SYLLABUS

B.Com I YEAR

Subject – Entrepreneurship Development

UNIT – I	Entrepreneurship Development – Concept and Importance, function of Entrepreneur, Goal determination – Problems Challenges and solutions.
UNIT – II	Project Proposal : Need and Objects; Nature of organization, Production Management; Financial Management; Marketing Management; Consumer Management.
UNIT – III	Role of Regulatory Institutions; Role of Development Organizations; Self Employment Oriented Schemes; Various grant schemes.
UNIT – IV	Financial Management for Project : Financial Institution and their role, capital estimation and arrangement, cost and price determination, accounting management.
UNIT – V	Problem of Entrepreneur : Problem Relating Capital, Problem Relating Registration, Administration Problem and How to Overcome from above Problems

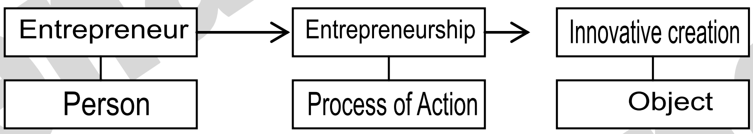
UNIT – I

The concept of Entrepreneurship has assumed prime importance for accelerating economic growth both in developed and developing countries. It is a basis of free enterprise. It promotes capital formation and creates wealth in the country. It is the hope and dream of millions of individuals around the world. It has the thrill of risk, change, challenge and growth. It builds wealth. It is a pathway to prosper. It reduces unemployment and poverty.

MEANING OF ENTREPRENEURSHIP

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

It refers to a process of action an entrepreneurship undertakes to establish an enterprise. It is a creative and innovative skill and adapting response to environment. This concept can be seen in



DEFINITIONS OF ENTRENEURSHIP

After looking at various definitions of entrepreneurship, we can conclude the entrepreneurship.

(1) Classical View : This view is expressed by classical economists like Cantillon, Frank Knight, Adam Smith, J.B. Say, J.S. Mill, David Ricardo etc. It involves:

a) ability to bear the risks and uncertainties of business.
b) ability to organize and co-ordinate productive resources.
c) Ability to convert productive resources into a productive entity through superintendence and control.

(2) Neo-Classical View: This view is expressed by economists like Walters, Alfred Marshall and Joseph Schumpeter, According to this view, entrepreneurship is:

a) the ability to direction and control.
b) the ability to bring new changes.

This view applies to new developing economics.

(3) Modern View: The new view of entrepreneurship is innovative. It is the ability:

a) to create changes to exploit them.
b) to explore and to maximise opportunities to obtain results.
c) to innovate new things and to create unique or at least distinct in a meaningful area.
d) to earn economic results only by leadership, not by mere competence.
e) to allocate resources to opportunities rather than problems.
f) to create effectiveness rather than efficiency.
g) to redirect resources from areas to low or diminishing returns to areas of high or increasing results and to optimize the yield from these resource.
h) to create tomorrow.

The concept of entrepreneurship is depicted in

NATURE AND CHARACTERISTICS OF ENTREPRENEURSHIP

The main features of entrepreneurship are described below:

1. Economic
2. Creative and
3. Purposeful Activity
4. Risk bearing Capacity
5. Ability to Innovate
6. Business Oriented Tendency
7. Organising Function
8. Managerial and Leadership Function
9. Knowledge based Practice
10. Not a Personality Trait, but Behaviour
11. Based on Principles, not on Intuition
12. Essential in Every Activity
13. Management is the Vehicle of Entrepreneurship
14. Low Risk
15. It is not a Natural but an 'Achieved' Work

IMPORTANCE AND BENEFITS OF ENTREPRENEURSHIP

The importance of entrepreneurship can be discussed in two ways:

A. Importance to the Entrepreneurs and the Common Man

1. Provides Independence
2. Means to Earn a Good Living
3. Realising One's Full Potential
4. Opportunity to Reap High Profits
5. Enjoys Social Status
6. Work as Fun
7. hero Status
8. Self-Reliant and Self-Sustaining Lifestyle
9. Contributes to Women Liberty
10. Offers Part-Time Job Opportunities
11. Family Support
12. Realising Dreams

B. Importance to the National Economy and Society

Entrepreneurship is basic source of productive economic energy. It fasters economic growth; it increases productivity; it creates new technologies, products, and services; and it changes and rejuvenates market competition. The significance of entrepreneurship to the national economy and society are :

1. Dealing with Uncertainty
2. Innovation
3. Job Creation
4. Managing resources
5. Capital Formation
6. Economic Growth
7. Technological Advancements
8. Marketplace Change
9. Contribution to Large Businesses
10. Provides International Opportunities
11. Social and Ethical Awakening

Entrepreneur

The spirit of enterprise makes man an entrepreneur. An entrepreneur is a person who sets up business of an enterprise. He is one who has the capability of risk-bearing, initiative and skill for innovation. He looks for high achievements. He is a creative thinker; an individual who combines in himself the role of innovator is creative thinker, individual who combines in himself the role of innovator and risk-bearer.

The word "entrepreneur" is derived from the French word entrepreneur. It means "to undertake". In the early 16th century, the Frenchman who organised and led military expeditions were referred to as 'entrepreneurs. Tell 1800, this concept was used by French economists for adventurers, government contractors, architects, cultivators, trader—those who bough labour and material at uncertain priced and sold the resultant product at contracted prices, and those who risked capital in manufacturing. Later on, entrepreneur was considered as a coordinator who combined all means of production functions, and techniques. Schumpeter emphasized innovative aspect more than managerial aspect. To McClelland (1961) entrepreneur is one who likes to take reasonable risk, and who has high degree of need for achievement motivation.

TYPES OF ENTREPRENEUR

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

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

I. On the Basis of Stages of Economic Development

'Clarence Danhof' classifies entrepreneur into four type :

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

II. On the Basis of Attitude and Knowledge

Author H. Cole classified entrepreneurs as :

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

III. On the Basis of type of Business Occupations

We may broadly classify then as follows :

1. Business Entrepreneur : They conceive an idea for a new product of services and then create a business to materialize their idea into reality. They exploit new business opportunity. They set up and promote business units.
2. Trading Entrepreneurs: They undertake buying and selling activities. They are not concerned with the manufacturing work.
3. Industrial Entrepreneur: He is product-oriented man. He makes long-run plans in terms of new products, tomorrow's markets and future growth. He converts resources into economic utilities and values.
4. Corporate Entrepreneur: Such an entrepreneur has vision and imaginative skill to organise and manage a corporate undertaking. He plans, develops and crates a corporate legal entity.
5. Agricultural Entrepreneur: Such entrepreneurs undertake agricultural activities. They raise and market crops, fertilisers and other inputs of agriculture.

IV. On the Basis of Use of Technology

1. Technical: Such entrepreneur possesses technical expertise and know-how.
2. Non-Technical: He simply deals with developing alternative marketing and distribution strategies to promote his business.
3. Professional: Such entrepreneur is interested in establishing a business. He takes no interest in managing or operating it once it is established.

V. On the Basis of Ownership

1. Private: Private entrepreneur is motivated by profit. He never enters those sectors of economy in which prospects of earning profit are discouraging.
2. Public: In the underdeveloped countries the government acts as entrepreneur and undertakes economic activities with the object of public welfare and prosperity. The government runs the enterprises to promote development of the country.
3. Joint: Joint enterprises is a partnership is an association of persons who have voluntarily joined together to achieve common economic ends. Its main object is rendering services to its members. Members make equitable contributions to the capital required.
4. Co-operative: Co-operative entrepreneurship is an association of persons who have voluntarily joined together to achieve common economic ends. Its main object is rendering services to its members. Members make equitable contribution to the capital required.

VI On the Basis of the Scale of Entrepreneurs

1. Small Scale Resources: this entrepreneur is found in the underdeveloped countries. He does not possess the necessary abilities and resources to initiate large scale production. He is not able to introduce revolutionary technological changes.
2. Large Scale : Large scale enterprises are established in the developed countries. Big entrepreneurs possess huge capital resources, necessary technical and skill to introduce new production changes.

VII. Other Types of Entrepreneurs

1. Pure Entrepreneur : He is motivated by psychological and economic rewards. He starts activities for his personal satisfaction is work, ago or status.
2. Induced Entrepreneur : Such entrepreneur is induced to take up an entrepreneurial task due to the policy measures of the government.
3. Motivated Entrepreneur : Such an entrepreneur is motivated by the desire for self-fulfilment. He is also motivated by the desire for innovations and profit.
4. Growth Entrepreneur : These entrepreneurs choose an industry which has high growth prospects.
5. Super-Growth Entrepreneur : He is an individual who has shown enormous growth performance in has venture.
6. First-Growth Entrepreneur : He is one who starts an industrial unit by means of an innovative skill.
7. Modern Entrepreneur : He is one who undertakes those ventures which go well along with the changing demand in the market. He cares for the current marketing needs.
8. Intrapreneurs : It is the practice of beginning and developing new business ventures within the structure of an existing organisation. Intrapreneurs found their management not receptive to new ideas. Hence they left their parent organisation and stared ventures of their own.
9. Copreneurs : It is related to the married couples working together in a business. When a married couple shares ownership, commitment and responsibility for a business, they are called 'copreneurs'.
10. Young Entrepreneurs : Today young people are choosing entrepreneurship as their primary career path. They are setting the pace in starting businesses.
11. Part-Time Entrepreneurs : Starting a part-time business is a popular gateway to entrepreneurship. Part-time entrepreneurs can easily enter into business without sacrificing their service benefits. They have lower risk in case the venture flops. Many part-timers can test their "entrepreneurial skill" to see whether their business ideas will work or not.

FUNCTIONS OF AN ENTREPRENEUR :-

An entrepreneur performs all the necessary functions which are essential from the point of view of operation and expansion of the enterprise. The main functions of entrepreneur are as follows :

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

We also classified all the entrepreneurial functions into three broad categories:
(1)Risk bearing functions

(2) Organisational functions
(3) Innovative functions

CHARACTERISTICS OF SUCCESSFUL ENTREPRENEURS

Considerable research has been dedicated to the task of identifying the traits and characteristics of the typical entrepreneur. According to John Hornaday the characteristics of successful entrepreneurs are as follows:

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

Motivational Factors of entrepreneurship

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

1. Internal Factors – The internal factors of motivation constitute the personality of the entrepreneur and thereby create an inclination to adopt entrepreneurship. internal factors which motivate the entrepreneurship are –

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

2. External Factors – Though presence of internal motivation factors is helpful in development of entrepreneurship in any country yet presence of internal factors can fruityfy with the presence of external factors of motivation. The main external factors are -

a. Assistance from financial institutions
b. Assistance from state government and Central government
c. Availability of raw materials
d. Availability of trained and untrained labour
e. Availability of consultancy
f. Encouragement from public
g. Cooperation of heavy industries
h. Heavy demand for the product
i. Support of friends, relatives and other close persons.
j. Compelling conditions to adopt entrepreneurship.
k. Availability of sick industrial units at low prices.

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

Women as an Entrepreneur

Women Entrepreneurs may be defined as a women are group of owmen who initiate, organize and run a business enterprise.

Function & Role of Women Entrepreneurs :- Like a male Entrepreneurs, a women entrepreneur must perform five functions :

1. Explore the prospects of starting new enterprises.
2. Undertaking of risks and the handling of economic uncertainities.
3. Introduction of innovations.
4. Coordination, administration and control.
5. Routine supervision.

Problems of women entrepreneurs :-

1. Problem of Finance
2. Scarcity of Raw Material
3. Shift Competition
4. Limited Mobility
5. Family Ties
6. Lack of Education
7. Male dominated society
8. Low Risk bearing ability

Development of Women Entrepreneurs

1. All National government should promote women's involvement in social and economic development programme; provide necessary infrastructural support, training and marketing facilities; enact legislation to remove constraints in their way; arrange for transfer of relevant technology and financial assistance.
2. The international agencies like UNCTAD, UNDP, ILO and the national government should adopt appropriate measures to encourage free flow of trade of products manufactured by women Entrepreneurs and provide fiscal and expert assistance to the government and other agencies engaged in promotion of Entrepreneurship among women.
3. In international and national trade fairs, the products manufactured by women Entrepreneurs should be widely displayed.
4. UNESCO and the education ministries in different countries should provide necessary literature, course books and publication for the benefit of women students.
5. In India the Federation of India Chambers of Commerce and Industry (FICCI), FICCI Ladies Organisation (FLO), National Alliance of Young Entrepreneurs (NAYE) and other voluntary assist women Entrepreneurs.

Role of women Entrepreneurs Associations :-

These associations seek to achieve the following objectives :

(i) To provide a meeting ground for women Entrepreneurs;
(ii) To promote and develop feeling of unity and brotherhood among the Entrepreneurs;
(iii) To dvelop self- confidence and hope among female entrepreneurs;

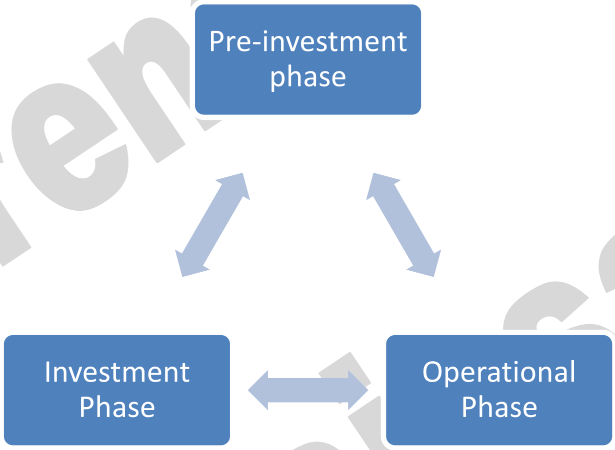
(iv) To present the problems of women Entrepreneurs before the concerned authorities for consideration and redressl ;
(v) To secure various concessions, subsidies and assistance for women Entrepreneurs;
(vi) To conduct entrepreneurial development program for women;
(vii) To organize seminars and conferences on entrepreneurship with the help of other national and international bodies;
(viii) To secure wider dispersal of entrepreneurship among women;

UNIT-II

Meaning of Project Report –

A project report can best be defined as a well evolved course of action devised to achieve the specified objective within a specified period of time. So to say, it is an operating document.
Webster New 20th Century Dictionary defines as "a report on a project as a scheme, design, a proposal of something intended or devised. It is written statement of what an entrepreneur propose to take up."

Stages of Project preparation: The life cycle of an investment project is determined by three main phases :
1. Initial (pre-investment) phase
2. Investment phase
3. Operational phase



Contents and format of project report –

A project report may be prepared in different ways by different entrepreneurs. There is no standard pattern for it. However, it must contain all information's necessary to appraise it. The amount of information's to be furnished in the report depends upon the size of the unit, the nature of production and the amount of the finance required. However, a project report should contain mainly the following set of information in general:

1) **General Information**: It may include the information about the following:
   a. Name and address of entrepreneur.
   b. Qualification experience and capabilities of the entrepreneur.
   c. Profile of the industry to which the project belongs.
   d. Constitution and organizational structure of the enterprise-whether sole trader or partnership, and if partnership, whether registered or not.
   e. Registration certificate from the Directors of Industries/DTC, whether obtained or to be obtained.
   f. Range of products to be manufactured and their utility
   g. Competitive advantages of the proposed product over its substitutes
   h. Government policies and export potential.
   i. Industry profile.

