. Solution to the problem should come from improvement in lending and monitoring practices and concomitant development in the governance and legal systems, a lop-sided emphasis on vigilance will only come in the way of any development, be it small scale or agriculture.

Thus, if in the Sixties of the last century the challenge to the banking sector in the development of SSI was helping out first generation entrepreneurs in very large numbers. The challenge of the century is to help those who have growth to make themselves competitive through continuous adoption of better management practices, through bold initiatives and best practices in lending.

2.4 NISIET (National Institute of small Industry Extension Training)

The National Institute of Small Industry Extension Training (NISIET), since its inception in 1960 by the Government of India, has taken gigantic strides to become the premier training institution for the promotion, development and modernization of the SME sector. An

autonomous arm of the Ministry of Small Scale Industries and Agro and Rural Industries, the Institute strives to achieve its avowed objectives through a gamut of operations ranging from training, consultancy, research and education, as well as extension and information services.

For the past four decades, NISIET has been playing a key role in assisting the small industry on its path of growth ; its activities now beyond Indian shores touching developing nations of almost all the continents. East year hundreds of International executives come to participate in its programmes. The institute collaborates and networks with leading organizations the world over for a totally market-driven and contemporary approach.

Among NISIET'S numerous milestones are the Kakinada experiment of Prof. David McClellans, the pioneering study in developing the first entrepreneurship model, the first international training programme (1967), Small Industry Promotion in Developing Economics (SIPDE), assistance from UNIDO under the Centre of Excellence Scheme (1984), a UNESCO Chair (1997), and Enterprise Development and Government Effectiveness (EDGE) programme with Sri Lanka (1998).

NISIET produces a spectrum of publications. The quarterly journal SEDME is a well sought research journal and a forum for exchange of ideas among SMEs.

The management of the Institute rests with the Governing Council appointed by the Government of India. The Governing Body acts through the Principal Director, Shri S.V. Prabhath, an officer of the Indian Administrative Service.

With changing focus the Institute is now offering IT-based, on-line information services of relevance to the SME sector. In the new millennium, the Institute is constantly evolving, staying in step with global trends and the changing demands of SEMs today.

NISIET functions through 10 centres of excellence devoted to various facets of Small Industry Development Centre for Entrepreneurship & Industrial Extension (CEIE) is one of the centers and the main focus of this center is to give fillip to entrepreneurship development in the country.

Teacher's Programme

Faculty development Programme for College and University teachers including teachers from technical Institutes.

UNIT - III : MARKETING

3.1 Multiple Aspects of Marketing

People generally confuse marketing with sales. However, sales is only one of the activities of marketing. Marketing encompasses the following activities :

- Research
- Planning
- Branding
- Pricing
- Distribution
- Selling
- Packaging
- Merchandizing
- Warehousing
- After-sales service
- Sales promotion
- Credit policy

Research

This should be a continuous activities throughout the existence of the SSI unit. It begins with a marketing survey to establish the demand and supply position in order to determine the feasibility of setting up a unit for the manufacture of a particular product. Once the feasibility is established, research is required to identify the customer needs that remain unsatisfied, and to show how the intended product can be modified or designed to meet those unfulfilled needs. In short, one has to see the product as the customer sees it and 'customer satisfaction' must be the main criteria for evaluation of all proposals and actions.

Even after the unit has commenced production, research on how to improve the product, reduce to cost, packaging, distribution, etc., to increase the market must continue.

Planning

This activity starts at the proposal stage and is essential throughout the life of the unit. At the proposal stage this would include activities such as planning, market development, decision about packaging, setting up distribution networks, warehousing, and short term and long term sales planning. After the unit goes into production it will include sales planning. A sales plan should include a forecast of sales for the future, a plan for territorial coverage, a programme to achieve projected sales and a sales promotion plan, if required.

Branding

Branding is absolutely essential for consumer products as well as consumer durables and industrial products. This is because the same product is available from different manufacturers with widely diverse qualities. Besides, it helps the manufacturer, retailer and consumer in the following ways :

- It enables effective and easy identification of the product of a particular manufacturer by consumers.
- The manufacturer benefits from this since the consumer asks for his specific brand.
- It enables the manufacturer to have better control over sale outlets and the price of the product.
- If the brand is popular it benefits the retailer by attracting consumers to his sale outlet thus helping him sell other products as well.

When selecting a brand name keep the acronym RIPPS in mind, where

R stand for Remember-the name should be such that it is easy to remember.

I stand for Image-the name should create an image of the product in the consumer's mind.

P stands for Promotion-the name should be easy to pronounce.

P stands for Protectable-the name should be such that it cannot be easily copied without infringing patents.

S stands for short-the name should be short.

Pricing

Price is usually associated with value, status, quality and durability. The point to remember is that a customer is more sensitive price when the frequency of purchase is high or when the quality of competing product/ brands is more or less the same. Examples of this are hardware, matches, gums, stationery, chemical, petroleum products, etc.

However, where a customer detects quality variations between brands, the price becomes immaterial. Examples of these would be razor blades, toilet soaps, cars, machinery etc.

There are five different methods that can be employed in pricing a product ; in line with similar products already in the market, slightly higher than the price leader in the market, slightly lower than the price leader in the market, on a cost plus basis, or on the basis of profit yield at different sales levels. Attempts at answering these questions will help the entrepreneurs in price fixing.

Distribution

The objective of a distribution network is to make the product conveniently available to the largest number of customers in required quantities, where and when they are needed. This can be achieved through agents, stockists, wholesalers, distributors, manufacturer's own shops, retailers, street vendors, and mail-order catalogues.

The selection of sale outlets will depend on the nature of the product, the number of consumers, and financial resources available.

Selling

A sale can be described as 'converting goods into cash'. Most people confuse a sale with the booking of a order, however, no sale is complete till the goods have been delivered and their value recovered. This must be kept in mind while assessing the performance o your own sales staff and also while finalizing terms with agents, distributors etc.

The most effective method of selling is personal i.e. through your own-trained staff. This is because no agent, distributor, stockiest or dealer would know your product or its plus point as well as your own sales staff. However, it is seldom possible for an SSI unit to resort to personal selling since it cannot afford a sales staff to cover the vast geographical areas of the country. The only exceptions to this would be if the product is to be sold to a small limited number of customers, or if the demand for the product is so large that sales are restricted to a small area in the vicinity of the manufacturing unit.

Wherever personal selling is resorted to, compensation to salesmen can be in terms of salary, salary-cum-commission, commission-cum-retainer, or commission. While commission on sales is one of the biggest motivational factors, other motivational methods are merit awards, salesmen's meetings, and contests.

In case you operate through your own sales force the different methods for maintaining effective control are sales reports, personal meetings, field visits, fixing of sales quotas, evaluation on the basis of compensation earned, and territorial development. However, where outside sales agencies are used it is essential that the sales staff of such agencies be given suitable product training and also sufficient sales aids to make them more effective. To motivate outside agencies various methods such as volume discounts in addition to normal discounts, contests, and dealer meetings can be employed.

Packaging

Packaging is essential to hold the product, to protect the product, and to attract customers. Besides keeping these aims to mind, one must also look into the costs when selecting the kind of packaging to be used.

Merchandising

Merchandising is the art of displaying your products at point of sale so as to catch the consumer's attention, highlighting the plus points of the product and enticing the consumer to buy it. This is mainly applicable in the case of consumer goods and consumer durable. Display, windows, attractive and eye-catching display of products on shelves and sales

counters, hoarding and billboards outside the sales outlet are some of the methods used in merchandising.

Warehousing

Warehousing is considered necessary to store goods and thus protect them from theft, weather, rodents and insects etc. While these reasons for warehousing are certainly relevant, there are other equally important reasons such as the following :

Where high consumers are located both inside and outside octroi limits and the manufacturer is himself outside these limits, storage of products outside these limits results in savings.

- Where high local sales tax is prevalent in one state and the manufacturer is located in another state, warehousing in the state where the manufacturer is located and selling in the other state results in savings.
- Where transit time is long and consumers are most likely to wait for extended delivery periods, warehousing of goods in proximity to the market will yield increased sales.
- Where storage costs at the location of the unit is high and warehousing at lower costs is possible in a place near consumers, savings in money can be effected.
- Where excise duties on the product are high and a substantial stock has to be maintained, operating excise-bounded warehousing can result in saving in terms of interest on the duty value for duration of storage.

Credit Policy

Many products can be in a buyer's market in the sense that there would be a number of manufacturers/sellers of those products. With such competition, customers demand special services. The purchasing power may be in the form of cash or credit.

Often a customer is not willing to invest in full or in part at the time of purchase. This may be due to lack of funds or unwillingness to take a risk with a new product. If an entrepreneur wants to develop his business,

he should be able to provide credit facility to his customers. The credit facility builds the confidence of a customer in a new product or a new company.

It also increases the turnover. Of course, no entrepreneur should provide credit without planning and understanding. The security of the business must be considered. Many entrepreneurs go on giving credit to develop their business quickly, but they often have a rough time recovering the money customers owe them. Credit facility to the right customer can help both sides, the seller as well as the buyer. It is the sale of trust along with that of a product. It expands the business and the market. Credit to the right person, at the right time, for the right amount, for the right duration can be very fruitful.

A SSI unit's success or failure can depend on the credit policy it adopts or fails to adopt. Small-scale entrepreneurs are most vulnerable since they have limited finances and banks are often very conservative when it comes to granting facilities to small units. The more the money tied up in credit, the less is the money available for purchase of raw materials and other inputs, resulting in reduced turnover. In short, it is better to forego a 2% or 2.5% margin as a cash discount if cash sales are possible, in preference to extending credit for thirty days or more.

When it comes to extending credit you place yourself at the mercy of the customer. You may have agreed to a thirty day credit period and the customer may stretch this out to any length he desires and you have no recourse except for repeated reminders. Even when dealing with distributors, dealers, stockiest etc. do not extend credit without some security. Credit must only be extended after one has had business relations with the concerned party for some duration of time and has judged the party about ability and desire to pay.

As and when credit is extended one must always fix the value and time limit for each debtor. Under no circumstances must the debtor be allowed to stretch the agreed terms. A single relaxation of the credit period will become a permanent feature. Regular reminders seven days before a payment is due and on the due date, must form a routine part of the credit policy. Regular statements of accounts must also be mailed at the end of each month to the customer so that he has no opportunity of pleading ignorance or differences between the final accounts of the manufacturer and his own.

Conclusion

In conclusion, given below are some tips that can make the difference between profit and loss for SSI units :

A rupee saved is a rupee earned; irrespective of what field of activity you are in, the rupee multiplied by the number of products sold can result in a tidy sum.

Once you have prepared an annual budget, the same should be broken down to a monthly budget and the actual performance of each month must be evaluated against this budget by the tenth of the following month. In case of a variance of more than 5% necessary steps should be taken to correct to situation.

Quality consciousness and building up the reputation of one's brand will pay rich dividends in the long run.

Clean and honest dealing with suppliers and customers will build up your reputation and increase goodwill and help in all spheres in the long run.

3.2 Buying Well/Channels of Distribution

Purchasing skills

You will soon learn that different suppliers have prices and that there are likely to be price discounts if you buy in bulk/wholesale/and if you can show the vendor that you are a repeat customer. Some will give you credit easily but some will not.

Following are some suggestions

1. Shop around many suppliers to find the prices and services beforehand.
2. Never buy more than what you need or can quickly and reasonably sell, even if you can get a bulk discount (there are other ways to get the discounts). One excellent example is that of an apprentice sent out on his first day on the job to buy a five-meter flagpole for the business. The boss ordered him to find out the rates from every conceivable supplier. The rates collected ranged from Rs. 60 to Rs. 800. It was a lesson well learned (they bought the pole at Rs. 60 and it lasted for twenty - five years).

3. Secure your sources of supply before you start your business and ensure that the supply is not hampered later.

An example of this is that of an entrepreneur who started the manufacture of emergency lights with encouraging response from the market but had to abandon his business as he could not get the supply of quality rechargeable batteries meeting his requirement. You must be aware of a possible hierarchy of supply channels (the normal channels of distribution) and be aware of the problems of procuring the materials/stores, and the difficulties you encounter in bypassing the channel.

As an example, unless you have a large buying power or guaranteed supply, if you go directly to a manufacturer for your supplies bypassing the distributor you may be led to a situation where the distributors will either cut off the other supplies to you or may not provide the genuine benefits that you would have get from a distributor. Here you may not that there is a considerable difference in possession large buying power and in making small purchases.

Buying require some sharpness on your part. But there are some more basic considerations you need to make.

1. Attempt to minimize your inventory at all times. It does not matter evenif you have to pay a little more, if the supplier can deliver promptly and reliably on time, as you do not have to lock up much money in inventory.
2. Enquire around and compare the prices continuously. Do not get stuck to one supplier and let the friendship lead you to pay more for less quantity.
3. Negotiate bulk discounts but do not take delivery of bulk unless you can quickly sell it. It is better to negotiate with the supplier to give you a rebate when you draw down sufficient units in small quantities, so that on accumulation, they become quantities that would qualify for the price discount. You may wish to enter into a contract for a certain quantity over a reasonable period of time with the facility to draw in small quantities.
4. Negotiate discount for cash payments. Many suppliers fully realize the cost of providing credit to customers and welcome the possibility of receiving quick cash.