2) **Project Description**: Under this head, different of physical infrastructure and other facilities regarding the project are given. Generally, the particulars relate to the following:
   a. Site
      i. Proposed location with address
      ii. Whether owned of leasehold land
      iii. Is it approved industrial area?
      iv. Reasons for selecting the areas
      v. If in a residential area – Whether no objection certificate has been obtained?
   b. Infrastructure: Describe physical facilities available for the proposed project.
   c. Raw Materials
      i. Availability, quality and feasibility of procurement
      ii. Sources and total value
      iii. Whether license has been obtained in case of improved raw materials.
   d. Personnel
      i. Whether skilled labour i.e. required
      ii. Arrangements to train labour
      iii. Requirement of factory staff, administrative staff and sales staff.
   e. Utilities: The cost of utilities like power, water, fuel, coal, oil, etc. should be mentioned.
   f. Disposal of Waste
      i. Whether the projects involves production of waste material of emissions
      ii. Provision for dumps, sewage system and sewage treatment plane
   g. Machinery, Equipment and Common Facilities
      i. Complete list of all equipments
      ii. Sources of supply of capital equipments
      iii. What will be installed licensed capacity of machines and equipments
      iv. Availability of common facilities like machine shops, welding shops, electrical shops, etc.
   h. Transport and Communication
      i. Available and potential means of transportation
      ii. Available communication facilities like telephone, telex, etc.
   i. Manufacturing Process and Technology
      i. Various stages of production and process involved
      ii. Technology used and arrangements to acquired the know-how
   j. Plant and Quality
      i. Capacity of various plants
      ii. System designed to check the quality of products
      iii. Probability of obtaining quality marks like 'ISO' or 'AGMARK' for the products
   k. Research and development
      i. Steps for the improvement of product quality
      ii. Whether to set up research cell
3) **Market Potential**: The entrepreneur should state in his project report the potentialities for the marketing of his products. A detailed market survey should provide demand informationnand survey position, competitor's position, price, marketing strategy, after-sales services, provision of transport facility, etc.

a. Demand and Supply Position
    i. Total expected demand for the proposed product
    ii. Supply position of that product in the market
    iii. The gap between the demand and supply and how much of this gap will be met by the proposed unit
b. Cost and Price Position
    i. An estimate of manufacturing and other administrative expenses
    ii. An estimate of the price expected
    iii. Competitor's present selling price
    iv. An assessment of the margin of profit on the basis of cost and price estimates.
c. Marketing Strategy
    i. What will be sales strategy?
    ii. Trade agreement with distributors
    iii. Whether there is any arrangement to use the trade mark of reputed companies on the proposed products?
d. Seasonality and Transportation
    i. Whether the sale of the proposed product is seasonal?
    ii. Arrangement proposed for starting and stocking of the goods.
    iii. Position of transportation means
    iv. Probable cost of own transport means.

4) **Capital, Costs and Source of Finance**: An estimate of the capital expenditure to be incurred by the unit on various items should be in the report. This estimation should be accurate. Inadequate estimate of funds may create serious problems. The various components of costs may relate to the following:
    a. Land and building cost
    b. Cost of plant and machinery
    c. Installation charges
    d. Cost of furniture and fixtures, vehicles, tools, and other office system.
    e. Contingency provision against future rise in price or to meet unforeseen expenditures.
    f. Margin for working capital
    g. Development expenditure to be incurred on land and building
    h. Preliminary expenses and preoperative expenses.
    i. Cost of spares, repairs and maintenance
    j. Cost of off-site facilities and utilities
    k. Pre-commissioning and commissioning expenses
5) **Working Capital Requirement**: While estimating the capital costs, margin for working capital has to be taken into account. The estimates of the working capital requirement should be made and shown with the total cost of the project itself. Different components of working capital requirements should be analyzed keeping in mind the production cycle and expected cash flows from the product.

Planning commission's guidelines for formulating a project report :-

The project formulation stage involves the identification of investment options by the enterprise and in consultation with the administrative ministry, the planning commission and other concerned authorities. Realizing the usefulness of these guidelines, we now are presenting these guidelines in a summarized manner.

1. General Information:

The information of general nature given in the project report includes the following:

Bio-data of Promoter:

Name and address of entrepreneur; the qualifications, experience and other capabilities of the entrepreneur; if these are partners, state these characteristics of all the partners individually.

Industry Profile:

A reference of analysis of industry to which the project belongs, e.g., past performance, present status, its organisation, its problems, etc.

Constitution and Organisation:

The constitution and organisational structure of the enterprise, in case of partnership firm, its registration with the Registrar of Firms; application for getting Registration Certificate from the Directorate of Industries/District Industry Centre, etc.

Product Details:

Product utility, product range; product design; advantages to be offered by the product over its substitutes, if any.

2. Project Description:

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

Site:

Location of enterprise; owned or leasehold land; industrial area; No Objection Certificate (NOC) from the Municipal Authorities if the enterprise location falls in the residential area.

Physical Infrastructure:

Availability of the following items of infrastructure should be mentioned in the project report:

(i) Raw Material:

Requirement of raw material, whether inland or imported, sources of raw material supply.

(ii) Skilled Labour:

Availability of skilled labour in the area, arrangements for training labourers in various skills.

Utilities:

These include:

(i) Power:

Requirement for power, load sanctioned availability of power.

(ii) Fuel:

Requirement for fuel items such as coal, coke, oil or gas, state of their availability.

(iii) Water:

The sources and quality of water required should be clearly stated in the project report.

Pollution Control:

The aspects like scope of dumps, sewage system and sewage treatment plant should be clearly stated in case of industries producing emissions.

Communication System:

Availability of communication facilities, e.g., telephone, telexes etc. should be stated in the project report.

Transport Facilities:

Requirements for transport, mode of transport, potential means of transport, distances to be covered, bottlenecks etc., should be stated in the business plan.

Other Common Facilities:

Availability of common facilities like machine shops, welding shops and electrical repair shops etc. should be stated in the report.

Production Process:

A mention should be made for process involved in production and period of conversion from raw material into finished goods.

Machinery and Equipment:

A complete list of items of machinery and equipment's required indicating their size, type, cost and sources of their supply should be enclosed with the project report.

Capacity of the Plant:

The installed licensed capacity of the plant along with the shifts should also be mentioned in the project report.

Technology Selected:

The selection of technology, arrangements made for acquiring it should be mentioned in the business plan.

Research and Development:

A mention should be made in the project report regarding proposed research and development activities to be undertaken in future.

3. Market Potential:

While preparing a project report, the following aspects relating to market potential of the product should be stated in the report:

(i) Demand and Supply Position:

State the total expected demand for the product and present supply position. This should also be mentioned how much of the gap will be filled up by the proposed unit.

(ii) Expected Price:

An expected price of the product to be realised should be mentioned in the project report.

(iii) Marketing Strategy:

Arrangements made for selling the product should be clearly stated in the project report.

(iv) After-Sales Service:

Depending upon the nature of the product, provisions made for after-sales service should normally be stated in the project report.

(v) Transportation:

Requirement for transportation means indicating whether public transport or entrepreneur's own transport should be mentioned in the project report.

4. Capital Costs and Sources of Finance:

An estimate of the various components of capital items like land and buildings, plant and machinery, installation costs, preliminary expenses, margin for working capital should be given in the project report. The present probable sources of finance should also be stated in the project report. The sources should indicate the owner's funds together with funds raised from financial institutions and banks.

5. Assessment of Working Capital Requirements:

The requirement for working capital and its sources of supply should be carefully and clearly mentioned in the business plan or project report. It is always better to prepare working capital requirements in the prescribed formats designed by limits of requirement. It will minimise objections from the banker's side.

6. Other Financial Aspects:

In order to adjudge the profitability of the project to be set up, a projected Profit and Loss Account indicating likely sales revenue, cost of production, allied cost and profit should be prepared. A projected Balance Sheet and Cash Flow Statement should also be prepared to indicate the financial position and requirements at various stages of the project.

In addition to above, the Break-Even Analysis should also be presented in the project report. Break-even point is the level of production/ sales where the industrial enterprise shall earn neither profit nor incur loss. In fact, it will just break even. Break-even level indicates the gestation period and the likely moratorium required for repayment of loans.

7. Economic and Social Variables:

In view of the social responsibility of business, the abatement costs, i.e., the costs for controlling the environmental damage should be stated in the project. Arrangements made for treating the effluents and emissions should also be mentioned in the report.

Besides, the socio-economic benefits expected to accrue from the project should also be stated in the report itself.

Following are the examples of socioeconomic benefits:

(i) Employment Generation.

(ii) Import Substitution.

(iii) Ancillarisation.

(iv) Exports.

(v) Local Resource Utilization.

(vi) Development of the Area.

8. Project Implementation:

Last but no means the least, every entrepreneur should draw an implementation scheme or a time-table for his project to ensure the timely completion of all activities involved in setting-up an enterprise. Timely implementation is important because if there is a delay, it causes, among other things, a project cost overrun.

In India, delays in project implementation have become a common feature. Delay in project implementation jeopardizes the financial viability of the project, on the one hand, and props up the entrepreneur to drop the idea to set-up an enterprise, on the other. Hence, there is a need to draw up an implementation schedule for the project and then to adhere to it to complete the project in time.

Project Appraisal

Assessing the viability or feasibility of a proposed project by the lending institutions is called project appraisal.

Objectives of Project Appraisal:

1. To extract relevant information for determining the success or failure of a project.
2. To apply standard yardsticks for determining the rate of success or failure of a project.
3. To determine the expected costs & benefits of the project.
4. To arrive at specific conclusions regarding the project.

Four major criteria in project appraisal

There are four major criteria which have to be studied in project appraisal to ascertain its feasibility. They are:

1. Technical feasibility
2. Economic feasibility
3. Financial feasibility
4. Managerial feasibility

Technical feasibility of projects

1. To find out whether the various factors of production are available.

2. Suitable location of the project.

3. Adopting appropriate technology.

4. Providing suitable training to manpower.

6. Erection of plant and equipment.

6. Technical know-how.

7. Suitable plant lay-out.

8. Clearance for pollution from the pollution control board.

9. Environment clearance under Environment Protection Act.

10. Protection under the Patent Right and Trademark Act.

11. Disposal of wastage.

Economic feasibility of projects

1. Market share of the product.

2. Demand for the product.

3. Competition prevailing in the market.

4. Product life cycle and stage of the product.

5. Future demand of the product.

6. Fulfillment of social objectives such as employment generation, development of backward areas, etc.

7. Scope for the product [Strength, Weakness Opportunity and Threat (SWOT Analysis)].

Financial feasibility of projects

1. Financial soundness of the project which is based on return on investment.

2. Various sources of finance available and their costs.

3. Expected cash inflow and outflow.

4. Cost of the project.

5. Profit margin.

6. Cost of production.

7. Future growth of the project.

8. Gross and net earnings.

9. Future prospects.

Managerial feasibility of projects

1. Competence of the Board.

2. Experience of the staff.

3. Technical competence.

4. Problems that are likely to be encounter in industrial relations.
5. Experience in the field.

Forms of organization –

Merits	**Demerits**
A) Sole Proprietorship 1. Objectives of the firm are formulated in an informal manner by the entrepreneur 2. Specialization is restricted to the entrepreneur 3. Authority and responsibility are centered round the entrepreneur 4. Quick and prompt decisions 5. Maximum flexibility in operations	***A) Sole Proprietorship*** 1. There is no plan and policy about objectives. 2. No scope for development skill, knowledge, aptitude and ability 3. No scope for coordination of activities 4. Limited managerial ability 5. Lack of continuity ans 6. Instability
B) Partnership 1. Objectives of the unit are clearly stated 2. Better specialization through division of labour 3. Line of authority specified 4. Authority and responsibility are defined 5. Continuity of work 6. Flexibility in operation	***B) Partnership*** 1. Lack of harmony in the event of mutual distrust 2. Restricted growth 3. Lack of public confidence 4. Communication gaps
C) Private Limited Company 1. Clear-cut-plan and policy 2. Objectives are formally formulated 3. Effective co-ordination. 4. Better specialization through division of labour 5. Authority and responsibility are defined in definite terms. 6. Span of control is well organized 7. Co-ordination of activities 8. Flexible and dynamic	***C) Private Limited Company*** 1. Objectives of the firms are formulated in an informal manner by the entrepreneur
D) Co-operative 1. Objectives are clearly stated 2. Democratic organization 3. Excessive state regulation	***D) Co-operative*** 1. Lack of authority and responsibility 2. No coordination 3. Excessive state regulation 4. No scope for specialization 5. Authority and responsibility are not defined 6. Lack of continuity 7. Work is not properly divided

Financial Institute

Name	Year	Special features
Commercial Bank	1969	Pilot scheme
SBI along with RBI	1956	Credit graduate scheme
IDBI	1964; 1976	Autonomous – dynamic leader direct & indirect special assistance
IFCI	1948	Financial loan and short terms need
ICICI	1955	At Mumbai-private sector finance promotion industrial growth.
IRBI	1971; 1984	To give life to sick industries
IIC	1956	Life insurance business
UTI	1964	Assistance to corporate sector
SEC	1948	Large sized industries
SIDS	1956	Promoting industrial development in states
SIDBI	1989	(IDBI) Lucknow
EXIM	1982	For export & import activities

Accounting –
Accounting has been termed as the language of finance. The basic function of a language is to serve as a means of communication. Accounting also serves this function. It communicates the results of business operations to various parties who have some stake in the business viz., the proprietors, creditors, investors, government and other agencies. Accounting is as old as the culture and business.

Origin of institute of Chartered Accounts of India: In 1949, Chartered Accountants Act was passed, a according to which the institute of chartered Accountant was established in India under complete autonomy to evolve professional qualified accountants in India.

Scope of Accounting –
In broad perspective an Accounting system should concern itself with the following information's:

1) Analysis of past financial data
2) Financial data for future plans
3) In taking decisions
4) Inventory control
5) Cost control
6) Information about inflation
7) Social cost accounting
8) Human resources accounting
9) Measurement of efficiency

Book Keeping –
Book-keeping of books of accounts. Accounts are maintained in books of accounts as per rules set for the purpose.

Functions of Accounting –
The main functions of a accounting are as follows:

1) Entry of business transactions
2) Result of economic activity to prepare Profit & Loss account
3) Convey the state of affairs of the undertaking
4) Provide information for taxation

5) Provide information to users, who have interest in the unit
6) Provide statistics to government
7) Help the decision-makers to take scientific decision.

Features of Book-Keeping –

Book-keeping has the following important features –

1) Monetary transactions
2) Regular and proper recording
3) Accounting is permanent
4) Determination of profit or loss presentation of state of affairs
5) Book-keeping is both science and art

Difference between book-keeping and accounting –

S.No.	Basis	Book-Keeping	Accounting
1	Stage	Primary stage, entry in journal and other books of original entry	Secondary stage, primary record is not a part of accounting.
2	Posting	Classification and ledger posting are next stages of book-keeping.	It is again not a part of accounting
3	Totaling and balancing	Totaling of books of original entry and ledger accounts and balancing of accounts.	Preparation of trial balance to judge arithmetical accuracy.
4	Conclusion-Finalization of Accounts	It is not a part of book-keeping	Preparation of profit & loss a/c and balance sheet.
5	Rectification and Adjustments	Errors and omission are not corrected	These are corrected under accounting process.
6	Nature	Routine nature of work	Specialized job, requires expert knowledge.
7	Principles	Book-keeping does not have its independent principles	Rules and principles of recording and presentation are accounting principle.

PRODUCTION MANAGEMENT

Production management covers all the activities of procurement, allocation and utilization of all resources as labour, energy, materials, equipment, machinery, etc.
Applying the principles of management in production is called as production management. It involves planning, organizing, directing and controlling the production system.
Production management is needed to develop and establish close relationship between market demand and production capabilities to the enterprise. .

Activities of Production Management

Following are the main activities of the production management –

1. Production planning and development
2. Production administration (production engineering, production panning and production control).
3. Execution of plans, policies and decisions.
4. Standardization, simplification, specialization, inspection, quality control, inventory control, research and development, diversification, employees' amenities, etc.

Advantages of Good Production Management

Advantages of good production management are as follows –

1. Growth of production
2. Better opportunities of employment
3. Progress of entrepreneurs
4. Development of nation
5. Satisfaction of employees

Production planning

Production planning has two phases –

1. **Prior planning or Preplanning –**
    a. Estimation of future work (Forecasting).
    b. Preparat5ion of work authorization (Authorization). iii.
    c. Product design and development preparation of specifications.
2. **Action Planning –**
    a. Preparation of work plan (process planning and routing).
    b. Determination of material requirement (material management).
    c. Determination of equipments and manpower.
    d. Loading and scheduling.

Functions of Production Planning

1. Preparation of production forecasts.
2. Compilation of master production schedules or budget.
3. Setting up procurement schedules or budget.
4. Marketing departmental plan or budget.
5. Formulating personnel requirements.
6. Establishing stockroom procedures.
7. Providing inventory controls.

Purchasing Objectives
The main objectives of purchase function are as follows –

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

Principles

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

Management of Movable Assets/ Goods
Management of movable assets or goods is also commonly known as material management. Material management is of great importance for success of industrial economy.
Inventory and its Management
Inventory is a detailed descriptive list of movable assets which gives tie money and quantity value of each. Inventory includes raw material, work in process, components of finished parts held in storage awaiting use.

Elements and Meaning of Quality
Quality of a product is very important factor to capture the market. Customers prefer a better quality product.
Product quality can be defined "As the composite product characteristics of engineering and manufacture that determines the degree to which the product in use will meet the expectations of the customers."

Elements of Quality
There are some elements which constitute the quality.

1. Quality of Design
2. Conformance Quality
3. Quality of Performance

Meaning of Quality
Considering the elements of quality, it never means the best quality. The requirement is that the quality should be as per specification, so that it can yield long return on the element
To the industry, quality means which can satisfy most of the customer's requirements.

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

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

1. Setting the Standards: Determining the required cost for setting up standards for performance quality, and reliability. The standards are also to be set which can meet the requirements.
2. Appraising conformance: Compare the specifications of the product with that of standards.
3. Acting when necessary: Take necessary corrective actions if and when standards are exceeded.
4. Planning for improvement: Developing the ways and means to reduce the cost and improve the performance and reliability standards.

Advantages of Quality Control

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

Employee Management

To maintain the safety of employees/ workers, welfare of employees, good health, suitable conditions of working in industries are some main elements of employee management.
If employees of industries are satisfied with the wages and other facilities provided to them by businessmen then they work hard whole heartedly. As a result growth of industries takes place.
Central Government and State Governments have enacted several Acts/ Laws to protect the interest of employees of industries. These Acts/ Laws are as follows-

1. The Factories Act, 1948
   a. Definition of Factory
   b. Health of Workers
   c. Safety of Workers
2. Other Provisions Wages Act 1Q. Industrial Dispute Acts
3. Safety and Welfare Act
4. Social Security Act.
5. Shop Act
6. Children Protection Act
7. Plantation Act
8. Mines Act
9. Transport Acts
10. Industrial dispute Acts

Social Security and Welfare Measures

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

1. Work men's Compensation Act, 1923.
2. Industrial Dispute Act, 1947.

3. Employee State Insurance Act, 1948
4. Employee Provident Fund Act, 1952.
5. Maternity Benefit Acts (Various).
6. Other Acts (e.g., Plantation Labour Act and Labour Welfare Act).

Packing

Packing refers to rapping, crating, filling or compressing of products to protect them from spoilage, pilferage, breakage, etc. in the process of transit, storage and use. On the other side, packaging means designing and producing appropriate containers or packagers. A package is any container, wrapper or receptacle used for packing products.

Advantages of Packing and Packaging

Its advantages are as follows-

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

MARKETING MANAGEMENT

American Marketing Association defines marketing management as follows-

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

The main features of marketing-

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

Difference between Marketing and selling

S. No	Marketing Selling	
1	Concentrates on consumer's needs.	Concentrates on seller's need.
2	Customer enjoys supreme Importance	Product enjoys supreme importance
3	Product planning and development to match products with markets	High pressure selling to sell products already produced
4	Integrated approach to achieve long term targets.	Fragments approach to achieve immediate benefits.
5	Converting customer's needs into products.	Converting products into cash.
6	Profits through consumer's satisfaction	Profits through sales-volume
7	External market orientation.	Internal company orientation.

Sales and Art of Selling

Main functions of sales management are as follows –

1. To determine the type and standard of the product.
2. To find most suitable and cheap channel of distribution
3. To estimate the demand of that goods in different markets and in different groups of consumers.
4. To study the competitive position of other's products and substitutes.
5. Possibility of the introduction of same novel-feature in the product.
6. Determine the mode of advertisement.
7. To ensure good looking and cheap packing.
8. To conduct market survey and manage sales forecasting.
9. To coordinate production and sales forecasting.
10. To maintain sales records on scientific and systematic basis, have a periodic study of sales and make suitable changes in rates policies.
11. To mange sales personnel.
12. To assign sales quota to each area and to each salesman.
13. To study the result of sales.
14. To intensively the efforts if sales targets are not achieved.

Demand Forecasting

Successful selling of products is possible by estimation to total demand of any product in market. B estimation of total demand of any product demand forecasting can be made.

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

Distribution channels

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

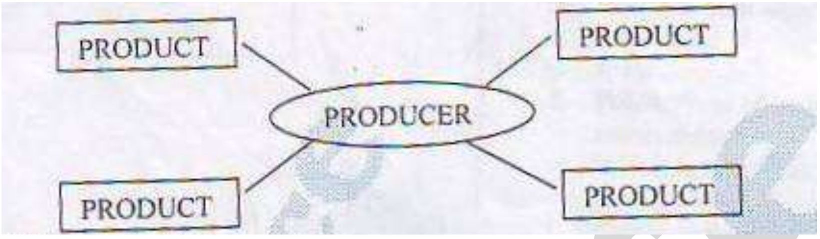
1. Producer → Wholesaler → Retailer → Consumer
2. Producer → Retailer → Consumer-
3. Producer → Consumer

Marketing Segmentation and Market Mix

Following variables becomes basis of market segmentation –

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

Market mix



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

Advantages of Advertising
Various advantages of advertising are as follows –

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

Disadvantages of Advertising

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

Qualities of a Good Salesman

1. Social attributes
   a. Ability to mingle and self-discipline
   b. Cheerful attitude
   c. Liking for people
   d. Sense of humour
   e. Conversational ability
   f. Polite and Good Listner
2. Vocational attributes
   a. Ambition
   b. Aptitude and enthusiasm
   c. Intense education
   d. Creative ability
   e. Leadership qualities
   f. Specialized learning
3. Physical attribute

   a. Strong physique
   b. Capacity of hard work
   c. Good stamina
   d. Sufficient tolerance
   e. Clear voice
   f. Pleasing and charming personality
4. Mental attributes
   a. Self-confidence
   b. Intelligence
   c. Initiative and foresight
   d. Imaginative
   e. Sharp memory
   f. Tact patience

Understanding the Market and Market Policy

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

Collection of Information

1. Primary sources
   a. Customers
   b. Dealers
   c. Salesman
2. Secondary sources
   a. Government publications
   b. Publication of financial institutions
   c. Press
   d. Publications of trade associations
   e. Private concerns and research institutions
   f. Foreign governments and international agencies

Government Purchase Programmes

Knowledge of various purchase programmes helps to understand various market policies as well as helps to increase the sales of products produced by small entrepreneurs. Some purchase programmes of government are as follows-

1. Central Government Stores Purchase Programme
2. Railways, Posts and Telegraphs and Defence
3. Canteen Stores Department (India)
4. Purchases by State Government

Consumer management

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

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

Branding

Branding is the process of assigning a distinctive name to the product by which it is to be known and remembered.

Thus branding of products helps a lot in consumer management. To be sound enough to provide these benefits, the brand name should be selected with utmost care. Following are the essentials of a good brand –

1. The brand name should be brief and simple.
2. It should be easy to pronounce, spell and remember.
3. It should be attractive and appealing to the eyes.
4. It should be suggestive of the utility of the product.
5. It should be distinctive and difficult to imitate.
6. It should remain constant for a reasonable period of time in order to gain popularity

Maintaining a Good Attitude towards Consumers

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

1. Soft spoken
2. Good memory
3. Pleasing manners
4. Patience
5. Public relation activities
6. Fair dealings
7. Develop Obliging attitude
8. Consumers' needs

Time Management

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

1. Chalk out your plan
2. Maintain a diary
3. Adhere to time schedule
4. Develop time consciousness
5. Setting priorities
6. Self-discipline
7. Don't waste time

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

Financial Management

Meaning of Financial Management

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

Scope/Elements

1. Investment decisions includes investment in fixed assets (called as capital budgeting). Investment in current assets are also a part of investment decisions called as working capital decisions.
2. Financial decisions - They relate to the raising of finance from various resources which will depend upon decision on type of source, period of financing, cost of financing and the returns thereby.
3. Dividend decision - The finance manager has to take decision with regards to the net profit distribution. Net profits are generally divided into two:
   a. Dividend for shareholders- Dividend and the rate of it has to be decided.
   b. Retained profits- Amount of retained profits has to be finalized which will depend upon expansion and diversification plans of the enterprise.

Objectives of Financial Management

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

1. To ensure regular and adequate supply of funds to the concern.
2. To ensure adequate returns to the shareholders which will depend upon the earning capacity, market price of the share, expectations of the shareholders.
3. To ensure optimum funds utilization. Once the funds are procured, they should be utilized in maximum possible way at least cost.
4. To ensure safety on investment, i.e, funds should be invested in safe ventures so that adequate rate of return can be achieved.
5. To plan a sound capital structure-There should be sound and fair composition of capital so that a balance is maintained between debt and equity capital.

Functions of Financial Management

1. **Estimation of capital requirements:** A finance manager has to make estimation with regards to capital requirements of the company. This will depend upon expected costs and profits and future programmes and policies of a concern. Estimations have to be made in an adequate manner which increases earning capacity of enterprise.
2. **Determination of capital composition:** Once the estimation have been made, the capital structure have to be decided. This involves short- term and long- term debt equity analysis. This will depend upon the proportion of equity capital a company is possessing and additional funds which have to be raised from outside parties.
3. **Choice of sources of funds:** For additional funds to be procured, a company has many choices like-
   a. Issue of shares and debentures
   b. Loans to be taken from banks and financial institutions

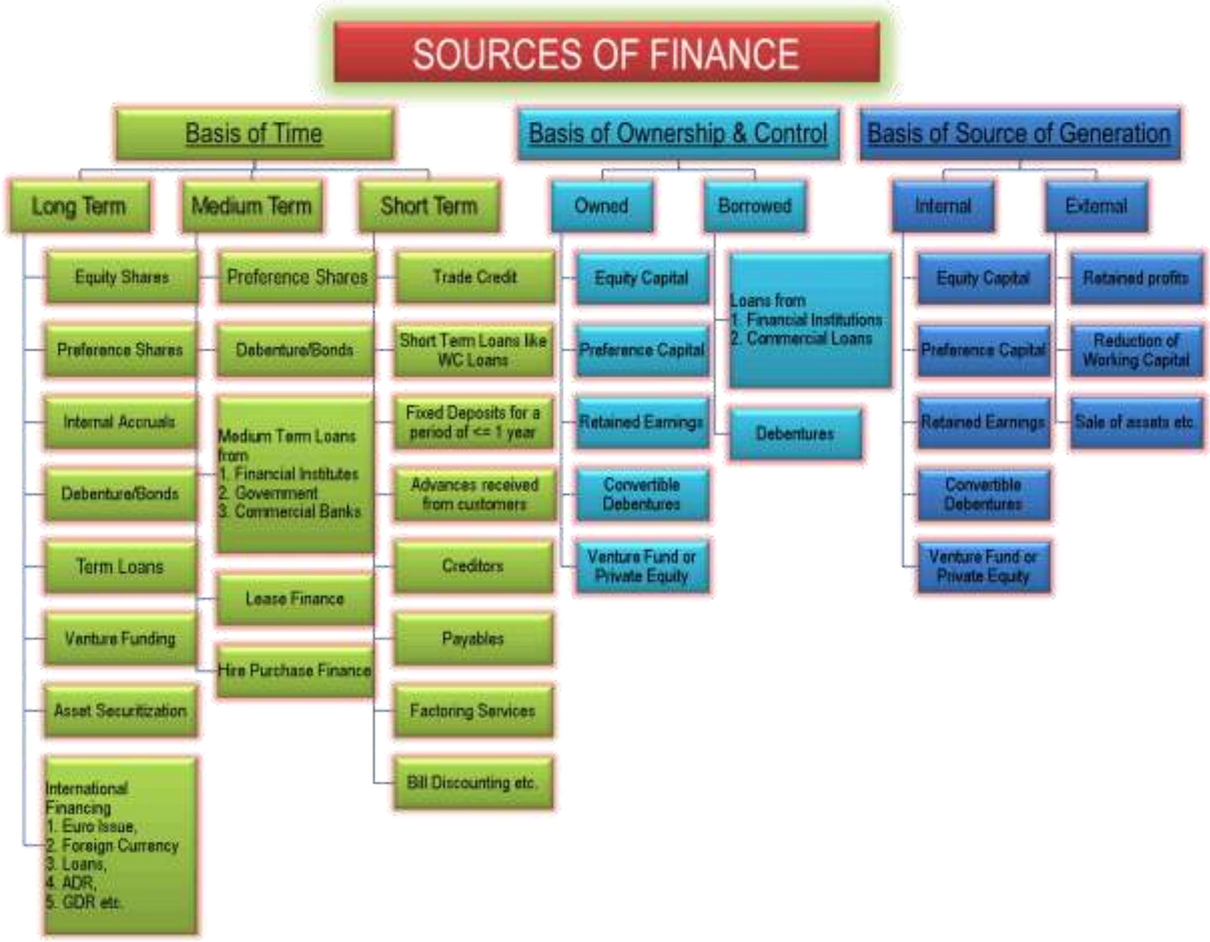
c. Public deposits to be drawn like in form of bonds.

Choice of factor will depend on relative merits and demerits of each source and period of financing.

4. **Investment of funds:** The finance manager has to decide to allocate funds into profitable ventures so that there is safety on investment and regular returns is possible.
5. **Disposal of surplus:** The net profits decision have to be made by the finance manager. This can be done in two ways:
   a. Dividend declaration - It includes identifying the rate of dividends and other benefits like bonus.
   b. Retained profits - The volume has to be decided which will depend upon expansional, innovational, diversification plans of the company.
6. **Management of cash:** Finance manager has to make decisions with regards to cash management. Cash is required for many purposes like payment of wages and salaries, payment of electricity and water bills, payment to creditors, meeting current liabilities, maintainance of enough stock, purchase of raw materials, etc.
7. **Financial controls:** The finance manager has not only to plan, procure and utilize the funds but he also has to exercise control over finances. This can be done through many techniques like ratio analysis, financial forecasting, cost and profit control, etc.