5. Get supplier credit for large quantities arguing that if they want you to buy in large quantities they should finance it. Do not forget to get the bulk discounts to go with this. Some suppliers have to sell in quantity to maintain their agency with their own suppliers and may welcome this.
6. Join a buying group. Often you may be able to combine your purchasing power with others and negotiate volume discount purchases. One example is a buyer group that charges 5% of purchases for the service of negotiating goods prices. They may receive the bulk order and immediately dispatch the smaller portions to their clients or have the small portions delivered directly from the supplier.
7. Negotiate for exclusive territory rights with your supplier arguing that you will be able to act as their sole purchaser in the district if they give you an exclusive agency. This could give you more sales volume and an assured supplier.
8. Make C.O.D. (cash on delivery) arrangements. This results in considerable savings inventory costs and locked up funds.
9. Arrange bank financing for larger purchases as the financing costs from the bank may be lower than the cost of foreign trade discount or cash purchase discount.
10. Package deals must be thoroughly explored to ensure that you can sell all the items in the package. This is often a way for the supplier to pass off some of their poor selling inventory and make you feel that it is good because it fetches you a volume discount. Piling up inventory is no good, if it will not sell.
11. Own the moulds if you are having something specially made for you. Thus, you may be able to prevent the supplier selling the same thing to someone else. You may also find that you can get a small supply of an item with special labeling done for you, provided you agree to pay for a large quantity of the labels. Example : a retailer wanted his own brand of flashlight batteries but was dismayed to learn that a minimum order of one million units is required to do the same. He settled for purchasing a million printed labels with a facility to draw flashlight batteries in quantities of thousands.

Channels of Distribution

The channels of distribution entail the various levels of suppliers who handle goods from manufacturer/farmer to the ultimate consumer. The typical routes of distribution are given below (these are not comprehensive examples).

At each level in the channel of distribution, value is added due to changing the product and breaking bulk storage, providing a location for purchase place and marketing.

If you buy in wholesale you may be able to cut out some levels of the channels of distribution.

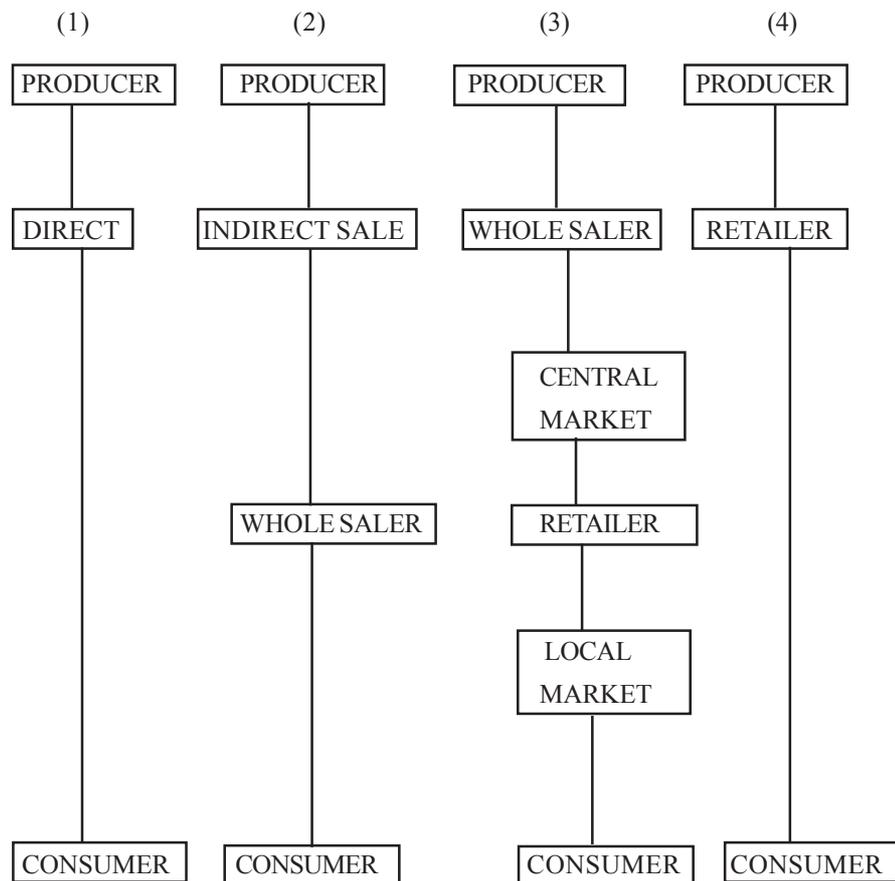


Fig. 1. : Common routes of distribution

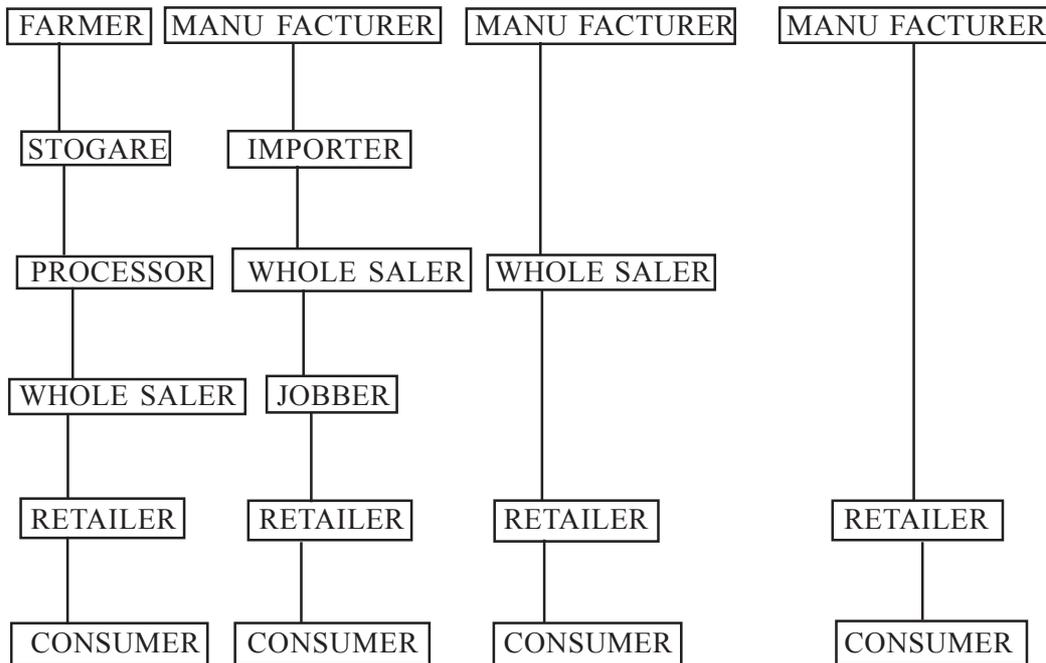


Fig. 2. Consumer routes of distribution

Transportation

Do not forget that the cost of transportation must be built into your selling prices. Like anything else, it is prudent to shop around to find the best transportation deal. It is usually cheaper when you take a whole container, truck, tempo, goods van, ox-cart, rail car, boat or aircraft for yourself where the loading and unloading is easily done. Sometimes, you may share the transportation with others for the same destination in which case you may have to scarifies timely delivery for the fact that the delivery cannot commence till they get the full load of the goods.

Alternative modes are often effective for small quantities. Some examples are:

- Through rail
- Bus services (very effective for rural deliveries)
- Air service
- Courier service
- Utilizing the express parcel services

Example

Once a textile mill had a machine break down in Guwahati, Assam, which required a spare part that had to be obtained from coimbatore, Tamilnadu, over two thousand kilometers away. The part was valuable and in the absence of the part the entire mill had to be laid off. The supplier suggested to the mill owner that he could expedite supply through a special messenger carrying the crucial part by Air, provided the mill owner bears the entire cost. The mill owner gladly accepted the proposal and paid the cost and could bring the machine into running condition, thereby saving a loss of money for the mill, by averting the lay off.

Some Basic Tips for Transportaion

1. Write your own way-bill on the form that the transport company provides. Never let the transport company do it as they may make mistakes.
2. Weight the goods yourself and carefully note it on the way-bill to prevent excess weight added to them by the supplier's employees.
3. Always put the tariff classification and description of the goods on the way-bill yourself as per the classifications and prices.
4. Always review the bills you receive from the transport company to make sure they correlate with your records.
5. Always carefully check over the containers of the goods inspecting for damage, which had occurred before the goods were in your possession. Refuse to take delivery if there is excessive damage. You may even wish to photograph it for the insurance claim or to support your claim with the transporter.

Free on Board (F.O.B) Points and Insurance

An F.O.B. point is the point at which ownership of the goods is transferred. This should be specified in all purchases. The best F.O.B. point for you is F.O.B. destination nearer to your warehouse. This means that the supplier is responsible for the goods until you sign that you have

received them. They are responsible for damage and would probably have the goods insured. Any claim would be made by them against the transporter and the insurance company. The responsibility lies with them and not on you in getting the claims of damage. Your supplier would prefer to deliver the goods F.O.B. his warehouse. It would then be up to you to arrange for the insurance and you will have to claim for insurance if the goods were damaged or did not arrive. It is prudent to insure your goods. You can get a policy easily and at little cost. A common practice is that the supplier will deliver goods F.O.B. his warehouse but provide you with an insurance and freight allowance in the form of a discount on the price. Any arrangement for transportation would be made by the supplier as an agent on your behalf.

Cost Landing of Goods

Cost landing is the calculation of the actual price of goods when they have finally arrived into your inventory. This includes:

- Cost of goods
- Insurance
- Freight
- Handling
- Getting goods physically into inventory
- Paperwork

Example

Cost of an item :		
(Rs. 450 per case of 10 units)	=	Rs. 45/unit
Transportation Cost		
(Rs. 50 per case)	=	Rs 5%/unit
Insurance 3% of cost		
Price (Rs. 13.50 per case)	=	Rs. 1.35/unit
Handling Warehouse	=	Rs. 0.30/unit
Paperwork	=	Rs. 0.65/unit
Landed Cost	=	Rs. 52.30/unit

You would then add your mark-up to the cost-landed price

Cost-landed price + Mark-up	=	Selling price
Rs. 52,30 + Rs. 15.70	=	Rs. 68.00

Sales Calls and Order Filling

Time is valuable. This is often not realized by those offering a service. People do not consider the value of the time spent in visiting customers and preparing a quotation or running around for supplies. You should place a value on it and allow for its inclusion in costing your product or service.

3.3 Management and Marketing Decision-Making in Large Companies

In large organizations decision-making is made within a highly structured and ordered framework. Decision-making has a clear hierarchy depending upon the scope and focus of a decision. There are clear boundaries of responsibility whereby decisions can be taken. In such a decision-making structure there will be close coordination and cooperation between the various decision-making domains. In addition, because of the diversity of decision-making and the number of decision-makers, time scales for decision-making are likely to be long. This inevitable introduces a planning element in large-company decision-making.

These are just a few of the characteristics of large-company decision-making, but they serve to highlight the context in which decisions are made, and indeed, the essence of such decision-making. Typical managerial tasks are based upon strong theoretical foundations. For example, there are well-founded managerial activities that have been developed and internalized in line with organizational structures and standard practices in terms of organizing for business. Thus managers work to known and practiced procedures, using appropriate and accepted analysis and evaluation criteria. Decision-making processes are based on order and form, and customs and practice. Leadership is often derived from hierarchical power and authority. From this it can clearly be deduced that management decision-making is a distinct discipline.

Much of the literature surrounding decision-making in marketing is derived from the management literature in this style and frameworks.

Naturally, marketing management indeed, the function of marketing will adhere to conventional management principles and structures. In general, conventional marketing management decision-making is inherently formal, sequential, structured, and disciplined. It is also systems oriented and considered issues in both short and long-term scales.

When considering the literature in relation to marketing motivations, there is a general consensus that the customer is the primary motivator for much of marketing. And indeed, in just about every conventional marketing textbook, the literature is clear in stating that marketing should have a customer focus and that marketers should strive to create customer satisfaction and well-being. Marketers are expected to meet customer desires and expectations and to develop customer relations through good customer service. So marketing decision-making in large companies will have the clear focus of customer orientation as a primary motivator and will address this focus through established and structured frameworks derived from the management discipline.

Marketing/Entrepreneurial Decision-making in Small Firms

Small-firm decision-making processes are different from those of large companies. Most decisions originate with and flow through the entrepreneur or owner manager, who is likely to be involved in all aspects of his or her firm's activities. As the direction and control of the enterprise result with this one individual, it is this individual's personality and style that shape the nature of decision-making. The entrepreneurial owner manager does not need structures and frameworks, but instead will intuitively coordinate and perform decision-making in a way that is 'natural' to him or her.

It can be argued that, when it comes to understanding good marketing practice by entrepreneurs, much more sensitivity to the unique characteristics of the entrepreneurs is required. Tried and tested perceptions, refined in a big business environment, will not do. Characteristics in which small firms are uniquely different can be summarized as negative attitudes to marketing; the perception of marketing as a cost; distribution and selling treated as uncontrollable problems; and, possibly more significant, the belief that each case is so specific that it cannot be treated with general rules.

A definition of small-firm marketing characteristics would typically acknowledge limited resources, lack of specialist expertise, and limited impact on the market place' (Carson 1990).

The need for the small-firm owner to seek a strategy for growth that is sensitive to his or her unique characteristics and circumstances is apparent.

3.4 Marketing in Practice in Small firms

The literature descriptions of marketing decision-making, alluded to earlier, may not actually happen in practice. This notion is reinforced by a number of more recent studies. Greenley and Bayus (1994)² reviewed the results of several studies on the nature of marketing planning and found that the general tenor of the result was that few companies seem to adopt the prescriptions of marketing planning that are advocated in the literature. Piercy's (1990)³ studies also revealed that manager did not adhere to the textbook descriptions of 'rational' decision-making.