Sources of Finance :-

Sources of finance for business are equity, debt, debentures, retained earnings, term loans, working capital loans, letter of credit, euro issue, venture funding etc. These sources of funds are used in different situations. They are classified based on time period, ownership and control, and their source of generation. It is ideal to evaluate each source of capital before opting for it.
Sources of capital are the most explorable area especially for the entrepreneurs who are about to start a new business. It is perhaps the toughest part of all the efforts. There are various capital sources, we can classify on the basis of different parameters.
Having known that there are many alternatives to finance or capital, a company can choose from. Choosing the right source and the right mix of finance is a key challenge for every finance manager. The process of selecting the right source of finance involves in-depth analysis of each and every source of fund. For analyzing and comparing the sources, it needs the understanding of all the characteristics of the financing sources. There are many characteristics on the basis of which sources of finance are classified.
On the basis of a time period, sources are classified as long-term, medium term, and short term. Ownership and control classify sources of finance into owned capital and borrowed capital. Internal sources and external sources are the two sources of generation of capital. All the sources of capital have different characteristics to suit different types of requirements.



Long-Term Sources of Finance

Long-term financing means capital requirements for a period of more than 5 years to 10, 15, 20 years or maybe more depending on other factors. Capital expenditures in fixed assets like plant and machinery, land and building etc of a business are funded using long-term sources of finance. Part of working capital which permanently stays with the business is also financed with long-term sources of funds. Long-term financing sources can be in form of any of them:

- Share Capital or Equity Shares
- Preference Capital or Preference Shares
- Retained Earnings or Internal Accruals
- Debenture / Bonds
- Term Loans from Financial Institutes, Government, and Commercial Banks
- Venture Funding
- Asset Securitization
- International Financing by way of Euro Issue, Foreign Currency Loans, ADR, GDR etc.

Medium Term Sources of Finance

Medium term financing means financing for a period of 3 to 5 years and is used generally for two reasons. One, when long-term capital is not available for the time being and second when deferred revenue expenditures like advertisements are made which are to be written off over a period of 3 to 5 years. Medium term financing sources can in the form of one of them:

- Preference Capital or Preference Shares
- Debenture / Bonds
- Medium Term Loans from
    - Financial Institutes
    - Government, and
    - Commercial Banks
- Lease Finance
- Hire Purchase Finance

Short Term Sources of Finance

Short term financing means financing for a period of less than 1 year. The need for short-term finance arises to finance the current assets of a business like an inventory of raw material and finished goods, debtors, minimum cash and bank balance etc. Short-term financing is also named as working capital financing. Short term finances are available in the form of:

- Trade Credit
- Short Term Loans like Working Capital Loans from Commercial Banks
- Fixed Deposits for a period of 1 year or less
- Advances received from customers
- Creditors
- Payables
- Factoring Services
- Bill Discounting etc.

According to Ownership and Control:

Sources of finances are classified based on ownership and control over the business. These two parameters are an important consideration while selecting a source of funds for the business. Whenever we bring in capital, there are two types of costs – one is the interest and another is sharing ownership and control. Some entrepreneurs may not like to dilute their ownership rights in the business and others may believe in sharing the risk.

OWNED CAPITAL	BORROWED CAPITAL
Equity Capital	Financial institutions,
Preference Capital	Commercial banks or
Retained Earnings	The general public in case of debentures.
Convertible Debentures	
Venture Fund or Private Equity	

Owned Capital

Owned capital also refers to equity capital. It is sourced from promoters of the company or from the general public by issuing new equity shares. Promoters start the business by bringing in the required capital for a startup. Following are the sources of Owned Capital:

- Equity Capital
- Preference Capital
- Retained Earnings
- Convertible Debentures
- Venture Fund or Private Equity

Further, when the business grows and internal accruals like profits of the company are not enough to satisfy financing requirements, the promoters have a choice of selecting ownership capital or non-ownership capital. This decision is up to the promoters. Still, to discuss, certain advantages of equity capital are as follows:

- It is a long-term capital which means it stays permanently with the business.
- There is no burden of paying interest or installments like borrowed capital. So, the risk of bankruptcy also reduces. Businesses in infancy stages prefer equity capital for this reason.

Borrowed Capital

Borrowed or debt capital is the capital arranged from outside sources. These sources of debt financing include the following:

- Financial institutions,
- Commercial banks or
- The general public in case of debentures

In this type of capital, the borrower has a charge on the assets of the business which means the company will pay the borrower by selling the assets in case of liquidation. Another feature of borrowed capital is regular payment of fixed interest and repayment of capital. Certain advantages of borrowing capital are as follows:

- There is no dilution in ownership and control of the business.
- The cost of borrowed funds is low since it is a deductible expense for taxation purpose which ends up saving on taxes for the company.
- It gives the business a leverage benefit.

ACCORDING TO SOURCE OF GENERATION:

Based on the source of generation, the following are the **internal and external sources of finance:**

INTERNAL SOURCES	EXTERNAL SOURCES
Retained profits	Equity
Reduction or controlling of working capital	Debt or Debt from Banks
Sale of assets etc.	All others except mentioned in Internal Sources

Internal Sources

The internal source of capital is the capital which is generated internally by the business. These are as follows:

- Retained profits
- Reduction or controlling of working capital
- Sale of assets etc.

The internal source of funds has the same characteristics of owned capital. The best part of the internal sourcing of capital is that the business grows by itself and does not depend on outside parties. Disadvantages of both equity capital and debt capital are not present in this form of financing. Neither ownership dilutes nor fixed obligation/bankruptcy risk arises.

External Sources

An external source of finance is the capital generated from outside the business. Apart from the internal sources of funds, all the sources are external sources of capital.

Deciding the right source of funds is a crucial business decision taken by top-level finance managers. The wrong source of capital increases the cost of funds which in turn would have a direct impact on the feasibility of project under concern. Improper match of the type of capital with business requirements may go against the smooth functioning of the business. For instance, if fixed assets, which derive benefits after 2 years, are financed through short-term finances will create cash flow mismatch after one year and the manager will again have to look for finances and pay the fee for raising capital again.

Financial Institutions

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

Some Financial institution in India :-

(1) IDBI

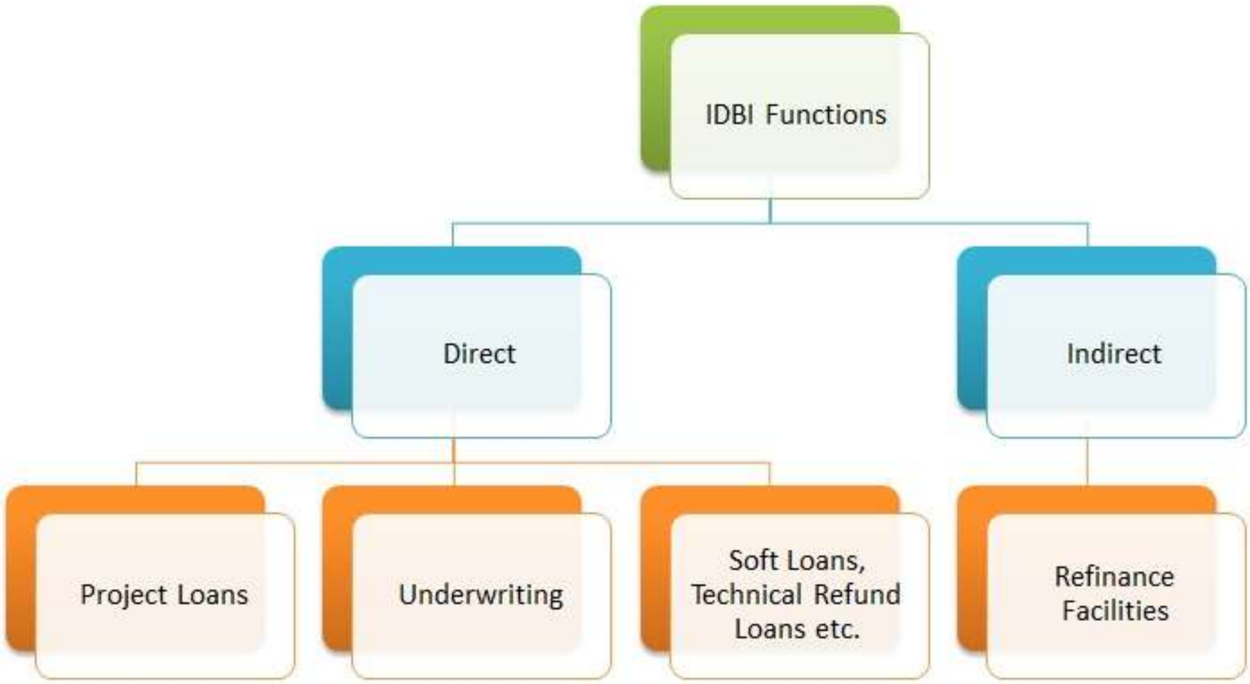
IDBI Bank is an Indian government-owned financial service company, formerly known as **Industrial Development Bank of India**, headquartered in Mumbai, India. It was established in 1964 by an Act of Parliament to provide credit and other financial facilities for the development of the fledgeling Indian industry.

It is currently 10th largest development bank in the world in terms of reach, with 3000 ATMs, 1746 branches, including one overseas branch at Dubai, and 1285 centres, including two overseas centres at Singapore & Beijing. It is one of 27 commercial banks owned by the Government of India.

FUNCTIONS OF IDBI

1. Planning, promoting and developing industries with a view to filling the gaps in the industrial structure by conceiving, preparing and floating new projects.

2. Providing technical and administrative assistance for promotion, management and expansion of industry.
3. Providing refinancing facilities to the IFCI, SFCs and other financial institutions approved by the government.
4. Coordinating the activities of financial institutions for the promotion and development of industries.
5. Undertaking market and investment research, surveys and techno-economic studies helpful to the development of industries.



Industrial Finance Corporation of India (IFCI):- Government of India set up the Industrial Finance Corporation of India (IFCI) in July 1948 under a special Act. This is the first financial institution set up in India with the main object of making medium and long term credit to industrial needs. The Industrial Development Bank of India, Scheduled banks, insurance companies, investment trusts and co-operative banks are the shareholders of IFCI. The Union Government has guaranteed the repayment of capital and the payment of a minimum annual dividend.

The corporation is authorised to issue bonds and debentures in the open market, to borrow foreign currency from the World Bank and other organisations, accept deposits from the public and also borrow from the Reserve Bank.

The authorised share capital of the IFCI was Rs. 10 crore at the initial stage, According to the Industrial Finance Corporation (Amendment) Act, 1986, the authorised capital of the corporation has been raised from Rs. 100 crore to Rs. 250 crore (the authorised capital may be fixed by the government of India by notification from time to time).

Functions:

The functions of the IFCI base as follows:

(i) The corporation grants loans and advances to industrial concerns.

(ii) Granting of loans both in rupees and foreign currencies.

(iii) The corporation underwrites the issue of stocks, bonds, shares etc.

(iv) The corporation can grant loans only to public limited companies and co-operatives but not to private limited companies or partnership firms.

ICICI :- The creation of Industrial Credit and Investment Corporation of India (ICICI) is another milestone in the growth of the Indian Capital Market. It was incorporated in the year 1955, as a company registered under the Companies Act. The ICICI was incorporated to finance small scale and medium industries in the private sector. The IFCI and SFCs confined themselves to lending activity and kept away from underwriting and investing in business though they were authorized to subscribe for the shares and debentures of the companies and to undertake underwriting business. Therefore, a large number of up and coming enterprises faced continuous problems in raising funds in the capital market.

Besides, they were not in a position to secure the desired amount of loan assistance from the financial institutions due to their thin equity base. To encourage industrial development in the private sector, a considerable provision of underwriting facility was considered necessary to accelerate the phase of the industrialization. To fill these gaps, the ICICI was established.

Objectives of the ICICI

1. To assist in creation, growth and modernization of business enterprises in the non-public sector.

2. To encourage and promote the involvement of internal and external capital sources, in such enterprises.

3. To motivate pvt ownership of industrial investment and to promote and assist in the expansion of markets.

4. To provide equipment finance.

5. To provide finance for rehabilitation of industrial units.

Functions of the ICICI

In order to accomplish the above objectives, the Corporation performs the following functions:

1. Providing finance in the form of long-term or medium term loans or equity participation.

2. Sponsoring and underwriting new issues of shares and other securities,

3. Guaranteeing loans from other private investment sources.

4. Making funds available for reinvestment by revolving investment as rapidly as possible.

5. Providing project advisory services i.e. offering advice –

i. to private sector companies in the pre-investment stages on Government policies and procedures, feasibility studies and joint venture search, and
ii. to Central and State Governments on specific policy related issues.

Unit Trust of India (UTI) :- Unit Trust of India (UTI) is a statutory public sector investment institution which was set up in February 1964 under the Unit Trust of India Act, 1963. UTI began operations in July 1964. It provides opportunity for small-savers to invest in areas where their risk is diversified.

The Unit-holders, if necessary, can sell their units to UTI at the prices determined by UTI. One of the attractions is that the investment in UTI has an income-tax rebate and the income from the UTI is exempted; from income-tax subject to certain limits.

Objectives:

(i) To encourage and pool the savings of the middle and low income groups.

(ii) To enable them to share the benefits and prosperity of the industrial development in the country.

Functions of UTI:

The UTI functions are discussed below:

(i) To accept discount, purchase or sell bills of exchange, promissory note, bill of lading, warehouse receipt, documents of title to goods etc.,

(ii) To grant loans and advances.

(iii) To provide merchant banking and investment advisory service.

(iv) To provide leasing and hire purchase business.

(v) To extend portfolio management service to persons residing outside India.

(vi) To buy or sell or deal in foreign exchange dealings.

(vii) To formulate unit scheme or insurance plan in association with or as agent of GIC.

(viii) To invest in any security floated by the Central Government, RBI or foreign bank.

Financial Plans

Meaning of Financial Plan:

A financial plan is a statement estimating the amount of capital and determining its composition. The quantum of funds needed will depend upon the assets requirements of the business. The time at which funds will be needed should be carefully decided so that finances are raised at a time when these are needed.

The next aspect of a financial plan is to determine the pattern of financing. There are a number of ways for raising funds. The selection of various securities should be done carefully.

The funds may be raised by issuing of capital and debentures, rising of loans, etc. Which source of finance should be raised and up to what amount these should be raised is very important.

Once a pattern of financing is selected then it becomes very difficult to modify it a financial plan also spells out the policies to be pursed for the floatation of various corporate securities, particular y regarding the time of their floatation.

Objectives of Financial Plan:

A financial plan has the following main objectives:

1. Adequate Funds:

A financial plan would ensure the availability of sufficient funds to achieve enterprise goals.

2. Balancing of Costs and Risks:

There should be a balancing of costs and risks so as to protect the investors.

3. Flexibility:

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

4. Simplicity:

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

5. Long-term View:

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

6. Liquidity:

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

7. Optimum use:

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

8. Economy:

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

Characteristics of a Sound Financial Plan:

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

1. Simplicity:

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

2. Based on Clear-cut Objectives:

Financial planning should be done by keeping in view the overall objectives of the company. It should aim to procure funds at the lowest cost so that profitability of the business is improved.

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

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

5. Solvency and Liquidity:
Financial planning should ensure solvency and liquidity of the enterprise. Solvency requires that short-term and long-term payments should be made on dates when these are due. This will ensure credit worthiness and goodwill to the concern.

Solvency will be possible when liquidity of assets is maintained. There should be sufficient funds whenever payments are to be made. Proper forecasting of future payments will be helpful in planning liquidity.

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

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

Considerations in Formulating Financial Plan:
A financial plan should be carefully determined. It has long-term impact on the working of the enterprise.

The following variables should be kept in mind while selecting a financial plan:
1. Nature of the Industry:

The needs for funds are different for various industries. The asset structure, element of seasonality, stability of earnings is not common factors for all industries. These variables will influence determining the size and structure of financial requirements.

2. Standing of the Concern:

The standing of a concern will influence a decision about financial plan. The goodwill of the concern, credit rating in the market, past performance, attitude of the management is some of the factors which will be considered in formulating a financial plan.

3. Future Plans:

The future plan of a concern should be considered while formulating a financial plan. The plans for expansion and diversification in near future will require a flexible financial plan. The sources of funds should be such which will facilitate required funds without any difficulty.

4. Availability of Sources:

There are a number of sources from which funds can be raised. The pros and cons of all available sources should be properly discussed for taking a final decision on the sources. The sources should be able to provide sufficient and regular funds to meet needs at various periods. A financial plan should be selected by keeping in view the reliability of various sources.

5. General Economic Conditions:

The prevailing economic conditions at the national level and international level will influence a decision about financial plan. These conditions should be considered before taking any decision about sources of funds. A favourable economic environment will help in raising funds without any difficulty. On the other hand, uncertain economic conditions may make it difficult for even a good concern to raise sufficient funds.

6. Government Control:

The government policies regarding issue of shares and debentures, payment of dividend and interest rate, entering into foreign collaborations, etc. will influence a financial plan. The legislative restrictions on using certain sources, limiting dividend and interest rates, etc.; will make it difficult to raise funds. So, government controls should be properly considered while selecting a financial plan.

UNIT-III

ROLE OF REGULARITY INSTITUTIONS, ROLE OF DEVELOPMENT ORGANISATIONS, SELF-EMPLOYMENT ORIENTED SCHEMES, VARIOUS GRANT SCHEMES SPECIAL INCENTIVES FOR WOMEN ENTREPRENEURS, SCHEMES OF M.P.

ROLE OF REGULATORY INSTITUTIONS

District Industries Centre's :-

The industrial Policy 1977 contained the concept of District Industries Centre's (DIC). DIC program was initiated on 1st May 1978 as a centrally sponsored scheme. It was a landmark measure in development of cottage and small industries in smaller towns in India. DIC's were started with a view to provide integrated administrative framework at the district level for industrial promotion.

It is aimed at providing all assistance and support to entrepreneurs in various states. These centre's are responsible for effective promotion of cottage and small scale industries at district level. These centres also to provide support facilities, concessions and services to develop tiny, cottage and district industries centres small scale units.

Objective of District Industries Centre's

The basic purpose of these DIC's is to generate more employment opportunities for rural people. It was intended to make the Centre as a central location for-

(a) Granting financial and other facilities to small units

(b)Developing close links with development blocks and specialized institutions providing help to set up industries in rural areas

(c) Identifying and helping new entrepreneurs

(d)Coordinated development of small and cottage industries
(e)Development of backward areas
(f) Increase employment opportunities
(g)Implementation of employment opportunities
(h)Entrepreneurial training
(i)Market forecasting
(j)Assistance in preparation of project report
(k)Allotment of raw material
(l)Assistance in sales

Activities of District Industries Centres

1. Registration of SSI units (Permanent/ Provisional).

2. Registration of Handicrafts/Cottage industries.

3. Implementation of Prime Minister's Rozgar Yojana.

4. Granting of Subsidies to SSI units.

5. Distribution of Project profiles among entrepreneurs.

6. Training for Entrepreneur Development Programme.

7. Organisation of Industrial Cooperative Societies.

8. Raw Material assistance through SIDCO.
9. Allotment of sheds in Electrical & Electronic Industrial Estates.

10. Marketing assistance through SIDCO.

11. Conducting Motivation Campaigns.

12. Clearance of licenses etc. through Single Window Meeting.

13. Rehabilitation of sick SSI units.

14. Recommendation of Awards to SSI units.

15. Recommendation of loan applications to banks under KVIC Scheme.

Central level organizations:-

Indian Institute of Entrepreneurship Development

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

IIE has been transferred to the Ministry of Skill Development & Entrepreneurship on 22nd May'2015.

The headquarter of IIE is at Guvahati (Assam).

OBJECTIVES

1. To promote and develop entrepreneurship.
2. To conduct research and provide consultancy for entrepreneurship development.
3. To coordinate and collaborate with other organizations in undertaking training, research and other activities to increase outreach of the institute.
4. To provide consultancy and monitoring service to MSMEs/ potential entrepreneurs and enhancing employability of participants.
5. To promote greater use of information technology in the activities/ functions of the IIE.

6. To comply with statutory responsibility.

FUNCTIONS

1. Designing and organising training activities for different target group and undertaking research in the relevant to entrepreneurship.
2. Improving the efficiency, effectiveness and delivery of the change agents and development practitioners i.e. trainers, support organizations engaged in enterprise building. etc.
3. Provide consultancy service to the prospective and existing entrepreneurs.
4. Increasing the outreach of activities of the institute through collaborative activities and increasing their effectiveness through use of different tools of information technology.

National Entrepreneurship Development Board

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

The scheme covers the following activities:-

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

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

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

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

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

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

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

Small Scale Industries Development Organisation(SIDO)

SIDO was established in October 1973 now under Ministry of Trade, Industry and Marketing. SIDO is an apex body at Central level for formulating policy for the development of Small Scale Industries in the country, headed by the Additional Secretary & Development Commissioner (Small Scale Industries) under Ministry of Small Scale Industries Govt. of India.

SIDO is playing a very constructive role for strengthening this vital sector, which has proved to be one of the strong pillars of the economy of the country. SIDO also provides extended support through Comprehensive plan for promotion of rural entrepreneurship.

The main functions performed by the SIDO are:

a.To evolve a national policy for the development of small-scale industries.

b. To co-ordinate the policies and programmes of various State Governments.

c. To maintain a proper liaison with the related Central Ministries, Planning Commission, State Governments, Financial Institutions etc., and

d. To co-ordinate the programmes for the development of industrial estates.

e.To reserve items for production by small-scale industries,

f. To encourage small-scale industries to actively participate in Government Stores Purchase Program by giving them necessary guidance, market advice, and assistance.

g. To make provision to technical services for improving technical process, production planning, selecting appropriate machinery, and preparing factory lay-out and design,

h. To provide consultancy and training services to strengthen the competitive ability of small-scale industries.

i.To render marketing assistance to small-scale industries to effectively sell their products, and

j.To provides assistance in economic investigation and information to small- scale industries.

k.To make provision to technical services for improving technical process, production planning, selecting appropriate machinery, and preparing factory lay-out and design.

Institute of small scale industries services

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

Functions of SISI

1.To assist existing and prospective entrepreneurs through technical and managerial counseling such as help in selecting the appropriate machinery and equipment, adoption of recognized standards of testing, quality performance etc;

2. To advise the Central and State governments on policy matters relating to small industry development;

3.To assist in testing of raw materials and products of SSIs, their inspection and quality control;

4. Conduct economic and technical surveys and prepare techno-economic feasible reports for selected areas and industries.

5. Conducting EDPs all over the country;

National Small Industries Corporation (NSIC)

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

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

Functions of NSIC:

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

its main functions are to:

a. Provide machinery on hire-purchase scheme to small-scale industries.

b. Provide equipment leasing facility.

c. Help in export marketing of the products of small-scale industries.

d. Participate in bulk purchase programme of the Government.

e. Develop prototype of machines and equipments to pass on to small-scale industries for commercial production.

f. Distribute basic raw material among small-scale industries through raw material depots.

g. Help in development and up-gradation of technology and implementation of modernization programmes of small-scale industries.

h. Impart training in various industrial trades.

i. Set up small-scale industries in other developing countries on turn-key basis.

j. Undertake the construction of industrial estates.

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

NIESBUD is an apex body for co-coordinating and overseeing the activities of various institutions and agencies engaged in entrepreneurship development particularly in the area of small-scale industry. NIESBUD was set up in 1983 by the then Ministry of Industry [now Ministry of Micro, Small & Medium Enterprises (MSMEs)].

The main objectives of the institute are:

1. To accelerate the process of entrepreneurship development throughout the country and among all segments of the society.
2. To help institutions/agencies in carrying out activities relating to entrepreneurship development.
3. To evolve standardized process of selection, training support and sustenance to potential entrepreneurs enabling them to set up and run their enterprises successfully.
4. To provide information support to trainers, promoters and entrepreneurs by organising documentation and research work relevant to entrepreneurship development
5. To provide functional forums for integration and exchange of experiences helpful for policy formulation and modification at various levels.

Small Industries Development Bank of India (SIDBI)

With a view to ensuring larger flow of financial and non-financial assistance to the small-scale sector, the Government of India set up the Small Industries Development Bank of India (SIDBI) under a special Act of the Parliament in October 1989 as wholly-owned subsidiary of the IDBI. The bank commenced its operations from April 2, 1990 with its head office in Lucknow. The SIDBI has taken over the outstanding portfolio of the IDBI relating to the small-scale sector.

The important functions performed by of SIDBI include:

1. To initiate steps for technological up-gradation and modernization of existing units.

2. To expand the channels for marketing the products of SSI sector in domestic and international markets.

3. To promote employment oriented industries especially in semi-urban areas to create more employment opportunities and thereby checking migration of people to urban areas.

Various government and non government projects for Entrepreneurship Development :-

Prime Minister's Employment Yojana (P M EY)

Prime Minister Employment Yojana for providing self-Employment to Educated Unemployed Youth was announced by the Prime Minister on 15th August, 1993 to provide self-employed opportunities to one million educated unemployed youth in country. The Scheme has been formally launched on 2nd October, 1993. The scheme targets the youth and women by giving them a financial boost to help get them into the employment sector. The implementation of this scheme is carried out by the District Industries Centres (DIC) and the Directorates of Industries as well as the banks.

Prime Minister Rozgar Yojana (PMRY) Eligibility

- All educated youth who are unemployed can apply
- Must be a permanent resident of the area for at least 3 years
- The minimum age requirement is 18 years
- The maximum age limit is 35 years
- For north-east region, the age limit is stretched up to 40 years
- For SC/ST, ex-servicemen, women and physically handicapped, the age limit is extended to 40 years
- Applicants must have passed 8th standard.
- For those who have been trained for any government recognized trade or studied in an approved institution for at least 6 months, they will receive preference
- The income of the applicant along with the spouse and parents must not exceed Rs.1 lakh p.a.

Exclusions

- If you have defaulted in payments to any Nationalised bank or financial institution, your chances of getting this loan will be reduced.
- If you are already being assisted with another subsidy-linked Government scheme, you will not be eligible.

Activities covered under PMRY

Under this scheme, all activities that are economically viable are covered. Agriculture and allied activities are also covered except for direct agricultural operations that include purchase of manure and raising crops.

Project Cost covered under PMRY

- Business sector - Rs.2 lakhs maximum
- Service sector - Rs.5 lakhs maximum
- Industry sector - Rs.5 lakhs maximum
- In case of partnerships, if two or more people are eligible under this scheme, then the maximum limit covered is Rs.10 lakhs.

Features and Benefits of PMRY

Collateral

- For projects up to Rs.2 lakhs in the business and service sector, no collateral is required.
- Partnership firms are also exempt from providing collateral limited to Rs.2 lakhs project cost per person.
- Under SSI, for projects costing up to Rs.5 lakhs per individual, no collateral is required. Partnerships under SSI do not need to provide collateral for up to Rs.5 lakhs per person.

Rate of Interest

Based on the quantum of the loan, the rate of interest will be applicable as per the guidelines stipulated by the government. The rates of interest offered are subject to change from time to time.

Subsidy

Subsidies offered under this scheme are limited to 15% of the project cost. This is further limited to Rs.12,500 per entrepreneur. For the North-Eastern Regions, Himachal Pradesh, Uttaranchal and Jammu & Kashmir regions, the limit is extended to Rs.15,000. Self-help Groups can also avail subsidies of up to Rs.15,000 per beneficiary. This is limited to Rs.1.25 lakhs per SHG.

Margin

The Margin Money ranges between **5% to 16.25%** of the cost of the project. The total of subsidy plus margin money should be equal to 20% of the project cost.

Repayment

The tenures on these loans range between 3 years to 7 years.

Moratorium Period

There is a moratorium period granted under these loans as prescribed by the scheme that allows the borrower to set up his business and start earning money before the repayment schedule begins.

Training

As part of the scheme, training is offered to borrowers to ensure that they are able to set up their business or carry out their employment strategy. Expenses are borne by the DIC. For the service and business sector, training lasts between 7 to 10 days. For the industry sector, training is provided for 15 to 20 days.

Golden Jubley Employment Scheme
(Swarna Jayanti Shahari Rozgar Yojana (SJSRY))

Swarna Jayanti Shahari Rozgar Yojana (SJSRY) in India is a Centrally Sponsored Scheme which came into effect on 1 December 1997.

This scheme has been implemented in two parts, which are:

a. Swarna Jayanti Shahari Raozgar Yojna. This Yojna provides employment to urban unemployed and tinder employment people. This scheme aspect two:
   (i) economic aspects & (ii) social aspect.
   Under Swarna Jayanti Shahari Yojna. There is a plan to develop women and children. In this scheme poor women of urban areas are given special encouragement. Under this scheme in addition to making women start their own business, efforts will be made to make urban poor women self dependent.
b. Swarna Jayanti Gram Self Employment Scheme. This scheme started from Aprii-1999.

Rani Durgavati Self Employment Scheme

This scheme is running by the state govt of Madhya Pradesh aim to give employment to educated youth within the state It was started in 01 April 2003. After that it is running very smoothly and thousands of unemployed youth getting benefits from this.

The government of Madhya Pradesh had launched many schemes for the Scheduled tribes and scheduled caste community, Rani Durgawati SC/ST Swarojgar yojana is one among them. It is provided by the department of commerce, industry and employment.

Aims:

- To provide loan for eligible SC/ST youth in setting up their business
- Technical support
- Training facilities
- Financial assessment

Eligibility:

- Annual income should not be more than 3 lakhs
- Age should be between 18 to 50 years
- SC/ST youth
- Minimum 5th standard pass
- He should be Madhya Pradesh domicile

Benefits:

- They get more than 5 lakhs loan according to their needs
- Loan at low interest
- Helps the youth for self employment
- Training period for 4 weeks and they get award
- Training from National/State level certified institution
- Scholarship

Deendayal Self Employment Scheme

Under Prime Minister Rozgar Yojna those who are having an income more than 40,000 (of family) are not eligible for any loan under the scheme. Keeping this shortcoming in mind the government has started "Deendaya Employment Scheme." Eligibility:

a. The persons should be permanent resident of Madhya Pradesh.
b. The age of the applicant should be between 18-40 years.
c. Minimum education qualifications of the person: He should have passed 10th class orshould have passed ITI Exam.
d. The income of the family of applicant must not be more than I, 40,000/- from all sources.
e. The applicant should be registered with employment exchange.

Pollution control Board

M.P. government has formulated Madhya Pradesh Pollution Control Board in September, 1974 under provisions of water pollution prevention and control Act, 1974.

1. **Pollution control Board**

Though industries play an important role in growth of nation yet many industrial wastes coming out from various industries are polluting environment extensively. If pollution caused due to industrial wastes is not controlled then this industrial growth may prove in vain. Hence for controlling the pollution a need was felt by Central government and state government. M.P. government has established Madhya Pradesh Pollution Control board.