The views of Greenley and Bayus and of Piercy are reinforced by Carson's (1993) consideration of this issue in relation to marketing decision-making in small firms. Various characteristics of marketing decision-making in practice can be identified. It is argued that much of marketing decision-making in practice resembles aspects of entrepreneurship. For example, small firm marketing decision-making in practice is :

- Simplistic and haphazard-in that it is immediate and reactive to circumstances;
- Undisciplined and spontaneous-perhaps because it is predominately intuitive;
- Unstructured - mainly because of the above;
- Irrational-partly because of the above and also because it is individualistic in nature.
- Short term-because of all of the above (Carson 1993).

As with management and entrepreneurship characteristics, there is a bias towards differences with regard to marketing decision-making characteristics as depicted by the literature and that which happens in practice.

This divergence can be found also in the motivations for doing business. Marketers' primary motivation in practice is to gain increased sales and to make profit from increasing sales. This practical motivation is compounded by a marketer's greatest concern—that of declining sales and stronger competition. Of course, it can be argued that, by being customer focused, enterprises can achieve sales and profit even against strong competition. However, in reality, marketing will be customer focused only if this leads to sales increases and profits. The incompatibility between the theoretical literature and marketing in practice can be detected with regard to quality, price, and customer service in particular. Customers expect 'best' quality, whereas marketers will equate quality with profit; customers expect lowest prices, whereas marketers hope for higher prices. Consequently, good customer service and care often championed as having a customer focus may in fact provide a clandestine stimulation and exploitation of customers by marketers.

In this debate it is easy to appreciate that a significant commonality can be found between marketers and entrepreneurs, in that both have a primary focus on sales and money, and the greatest concern of both is a decline in sales, which will result in a reduction in money, cash, and profits. Secondary to these factors will be a customer focus, although, in a public sense the customer will always be championed as being most important to a company. That is to say, both entrepreneurs and marketers will extol the virtues of a customer focus and the importance of customer satisfaction when asked the question, 'What is the most important factor in your business?', but privately they will raise issues of cash and money, sales and profits, before concerning themselves with customer services and satisfaction.

From the discussion so far, it is clear that small-firm marketing decision-making is different from that which is depicted in conventional marketing literature. It has been argued here that not only is the conventional literature unhelpful to small firm owner managers, but also that there is a lack of true understanding of their behaviour and motivations. To underline this view, two brief illustrations are offered: one highlights the influence upon marketing decision-making of the industry in which a small firm exists; the other focuses on the difficulties and barriers faced by small firms in beginning to export and internationalise.

Industry norms

All enterprises exist within a market or industry. Such industries have evolved customs and practices over time to the point whereby they have actually established industry 'norms'. These customs and practices are known by the industry and the industry will expect that all business and trading conform to these customs and practices. Small firms in particular, because of their relative size, must comply with such industry norms, which will impact upon marketing in a variety of ways. For example, in the context of price, these customs and practices will be manifest as 'acceptable' and 'expected' mark-ups and margins. Such margins will be known, particularly where products have little differentiation. Each player in the supply chain will know 'who gets what' proportion of the overall price/cost structure. It is only when a new product or new service that has a high degree of differentiation is introduced that new cost structures can apply and these will quickly become established and set.

Similarly, the channels of distribution and the sequences and flows within these channels are invariably 'established'. All firms must conform to these set patterns, but small firms in particular have little other choice, simply because they do not have the resources to break away and do things differently. Also, customs and practice are often set, even dictated, by large competitors, whose influence is such that their way of doing business is the established norm for the whole industry.

Small firm exporting difficulties and barriers

Exporting is a crucial component of the well-being of any developed economy. Substantial government resources are devoted to encouraging exporting and much of this effort goes towards stimulating and helping small firms to export. However, it is recognized that it is difficult to get small firms to begin to export. Why should this be so?

I Influence of the entrepreneur

The owner manager in the small firm is the key decision-maker, who decides whether or not to internationalize his or her company's operations, to what extent to do so, and how best to exploit potential opportunities. The literature suggests that, for many small firms, the adoption and implementation of marketing are an innovation in themselves

and that the decision to internationalize that marketing effort is no less entrepreneurial. The small-firm owner is encouraged by numerous influences to internationalize his or her company's activities, but, equally, the barriers to doing so are substantial and, for many firms, insurmountable.

The reasons for any company to consider exporting have been well researched in the literature and the key influences identified and listed. However, it is generally recognised that the key variable in small business internationalization is the decision-maker of the firm. He or she is the one to decide starting, ending, and increasing international activities. He or she lays down the goals concerning exporting and determines the, organizational commitment. A positive attitude to exporting, an aggressive and dynamic personality, flexibility and self-confidence, and clear entrepreneurial characteristics are often cited as being significant psychological factors distinguishing the potential exporter. Having broad multicultural horizons competency in language, and being knowledgeable about export marketing practice come under the objective factors distinguishing the likely exporting company owner.

Motivations

It is suggested that the driving forces for either starting or exploiting export activities are that the firm wants to utilize and develop its resources in such away that its short-run and/or long-run economic objectives are served. But to facilitate a fuller understanding of the nature of the decision to export as a particular internationalization strategy, export motives can be classified in a schematic form by distinguishing between internal and external and proactive and reactive dimensions of the process. The scheme is reproduced as a classification of export development. Here it is sufficient to say that, from their research amongst over 650 Danish companies, Albaun and his colleagues identified a number of key motivating factors under each category, which had an influence on a company's decision to internationalise, amongst the most critical being growth and profit goals and risk diversification.

The entrepreneur is the key determinant of whether the operations of the small firm are internationalised and the desire for growth and profits appears to be the strongest prompt for wanting to do so. So what is to stop the small-firm owner from internalitonalizing his or her enterprise's activities?

Difficulties

There has been a great deal written in the literature about the difficulties that small firms have in internationalizing their commercial efforts. There is a varied mixture of agreement and disagreement as to what those difficulties are exactly, the circumstances when they prevail, and the impact they have on those internationalization efforts. The most frequently mentioned internal barriers to exporting are seen to be lack of information and problems with respect to capacity and distribution. External barriers appear to be perceived lack of demand from abroad, red tape, and the level of costs involved. Similarly, small-firm owner managers have listed the most serious problems in seeking to internationalise their activities as the level of risk, the complexity of procedures involved, and costs. Most significantly, lack of knowledge of export markets is especially important to small enterprises. Gathering knowledge about export markets is perceived by owner managers as costly, particularly in terms of time required to gathering the information and a decision to export will be either abandoned or confirmed on the basis of what he has got. But the quality of such decisions, made in circumstance of limited information and against a background of minimal margins for error, is bound to be suspect and a source of considerable stress and pressure for the small-firm owner. Such pressure forces the small-firm owner to focus on the immediate or short-term issues, where the risks and uncertainties are more controllable, and may discourage any long-term commitment to a planned approach to internationalizing the small firm's activities.

Stages of Internationalization

The importance of the various problems facing the small-firm owner manager is a function of the export stage that the enterprise has reached. There is a general agreement in the literature that internationalization is best understood as a gradual process of several discernible steps. There is also a general agreement that exporting problems differ among the various stages of a firm's export development, which is mainly due to the issue that functions, practices, and managerial experiences vary accordingly at each stage. Of course, firm size is another important factor differentiating the nature and magnitude of exporting problems experienced. Internationalization has been divided into three phases :

Phase one suggesting an experimental involvement, Phase two an active involvement, and Phase three a more committed effort, where the company has become proactive in its internationalization activity. Bilkey and Tesar (1979) provide a more detailed framework for understanding the stages.

Stage one : Management is not interested in exporting, not even in filling an unsolicited order.

Stage two : Management would fill an unsolicited export order but is not interested in exploring the feasibility of exporting.

Stage three : Management is actively exploring the feasibility of exporting.

Stage four : Firm exports on an experimental basis to a psychologically close country.

Stage five : Firm now experienced exporter to the psychologically close country.

Stage six : Management explores feasibility of exporting to additional countries that are psychologically further away.

Short Cuts

Attempts to leapfrog these internationalization phases through joint ventures or 'piggy-backing' with larger, already internationalized companies are seen by many writers as risky, particularly for the small firm in the very early stages of such activity when its lack of knowledge and experience places it at a decided disadvantage when negotiating contracts with larger more experienced partners. Small firms wanting to internationalize their activities may be unable to do so, because of what can be called a 'strategy gap', caused by a lack of resources generally but particularly by a lack of knowledge and networks. Many small-firm owners seek to bridge this gap by forming strategic alliances with larger companies. The risk, particularly in those early stages, when the small-business owner lacks the knowledge and experience of international marketing, is one of losing control of its internationalization effort to larger, more experienced, and resource-rich partners.

The alternative approach is to go it alone, though lack of relevant knowledge and experience may make this avenue too troublesome and risky. The choice to adopt and implement one approach as opposed to

the other depends on the small-firm owner's perception of the relative benefits of each, and this in turn will be a function of his or her level of experience in international business, knowledge of export marketing, and entrepreneurial character.

Overall Barriers

All in all, exporting, particularly in the initial stages, is extremely difficult for small firms. To a small-firm owner manager the barriers to exporting are immense and indeed may be perceived as far outweighing the reasons and motivations for exporting. Conventional wisdom for developing export markets is in the main sound—that is, that a newly exporting firm should identify a suitable market and soundly research that market for potential customers. Once a foothold has been established, that market is potentially ripe for exploitation and development. Such an approach may have many trailblazers and some will succeed, it is, however, inappropriate for many more firms, as discussed earlier.

The reason for outlining the difficulties and barriers to export development by small firms is obvious. It is because of the huge importance exporting carries in the successful development of any economy and the recognition that much of the export development must stem from the small-firm sector. The emphasis on these barriers is designed to reinforce the need to ask such questions as: "is there another way to develop export markets?" "What can be done to overcome the many barriers that many firms, particularly entrepreneurial-led firms, experience?" These questions are addressed later in this chapter as part of an alternative approach to exporting that is entirely compatible with small-firm characteristics.

3.5 Taking a Franchise

Franchise is another route to be a business owner

The concept of franchising can be traced back to Civil War times America. At that time the Singer Sewing Machine Company began franchising retail outlets to sell its products. From this simple beginning as a distribution system, franchising has become a substantial force not only in the US economy, but also in several countries in the world. Earlier franchising was confined primarily to automobile dealerships, soft

drink bottlers, and gasoline stations. New franchises have expanded into a broad range of retail and service business.

In franchising, a company (the franchiser) grants others (the franchisees) the right and licence (the franchise) to sell a product or service and possibly to use the business system developed by the company. In essence, the franchising is a method of doing business based on continuing relationship between the franchiser and the franchisee.

There are trade name franchising, product distribution franchising and the pure or comprehensive franchising. Now-a-days the pure franchising is predominant form of franchising.

Advantages of Franchising

- The franchisee enjoys the challenge of running his/her own business like any other entrepreneur.
- He/she will operate under the protective umbrella of an organization with a proven concept.
- As a franchise the entrepreneur is the owner of the business.
- He/She takes risks of the business. At the same time he/she is entitled to all rewards.
- He/She will have the backing of the franchiser who can offer guidance, advice and support at every level of the business;
- Many franchises are well known name, hence marketing success is assured;
- The franchisee will be trained to run the business. He/She will also be given procedure manual of how to operate day-to-day.
- As a franchisee the entrepreneur is the owner of the business. He/She takes risks of the business. At the same time he/she is entitled to all the rewards;
- The franchisee will benefit from common promotion policy adopted by the franchiser advertisement in the franchisees.
- The franchiser will give market information collected from the head office;

- The risk starting a franchise unit is less than starting a new enterprise. Failure rate in franchise unit is as low as 6 per cent (22).
- Major advantages of a franchise unit is that the banks are more likely to provide loans for a franchised operation than for a new enterprise.

Disadvantages of Franchising

- The franchisee will have to operate within the control set by the franchiser. In other words, the franchisee is not fully independent. This is a price to be paid to become successful business owner.
- The franchisee may become too dependent on the franchiser. In that case he/she will lose initiative, drive and entrepreneurial flair.
- Business mistake either by other franchisees or the franchiser can lead to bad publicity. This may spread down to all outlets and cause irreparable damage to the franchisee.
- As a franchisee the entrepreneur will be locked into suppliers and other business arrangements already made by the franchiser. This will not happen for an entrepreneur who sets up a unit from the scratch. He/She could purchase these goods/services cheaper from the suppliers.

Franchising would appear to be one of the more successful routes for people to run their own business. With sufficient capital to invest the entrepreneur can acquire the right to operate a tried and tested profitable formula in his/her areas. The risks are less than setting up a new business from the scratch. It is found that more than 90 per cent of the franchise units can survive and grow.

Franchising is an emerging area in India for starting an enterprise. It is observed that more and more individuals are taking up franchise in Information Technology (IT) area, particularly setting up IT training centers. Many entrepreneurs are setting up franchise units in health sector and also in educational sector. It is said that one franchise unit is set up in the world in every 20 minutes. Franchise units can be found in almost all

areas of economic activities. Its popularity arises from its ability to offer those who lack business experience the chance to own and run an enterprise and also with high probability of success.

Summing up

The opportunity Analysis, Institutions assisting entrepreneur, marketing aspects and franchising.

Model Questions :

- (i) How will you identify and evaluate business opportunities.
- (ii) Detail out the services rendered to entrepreneurs by different institutions.
- (iii) What are the multiple aspects of marketing.

<p>BLOCK - 4</p> <p>ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES</p>

The entrepreneur needs to be made aware of the various entrepreneurship Development programmes, so as to equip him/her to the entrepreneurial career and this is necessary to substantiate the units with introduction of EPD's; Module of existing EDP's; content and process of existing EDP's; coverage and potential target group ; nature of entreprising activities and strategies and approaches and strategies and approaches for EDPs covering III units. This block is been followed up by Entrepreneurship Development with brief reference to North east as it is pertinent to know the overall picture of Entrepreneurship development in the North East.

Suggested readings : Schumpeter, J.A. : Business cycles, Mcgraw Hill Book Co., New York.

UNIT - I :**Entrepreneurship Development Programmes****1.1 Introduction of EDPs**

Entrepreneurship Development Programmes (EDPs) have become one of the major instruments for the promotion and development of entrepreneurship in India during the last three to four decades. However, there has hardly been any significant change in the module, content and approaches of entrepreneurship training programmes during this period keeping in view the emerging business environment. In this Unit an attempt to assess EDPs in terms of module, content, approaches and methodology followed, coverage of potential entrepreneurs, extent of enterprise creation and performance of trained entrepreneurs coming from different backgrounds are analysed. Based on the analysis of all these factors and emerging business environment, the unit makes an attempt to suggest new directions of entrepreneurship training programmes in the new millennium.

It is well known that the movement for entrepreneurship development in India started in the early 1960s with the pioneering efforts of a group of scholars led by David C. McClelland at the National Institute of Small Industry Extension Training (NISIET), Hyderabad. Since then, entrepreneurship training has become a major instrument for the deliberate promotion of first generation entrepreneurs. This training intervention is popularly known as Entrepreneurship Development Programme (EDP). An EDP is generally of six weeks duration, though some modifications have also taken place in recent years. However, our concern for this Unit remains confined to examining EDPs of six weeks duration only. A large number of such EDPs are organized every year all over the country. Most of these EDPs are sponsored by the Central and State Governments as well as Financial Institutions like Industrial Development Bank of India (IDBI), Small Industries Development Bank of India (SIDBI) and so on.

1.2 Module of Existing EDPs

Module of an EDP consists of entrepreneurship motivation, business opportunity guidance, market survey, familiarization with the institutional support procedure and formalities to be completed for establishment of an enterprise, regulatory provisions, project report preparation, enterprise

management interaction with the existing entrepreneurs field/factory visit and factory attachment or technical training etc. It takes 32-33 working days, available within a period of six weeks, to complete this module ranges from one day to six days. The period of six weeks is just long enough to make a reasonable coverage of all by the Institute of Entrepreneurship Development, U.P. (IEDUP), Lucknow is presented herewith, for illustration of the same (Box-1).

BOX - 1

MODULE OF A SIX WEEKS EDP	
Components	No. of Days
* Registration, Inauguration and briefing about Objective, Scope & Programme schedule	01
* Entrepreneurial Motivation	04
* Business Opportunity Guidance	04
* Market Survey	05
* Institutional Support	02
* Individual Project Report Preparation	02
* Provisional Registration with DIC	01
* Factory/Field visit and Interaction with the exiting entrepreneurs	02
* Enterprise Management	03
* Interaction with the Regulatory Bodies	02
* Factory Attachment/Technical Training	06
* Feedback, Reinforcement and Valediction	01
Total Days	33

UNIT- II :**Content and Coverage of EDPs****2.1 Content and Process of Existing EDPs**

There are three phases of an EDP-pre-training, training and post-training. The process of organizing and EDP starts with the pre-programme activities. Like fixing dates and venue in consulting with the concerned local officials and concludes with the completion of 3rd follow-up meet final documentation and reporting to the sponsoring organization.

The topics of an EDP contents are unfreezing/micro lab, entrepreneurial traits, personal efficacy, motive strength, risk-taking behaviour, entrepreneurial values, achievement planning, creativity and leadership quality, industrial policies and programmes, scanning of business environment for the identification and selection of business opportunities, business planning, market survey, financial and promotional support from SIDBI, NABARD, NSIC, banks State Finance Corporation, KVIB, DIC and other promotional agencies ; fundamentals of enterprise management decision making time, management pollution control sales/trade tax labour laws and Factory Act etc.

During the post -training phase, follow-up of each EDP is done at the interval of three to four months, and as a whole three follow up meets/camps are organized within a year after the completion of an EDP. The concerned local officers of banks, promotional agencies and government departments as well as all the trainees in the establishment of their enterprise, to know the problems faced by them and attempts to sort-out those problems with the help of concerned officers.

Another challenges could be that of providing necessary financial and promotional support to the first generation entrepreneurs, particularly, tiny and micro entrepreneurs. Indications being received from the existing financial institutions and promotional agencies are that they are not going to risk their funds and facilities for the promotion of first generation entrepreneurs, and micro and tiny enterprises in future unless they are compelled to do so by the promotion of first generation entrepreneurs, and micro and tiny enterprises in future unless they are compelled to do

so by the government. However, with the growth process of liberalization and privatization of such institutions and agencies, there is a very dim prospect of any such compelled to do so by the government. However, with the growth process of liberalization and privatization of such institutions and agencies, there is a very dim prospect of any such compulsion in future. As such, alternative sources of entrepreneur would have to be explored that could provide need-based financial and promotional support in time without any lengthy and complicated procedures and formalities. Promotion and management of such sources are one of the major challenges in the new millennium.

2.2 Coverage of Potential Target Group :

It is obvious from a number of studies carried out in different parts of the country that EDPs have been attracting the right target group of population i.e. unemployed youth and students to a greater extent. However, a bulk majority of EDPs organized in the different parts of the country have been of general nature modules and contents of all such EDPs have been uniform without any specific focus on a particular group and its specific training-needs. In other words, the social conditioning, psychological makeup, economic status, business preferences, culture and value system and environmental factors etc. have not been taken into account in the course of designing, planning and executing EDPs. Though some attempts have been made, here and there, through special EDPs to take into account these aspects they are too few to make any impact at the macro objective of EDPs as many as possible. Although some of EDPs being organized every year have been named as Women EDPS (WEDPs), Science & Technology EDPs. It is, therefore, proposed that DEPs in future should have exclusive target-groups and some of these target-groups could be as discussed hereunder.

WOMEN

It may be noted that though quite a few WEDPs are organized every year and some women trainees join even general EDPs, but the coverage of women has been rather low. It is, therefore, suggested that a

large number of WEDPs should be organized every year and their module and content should be tailor-made to take into account their specific training-needs. Even WEDPs could be for some specific target group such as urban house-wives, women having art and craft skill, well-educated women capable of establishing a variety of service enterprises and so on. A large coverage of women under EDPs is all the more necessary keeping in view the very small number of women entrepreneurs in the country.

RURAL POPULATION

Though a few Rural EDPs (REDPs) are organized in different parts of the country every year, the focus REDPs, in general, has been on the poor rural population. In the changing business environment when there is an emphasis on the sound financial background of first generation entrepreneurs for providing financial and promotional support, it may be desirable to have a large number of REDPs in the different parts of the country having exclusive focus on the rich section of the rural population i.e. rich farmers, rural trades and so on. The number of REDPs being organized with the focus on skilled persons are also too few to make any substantial impact on the promotion of entrepreneurship in that particular section of the society.

WELL-OFF SECTIONS OF RESERVED CATEGORY

At the national level as well as the State level, financial and development corporations have been set up to provide financial and promotional support to the members of Backward Classes, Minorities, Scheduled Castes and Schedule Tribes. But the focus of support from these corporations has been on the people living below the poverty line who have hardly any sound financial base. However, there is a good number of households in these sections of the society who are well off. If the well off amongst the backward castes, minorities and scheduled castes and tribes are also targeted by these corporations and entrepreneurship training's are arranged for them, a large number of entrepreneurs would

emerge from these sections. It is, therefore, suggested that special EDPs may be organized in future for such members of these target groups as have a reasonable capacity for investment or are well off.

KNOWLEDGE WORKERS

It is well known that a variety of entrepreneurial opportunities for knowledge based enterprises have emerged with the development of information technology and communication media. There is large number of people who are well versed in the uses and application of computer and information technology and this number has been increasing by leaps and bound. Since the new millennium is being called as IT millennium, it is high time that specialized EDPs were organized for the knowledge workers, comprising computer and communication professionals.

SKILLED WORKERS OF INDUSTRIAL CLUSTERS

A large number of industrial clusters producing specific nature of goods exist all over the country having hundreds of industrial and service enterprises employing thousands of skilled workers. If even a small proportion of these skilled workers are trained through EDPs for business orientation and are provided necessary financial and promotional support on a priority basis, they can play a significant role in the expansion, diversification and modernization of the existing industrial cluster. It is, therefore, proposed that a large number of EDPs should be organized every year for the skilled workers of industrial clusters all over the country.

WARDS OF EXISTING ENTREPRENEURS

With the liberalization policies, globalization of Indian economy and boom of information technology, the nature of business enterprises is bound to change significantly in the coming decades. It is well known that a large number of existing industrialists and entrepreneurs come from

traditional business communities having rather limited education and exposure. In fact, a good number of them are getting aged and they are hardly in a position to understand the implications of emerging business environment. On the other hand, their sons and daughters, having good education and exposure, are expected to take over the management of these enterprises in future. They are young, dynamic and brought up in the age of communication and information technology as such, these sons and daughters of sensitivity and understanding of the implication of the new business environment. If these young men and women are trained through EDPs they can play a significant role in the modernization, expansions and diversification of their inherited enterprises and make them capable of competing in the international market. It is, therefore, suggested that a good number of EDPs, may be of longer duration, could be organized for the wards of existing entrepreneurs.

RETIRED CIVIL AND DEFENCE PERSONNEL

As the longevity of Indian population has been increasing day by day with the improved health conditions, a large number of employees retiring from the civil services still continue to be physically and mentally sound and dynamic. Besides, they are well matured, having long experience and also sound financial base to a certain extent. Some of these people may even like to invest their savings and income to set up business enterprises for their offsprings and even manage such enterprises for a long period. In addition to the people retiring from the civil services, there is a large and late 40s. These people are quite active, dynamic, disciplined and often look for some avenues of employment and income.

Both of these sections can also be initiated into entrepreneurial careers. It is, therefore, suggested that exclusive EDPs should be organized in a good number and throughout the country for the retired personnel from civil and defence services.

VOLUNTARILY RETIRED PERSONS

A large number of obsolete and losing public and private sector undertakings have introduced Voluntary Retirement Schemes (VRS) for

their employees. Under the VRS, the retiring employees get a good amount of compensation and, in some cases it is also the responsibility of the concerned undertakings to provide training employment in some other undertakings or set up their own ventures. Besides, the Government of India as well as some international agencies too provide funds for the training of such persons. A large number of EDPs could be planned for this particular target group as well.

DISPLACED PERSONS

It may be noted that a large number of people get displaced with the development of infrastructure facilities, irrigation projects and development of industrial areas etc. Since they lose their properties as well as sources of livelihood, they are provided compensation for the same at the prescribed rates. Such people are in the need of income generation activities and they have also a good compensation amount available for investment if a timely intervention is made with the help of entrepreneurship training, this target group would be able to acquire an alternative source of income and the funds available with them would also be properly utilized. It is, therefore, suggested that specialized EDPs should be organized for this particular target group also.

ARTISANS

In the rural, semi-urban and urban areas, often one finds a variety of clusters as well as dispersed artisans, like braziers, tinkers, goldsmiths, balcksmiths, carpenters, chikan workers, zari-zardoji workers, carpet weavers, sari weavers, barbers, bamboo workers cobblers, plumbers, handpump mechanics, motor mechanics, electricians, multi-purpose mechanics and so on. Since these people are traditionally skilled, they can be graduated into micro and tiny entrepreneurs with the certain degree of business orientation and support. All such people could, therefore, be trained for self-employment and entrepreneurship through the trade specific Group EDPs.

Nature of Enterprising Activities

At present, the focus of EDPs is largely on the manufacturing activities and not much attention has been paid to the service activities. It may be noted that during the sessions on business counseling, business plan and project report preparation as well as production, financial and marketing management of enterprises, the whole focus is on the manufacturing activities only. Since the service sector is perhaps the largest sector of economy in the 21st century, it is high time that the focus of an EDP did not remain confined to the manufacturing activities only but adequate focus was placed also on the service activities as well as modern agro activities, like floriculture, aromatic and medicinal plant cultivation and commercial farming etc. Some of these service activities could be in the areas of marketing, financial services, health, education, insurance, recreation, consultancy, knowledge based enterprises, transportation, tourism and allied services etc.

In the area of marketing, the focus of EDPs could be on the activities, like bulk supply of specific raw materials of finished goods, retailing in the items of a single product line as well as multi-product lines, export and event management, like organizing seminars conference, trade fairs, exhibitions, music shows and parties etc.

Similarly in the area of social marketing, the activities to be focused upon in EDPs should be with regard to water, sanitation, environment, health, education, women and child development etc.

In the area of social services, focus of EDPs could be with regard to water, sanitation, environment, health, education, women and child development etc.

In the area of financial services, focus of EDPs could be on micro-credit and micro-finance, bridge finance, and legal, taxation, financial and insurance consultancy enterprises etc.

The focus of EDP with regard to the knowledge-based activities could be on cyber café, software development, e-business, e-commerce, Internet and web designing, dot com ventures and incubation centers, etc.

Any such shift would require training and retraining of the ED trainers on a large scale as well as preparation of the relevant training materials. As such, a lot of ground works would be required to be done to effect such changes.

CONTENTS OF EDPs

Keeping in view the emerging business environment, potential target group and the nature of enterprising activities to be focused upon, the contents of EDPs, to be organized in future, must be comprehensive enough to give an adequate average of all these aspects. In other words, the required business strategies in view of the prevailing and emerging business environment, socio-cultural and economic status of the respective target group, and the trade and activity specific product/service mechanism as well as business practices etc. must be taken into account while devising the contents of an EDP.