Working of Pollution control Board: The working of pollution control board is not limited upto controlling the pollution as per rules and regulation laid down. The board also gives incentives to the industries who have effectively controlled the pollution. The M.P. Govt, has declared a prize of Rs. One lac yearly which is given to such industry who has done outstanding work in controlling the pollution. It is necessary that pollution control board should be very effective & very strict so the diseases are not allowed to prevail.

Objectives and Functions of Madhya Pradesh Pollution Control board

Main objectives and functions of Madhya Pradesh Pollution control Board are as follows:

1. Freedom from water pollution
2. Treatment of polluted water
3. Limitation of polluted industries
4. Declaration of pollution control areas
5. Action against breach of pollution laws

FOOD AND DRUGS ADMINISTRARION

In production of food & drugs it is essential that components "should be in proper quantity and also it is necessary that the process in making them should be proper. The rules and regulation have been made for preparation of as also storage, distribution and sale of the items which come in the category el food and drugs. In Madhya Pradesh an independent department has been established to take care of all the above. The food & drug administration department is an independent directorate under M.P. Govt. Public Heath mid family welfare department. This department works under the guidance of minister, public health & family welfare. This also comes under the administrative control of chief secretary, public health & welfare deptt. This department came in being 1-4-1980 as an independent department. The head of this department is director food & drug administration. The Head of the department is an officer of 1AS Rank. This officer is independent in inspection of industries and has power to exercise strict control on medicine administration. He has a power to take decisions himself. This officer can take decision to stop any business or industry if he finds that continuation of such industry or business may cause loss to people of the state.

Electricity Board

An entrepreneur has to go through the procedure of taking electricity connection as per his setup's requirement from Madhya Pradesh electricity board. M.P. State electricity board from 15th June, 2005. The task of subs transmission and distribution of electricity in M.P. has been passed on.

Procedure for obtaining electricity connection

a. Submitting of Application form
b. Field survey
c. Approval of Estimate
d. Depositing of Expenses
e. Performing Agreement
f. Completing of Electricity Connection
g. Issue of Notice
h. electric-fitting
i. Inspection of industrial place
j. Approval and supply of Connection

Scheduled Bank is one which is included in scheduled No. 2 of Reserve Bank Act. Only those Banks are included in above scheduled who complete following conditions:

a. The paid up capital and reserve are not less than 5 lakh of rupees.
b. The working of the Bank is not against its depositors.
c. If the Bank is foreign Bank than the country to which such bank belong should not have any law or restriction against Indian Banks.

1. Women Economic Development Corporation of M.P.

In order to improve the status of ladies in the society government is introducing many self employment schemes. For this government has established Women Economic Development Corporation. It has been registered on 31/1011998.

2. MUNICIPAL CORPORATION

Municipal bodies owe their origin to Britishers. Formerly it was set in the former presidency town of Madras in 1688 and was followed by its establishment in Bombay and Calcutta in 1762 it's the 74th constitutional Amendment act proposed to form uniform structure of municipal corporations in 1992. There after the local body acts of M.P. were amended in accordance with constitutional amendment. M.P. municipality Act came into a new form on 21' April, 1997. The literal meaning of Municipal Corporation is Nagar Palika or Nagar Nigam. In small cities it is known as Nagar Palika and in big cities it is known as Nagar Nigam. It manages many civil services. It is an autonomous body. In small cities head of Municipal Corporation is known as chairman of Municipal Corporation and in big cities head of Municipal Corporation is known as Mayor.

ROLE OF DEVELOPMENT ORGANISATIONS

Khadi and Village Industries Commission (KVIC)

- The **Khadi and Village Industries Commission (KVIC)** is a statutory body formed by the Government of India, under the Act of Parliament, **'Khadi and Village Industries Commission Act of 1956**'.
- it is an apex organisation under the Ministry of Micro, Small and Medium Enterprises, with regard to khadi and village industries within India, which seeks to – **"plan, promote, facilitate, organise and assist in the establishment and development of khadi** and village industries in the rural areas in coordination with other agencies engaged in rural development wherever necessary.

Objectives of KVIC

1. To preserve the traditional arts and crafts in India.
2. To equip the artisans and craftsmen to take up the challenges of the modem market.
3. To promote the handicrafts, Khadi, village and cottage industry by facilitating then with the necessary inputs like raw materials, equipments, capital, etc.
4. To develop a market for these products.
5. To introduce the products even in the international market.

M.P. Financial Corporation

"The Madhya Pradesh Financial Corporation was established on June 1995. The head office of this corporation is in Indore. The management of this corporation is done by board of directors in which two members are: (i) Chairman & (ii) Managing Director. Including these two there are seven directors in total.

The objectives:
The M.P. Finance Corporation has been established mainly for the purpose of giving financial help to small and medium scale industries. The main objectives on MPFC are as follows:

a. To prepare a basic infrastructure of industrial development in M.P.
b. To give encouragement to industries based on new techniques.
c. To dive a guarantee for payment of the cost of machines & modern plant to their suppliers.
d. To ensure quick industrial growth of the state by helping small & medium size industries.
e. To under write issue of shares, loan bonds.
f. To provide easy loans without more formalities to new entrepreneurs and also to help them in the proper utilization of financial resources they have. •

SPECIAL INCENTIVES FOR WOMEN ENTREPRENEURS

Objectives of special incentives for women
Women population constitutes nearly half part to total population of nation. Economic and social development of nation is not possible without development of women. For attracting women to establish their own business and industries. Central government and State governments are providing many incentives to women. Main objectives of incentives are:

1. Development of self-reliance
2. Improvement of Economic condition
3. Development of Saving habit
4. Freedom from private money lender
5. Development of Habit of tem work
6. Mutual Cooperation

VARIOUS GOVERNMENT SCHEMES FOR WOMEN WELFARE
Different governments of different states have launched many schemes for economic and social welfare of women. Some such schemes are as follows:

1. Panch-Dhara Scheme: This scheme was launched by government of Madhya Pradesh on l November, 1991 for welfare and development of women particularly women belonging rural and tribal areas.
   a. Kalp Vraksh Yojna: Objective of this scheme is to provide employments to women of scheduled castes and scheduled tribes in tribal areas.
   b. Social Security pension scheme: Under this scheme a pension is provided to helpless widows.
   c. Gramya Yojna: Under this scheme a working capital is provided to rural women for setting up their small business.
   d. Vatsalya Yojna: Under this scheme government provides economic help for treatment and nourishing food to very poor women.
2. **Swasthya Sakhi Yojna (Health Friend Scheme):** This is the scheme of Uttar Pradesh government.
3. Kishori Balika Yojna: This is the scheme of Bihar government. Under this scheme girls of 11 to 18 years are provided knowledge of letters and digits.
4. Apni Beti Apna dhan Yojna: This scheme was launched by Haryana government from 2nd October, 1994.
5. Kamdhenu Yojna: This is the scheme of Maharashtra government. Under this scheme economic help is provided to handicapped.

6. Education at your Door Scheme: This is the scheme of Rajasthan government. This scheme is operated for providing primary education to all children of 6-14 years age.
7. Balika Sanrakshan Yojna (Girls Protection Scheme): This is the scheme of Andhra Pradesh government. Objectives of this scheme are to protect and promote welfare of girls so that they may get an honourable place in society.

SPECIAL INCENTIVES FOR WOMEN ENTREPRENEURS

Various banks are providing many incentives for development of women entrepreneurship. Programmes of various nationalized banks operated for women entrepreneurs are

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

      This scheme requires no collateral security or guarantor and charges no processing fees. And the maximum amount that can be granted under the scheme is Rs. 100 lakhs. Scheme of providing financial assistance for setting up various professions: A maximum loan uotp Rs. 5 lacs (including Rs. 1 lac margin money) is advanced under this scheme.
   2. Scheme of providing assistance for setting up small industries: A maximum loan upto Rs. 60 lacs can be financed under this scheme.
   3. Scheme of providing assistance foe setting up retail business: A maximum loan upto Rs. 2 lacs can be advanced to women entrepreneurs.

II. **Priyadarshni Scheme of Bank of India**

Bank of India is operating "Priyadarshni scheme" for encouraging women entrepreneurs to set up self-employment.

III. **Women Power Package Scheme**

Various schemes of Women Power Package Yojna are
1. Scheme of assistance for professional businesses
2. Assistance scheme for small businesses
3. Assistance for cottage industries and handicrafts

SELF EMPLOYMENT ORIENTED SCHEMES

<u>Pradhan Mantri Kaushal Vikas Yojna (PMKVY)</u>

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

The Union Cabinet had approved India's largest skill Certification Scheme, Pradhan Mantri Kaushal Vikas Yojna (PMKVY) on 20 March,2015. The scheme was subsequently launched on

15 July, 2015on the occasion of World Youth Skills day by Honorable Prime Minister, Shri Narendra Modi.

The scheme will be implemented through the National Skill Development Corporation (NSDC).

Objective :- The objective of this skill certification and reward scheme is to enable and mobilize a large number of Indian youth to take up outcome based skill training and become employable and earn their livelihood.

Outlay :-With a total outlay of about INR 1,500 crore, the PMKVY is likely to impart skills training to 24 lakh youth of the country, focusing on the Class X/XII dropouts and lower income groups. The scheme was developed over a period of almost three months and its implementation started in select states (primarily Bihar) by early June 2015.

How the Govt is Enrolling?

- The government has partnered with various telecom operators to create awareness about the PMKVY.
- After the nationwide launch telecom operators are likely to send out mass SMS about the scheme and will provide potential candidates a number to call.
- Candidates need to give a missed call to this toll free number, following which they shall receive an automated call back connecting them to an IVR.
- The potential candidate will, at this stage, need to input his/her details into the system. These details will be recorded, and screened.
- Candidates eligible to enroll for the training programmes will be provided details of the nearest training centre and will be asked to report on the training dates.

Key Features of PMKVY

- Standard Training with third party assessments.
- Direct Fund Transfer – Transparent funding of skill training without any intermediaries with monetary rewards directly transferred to the trainees bank account.
- Demand-driven targets: Based on assessment of skill demand and the Skill Gap Studies, target for skill training would be allocated
- Target aligned to national flagship programmes such as – Swachh Bharat, Make in India, Digital India, National Solar Mission and so on.
- Supply side perspective in target fixation : essentially target drop out students after class 10 and class 12
- Recognition of prior learning (RPL): Under PMKVY, trainees with prior experience or skills and competencies will be assessed and they will also be given monetary rewards for undergoing assessments.
- Variable amount of monetary reward: Monetary reward for various job roles within a sector would also vary.
- Robust regime for registration of training providers: NSDC training partners undergo due diligence before being registered with NSDC. Government affiliated training centres and other training partners will be approved by the SSCs on the basis of guidelines issued by NSDC.
- Focussed awareness building and mobilisation activities

- Improved curricula, better pedagogy and trained instructors
- Enhanced monitoring: To monitor the training process, SSCs will be tasked with verifying and recording details of all training centres on the Skill Development Management System (SDMS), and ascertain quality of training locations and courses through certified assessors during the time of assessments.
- Mentorship support: A mentorship programme will be created in order to support trainees who have successfully completed the training programme and are in the process of looking for employment opportunities.
- Evaluation
- Grievance redressal: A proper grievance redressal mechanism would be put in place.

VARIOUS GRANT SCHEMES

Cost of Capital Grant

For attracting new entrepreneurs to establish industries and business in industrially backward areas many grants/subsidies are being given by Central government and State governments. Various cost of capital grants are as follows:

1. **Cost Capital Grant of Central Government:** Central government declared a scheme of providing cost capital grant/subsidy to entrepreneurs in august, 1961. This scheme came into effect from I" March, 1983 in 36 districts of country which is backward in industrial view. Under this scheme a grant or subsidy is provided on fixed capital investment.
2. **Cost Capital Grant of State government:** This scheme is effective from April, 1981 for establishing new units in those backwards areas where cost capital grant/subsidy of central government is not effective and grant/subsidy of Central government is less than grant/subsidy of State government.

Interest Grant

Entrepreneurs of small scale industries and small scale business face many financial problems in setting up and operation of industries/ businesses. They have to pay lot of interest on the loans they take and for purchasing. Since compound interest is charged on the loans advanced to small entrepreneurs, so it amounts to a large extent. For providing relaxation in the heavy interests some schemes have been started by central government and state governments. Small scale industries registered in industry directorate are eligible to get a subsidy/ grant in the interest to be paid for loans received from various nationalized banks or some other financial institutions. The entrepreneurs belonging to general class or general caste are eligible to get interest subsidy/ grant at the rate of 2% upto 3 years time. The entrepreneurs belonging to scheduled caste or scheduled tribes are eligible to get subsidy/grant at the 4% upto 3 years time.

EXEMPTION FROM ENTRY TAX

Many State governments charge entry tax when some raw material is purchased from other state and bought in the related state. Entry tax is a new form of chungi tax. Now-a-days chungi tax is being charged in form of entry tax. Prices of all the raw materials increase very much due to this entry tax. If entrepreneurs of small scale industries are exempted from entry tax they can get lot of relaxation. Government of Madhya Pradesh has launched a scheme of providing exemption from the entry tax. Such new or old industrial units which want to extend their production capacity are eligible to get exemption from entry tax upto coming years on purchasing the raw material for their industries.

PROJECT REPORT REIMURSEMENT GRANT

Before preparing a project report an entrepreneur performs many activities in which lot of expenses are incurred. Entrepreneurs either himself/ herself does market survey or get it done by other market surveying agencies. Entrepreneur gets the knowledge of demand volume of product in the market which he wants to produce. Madhya Parades government, Madhya Pradesh Industrial Development Corporation and directorate of industries of Madhya Pradesh Compensate all the expenses incurred in preparation of project report. Compensation of expenses incurred in preparation of a project report is done only then when proposed project is established in Madhya Pradesh of grant/subsidy provided in preparation of project report is Rs. 1 lac.

VARIOUS TAX REBATES/BENEFITS TO SMALL SCALE INDUSTRIES

As grants and subsidies are given to protect and promote small scale industries similarly tax rebates/benefits are given to promotes and protect small scale industries. Industrialists and businessmen pay many taxes to government. If they are provided some relaxation in payment of taxes then their financial position improves. Tax relaxations and tax benefits encourage entrepreneurs to set up small scale industries. Various tax relaxations and benefits being provided to entrepreneurs of small scale industries are as:

1. Income tax rebates to small scale industries set up in backward areas
2. Income tax rebate to small industries in rural areas
3. Income tax exemption on profits
4. concession in income tax for expenses on scientific researches
5. Patent-rights and copyrights
6. Depreciation Deductions
7. Development Rebate
8. Rehabilitation Allowance

SCHEMES OF MADHYA PRADESH GOVERNMENT

Necessity of Financial Assistance To Sc, ST, Backward Class And Minorities

1. **Schemes Financed by Banks**
   a. Antyodaya Self-employment Scheme
   b. Dignity Establishing Scheme
2. **Schemes Financed Directly by Corporation**
   a. Self-employment Scheme for Scheduled Castes
   b. Self-Employment Scheme far Handicapped
   c. Self-Employment Scheme foe Sweeping workers

Schemes of M.P. Backward Class And Minorities Financial Development Corporation For Backward Classes

M.P. backward class and minorities finance Development Corporation was launched on 29th September, 1994 for providing financial assistance to persons of backward classes. It acts as a channelising agency of National Backward Finance and Development Corporation. It advances loan to person of Backward classes who are living below poverty line.

Conditions of Eligibility

Conditions of eligibility arias follows:

1. Applicant who belongs to backward class.
2. Application whose family's yearly income in rural areas is not more than Rs. 40,000/- and in urban areas income is not more than 55,000/-

Scheme s for Minorities

National Minorities Development and Finance Corporation provides financial assistance to the entrepreneurs of minority classes through MP Backward classes and Minority Finance Development Corporation. Parsis, Budhs, Sikhs, Muslims have been included in the Minorities class, priority is given to women entrepreneurs of business groups.