In addition to these aspects, some of the topics that could be considered for incorporation in EDPs are as follows :

- Entrepreneurial sensitization of immediate environment.
- Problem solving skills.
- Negotiation skills.
- Team building.
- Awareness of appropriate technology available, their advantages and the risk involved.
- Patent-procedures and formalities.
- Intellectual property rights.
- Information technologies and their application in business, possible opportunities, threats and precautions.
- ISQ 9000 series and Total Quality Management (TQM).
- WTO-Awareness of provisions and their implications on business.

- Product/service specific management practices and strategies.
- Crisis management.
- Diagnostic skills for monitoring the health of an enterprise.

It is not necessary that all the above mentioned topics must be included in every EDP but it must be need-based keeping in view the target group and the activities focused upon. It may also be mentioned here that the aforesaid topics are not exhaustive but are indicative only.

MODULE OF AN EDP

It is obvious from the preceding discussion with regard to the emerging business environment, coverage of the target group, the nature of enterprising activities to be focused upon and the contents that there can not be any uniform module of all EDPs. Therefore, efforts could be made to evolve standard modules of EDPs which are target and activity-specific. As such there could be a number of modules would require a lot of time, knowledge, energy and funds. However, such an exercise would be worth taking. It may also be mentioned that such modules would have to be revised from time to time so that their operational viability is sustained with the changes taking place over a period of time. It is, therefore, suggested that several groups of ED experts coming from the ED organizations and others may be constituted to undertake this task.

UNIT - III :**Strategies and Approaches for EDP**

It has already been mentioned that bulks of EDPs are sponsored by the Government and financial institutions. As such, the ED organizations do not have resources to plan and execute EDPs as per their own perceptions and need-assessment. Types of EDPs and the target groups to be covered as well as the time available for organizing EDPs depend on the terms and conditions decided by the sponsoring departments and organization. Also, there is almost complete uncertainty about the number and time of such entrepreneurship training assignments. All these affect not only the execution of EDPs in a planned manner but also the availability of appropriate training materials, training faculty as well as application of training techniques and learning tools etc. In such a situation, it becomes extremely difficult to maintain the quality of EDPs and their impact. It is, therefore, necessary that entrepreneurship development funds be created at the disposal of the ED organizations should have the autonomy to decide module, content, location and timing of organizing EDPs within a given territorial limits. It is all the more necessary keeping in view the emerging business environment of the new millennium. The following strategies and approaches are therefore, suggested to be followed for organizing EDPs future.

EDP OBJECTIVE

Objectives of each type EDP, depending on the target group and its location as well as the nature of activity to be focused upon, should be decided in the beginning itself. In other words, expectations from an EDP must be outlined at the outset itself. Such expectations would be with regard to raising the motivation level of trainees, developing their entrepreneurial skills, personality traits, knowledge and preparedness for the promotion and management of enterprise etc.

TRAINING NEED ASSIGNMENT

Keeping in view the objectives of an EDP the target group and the gaps observed between the expected and existing level of entrepreneurial

motivation, skills, traits, knowledge and preparedness etc., the training needs and intensity should be assessed. While the expected levels could be the standard areas, the existing levels would have to be assessed by the concerned team of organizing that EDP. For assessing the existing level of motivation, skills, traits, knowledge and preparedness of the target group, the team for entrepreneurship development should closely interact with the potential trainees, observe their entrepreneurial qualities, knowledge and skill level, and also try to understand their socio-cultural conditioning and the economic status etc. For such as assessment, one could use questionnaires and have discussion with the elderly and knowledge persons as well as occupying responsible positions in the local society and government.

CONTENTS AND MODULE OF AN EDP

Based on the training needs, the entrepreneurship development team should identify the topics and activities to be covered and taken up and list them out in the form of contents of an EDP. Also, the learning objectives of each topic and activity should be stated clearly. Once the contents have been finalized, they should be structured in the form of module. Formulation of an EDP module shall involve sequencing of the topics and activities to be taken up during the training period and the extent of time required to be devoted to each of the topics. The module should comprise the activities to be performed during the post-training phase as well.

TRAINING TECHNIQUES

Once the content and module of an EDP have been worked out, the next step should be to identify and select the training techniques to be applied. These techniques could be class-room learning, on-the-job learning, lecture, panel discussion, one to one counseling, group exercises and discussion, case analysis, video shows, motivation/business/management games, simulation and group assignment etc. The identification and selection of training technique should be done keeping in view the training needs, contents as well as the target group.

TRAINING AIDS

Based on the content and training techniques to be applied, the training aids, like course materials, work books, scoring sheets and stationary etc. should be identified and developed. Depending on the training techniques, learning tools, like audio-visual aids, black/white board, flip charts, instruments, models, simulators, computers, manuals and scoring sheets etc. should be identified, acquired or developed. Also, evaluation criteria and evaluation as well as feedback tools for getting participants assessment of training etc. should be developed.

TRAINING FACULTY

One of the most important tasks to be performed in the course of the preparation for an EDP is the identification of suitable training faculty keeping in view the contents and the target group. It may be noted that training faculty plays a significant role in making an EDP effective and interesting. Therefore, one must keep in mind that the chosen training faculty must have the necessary expertise and up-to-date knowledge of the topics (s) to be handled and also must be able to communicate and interact with the trainees in the same language as understood by them. Besides, care should be taken to brief the concerned faculty about the objectives of the session, training techniques to be applied and the learning tools to be used. Efforts should be made to ensure possible. Another critical factor is the availability of training faculty when required. As such, the ED team must have a set of alternative faculty as well as whole services could be availed of as and when required.

LAUNCHING OF AN EDP

In the course of planning, execution and concluding an EDP, the ED team should try to involve the representatives of financial and support agencies as well as responsible social personalities of that area to the maximum extent possible. It would be better if the interaction sessions with the representatives of the concerned financial institutions and promotional agencies as well as local public personalities are arranged,

in the beginning itself, to explain the scope and objectives of an EDP due to be organized. This would help build a conducive environment for seeking not only financial and promotional support for the creation of enterprises by the trainees but also sensitize the social environment for extending moral and material support to the potential entrepreneurs.

Once preparations for the contents, module, training techniques, training materials, learning tools, training faculty etc. are over, the actual training programmes should be launched.

POST-TRAINING ACTIVITIES

Mere completion of the training programme would not be sufficient, and it would be necessary that the post-training follows-ups and monitoring of the trained potential entrepreneurs continue for an extended period of at least two years. Purpose of the post-training activities would be to ensure that the impact of training does not get vanished easily and it leads to enterprise creation to the maximum extent. It may be stated that though such activities are being performed even now, the intensity and effectiveness of such post-training activities are hardly upto the expectation.

It may be pertinent to observed here that most of the time and resources of an EDP are at present devoted to the training component only, the purpose of which is developing the entrepreneurial capability would on its own lead to the creation of an enterprise. However, it must be pointed out that the launching and resourcing of an enterprise. Therefore, intensive follows-ups and escort services are essential. As such, almost equal attention and resources should be devoted to the activities of the post-training phase as well. It is high time that EDP sponsoring organizations as well as ED organizations paid adequate attention to this aspect.

POST-TRAINING ASSESSMENT

Assessing the impact and effectiveness of an EDP during the post-training phase should be an essential part of the whole exercise. It may

be desirable to undertake such assessment exercise. It may be desirable to undertake such assessment exercises towards the end of 3rd year from the completion of an EDP as it takes a lot of time for a potential entrepreneur to create an enterprise and sustain it in the initial stage. The scope of such an exercise should not remain confined to the effectiveness of EDP in terms of enterprise creation only but also take into account the impact created by an EDP on the trainees as well as their immediate social environment i.e. family and friends etc.

GROWTH PROGRAMMES

During the 3rd and 4th year after the completion of an EDP a series of Enterprise Growth, programmes may be planned and organized to further strengthen the management skills of the trained entrepreneurs who have already set up their enterprises and have been running them successfully or otherwise. In this way, a link between the trained entrepreneurs and ED organization would continue for a longer duration and also help improve the health of the enterprises created by them and facilitate expansion, diversification and modernization of the enterprises to a certain extent.

Summing up

Entrepreneurship Development programmes, content and coverage of EDP's and the strategies and approaches.

Model Questions :

- (i) Explain the importance of EDPs for entrepreneurial development.
- (ii) Give a module of an EPP.
- (iii) Explain the strategies and approaches for EDP.

BLOCK - 5**Entrepreneurship Development with Special Reference to North East**

The block gives special emphasis to the North East. As has been stated in Block-4 there is an overview of entrepreneurship development with special reference to North East, so as to know about the immediate environment and make an introspection. This block contains issues packed with II units.

Suggested reading : Mali D, D. Training for entrepreneurship and self employment, Mittal Publications, New Delhi.

UNIT - I :**Entrepreneurship and Economic Development****1.1 Entrepreneurship in Economic Development**

The word "entrepreneur" has been taken from the French language where it was originally meant to designate an organizer of musical or other entertainments. In economics, an entrepreneur is an economic leader who possesses the ability to organize opportunities for successful introduction of new commodities, new techniques, and new sources of supply, and to assemble the necessary plant and equipment, management, and labour force and organize them into a running concern whatever be the form of economic and political set-up of the country entrepreneurship is essential for economic development. In a socialist state, the state is the entrepreneur. So is the case in underdeveloped countries where private entrepreneurship is shy in undertaking the risks associated with new ventures. But in advanced capitalist societies, private entrepreneurs have played the crucial role in their economic development.

Over the years, the functions of an entrepreneur have undergone many changes at the hands of economists. According to some economists, the function of the entrepreneur is to undertake risks and uncertainty, to others the co-ordination of productive resources ; to Schumpeter, in particular, the introduction of innovations, and to still others to provide capital. In whatever sense we may view the entrepreneur, he is the kingpin of any business enterprise, for without him the wheels of industry cannot move in the economy. As aptly pointed out by Professor Yale Brozen, "The private entrepreneurship is an indispensable ingredient in economic development over the long period".

The entrepreneur may be a highly educated, trained and skilled person or he may be an illiterate person possessing high business acumen which others might be lacking. But he possesses the following qualities : (a) He is energetic, resourceful, alert to new opportunities, able to adjust to changing conditions and willing to assume the risks in change and expansion ; (b) He introduces technological changes and improves the

qualities of his product ; and (c) He expands the scale of operation and undertakes allied pursuits, and reinvests his profits.

According to Professor Fritz Redlich, the role of the entrepreneur can be divided into the capitalist, the manager, and the entrepreneur. Thus the entrepreneur supplies funds and other resources, supervises and co-ordinates productive resources, and plans, innovates and takes ultimate decisions. In a small enterprise, these functions may be performed by the entrepreneur himself. He has his property tied up in his concern which is exposed to the risks of business. He participates fully and often constantly in the risks of business. He participates fully and often constantly in the actual productive process. According to Professor Hoseltiz, "The chief characteristic of a small industrial entrepreneur is not so much his venturesomeness, nor his motivation to make profits, but his capacity to lead other man in a common undertaking and his inclination to introduce innovations ; and in the early stages of industrialization, The overwhelming bulk of these innovations are of a technological nature requiring the direct and immediate participation of the entrepreneur.

In modern corporations, the entrepreneurship is vested in different persons. The shareholders of the company are the capitalists. The managerial function is performed by a number of persons who are specialists in their respective field, such as the sales manger, the purchase manager, the production manager, the performed by the chairman of the Board of Directors who takes the major decision through consultation and agreement.

Besides, there are the public enterprises in underdeveloped countries which are controlled and managed by the state. The capital is provided by the government, the managers for different departments are drawn various fields of specialization, and the entrepreneurial decisions are taken by the managers and the party in power.

1.2 Factors Impeding the Growth of Entrepreneurship

Let us se the factors that impede the development of entrepreneurship in underdeveloped countries.

Entrepreneurship is inhibited by the social system which denies opportunities for creative faculties. "The force of custom, the rigidity of status and the distrust of new ideas and of the exercise of intellectual curiosity, combine to create an atmosphere inimical to experiment and innovation.

In underdeveloped countries, traditional attitudes discourage the full utilization of human resources. People are ranked not according to their capacity to do particular jobs but by sex, caste, clan and kinship. Individualistic spirit is absent. People prefer traditional trades and professions rather than venture in new trades. As pointed out by Hagen, villagers, and elite alike revere the same economic roles and spurn trade and business, and there is a feeling of repugnance toward work that soils one's hands, in such economies. Thus, 'the value system minimizes the importance of economic incentives, material rewards, independence and rational calculation. It inhibits the development and acceptance of new ideas and objectives ... In short, the cultural value system within many poor countries is not favourable to economic achievement'.

In such economies, extreme inequalities in the distribution of income and wealth also stand in the way of the income and wealth also stand in the way of the growth of entrepreneurship. Hardly three to five per cent of the people are at the top of the income pyramid who save. They are mostly traders and landlords who do not like to undertake risks in new business ventures but invest in unproductive channels, such as gold, jewellery, precious stones, idle inventories, luxurious real estates, speculation etc. However, there are some merchants and traders who mostly deal in consumer goods and act as money lenders and real estate agents.

Besides, there exist a few entrepreneurs who are engaged in the manufacture of some consumer goods, and in plantations and mines that tend to become monopolistic and quasi-monopolistic. They develop personal and political contacts with the government officials, enjoy a privileged position, and receive preferential treatment in financial, taxation, exports, imports, etc. It is they who start new industries and thus found individual business empires, such as the Tatas, the Birlas, and the Dalmias in India. Such big business houses inhibit the growth of fresh entrepreneurship within the country.

The thin supply of entrepreneurs in underdeveloped countries is also attributed to the lack of infrastructural facilities which add to the risk and uncertainty of new entrepreneurship. Such countries lack in properly developed means of transport and communications, cheap and regular power supply, availability of sufficient raw materials, trained labour, well-developed capital and money markets etc.