PRIME MINISTER'S ROZGAR YOJANA (PMRY)

Prime Minister's Rozgar Yojana was launched on 2nd October 1993 to assist educated unemployed youth to set up self-employment ventures. The scheme targeted for setting up of nearly 7 lakh enterprises and consequent employment generation to more than one million educated unemployed youth in the last four years of the 8th Five Year Plan. Initially, the scheme was implemented only in the urban areas of the country. Since 1994-95, it is in operation in both urban as well as rural areas. The scheme continued in the 9th Five Year Plan with the plan target of 11.00 lakh beneficiaries with annual target of 2.20 lakh beneficiaries. The PMRY is continuing in the 10th Five Year Plan also with the plan target of 11.00 lakh beneficiaries.

Common Minimum Programme (CMP) of the UPA Government envisages creation of additional employment opportunities in the rural non-farm sector. Accordingly, the target for the year 2004-05 & 2005-06 under the Yojana has been enhanced from 2.20 lakh beneficiaries to 2.50 lakh beneficiaries per annum.

Objective

The PMRY aimed to provide employment to more than a million persons by setting up of 7 lakhs micro enterprises by the educated unemployed youth during the last four years of VIII Five Year Plan i.e. 1993-94 to 1996-97. The Scheme has been continuing in the X Five Year Plan. It relates to the setting up of the self employment ventures in all economically viable projects (except direct agricultural operations). The Scheme also seeks to associate reputed non-governmental organisations in implementation of PMRY Scheme especially in the selection, training of entrepreneurs and preparation of project profiles.

Target Group/Eligibility

1. Age: i) 18 to 35 years for all educated unemployed.

ii) 18 to 40 for all educated unemployed in North-East States, Himachal Pradesh, Uttaranchal and J&K.

iii) 18 to 45 years for Scheduled Castes/Scheduled Tribes, Ex-servicemen, Physically Disabled and Women.

2. Educational Qualification: VIII pass. Preference will be given to those who have been trained for any trade in Government recognised/approved institutions for duration of at least six months.

3. Family Income: Neither the income of the beneficiary along with the spouse nor the income of parents of the beneficiaries shall exceed Rs.40,000/- per annum.

4. Residence: Permanent resident of the area for atleast 3 years. (Relaxed for married men in Meghalaya and for married women in rest of the country. For married men in Meghalaya and for married women in rest of the country, the residency criteria applies to the spouse or in-laws.

5. Defaulter: Should not be a defaulter to any nationalized bank/financial institution/co-operative bank. Further, a person already assisted under other subsidy, linked Government schemes would not be eligible under this scheme.

6. Activities Covered: All economically viable activities including agriculture and allied activities but excluding direct agricultural operations like raising Crop, purchase of manure etc.

7. Project Cost: Rs.1.00 lakh for business sector. Rs.2.00 lakh for other activities, loan to be of composite nature. If two or more eligible persons join together in a partnership, project upto Rs.10.00 lakh are covered. Assistance shall be limited to individual admissibility.

Unit – IV

Financial Management for Project : Financial Institution and their role, capital estimation and arrangement, cost and price determination, accounting management

Industrial Financial Corporation of India :- The Government of India set up the Industrial Finance Corporation of India (IFCI) under IFCI Act in July 1948. Since July 1, 1993, it has been brought under Companies Act, 1956. The IFCI extends financial assistance to the industrial sector through rupee and foreign currency loans, underwriting / direct subscriptions to shares/debentures and guarantees and also offers financial services through its facilities of equipment procurement, equipment finance, buyers' and suppliers' credit, equipment leasing and finance to leasing and hire purchase companies. It also provides merchant banking with its Head Office in Delhi and a bureau in Mumbai.

The financial resources of the IFCI are constituted of the following three components:

(i) Share capital,

(ii) Bonds and Debentures; and

(iii) Other Borrowings.

The IFCI started its lending operations on a modest scale in 1948.

In recent years, the IFCI has started new promotional schemes, such as:

(a) Interest subsidy scheme for woman entrepreneurs;

(b) Consultancy fee subsidy schemes for providing marketing assistance to small-scale industries;

(c) Encouraging the modernisation of tiny, small-scale, ancillary units; and

(d) Control of pollution in the small and medium-scale industries. The IFCI has shown its increasing concern in the development of backward districts.

Industrial Development Bank of India (IDBI) :- Industrial Development Bank of India (IDBI) established under Industrial Development Bank of India Act, 1964, is the principal financial institution for providing credit and other facilities for developing industries and assisting development institutions. Till 1976, IDBI was a subsidiary bank of RBI. In 1976 it was separated from RBI and the ownership was transferred to Government of India. IDBI is the tenth largest bank in the world in terms of development. The National Stock Exchange (NSE), the National Securities Depository Services Ltd. (NSDL), Stock Holding Corporation of India (SHCIL) are some of the Institutions which has been built by IDBI.

The Head office of IDBI is located in Mumbai. The bank has five regional offices, one each in Kolkata, Guwahati, New Delhi, Chennai and Mumbai. Besides the bank have 21 branch offices

Functions of IDBI:

The main functions of IDBI are discussed below:

(i) To provide financial assistance to industrial enterprises.

(ii) To promote institutions engaged in industrial development.

(iii) To provide technical and administrative assistance for promotion management or expansion of industry.

(iv) To undertake market and investment research and surveys in connection with development of industry.

IDBI Assistance:

The IDBI provides financial assistance either directly or through some specified financial institutions:

(i) Direct Assistance:

The IDBI grants loans and advances to industrial concerns. There is no restriction on the upper or lower limits for assistance to any concern itself. The bank guarantees loans raised by industrial concerns in the open market from the State Co-operative Banks, the Scheduled Banks, the Industrial Finance Corporation of India (IFCI) and other 'notified' financial institutions.

(ii) Indirect Assistance:

The IDBI can refinance term loans to industrial concerns repayable within 3 to 25 years given by the IFCI, the State Financial Corporation and some other financial institutions and to SIDCs (State Industrial Development Corporations), Commercial banks and Cooperative banks which extend term loans not exceeding 10 years to industrial concerns. IDBI subscribes to the shares and bonds of the financial institutions and thereby provide supplementary resources.

Developmental Activities of IDBI:

(1) Promotional Activities:

In fulfillment of its developmental role, the bank continues to perform a wide range of promotional activities relating to developmental programmes for new entrepreneurs, consultancy services for small and medium enterprises and programmes designed for accredited voluntary agencies for the economic upliftment of the underprivileged.

These include entrepreneurship development, self-employment and wage employment in the industrial sector for the weaker sections of society through voluntary agencies, support to Science and Technology Entrepreneurs' Parks, Energy Conservation, Common Quality Testing Centers for small industries.

(2) Technical Consultancy Organisations:

With a view to making available at a reasonable cost, consultancy and advisory services to entrepreneurs, particularly to new and small entrepreneurs, IDBI, in collaboration with other All-India Financial Institutions, has set up a network of Technical Consultancy Organisations (TCOs) covering the entire country. TCOs offer diversified services to small and medium enterprises in the selection, formulation and appraisal of projects, their implementation and review.

(3) Entrepreneurship Development Institute:

Realising that entrepreneurship development is the key to industrial development; IDBI played a prime role in setting up of the Entrepreneurship Development Institute of India for fostering entrepreneurship in the country. It has also established similar institutes in Bihar, Orissa, Madhya Pradesh and Uttar Pradesh. IDBI also extends financial support to various organisations in conducting studies or surveys of relevance to industrial development.

Small Industries Development Bank of India :-

Origin of SIDBI

In order to promote small scale industries in the country, a special Act was passed in Parliament in April 1990 for starting of Small Industries Development Bank of India. SIDBI is a wholly owned subsidiary of IDBI. It is providing assistance to all those institutions which are promoting small scale industries.

Capital of SIDBI

SIDBI has an authorised capital of Rs. 1000 crores which can be increased to Rs. 1000 crores. The RBI has also allocated INR 10,000 Crores to SIDBI for various venture capital activities and company startups in 2015. The entire operations of IDBI connected with small scale industries are now handed over to SIDBI.

Objectives of SIDBI

1. To promote marketing of products of small scale sector.
2. To upgrade technology and also undertaking modernization of small scale units.
3. To provide more financial assistance to small scale ancillary and tiny sector.
4. To encourage employment oriented industries.
5. To coordinate all the other institutions involved in the promotion of small scale industries.

Functions of SIDBI

Coordinating and financing the various institutions involved in the development of small industries are undertaken by SIDBI.

lts functions are

Refinance to SSI:

Refinancing loans and advances provided by commercial banks to small scale industrial units. Different types of loans are given to small scale industries and as per the recommendations of Nayak Committee, additional funds have been given to commercial banks for promoting more borrowings of small scale industries. In fact, there are commercial banks with separate branches meant exclusively for small scale industries.

Discounting the bills of SSIs:

Apart from discounting the bills of small scale industries, even hurdles arising out of financing small scale industries are being discounted. The bank credit has gone up to Rs. 2,18,219 crores. The percentage of bank credit to SSI has gone up to 17.5.

SIDBI offers assistance to exports:

Direct assistance to export oriented units and also to import substituting units in the small scale sector is given the highest priority. There has been a simplified procedure for the exports of small scale industries. Products of SSI exporters are displayed in international exhibitions with the help of SIDBI. Other export related expenditures are borne by SIDBI. Latest packing standards and training programmes on packing for exports are also financed by SIDBI. Trade delegations and sales and study teams are sponsored for small scale sector under Marketing Development Assistance scheme.

Seed capital and also soft loan Assistance:

Seed capital is provided for starting of SSI units. Under this, the initial expenditure in starting the small scale units are being met by SIDBI. In addition to that, SIDBI, under this scheme, undertakes the following activities:

- Identification of potential entrepreneurs in the district.
- Providing training facility for these entrepreneurs.
- Linkage with banks for financial assistance
- Follow-up and monitoring the progress

Under soft loan, SIDBI provides long-term loan repayable in a period of 15 to 20 years with a very low rate of interest.

Non finance services:
Under this scheme, SIDBI undertakes with the help of other institutions marketing survey and the potentialities of small scale industries in the particular area. Wherever possible, it helps in the procurement raw materials.

Factoring, Leasing and HP finance:
In factoring services, SIDBI finances 80% of the bills to the seller and after obtaining the remaining 20% balance, it repays to the seller and for this service it obtains a factoring commission.

Leasing:
After the increase in the fixed capital limit of Rs. 1 crore to SSI, there has been increasing demand for leasing equipment. The small scale industries have expanded their activities as lease finance institutions have enabled them to obtain costly equipment which are otherwise, not possible within the purview of small scale industries, In fact, this has helped them in modernizing their industry.

HP finance:
Hire purchase financing has also helped small scale industries in acquiring machinery of a higher value. In fact, certain machinery are even imported from foreign countries on a deferred payment basis.

Assistance to other financial institutions:
In every State, State Finance Corporations have been promoted for financing small scale industries. They are under the control of respective state governments. At the national level, a separate corporation is promoted for financing small scale industries called National Small Scale Industries Corporation. This was started in 1995 to promote, aid and ensure faster growth in small scale industries.

Automatic finance scheme:
Refinance facilities under automatic finance scheme is also provided which was initially for Rs. 50 lakhs. Now with the increase in the capital limit of small scale industries, this finance scheme has also increased its limit to Rs. 2 crores.

Modernization:
The technology development which has taken place in various industries has also spread to small scale industries and to meet the requirements of technology upgradation, a separate fund has been set up by SIDBI, through which it provides Technology upgradation equipment finance.

Venture capital:
Venture capital fund for the promotion of new entrepreneurs has been set up. For this purpose, IDBI, the holding company of SIDBI provides funds. New ventures in different areas with high technical know how is encouraged under the scheme. Though this scheme is in the initial stage, this will promote more new small scale industries.

Single window scheme:
This scheme was introduced by SIDBI for providing finance to commercial banks which in turn will give all kinds of assistance to small scale industries. That is, from registration units to marketing of products will be undertaken under this scheme.

The creation of SIDBI has certainly improved the growth of small scale industries in the country. Apart from financing, banks have identified the weak areas of small scale industries and have attempted to improve the same. This will go a long way in not only strengthening SSI units but also in the creation of employment opportunities in rural areas.

District Industries Centre (DIC) :- The industrial Policy 1977 contained the concept of District Industries Centres (DIC). DIC program was initiated on 1st May 1978 as a centrally sponsored scheme. It was a landmark measure in development of cottage and small industries in smaller towns in India. DIC's were started with a view to provide integrated administrative framework at the district level for industrial promotion. It is aimed at providing all assistance and support to entrepreneurs in various states. These centres are responsible for effective promotion of cottage and small scale industries at district level. These centres also to provide support facilities, concessions and services to develop tiny, cottage and district industries centres small scale units.

Objective of District Industries Centres
The basic purpose of these DIC's is to generate more employment opportunities for rural people. It was intended to make the Centre as a central location for-

1. granting financial and other facilities to small units

2. developing close links with development blocks and specialized institutions providing help to set up industries in rural areas

3. identifying and helping new entrepreneurs

Resource for District Industries Centres
Financial assistance is provided by the Government of India for District Industries Centre in the following manner:

1. A non-recurring grant up to Rs.2 lakh for construction of an office building.

2. A non-recurring grant up to Rs.3 lakh for meeting the expenditure on furniture and fixtures, office equipment and vehicles.

3. Recurring establishment expenditure to the extent of 75 percent of the actual expenditure, limited up to Rs.3.75 lakhs.

Structure of District Industries Centres
DIC's comprise of:

1. One General Manager

2. Four functional managers, of whom three would be in the areas of economic investigation, credit and village industries. The fourth functional manager may be entrusted with responsibility in any of the areas like raw materials marketing, training etc., depending on the specific requirements of each district.

3. Three Project managers to provide technical service in the area relevant to needs of the district concerned. Their role is to facilitate modernization and upgradation of technology in the small sector.

Activities of District Industries Centres

1. Registration of SSI units (Permanent/ Provisional).

2. Registration of Handicrafts/Cottage industries.

3. Implementation of Prime Minister’s Rozgar Yojana.

4. Granting of Subsidies to SSI units.

5. Distribution of Project profiles among entrepreneurs.

6. Training for Entrepreneur Development Programme.

7. Organisation of Industrial Cooperative Societies.

8. Raw Material assistance through SIDCO.
9. Allotment of sheds in Electrical & Electronic Industrial Estates.

10. Marketing assistance through SIDCO.

11. Conducting Motivation Campaigns.

12. Clearance of licences etc. through Single Window Meeting.

13. Rehabilitation of sick SSI units.

14. Recommendation of Awards to SSI units.

15. Recommendation of loan applications to banks under KVIC Scheme.

National Institution of Entrepreneurship and Small Business Development(NIESBUD),New Delhi

It was established in 1983 by the Government of India. It is an apex body to supervise the activities of various agencies in the entrepreneurial development programme. It is a society under Government of India Society Act of 1860.The major activities of institute are:

i) To make effective strategies and methods

ii) To standardize model syllabus for training

iii) To develop training aids,tools and manuals

iv) To conduct workshops,seminars and conferences.

v) To evaluate the benefits of EDPs and promote the process of Entrepreneurial Development.

vi) To help support government and other agencies in executing entrepreneur development programmes.

vii) To undertake research and development in the field of EDPs.