Last but not the least, entrepreneurship is hindered by technological backwardness in underdeveloped countries. This reduces output per man and the products are also of sub-standard quality. Such countries do not possess the necessary technical know-how and capital to evolve their own technique which may be output-increasing and labour-absorbing. Mostly they have to depend upon imported capital-intensive techniques which do not fit in their factor endowments. Besides, as revealed by Hoselitz, a number of economic, social and administrative resistances force people in such economies to give preference to out-moded techniques over output-increasing techniques. So far as the Schumpeterian process of innovation is concerned, Professor Henry Wallich opines that "one can hardly say that in less developed countries 'innovation' is its most characteristic feature. The process is better described perhaps as one of assimilation. No one would deny, of course, that to organize a new industry in a less developed country is an art of entrepreneurial initiative. But it is evidently very different from the original process of innovation". Thus the entrepreneur plays a secondary role in underdeveloped countries due to various economic, social and administrative obstacles noted above.

1.3 How to Encourage Entrepreneurship

Entrepreneurship is essentially a social-economic phenomenon. In the past, entrepreneurs have emerged from a particular class. In the United Kingdom, the United States and Turkey, the entrepreneurs were largely from the field of commerce. The emergence of smaller firms in France was due to their family pattern. In Japan, it was the Samurai who turned to industry and kept their social structure intact by the expedient of the adopting vigorous young businessmen or taking them into the family through marriage.

On the other hand, Hoselitz's findings reveal that the founders of early industrial establishments in England, France and Germany were men with mechanical rather than commercial and cottagers. A few were sons of middle class parents. But the earliest entrepreneurs were men who worked with their hands, whose innovations were in the field of technology, and whose majority came from the lower, propertyless classes.

Professor Myrdal in his *Asian Drama* points out that the Asian societies lack entrepreneurship not because they lack money or raw materials but because they have very few men with the right attitudes. In the early 20th century they established themselves as 'émigré entrepreneurs' in Malaysia Singapore, Indonesia, Burma, East Indies and East Africa.

Thus, whatever be the motive which have led men to undertake the constructive entrepreneurial acts, this much appears sure that 'these motives have varied greatly, from one society to another; and they have rarely, if ever, been motives of an unmixed material character'.

But the main problem in underdeveloped countries is to 'create acclimate for entrepreneurship'. The creation of such a climate depends, on the one hand, on establishing social institutions which make possible objectively the exercise of independent personalities whose dominant orientation is in the direction of productivity, working, and creative integration.

The realization of the first condition depends on a series of political acts which include the modification of the social institution, the protection of property rights efficiently and the maintenance of law and order within the country. Besides, it requires the establishment of financial institutions which collect savings and canalize them for entrepreneurial activities. To facilitate this process, such financial institutions like the savings banks, investment banks and the complex of brokers, dealers and commercial banks that comprise the capital and money markets are required. The government should adopt such monetary and fiscal policies which encourage the growth of entrepreneurship.

The shortage of skilled personnel of various kinds such as workers, scientists, technicians, managers, administrators, etc., possess a serious

problem in the success of entrepreneurship in underdeveloped countries. It necessitates the setting up of scientific, technological, managerial, research and training institute. Though management and entrepreneurship are two different things in both the private and public sectors, yet scientific, technical and managerial personnel are very important for the success of entrepreneurship.

Apart from providing economic overhead capital, the state should also help in evolving appropriate technologies in various fields which may be in keeping with the factor endowments of the country. In case this is not possible, the underdeveloped countries should benefit from the vast fund of knowledge in the field of technology of the advanced countries and modify and adapt the techniques of the latter according to their social, economic and technical absorption capacity and requirements.

Facilities to finance such techniques and the supply of raw materials, and wider markets will further help in increasing the supply of entrepreneur.

The provision of all the above noted social, economic and technological institutions will push even the latent entrepreneurship in the right direction.

The supply of entrepreneurship depends not only on a set of particular institutions but also upon the development of appropriate personality and motivation which should lead to the growth of entrepreneurship in underdeveloped countries.

Professor McClelland in the *The Achieving Society* has propounded a theory based on his researches that entrepreneurship ultimately depends on motivation. It is the need for achievement (n-achievement), the sense of doing and getting things done, that promotes entrepreneurship. According to him, n-Ach (n-achievement) is a relatively stable personality characteristics rooted in experiences in middle childhood. Variations in n-Ach was very high in the United States of America 80 to 90 years ago, it is the highest in Russia and China now. It is rising in such developing countries as Mexico and Nigeria. He attributes high n-Ach in these countries to ideological reform hypothesis, to Protestantism in Europe and America, to zealous Communist ideology in Russia and China, and to the spirit of nationalism in the developing countries.

No doubt the n-Ach factor is important for the growth of entrepreneurship, but it is not possible for underdeveloped countries to wait for 15 to 20 years to develop in among children through text-book alone.

McClelland along with David Winter conducted experiments in Kakinada town of Andhra Pradesh in India and revealed that neither money nor caste or traditional beliefs played an important part in n-Ach factor in the emergence of entrepreneurship there. It was found that those who were trained in the Small Industries Extension Training Institute at Hyderabad in 1964 - 65 for a two-week motivation programme displayed a more active entrepreneurial behaviour later on.

Thus, motivations, abilities and congenial environment all combine to promote entrepreneurship. Since entrepreneurial motivation and abilities are long-run sociological problems, it is better to make the political, social and economic environment congenial for the growth of entrepreneurship in underdeveloped countries.

UNIT - II :**Brief Reference of Entrepreneurship in North-East****2.1 Brief Profile of North-East**

The North-East of India constitutes the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. Recently, the state of Sikkim has been include into its fold.

Demography

The eight states together have a population of 39 million as per 2001 census (provisional) and constitute about 3.8 percent of the total population of the country. The decadal growth during the period 1991-2001 has been 22.16 per cent, higher than the national average of 21.34 per cent. The stage of Nagaland witnessed the highest decadal growth in all India during this period of 64.41% and Tripura registered the lowest growth in all India at 15.74%.

Power

During 2001-02, the estimated total peak demand in the eight states of the North-East was 1395 MW. Against this the total installed capacity (utilities only) was 2344 MW of which 1049 MW was in the state sector, 1270 MW in Central sector utilities and 25 MW in the private sector.

However, the region continued to experience severe power shortages forcing utilities to resort to frequent power cuts - both scheduled and unsechuld. Consumers have continued to experience voltage fluctuations and wide frequency excursions. The installed generating capacity is impressive as against the estimated peak demand, however, many of the units in the state sector are closed and those running are at very low Plant Load Factors (PLF). As per information gathered, the power generating units of he state sector in the NE region has PLF's low as 30% during 2001-02. As per information submitted by the state agencies of CEA, peak demand deficitn was 11.1% and energy shortage was 3.5% during 2001-02.

While the generating capacities seem adequate, it is the transmission and distribution, which is the weakest link in the electricity industry in the NE region. Huge transmission and distribution losses estimated to be over 40%, low tariffs compared to costs and low morale among the employees of State Electricity Boards/Departments have made the electricity industry unviable.

Land area

The eight states cover an area of 2.62 lakh sq.km accounting for 7.9 per cent of the total land space of the country. The statewise land area is an under:

State	Land Area (sq. km)
Arunachal Pradesh	83743
Assam	78438
Manipur	22327
Mizoram	21087
Nagaland	16579
Sikkim	7096
Tripura	10486
Total	262185

The per capita income of the region, which has once higher than the All India average during the 1950's to 60's has been much lower than the national average in the 90's. This trend is expected to continue unless the region steps up its agricultural productivity and witnessses and industrial revolution to compensate for the growth rate in population.

Industry

The north-East Industrial Policy (NEIP), 1997, declared on December 24, 1997 containing a host of incentives such as income tax

holiday, Central Excise exemptions etc. and various subsidies such as capital investment subsidy, transport subsidy, working capital interest subsidy etc. has had a positive impact on the industrial development of the NE region, though concerns of concentration in limited areas remain.

The number of Industrial Entrepreneur Memoranda filed grew 113% upto fiscal ending March 31, 2002 after the notification of NEIP and Central Excise Notification in July 1999. A total number of 282 numbers are claiming Excise refunds. As per NEDFI estimates a total of 461 medium and large units with capital formation of Rs.997 crores have been implemented or are under various stages of implementation after the declaration of the NEIP, 1997.

While most of the investments have been confined to Assam and Meghalaya (especially the Byrnihat area, the low investments in the other notified areas have been primarily due to non-availability of infrastructures such as power, water, roads etc. Efforts need to be taken by the State Governments in providing adequate infrastructure to attract industries for a more equitable distribution in investments.

Agriculture

The overall land to man ratio for the NE region of 0.66 ha per person is still favourable compared to the All India average of 0.32 ha per person. Whereas in 1991 it was 0.81 compared to the all India average of 0.39ha. As per State's Agricultural Census of 1990-91, the gross cultivable area of the region was 64,68,999 ha, forming only 25% of the total geographical area as compared to the national average of 59%. This is primarily due to the mostly hilly nature of the region.

The percentage utilization of cultivable area in the NE region (58.74%) is less than the national average (73.05%) and mono cropping is the predominant method of cultivation. In the absence of multi-cropping, little or no surplus is generated in the agricultural sector. The NE region's agriculture is characterized by low usage of HYV seeds, fertilizers and other agricultural inputs like irrigation, credit, improved agricultural implements etc. In terms of irrigation only Manipur and Nagaland show a

slightly higher percentage of GCA under irrigation. It is known that even productivity is lower than the national average in most of the crops grown in the North-East.

Banking

The number of branches of scheduled commercial banks in the North-Eastern region total 1885 as on end March 2002. The figure was 1894 as on end March 2002. While the banks have been adequately covering even remote areas of the region, the Credit-Deposit ratios of the banks have been far from desirable over the years. The Credit-Deposit ratios of the scheduled commercial banks in NE region have fallen from 39.35 per cent as on end March 1994 to 26.25 per cent as on end March 2002. The national average in end March 2002 was 62.31 per cent.

With new policy of prudential banking the banks are reluctant to lend in the remote areas and therefore the NER is at a disadvantage. The C-D ratio has been falling regularly in spite of pressure from the State and Central Government. Assam has the highest C-D ratio in the region while Nagaland the lowest.

Economy of North - East India

The north-east India's economy is generally characterized by low per-capita income, low capital formation, inadequate infrastructure facilities, geographical isolation and communication bottleneck, inadequate exploitation of natural resources like mineral resources, hydro power potential, forests etc., low progress in industrial field, lack of private and foreign direct investment and high un-employment rate among the relatively high literate people.

Not even one of the NE States has a higher per capita income than the national average. This is interesting because in 1997-98 Nagaland had a higher per capita income than national average end in 1996-97, both Mizoram and Nagaland had higher per capita incomes than the national average.

The population growth in the NER is largely responsible for this low per capita income. CARG in NSDP shows that Manipur, Meghalaya, Mizoram and Tripura have been doing better than national growth rate. Interestingly, Assam the so-called most developed state in the North-East, has the lowest per capita income and lowest in NSDP.

2.2 Social and Institutional Issues

Training and research done by brought out a number of social and institutional issues that need to be addressed to have better impact of the efforts to promote entrepreneurship. Socio-cultural environment and values have an important bearing in the emergence of entrepreneurship in any society. While the individual may like to take up entrepreneurial career, the family may not like to encourage him/her to take up such a career. It is a fact that majority of parents want their children to take up salaried employment. Preference for salaried employment is not peculiar to the states of the North-East. This can be found in other states also. But preference for salaried employment in North East is very high. There are, of course, youth taking up entrepreneurial career against the wishes of the parents. But their number is very small.

It is not the family pressure of family exception alone for which the youth in the North-East have developed preferences for salaried employment. It is also socio-culture environment that has been a hinderance in the growth of entrepreneurship in the region. It is the social status that counts most while making a choice in career. It is a fact that salaried persons enjoy better social status in the society, besides enjoying security of job, assured income, lesser hours of work and lesser degree of responsibilities. The North-East is not an exception to this phenomenon. However, preference for salaried employment has gone to such an extent that unemployment youth are prepared to pay for a job than to utilize that amount of money for self employment and all these are due to social environment. Besides, there are some youth who do not consider any other career options except salaried employment because of political environment. They feel that would get job because of their proximity to public men.

The value orientation to work and leisure, initiative taking innovativeness, etc. are some other aspects that are influenced by the social environment. To become an entrepreneur a person must be hard working. But in the North East leisure orientation is more than the work orientation. Preference for leisure than for work is a role rather than an exception. This is reflected in the growing tendency for observing bandh. A change in this orientation is necessary to bring about change for growth of entrepreneurship in the North East.

Organisational Environment

In addition to socio-cultural environment, organizational environment has also much to do with the emergence of entrepreneurship in a society. There are many organizations and institutions to provide support to entrepreneurs such as training institutes, small industry development corporation, marketing organization, consultancy organization and banks and financial institutions. Apart from these organizations, there are regulatory organizations to give clearance, say for construction of factory shed or for taking of entrepreneurial activities in certain line of activity, say, drugs and pharmaceutical units or organizations to supply power, electricity/department etc. All organizations have their policy and programmes to provide necessary help and support to entrepreneur. However, there is much to be desired in the support provided by the support organizations. Getting clearance for construction of factory shed or permission for starting specific line of activity or even for getting power connection takes unduly long time. Delay is rather a rule than an exception in getting things done from any of the organization. Among various organizations banks and financial institutions have an important role to play in the development of entrepreneurship in region. But bank finance continues to remain a major problem differently. Most often they take a more time in taking a decision on loan proposal because of one reason or the other. While the bankers state that they do not get worthwhile proposal to finance, the entrepreneurs asset that banks are reluctant to lend, particularly to new entrepreneurs, more so if the project is a new one. Women entrepreneurs find it more difficult to get bank finance. There have been some changes in areas where there has been implementing Rural Industries programme.