Entrepreneurship Development Institute (EDI)

Entrepreneurship Development Institute of India (EDI), an autonomous and not-for-profit institute, set up in 1983, is sponsored by apex financial institutions – the IDBI Bank Ltd., IFCI Ltd., ICICI Bank Ltd. and the State Bank of India (SBI). EDI has helped set up twelve state-level exclusive entrepreneurship development centres and institutes.

One of the satisfying achievements, however, was taking entrepreneurship to a large number of schools, colleges, science and technology institutions and management schools in several states by including entrepreneurship inputs in their curricula. In the international arena, efforts to develop entrepreneurship by way of sharing resources and organizing training programmes, have helped EDI earn accolades and support from the World Bank, Commonwealth Secretariat, UNIDO, ILO, British Council, Ford Foundation, European Union, ASEAN Secretariat and several other renowned agencies.

EDI has also set up Entrepreneurship Development Centre at Cambodia, Lao PDR, Myanmar and Vietnam and is in the process of setting up such centres at Uzbekistan and five African countries.

Main Functions of EDI :-

1. It trains to new generation of entrepreneurs.

2. It identifies and selects the individual with some entrepreneurial traits and potential for the purpose of training.

3. It conducts result oriented development programme in enterpriser, lacking regions like the Andaman, Kerala, Goa, Sikkim, Bihar and Arunachal Pradesh in systematic and methodical manner.

4. It is promoting Small Scale Industries in industrially backward and rural areas by developing local, and human resources.

5. It conducts special programmes for science and technical graduates for self employment scheme.

6. It conducts extension motivation programmes for officers of financial institutions and development organizations.

Accounting –

Accounting has been termed as the language of finance. The basic function of a language is to serve as a means of communication. Accounting also serves this function. It communicates the results of business operations to various parties who have some stake in the business viz., the proprietors, creditors, investors, government and other agencies. Accounting is as old as the culture and business.

Origin of institute of Chartered Accounts of India: In 1949, Chartered Accountants Act was passed, a according to which the institute of chartered Accountant was established in India under complete autonomy to evolve professional qualified accountants in India.

Scope of Accounting –

In broad perspective an Accounting system should concern itself with the following information's:

10) Analysis of past financial data
11) Financial data for future plans
12) In taking decisions
13) Inventory control
14) Cost control
15) Information about inflation
16) Social cost accounting
17) Human resources accounting
18) Measurement of efficiency

Book Keeping –

Book-keeping of books of accounts. Accounts are maintained in books of accounts as per rules set for the purpose.

Functions of Accounting –

The main functions of a accounting are as follows:

8) Entry of business transactions
9) Result of economic activity to prepare Profit & Loss account
10) Convey the state of affairs of the undertaking
11) Provide information for taxation
12) Provide information to users, who have interest in the unit
13) Provide statistics to government
14) Help the decision-makers to take scientific decision.

Features of Book-Keeping –

Book-keeping has the following important features –

6) Monetary transactions
7) Regular and proper recording
8) Accounting is permanent
9) Determination of profit or loss presentation of state of affairs
10) Book-keeping is both science and art

Difference between book-keeping and accounting –

S.No.	Basis	Book-Keeping	Accounting
1	Stage	Primary stage, entry in journal	Secondary stage, primary record is

		and other books of original entry	not a part of accounting.
2	Posting	Classification and ledger posting are next stages of book-keeping.	It is again not a part of accounting
3	Totaling and balancing	Totaling of books of original entry and ledger accounts and balancing of accounts.	Preparation of trial balance to judge arithmetical accuracy.
4	Conclusion-Finalization of Accounts	It is not a part of book-keeping	Preparation of profit & loss a/c and balance sheet.
5	Rectification and Adjustments	Errors and omission are not corrected	These are corrected under accounting process.
6	Nature	Routine nature of work	Specialized job, requires expert knowledge.
7	Principles	Book-keeping does not have its independent principles	Rules and principles of recording and presentation are accounting principle.

Assessment of Capital Requirements of Different Kinds of Assets

Assessment of Fixed Capital Requirements:

Capital needed to acquire those assets which are used for production purposes for longer period of time and which are not acquired for selling purposes is termed as fixed capital or block capital. Example of fixed capital are capital for purchasing land and buildings, furniture's and fixtures and machinery and plant. Such capital is required usually at the time of establishment of new enterprise

Initial planning of fixed capital requirements is made by the promoter. For this purpose first of all, he prepares a list of fixed assets to be needed by the firm in consultation with his colleagues and technical experts associated with that line of business. Thereafter, cost of these assets is estimated.

Factors Affecting the Estimate of Fixed Assets Requirements:

A. Internal Factors:

(i) Nature of Business:

Different industrial undertakings may have varying fixed capital requirements because of different nature of business and the technology of the industry in which a company operates. Concerns engaged in rendering personal services, merchandise, commerce and trade may need very little fixed investment.

As against this, manufacturing industries, and public utilities have to commit substantially large amount of funds to acquire fixed assets. Here too, fixed capital requirements in capital intensive industrial projects is much greater in relation to their labour intensive counterparts.

(ii) Size of Business:
Where a business enterprise is being set up to carry on large scale operations, naturally its fixed capital requirements are likely to be high since most of their production processes are based on automatic machines and equipment's. But in smaller concerns use of automatic machines is not so economical and useful because these machines are not employed to the optimum level.

(iii) Scope of Business:
Sometimes enterprises are established to engage in only one phase of production or distribution activity. In a sharp contrast to this, there are many business firms which are formed to carry on production or distribution work in its entirety. Obviously, in the former case fixed capital requirements would be less relative to the latter case.

(iv) Extent of Lease:
While planning fixed capital requirements an entrepreneur has to decide in advance as to how many assets would be acquired on lease hold basis and how many on free hold basis. If larger amount of fixed assets is to be acquired on lease basis, naturally less amount of funds will have to be committed in the enterprise.

(v) Acquisition of Accommodation on Rent:
The extent to which needed plant or equipment is available on reasonable rental terms also determines the required investment in fixed assets. Many retailers and some manufacturers whose space needs are distinctive, are able to meet their major building needs through rental.

B. External Factors:
Since fixed asset investment is a long-term one where amount of risk is comparatively more, the promoter should also consider the following external factors:
(i) International Conditions:
This factor is assuming prominent role in the decision making process in globalized scenario particularly in large concerns carrying on business on international scale. For example, steel companies expecting war may decide to commit large funds to expand fixed assets before there is a shortage of material or before inflation becomes reality. An international crisis may force some companies to postpone their expansion plans.

(ii) Shift in Technology:
Shift in technology should also be considered while estimating fixed asset requirements.

(iii) Competitive Factors:

Competitive factors are a prime element in the decision making process on planning future fixed assets needs. If company A shifts to automation, company B engaged in the same line of activity will follow the need of the innovator.

(iv) Consumer's Preferences:
Financial planning must be geared to acquiring fixed assets that will provide goods or services that consumers will accept.

(ii) Secular Trend in the Economy:
An in-depth study of long-run trends in the economy must be undertaken while assessing requirements for fixed assets. If the future of the economy is anticipated to be bright, it gives green signal to business entrepreneur to carry out all sorts of expansions of the firms. In that case large amount of funds has to be committed right now in fixed assets so as to be ready to reap benefits when opportunity arises.

Assessment of Working Capital Requirements:
After estimating fixed capital requirements of the firm a promoter has to assess the amount of capital that would be needed to ensure smooth functioning of the enterprise. A manufacturing concern requires finds to pile up adequate amount of raw materials in stock to ensure uninterrupted production activity. Likewise, sufficient stock of finished goods has also to be maintained in the anticipation of future demand and for this purpose firm would need capital.

Some of the materials because of being in different stages of productions are in semi- finished form. Funds are tied in these materials until they come out of final stage of production and are disposed off in the market. In actual parlance, goods are sold in cash and or on credit (against accounts receivables).

Goods sold on credit do not return cash immediately. Firm will have, therefore, to arrange funds to finance accounts receivable for the period until they are collected. Alongside this, a minimum level of cash is required for the ordinary operations of the enterprise. This cash requirement applies to the need to pay ordinary expenses of operation, viz., wages and factory overheads before a product can be sold and receipts are collected. Ample cash is required to take advantage of cash discounts. Adequate cash is also essential from the point of view of maintaining good credit relations.

Furthermore, firm has to hold special cash reserves to avail the advantages emanating from business opportunities-opportunities for merger, special purchases of supplies and so forth. Since uncertainty is always a characteristic of business, some excess of cash should be maintained as insurance against unexpected adversities.

Thus, a business entrepreneur will have to arrange capital for the following types of assets to ensure day-to-day operations of the firm:

(i) For building up inventories of requisite materials.

(ii) For financing receivables.

(iii) For covering day-to-day operating expenses of the firm and for providing insurance against contingencies.

The above assets needed to carry on the productive and distributive activities of a business, to pay liabilities as they become due and act as a protection for short-term creditors are termed as current assets. Capital invested in these assets is ordinarily referred to as the 'working capital'.

Unit- V

Every entrepreneur faces their own share of struggles or challenges. However, there are some that are similar and cut across every industry. The challenges of entrepreneurs face come from numerous sources including both internal and external. Common external challenges can be brought about by things like competitors ; financial institutions that refuse to fund your business; government in cases where Government agencies refuse to issue the required business licences – among other external factors that affect your business.

challenges of an entrepreneur :-

1. Developing the Vision and Business Idea:-

"To have a great idea, have a lot of them. And There is far more opportunity than there is ability.

Thomas Edison"

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

2. Raising Capital for Startup :- After developing an idea, the next challenge that the entrepreneurs are going to face when starting a business from scratch is that of raising capital.

3. Assembling a Business Team :- The third business challenge that an entrepreneur will face in the course of starting a small business from scratch is assembling the right business management team.

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

5. Finding Good Employees :- Employees are the representatives to business customers and the outside world. They are a reflection of the business culture and ethics. If an employee is bad or rude to customers, it is going to portray a bad image for the company. So it must be careful when hiring employees. Remember the golden rule of business; Hire slow and fire fast.

6. Unforeseen Business Challenges and Expenses :- Unexpected challenges can come in the form of:

(a) Unexpected law suits (b) Inconsistent government policy

(c)Not being able to make payroll (d) Unpaid bills and taxes

(e)Unexpected resignation of staff from sensitive office (f) Loss of market share

(g) Inadequate stock or inventory

7. Dealing with Competition:-

Competition is the next challenge an entrepreneur will face when starting a business. Most individuals see competition as a plague but competition as a good challenge. Competition is a benchmark for creativity, the main engine that stimulates innovation and production of quality products at great prices.

8. Keeping Up With Industrial Changes and Trends: -

Change in trends is a challenge an entrepreneur must be prepared for when starting a small business.

Some problems of an Entrepreneur are :-

(A) Problems related to capital

(B) Problems of Power / Energy of an Entrepreneur

(C) Problems of Registration of an Entrepreneur

(D) Administrative Problems of an Entrepreneur

(D) Problems of Production Management

Problems related to Capital: - Problem of minimum capital cost – Entrepreneur has to collect capital at minimum capital cost. After analusing all the alternatives, he has to make correct choice. If the capital cost increase not only savings are adversely affected but also profits are hampered. Therefor it is very important to maintain proper and balanced capital cost.

a. Problem of higher interest rate.

b. Problem of liquidity in recession.

c. Problem pf proper utilization of capital.

d. Problem of development of fundamental facilities.

Problems of Power / Energy of an Entrepreneur :- Power is very essential for economis development. It is needed of industry, transport, agriculture etc. Problems of power to the entrepreneur are :-

a. Production of less electricity.

b. Undeclared power break.

c. Fluctuation in electric supply.

d. Lack of electricity in rural areas.

e. High rate of electricity.

f. Weight of taxes on the captive power plant

g. Lack of Coal, petrol & diesel

Problems of Registration of an Entrepreneur :-

. Problems in absence of Registration –

1. Purchase of expensive raw material 2. Purchase of expensive land by industries.

3. Problem of approval of power load. 4. Problem of marketing.

5. No facility of training. 6. Absence of knowledge of government rules schemes.

7. Troubles in getting loans. 8. Scarcity of managerial & technical guidance.

B. Problems at the time of Registration

1. Preparation of project report.

2. Lack of knowledge for place of registration office

3. No objection certificate for environmental control board.

4. Registration from local administration.

5. Government food & health department certificates.

Administrative Problems of an Entrepreneur

1. Problems of Financial Management 2. Obtaining Financing

3. Negative Cash Flow. 4. Mismanaging Marketing Funds.

5. Inadequate Insurance Coverage. 6. Excess Expenditure

Problems of Production Management

1. Problem of production planning. 2. Problem of production control.

3. Problem of quality control. 4. Problem of process specification.

5. Problem of machinery setup. 6. Problem of inventory control.

Problems of Personnel Management :-

1. Problems of Planning 2. Problems of Organization..

3. Problems of direction. 4. Problems of motivation.

5. Problems of control. 6. Problems of training.

7. Problem of promotion, transfer & retirement. 8. Problem of recruitment & selection of employees.

Problems of Marketing Management :-

1. Problems of purchase, retailing, storage, transportation. 2. Problems of risk.

3. Problems of after sales service. 4. Problems of categorization & classification

How to Overcome from above Problems :-

(1) Handling Investment Shortages

Contrary to what many may believe, being an entrepreneur isn't a get-rich-quick scheme. It takes time to get your product or business off the ground and even longer to turn a profit. Indeed, it could take years of losses before you see your first profitable year. Since you could experience a cash crunch, in the beginning you'll need to get creative about coming up with the funds. You could apply for a business loan, borrow money from friends or family, use your savings and money from a second job, or create a Kickstarter campaign.

(2) Getting Resistance From the Competition

When you start your business, competitors in the field won't be happy. They could easily decide to push you out of the market or look to impede your progress by developing similar products and services. Aggressive competition is a norm in the business world, and you're going to need thick skin if you intend to survive.

Fortunately, the more you rile up the competition, the better the outlook for your business. Resistance from competitors simply means that you are being noticed. It also signals that your direct competition sees you as a threat. Being on the receiving end of competitor envy is a good sign. You should worry only if your competitors are ignoring you or, even worse, not noticing you at all. If they are worried about you, then at the very least your startup is on the right track.

(3)Overcoming Unpredictability and Uncertainty

Being your own boss, setting your hours, and putting in work for your company's benefit can be exhilarating. But unfortunately, at least in the beginning, it doesn't come with a steady paycheck. Entering the unknown as an entrepreneur is a far cry from the predictability that comes with a day job. When you add this to the understandable apprehension about abandoning the accomplishments of your former career, it can be a source of anxiety.

It is important to stress the positive aspects of entrepreneurship when faced with this inevitable. Yes, you are abandoning the sure thing of a steady paycheck. But the eventual payoff for launching a successful business can be far greater than anything that you could ever receive from your day job.

(4)Recruiting Your Dream Team

Having a trustworthy and dependable staff is half the battle for most entrepreneurs. From partners to full-time staff members and vendors, a solid team is the key to success. Recruit individuals you already know from your professional life and who you feel are dependable.

(5)Dealing With The Unknown

Starting a business can be scary. Success is never guaranteed, and market shifts and other unknown factors are always lurking on the horizon. When faced with this uncertainty, keep in mind that the vision of your business still rings true. Try to stay close to your initial excitement at the prospect of starting the business.

(6)Accounting For Long Hours And Detailed Planning

Creating the long-term plans needed to achieve your goals is different than simply identifying them. Jot your goals down on paper, then draw up a list of underlying tasks that you'll need to accomplish to achieve your core objective.

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