There are marketing organizations to provide marketing support. There are also marketing schemes to help the entrepreneurs. But the marketing support is not very effective. There is delay in getting payment for goods supplied under marketing scheme. Thus support does come from all organizations but not at the time when it is most needed. There is always delay in providing support. Some delays can occur because of a number of factors - procedural formalities, lack of personal having adequate expertise, lack of power and so one, but it is the organizational climate than often causes avoidable delays in most of the organizations.

The organizational climate in support organization is yet to be entrepreneur friendly. There are, of course, exceptions. Most often the prospective entrepreneurs are to run from pillar to post to get one clearance or the other for starting his/her project. The DICs have not been able to function as single window clearance agency and probably will not function as such in near future.

Emerging Trends

The efforts to promote and develop entrepreneurship during the last most than two and half decades have resulted in some changes in the entrepreneurial scenario in the North East. There are changes in the region. Awareness has been created to a great extent about the need and importance of self-employment career by choice has been increasing. Youth are not even prepared to pay for participation in entrepreneurship training.

There is a gradual change in the attitude of parents and society also. Parents now generally encourage their children to take up entrepreneurial career. There is also gradual recognition of the need and importance of entrepreneurs and entrepreneurship in the society. This has improved the social status of entrepreneurs to a great extent.

Again more and more women are taking up entrepreneurial career that was not found even in late 1980s. There are now women entrepreneurs associations in the region that was unthinkable earlier (e.g. in 1994 the North East Women Entrepreneurs Association has been formed). Further, there are now more women entrepreneurs emerging from SC/ST and OBC community.

Colleges and Universities are gradually taking interest to create awareness of career option in entrepreneurial activities among the students. Many colleges have already set up information and career guidance cells (ICGC) to guide and counsel students for career in entrepreneurial activities and self employment and getting their teachers trained for the purpose, though there are also colleges that are finding it difficult to appreciate the need of entrepreneurs and entrepreneurship.

Universities have also been considering introduction of entrepreneurship element in academic curriculum. Dibrugarh University and Gauhati University have already introduced entrepreneurship in post graduate commerce course.

Entrepreneurs has been emerging in new areas, particularly in service sector. Many new entrepreneurs are taking up franchise for being business owners. Besides, retired persons are taking up entrepreneurial activities to keep themselves physically fit and also to guide and help their children to take up career in entrepreneurial activities.

The region does have entrepreneurs, may, be micro entrepreneurs. This can be seen from the fact that it has two important sectors, namely, handloom and handicraft sectors. Women weavers predominate in the vast handloom sector in the region. In fact the highest number of amateur weavers in the condition for promoting entrepreneurship. It has ben observed that many of existing entrepreneurs during the mid sixties and early seventies came from artisan classes. Besides, new entrepreneurs are also emerging. The average size of units that are being set up by the new entrepreneurs is within Rs.1-2 lakhs investments. The types of enterprises that are emerging are still traditional and conventional like weaving cotton and silk fabrics. But now non-traditional product/services are been taken up by new enterprenerus.

There have been changes over the years in respect of entrepreneurial scenario in the region. While there was a time when most youth took up entrepreneurial career by chance only, now situation has changed for the better. More and more youth are now coming up to take up entrepreneurial career. However, they need help and guidance and also support to convert their dreams into reality.

Beginning from the early 1970s, there had been planned and systematic efforts to promote entrepreneurship in the North-East, initially

by the Govt. of Assam and later on by the North Eastern Council. The efforts still continue. But more efforts are still required to promote and develop entrepreneurship in the region to bring it at par with the level of development of the rest of the country. In any approach to entrepreneurship development in the North-East due care is to given to removal of the problems and also for using the potential for entrepreneurship. This will mean taking effective steps for creation of awareness of entrepreneurial opportunities among the youth, developing their knowledge and skill and raising their level of motivation for entrepreneurial career. In addition, efforts are also needed for creation of an entrepreneurial environment in the support system and social environment. There will be more opportunities for small entrepreneurs in business and service sectors than in the industry sector in future partly because of economic liberalization and partly due to development of information technology. Greater emphasis should be laid on developing entrepreneurship in these sectors. Besides, there is also need to give due emphasis on women entrepreneurship, especially from SC/ST and OBC categories. In order to create an environment for entrepreneurship it is also necessary to introduce entrepreneurship as an element of the academic curriculum. These steps may help in the emergence of entrepreneurship in the North-East.

2.3 Entrepreneurship Developments and EDPs

Entrepreneurship Development was started in our country during the sixties in the form of industrial campaign. During the seventies systematic efforts were made for developing entrepreneurship. Gujarat was followed by state like Andhra Pradesh, Karnataka, Tamil Nadu etc. in the North Eastern Region, Assam made pioneering efforts to start entrepreneurship development in a planned and systematic manner during the early seventies. Entrepreneurship development has how been accepted in our country as a strategy for achieving the twin objectives of rapid industrialization and solving the problem of unemployment in the country. In fact, it has almost become a country-wide movement.

There are Central, State and even district level organizations, which organize training programme for prospective entrepreneurs. There are about 600 institutions, which are directly or indirectly engaged in

promoting entrepreneurship in the country. But the experiences of several organizations are confined in particular locality and several such experiences are generated in isolation resulting in wastage of manpower and resources.

Conceptualisation of EDPs

There are many training institutes who organize one day to six months training programme in the name of Entrepreneurship Development Programme (EDP). Many such programmes are just motivation campaign, awareness programme and programme for generation of self-employment. But conceptually they are not EDPs. A programme for entrepreneurs can be called EDP when the three elementary activities, stimulatory, support and sustaining activities are in-built in the programme. These activities needs to be performed in a balanced manner to have desired impact on the trained entrepreneurs.

A distinctions is made between entrepreneurship development and enterprise development. While entrepreneurship development gives emphasis on the development of the man who will go for entrepreneurial career resulting in setting up enterprise, enterprise development gives emphasis on the development of enterprise. Enterprise development is for quick result. For better and lasting resulting it is important to give greater emphasis on entrepreneurship development, that is, development of the man to become an entrepreneur. This will take care of enterprise development.

Criteria for Selection of Entrepreneurs

It is a fact that condition of North East differs from the rest of the country. Besides, there is no uniform development within the region.

Establishment of a PDTC in Assam :

There is a need for setting up of Prototype Development and Training center in Assam to meet the needs of the region.

Documentation Centre

There is need to set up a regional documentation center for small industry and entrepreneurship in any of the existing or proposed institutes for entrepreneurship development. The documentation center will collect, store and disseminate information useful to entrepreneurs.

Funding of EDPs

Funding of EDPs should be on continuing basis and not on yearly basis. This will help in proper planning and implementation of EDPs.

In addition to the major issue, there are issues related to creation of entrepreneurial culture the local youth by planned and systematic EDPs, promotion of traditional industries having scope for modernization for creating of entrepreneurial base, designing and organizing training programmes for existing entrepreneurs for improving their managerial skill, development of trainers' skill, arrangement of entrepreneurs to improve their level of confidence etc.

Planning and Implementation of EDPs

In planning an EDP, programme objectives need to be finalized. Once the objectives are finalized, various inputs are to be decided in order to achieve the objectives. The first step in planning is, therefore , to set the training objective. This is to be followed by inputs to be provided in the training.

Programme Objective

The Entrepreneurship Development Programme aims at helping the participants to; In view of this the criteria for selection of entrepreneur for EDP should be modified to meet the needs of the region. While three-tier selection process may be useful in some states, particularly in the Imphal valley of Manipur, Tripura and Assam, this cannot be used in other states of the region. Separate tools for selection may be adopted for different categories of entrepreneurs, viz., rural and urban, tribal etc.

Evolving Suitable EDP Model and Syllabus

There is also need for evolving suitable EDP model for the North-East. Besides, the syllabus for EDP should be as per requirement of the region.

Follow-up and Monitoring

It need to be emphasized on effective follows-up and monitoring of the EDP participants to make an EDP meaningful and result-oriented.

Strengthening and Orienting the Support System

The existing support system for promotion and development of entrepreneurship in the region needs to be strengthened. Besides, there is a need for creating extension-oriented motivation in the promotional organization by organizing orientation programmes at different levels.

Creating Institutional Infrastructure

(a) Regional Entrepreneurship Development Institute

The need for a Regional Entrepreneurship Development Institute to give a push to entrepreneurship development in the region. The institute should have nodal centers in the state capitals of the seven sates.

(b) Separate Small Industries Development Bank for North-East

Finance is a major problem for the small entrepreneurs of the region. In order to overcome this problem, a separate Small Industry Development Bank for North-East needs to be set up.

(c) Establishment of a PDTC in Assam

There is a need for setting up of a Prototype Development and Training Centre in Assam to meet the needs of the region.

(d) Documentation Centre

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Programme Objective :

The Entrepreneurship Development Programme aims at helping the participants to:

- Improve their achievement motivation and other entrepreneurial qualities to develop awareness ;
- Create awareness about facilities and supporting system available;
- Be able to identify a product/project, formulate and appraise the project ; and
- Bring a closer contact between the entrepreneur and the promotional agencies, financial institutions etc.

Programme Inputs

The major inputs of an EDP are :

- Behavioural Science inputs - achievement motivation laboratory;
- Entrepreneurial opportunity -resource availability viz., raw materials, demand, skill etc. ;
- Policies, programmes and patterns of assistance in small industries;
- All India and State Level Policies and Programmes and Institutional network at National, Regional and State Level ;
- Small industry development in India ;
- Incentives and subsidies ;
- Infrastructural facilities ;
- Credit facilities ;
- Ancillary development ;
- Export promotion ;
- Role of District Industries Centre ;
- Technical and Managerial consultancy services ;
- Technology trans from research laboratories to entrepreneurs ; and
- Procedural formalities for starting SSI units.

Criteria for Selection of Product Line

- Scope for different product line -agro-based forest, mineral, chemical engineering, electrical ;
- Electronic, ceramic and leather industries, ancillary units for a few locations of the state ;
- Scope for service industries.

Techniques of Project Formulation and Appraisal

- Economic analysis - Demand assessment and forecasting, resource analysis, environmental factor ;

- Market analysis-product, price and marketing strategy ;
- Technical analysis-choice of technology, selection of plant and machinery-selection of location-infrastructural facilities ;
- Financial analysis-annual sale-operating cost-project financing-preparation of cash flow statements ;
- Appraisal techniques-break-even-point-return of investment-pay back period-internal rate of return.

Management inputs Needed for Running an Industry

- Product planning, inventory control, maintenance of books of accounts and cost data, sales forecasting, marketing strategy, personnel management. Planning and management control, project planning and monitoring ;
- Preparation of project report ;
- Organizational development inputs such as decision making, work motivation, leadership and interpersonal effectiveness etc. ; and
- Inplant studies/training.

Assessment of EDPs vis-à-vis objectives

The major objectives as visualized in the context of EDPs in the North Eastern Region are :

- (i) to create an awareness regarding entrepreneurship and to promote first generation entrepreneurs ;
- (ii) to develop an industrial cultural in small way in agriculture dominated economy; and
- (iii) to augment employment opportunities.

Among the eight north eastern states, Assam was the only state which could boast of a certain industrial cultural as large industrial units like oil refineries, fertilizers plants, paper plants have been in existence for number of decades. On the other hand, in the other North eastern states there had been hardly any industrial unit worth the name. It is highly satisfying to observe the trend in some farflung places like Along, Khonsa,

Bomdila in Arunachal Pradesh ; Ukhrul, Churachandpur in Manipur, Okha and Tuensang in Nagaland, where women who were hitherto weaving cloth for commercial sale after benefiting from the experience of other women who took part in EDPs. Also some entrepreneurs have expanded their unit, and set up higher productivity looms. There are instances of candidates being introduced to EDPs by some of their friends who had earlier taken part in the EDPs and become successful entrepreneurs. Some of our trainees come to us after doing a mini market survey and decide on projects such as ampicillin capsules and tablets, melamine tableware.

The entire gamut of activities such as producing goods for commercial sale, finding markets for products, producing technologically superior goods to compete with traditional items, aiming at higher productivity and production, diversifying into newer productivity and production, diversifying into newer product lines may all be said to be essential ingredients of a developing industrial culture and all these are certainly being increasingly observed.

Inhibiting Factors

Under the existing system, the factors inhibiting EDPs are :

- (i) Selection procedures ;
- (ii) Service culture and consequent preference for job ;
- (iii) Protected delays in obtaining clearances from Government Department and banks ; and
- (iv) Inadequate industrial exposure in the region.

As per the EDI model of entrepreneurship development, selection of candidates involves filling up of standardized 'designed' application form, written behavioural test group discussions and personal interview. Since the medium of instruction in schools is largely in local languages, it is found that most of the candidates are not in a position to do justice to the forms as well as written behavioural test. Hence these tools do not effectively serve the purpose unless local language is used. In view of the plethora of language/dialects, it is not easy for the EDP conducting institutions to cater to the language needs of candidates and hence the importance of personal interview. Dependence on interview gives rise to influence of 'Halo effect', speaking ability in language understood by panel

members, availability of ready infrastructure such as land with candidates, promoters contribution etc.

There is no escaping the fact that one of the prime requisites for becoming an entrepreneur is 'risk taking ability'. In this context, how much so ever, we may try to aim at developing of entrepreneurial culture through EDPs, entrepreneurship in India is still largely related to family tradition and environment. Secondly, the degree of entrepreneurship culture obtaining in states such as Gujarat and Rajasthan is certainly not prevalent in the other states, including the North-eastern Region where for centuries together people have been involved in agriculture and hence, overnight, one cannot wish away the service orientation of the population.

Delays in authorization, documentation, loan sanction etc. continue to be endemic at various levels. Despite number of policy pronouncements and sincerity in government's approach, the prevailing systems and work culture do not help in expeditious clearances and sanctions. We feel that for various reasons there has been a marked slow down in the speed at which proposals are processed by DICs and Banks. The inordinate delays frustrate the budding entrepreneurs and even those who are initially committed to setting up their own units either after some time and at the first available opportunity take up a job.

It should be borne in mind that in and around Kolkata, Mumbai, Chennai, Delhi the industrial culture was germinated wayback in the early nineteenth century with the benefit of the British influence. In view of its remoteness, the British influence did not spread to this region and consequently it is industrially behind by over 150 years compared to developed parts of India, and lacks industrial exposure. Besides, in every walk of life and particularly in the industrial sector imitation is widespread. Seeing the success of a particular unit, number of similar units spring up in the immediate vicinity. Such has been the success stories of Sivakasi, Bhivandi, Surat. In the North Eastern region, there is a dearth of model units of success stories in manufacturing sector to imitate and replicate.

Suggestions

Entrepreneurship development has been accepted as a tool in the development process for over two decades in India. The entrepreneurship

development process is now at the cross road and policy frames, bankers, bureaucrats are beginning to question the efficacy and the very need of EDPs. In the light of the experience gathered, it would, therefore, be useful to find out ways and means for improving the efficacy of EDPs.

Before giving suggestions, however, we must contend with a 'dichotomy' as to whether we should develop entrepreneurs or enterprises. We find that there has been subtle change in our own approach to EDPs over the last 6 years. Whereas, during the initial years we felt we were developing persons to become entrepreneurs, today we feel that we are developing enterprises and not entrepreneurs. Entrepreneurship development is a product of inherent aptitude, general grasp of techno-commercial aspects, risk taking ability, problem solving nature etc. for which desired motivational inputs are given and the latent entrepreneurial traits are expected to emerge over a period of time depending on the base level of entrepreneurial traits and motivation. Apart from training it requires the high socio-political and family environment under a given set of circumstances. The degree of entrepreneurship and the speed with which an entrepreneur blossoms may be said to be more or less depending on the above circumstances.

On the other hand, entrepreneurship development culminates in setting up of an enterprise. At the same time, merely by setting up an enterprise, it does not mean that an entrepreneur has developed. In recent years, faced with growing pressures from sponsoring institutions to improve success rate, we find that we are rendering a wide range of services and assistance which should normally be done by the budding entrepreneur such as obtaining quotation, filling up forms, follow-up with bankers etc. The trend is also related with the general change of attitude amongst the present generation to attain success/profits with minimum effort. The entrepreneurs have also come to rely on us for these services which have helped to improve success rate, perhaps we are compromising on development of entrepreneurial traits.

To overcome inhibiting factors and improve the effectiveness of EDPs the following suggestions are placed for consideration.

Selection of Candidates

1. The standardized forms and written behavioural test papers in English language should be translated in the main link

languages of a state. Candidates should have the option of answering in English or link languages.

2. In order to standardize selection procedure materials in a state, a common entrance examination, group behaviour test and interview may be conducted at various district headquarters. Based on the number of shortlisted candidates, suitable location for EDP conducting selected. This will also help reduce cost on advertisement and selection of trainees.
3. During selection, persons with higher qualification are being generally preferred. However, since school dropouts are found to be more motivated towards self-employment and their number is large, it would be appropriate to conduct separate EDPs for this target group.
4. A suitable incentive scheme similar to that formulated by the National Science & technology Entrepreneurs may be introduced. Such a scheme should take care of minimum financial needs by way of monthly compensation until loan is sanctioned by banks with a limit on time duration. This would motivate trained entrepreneurs to involve fully in implementing their project even if there are delays during project implementing.
5. The scope of EDP may be broadened to include small business activities such as travel agency, restaurant, LPG agency, and kerosene oil depot. This assumes importance especially in the light of tourism being classified as an industry and the government's proposed programme (on the anvil) for large-scale self-employment of youth.
6. Separate single window clearance of, applications. from EDP trainees may be organized by DIC/ Bank.

NEDFi Haat-A common marketing platform

The basic objective of the NEDFi Haat is to protect and project the inherited skill of artisan and small entrepreneurs of the North Eastern Region and also provide a platform for marketing of products which otherwise is not possible.

Most of the producers are located in remote areas of the region and they operate on a small scale. The tourist/exporters and buyers, who visit Guwahati can not take out much time out of their hectic schedule to visit the remote areas. Thus most of the producers don't get opportunity to be exposed to the buyers. This has created a need to open a permanent contact point at Guwahati for the benefit of the artisan/entrepreneurs of the region for the time being. the broad objective of the setting up of NEDFi's Haat is to provide support to cottage & small scale industries with the following priorities :

- Creation of new and improvement in the existing marketing/export opportunities of the Cottage & Small scale sector.
- Efficient utilization of present potential of exporting products of cottage* small-scale sector by creating a new concept of export marketing.
- To create a link between industries with potential buyers.
- Development of international link.
- To bring together buyes and sellers from around the country/world throughout the year.

Since its opening in December 2002, the NEDFi Hatt has so far organized seven fairs with great success.

NEDFi's Thrust on commercialization of Patchouli

Patchouli (*Pogostemon cabin Benth*) is an aromatic herb, belonging to Liminaceae (Mint) family. The dry leaves of this herb upon steam distillation yield commercial patchouli oil. It is one of the most widely used oils in the fragrance industry. Currently Indonesia is the largest producer of Patchouli oil in the wold with a production exceeding 1500 tons of oil from plats grown, over 20000 ha. Of forest and private land.

Consumption of Patchouli oil in the world is above 2000 MT per annum. USA alone imports about 580 tons of this oil annually mainly from Indonesia very year. India due to increased consumption for tobacco and panmasala industries, besides traditional Attar industries, consumes 250 tons of the oil per annum. But India hardly produces 30 tons per year and imports about 200 tons of the oil every year to meet its growing domestic requirement.

Though the agro-climatic conditions in North-Eastern region are suitable for development of various aromatic crops, the are under this activity has not witnessed desirable levels of increase over the years due to inadequate knowledge, lack of extension support and marketing problems. In the recent time, marketing problem could be overcome by tapping the fast growing demand of the various industries. With the encouragement and adequate extension support along with timely supply of planting materials and other inputs, the prospects for development of aromatic plants, especially the crop like Patchouli are very bright.

Patchouli oil production could be a rural based, labour intensive low cost agro-based cottage industry, which will give large-scale employment in rural and hilly areas. Patchouli, being a shade loving plant can easily be grown as an intercrop amidst fruit trees, arecanut, and coconut plantation etc. It can also be easily cultivated in flood free fallow or wastelands. This will provide some extra income for the farmers.

During the last one year, NEDFi has been successful in translating this potential into success. Presently more than 500 acres of land is under Patchouli cultivation in the North East and 4 distillation units are in operation producing high quality patchouli oil.

2.4 Trust Area of Industrial Development in North East

Industrial Policies of The States NE Region has Given Emphasis on Promotion and Development of Industries based on :

NATURAL RESOURCES

DEMAND AND SCARCITY CONDITION

SKILL AND CRAFTSMANSHIP OF THE PEOPLE

POLLUTION FREE ENVIRONMENT

ARUNACHAL PRADESH

HANDLOOM, POWER LOOM AND HANDICRAFTS

ELECTRONICS AND KNOWLEDGE-BASED INDUSTRIES

INDUSTRIES BASED ON NON-TIMBER FOREST

PRODUCE

TOURISM

EDUCATIONAL SERVICES

ASSAM

HANDLOOM AND HANDICRAFT

RURAL NON-FARM SECTOR

AGRO AND FOOD PROCESSING

ELECTRONICS

PLASTIC - BASED INDUSTRIES

DOWN STREAM PROJECTS OF GAS CRACKER UNIT

MANIPUR

AGRO-BASED

INDUSTRIES BASED ON LOCALLY AVAILABLE
RESOURCES,

LOCAL AND REGIONAL DEMAND

HANDLOOM AND HANDICRAFT SECTORS

ELECTRONICS

FOREST-BASED

PROMOTION OF INDO-MYANMAR BORDER TRADE

MEGHALAYA

AGRO-BASED

HORTICULTURE-BASED

BIOTECHNOLOGY BASED

TISSUE CULTURE AND ORCHIDS

ELECTRONICS AND I.T.

MIZORAM

ELECTRONICS AND I.T.

BAMBO-BASED AND TIMBER-BASED PRODUCT

FOOD AND FRUIT PROCESSING

HANDLOOM AND HANDICRAFT

HILL BROOM

TOURISM

KHADI AND VILLAGE INDUSTRIES

NAGALAND

FOOD PROCESSING

TOURISM

AGRO-BASED

MINERAL BASED

HANDLOOM AND HANDICRAFTS

FLORICULTURE

PHARMACEUTICALS

BIO-TECH INDUSTRIES

TRIPURA

HANDLOOM AND HANDICRAFTS

RUBBER-BASED

BORDER TRADE

ENTREPRENEURIAL OPPORTUNITIES

IT SECTOR

HARDWARE, SOFTWARE, IT PERIPHERALS, IT
EDUCATION, IT MAINTENANCE, IT ENABLED SERVICES

OUTSOURCING

SECURITY, SERVICE, GARDENING, CATERING,
MAINTENANCE

FRANCHISING

IT EDUCATION, HEALTH CARE INCLUDING
LABORATORY SERVICES, BEAUTY CARE, GREETING CARDS

CHILDREN RELATED ACTIVITIES

CHILDREN'S GARMENTS

CRECHE, DAY CARE HOME

EATING PLACES

FAST FOOD CENTRE

LOCAL FOOD

**IDENTIFY THE PEOPLE'S NEED AND EXPLOIT IT TO YOUR
ADVANTAGE**

**2.5 The Tables below would give a better idea of the prospect of
fruits and vegetables processing unit in NE Region.**

Table A

Production of Horticulture Crops in Assam

Fruits	
Banana	575258 MT
Pineapple	207836 MT
Orange	68527 MT

Papaya	110391 MT
Lemon	40621 MT
Guava	40817 MT
Jackfruit	160200 MT
Mango	7811 MT

SPECES

Chillies	9684 MT
Turmeric	6903 MT
Ginger	99864 MT
Coriander	15532 MT
Black Pepper	22778 MT

TUBER CROPS

Potato	578978 MT
Sweet Potato	31735 MT
Topioca	11493 MT

VEGETABLES

Kharif	3070232 MT
Rabi	1592082 MT

NUT CROPS

Arecanut	64003 MT
Coconut	118355 MT

Table A1
Demand and Availability of Processed Fruits & Vegetables
(MT) in NER

Demand	Supply	Import	Export	Availability
1	2	3	4	5
17240	9715	6896	1013	15598

Table A2
Present & Estimated Consumption of Processed Fruit ans
Vegetables

State	1998	1999	2000	2001
Arunachal	503	513	523	533
Assam	12993	13232	13460	13673
Manipur	1040	1057	1057	1093
Meghalaya	1050	1058	1066	1088
Mizoram	428	440	450	444
Nagaland	764	788	812	834

Table A3
Demand supply gap/Prospect of the processed fruits ans
vegetable products in NER

	1998	1999	2000	2001
Beverages	1886	1979	2063	2149
Canned Fruits	2099	2160	2218	2247
Fruit Juice	1913	1996	247	2151
Jams/Squashes	128	158	187	215
Pickles/Chutneys	1180	1224	1266	1307
Dehydrated fruit & vegetable	246	255	216	270
Sauces, Ketchups	1284	1314	1342	1370

This very well implies that we have still a vast untapped potential in this sector.

Floriculture

Floriculture in the region is still in its infancy. Till recently the use of flowers was limited only to religious functions and growing flowers for commercial use was not considered as paying propositions. But of late the aesthetic sense of people to decorate their homes and healths with flowers is increasing day by day. More and more people are accepting floriculture as their hobby and raising ornamental plants and shrubs in their courtyards and gardens. However, marketing of flowers is still disorganized. They are brought to the markets but are not packed scientifically. Flowers markets including retail shops in town exist in open yards and in most of the places there is no overhead covers to protect them from adverse weather condition. This ultimately lead to spoilage.

It would not be out of space to request the E.D. organizations to conduct programmes in this neglected area too. They may publish prospects and literatures in the line to popularize the floral revolution as means of livelihood.

Bamboo propagation

Depredation of bamboo from forests and private lands to meet the requirements of the paper mills to the tune of 6.2 lakhs MT annually and also 1 lakh MT of bamboo outside the region has posed a future threat to these mills. Seasoned bamboo has become scarce for the local people and the traditional artisans as well. Cost of whole bamboo by now has become beyond the reach of common people. There is acute shortage of bamboo by 4.2 lakh MT. Solution to meet this shortage and to keep alive at least the existing bamboo based industries in large and tiny sectors, in extensive propagation of bamboo through cultivation as cash crops. This crop required only waste land on the hilly land lying about Rs. 10,000 to Rs. 15,000 per hectare would yield annual earning of Rs. 41,000 after 4/5 years of plantation. For this bamboo propagation monetary assistance are also made available by various central government organization. What

is needed is publicity, concerned guidance and encouragement. Much needed ecological balance could also be achieved through criminally neglected sector.

Summing up

Entrepreneurship and economic development and reference of entrepreneurship to the North East.

Model Questions :

- (i) Related entrepreneurship and economic development with special reference to the North East.
- (ii) How can the inhibiting factors for the growth of entrepreneurship in the North East can be overcome.
