

## **Entrepreneurship**

Entrepreneur thus is an innovator who carries out new combinations in ever changing environment to initiate & accelerate the process of economics social & technological development. The person having a dynamic activity to prime changes in the process of production, innovations in business, new ideas & usages of resources, establishing new markets.

### **Evolution of concept**

It varies from country to country, time to time & the level of economic development of the place. This word is derived from French verb. Which is *entreprendre* means to undertake 16th country the Frenchmen who organized & military expeditions were referred to as entrepreneurs. Since the word entrepreneur is used to me who takes the risk of stating new organization or business or introducing a new idea, production service to society.

### **Characteristics of Entrepreneur**

1. A good entrepreneur should be action oriented enthusiastic & energetic & ready to take risk at all levels to achieve the goal.
2. Should have cerwavering determination & commitment.
3. Creativeness & result oriented, lord working
4. Accepts responsibilities with entrusiom,
5. Self-confident deactivated & self-disciplined
6. Both thinker & doer planner & worker,
7. Future vision intelligent, imaginative & self-directed

### **Type of entrepreneur**

*According to the type of business.*

1. *Business entrepreneur* are individuals who conceive an idea for a new product or service and then crate business to convert their idea into reality. They are responsible for production and marketing of the new products and services and for tapping resources in their search to make the business opportunity a success.

2. Trading entrepreneur is one, as the name suggests, who undertakes trading activities and is concerned with production. He identifies potential markets, stimulates demand and creates a desire and interest among the discerning buyers to go for his product/service.
3. Industrial Entrepreneur is essentially a manufacturer who identifies the potential needs of consumers and tailors a product or service according to the market needs.
4. Corporate Entrepreneur is a company who is an artificial person in the eyes of law, demonstrating his innovative skill in the organizing and managing a corporate undertaking.
5. Agricultural Entrepreneurs are those who undertake agricultural activities, such as raising and marketing of crops

*According to the use of technology:*

1. Technical Entrepreneur is essentially compared to a 'master craftsman', who develops improved quality goods because of his technological expertise. In this type concentration is more on production than on marketing. Depending on the level of updated technology used the entrepreneur is called as high-tech or low-tech entrepreneur.
2. Professional Entrepreneur is a person who is interested in establishing a unit, but does not have interest in managing it, once it is established. A professional entrepreneur sells out the established business and starts another venture, conceiving new ideas and developing newer projects.
3. Non-technical Entrepreneurs are those who are concerned with the technical aspects of the product, but concerned only with marketing and distribution for promoting their business.
4. High-tech entrepreneurs who concerned with updated technical aspects of their product whereas low-tech entrepreneurs as the name suggests deal in products which are not that updated and complex in technology.

*According to motivation:*

1. Pure entrepreneur - not for economic rewards own satisfy by psychological

2. Induced entrepreneur- Policies measures provides assistance, incentives by the support of government & institutions
3. Motivated entrepreneur- self-fulfilment for making & marketing same things new
4. Spontaneous entrepreneur - inherent national talent by boldness initiative in any enterprise self-confident

*According to the stages of development*

1. First generation entrepreneur is one who has become an entrepreneur by his innovative skill, bringing out a marketable product or service.
2. Modern entrepreneur is one who develops the product according to the market demand which is dynamic and changing over a period of time.
3. Classical entrepreneur is stereotype entrepreneur whose aim is to maximize the economic returns for the sake of survival of the unit. He is not unduly worried about growth of the firm.

## **Entrepreneurship**

The resistance against flexibility, growth & diversification can be overcome by developing a spirit of entrepreneurship within the organization called an entrepreneurship. It reflects in the proportionate increase in social, cultural & business pressures.

### **Concept of Entrepreneurship:**

It is a process undertaken by entrepreneur to augment his business interests. It is defined as an indivisible process flourishes, when the interlinked dimensions of individual psychological entrepreneurship, entrepreneur traits, social encouragement, business opportunities government policies, availability of resources, opportunities coverage towards the common good, development of society & economy.

Entrepreneurship in today's context in the product of teamwork & ability to create, build & work as team. It is also a process of identifying opportunities in the market place, arranging the resources required to pursue these opportunities & inverting the resources to exploit the opportunities for better gains.

## **Elements of entrepreneurship**

It is the legal agreement that happens between the person & organization. The entrepreneurship has four important elements

### *1. New business venturing*

This is the corporate venturing, the creation of new business within the organization. This includes redefining the company's products or services, development of new market segment or formation of new corporate ventures.

### *2. Innovations*

Innovation is the development of new products, improvement of existing products, development of improved & simplified production methods & procedures.

### *3. Self-renewal*

This is the transformation of an organization their renewal of main ideas. This includes a redefinition of a business concept, reorganization or modification in the system with an aim to initiate innovating.

### *4. Proactiveness*

Proactiveness includes initiative & risk thing competitiveness & dashing to take new challenges, organization with this type of proactiveness spirit will lead the market than follow the competitors.

## **Characteristics of entrepreneurship**

- 1. Innovation:* Entrepreneurship involves innovation of new things to effect dynamic changes & good success in economy. It should create conditions for growth of economy.
- 2. Risk - taking:* Risk is an inbuilt element of any business. An entrepreneur, however, prefers to take calculated risks, ploughs back in business, takes small steps to grow, make sustained profits and moves on.

3. Skilful management: Entrepreneurship hinges together various functions of the management planning organizing staffing directing controlling & leading.
4. Organization: It being together various facilities of production for an efficient & economical use.
5. Decision making: Decision making is very vital. Taking decision at all levels & stages of entrepreneurship is a routine task.
6. Making the enterprise a success: It is mainly an economic activity as it deals with creating & operating an enterprise. It involves in satisfying the needs of customers with the help of production and distribution of goods & services.

Point	Entrepreneur	Entrepreneur	Manager
Goal Management	Independent innovates kew ideas	Independent starts new ventures & leads direct involvement	Delegates & supervises more than direct involvement
Status	Not concerned about traditional status, but wants recognition	Not concerned about status	Concerned about status symbol
Risk	Owens moderate risk	Bears all the risk & uncertainly	Does not bear any risk.
Rewards	Gets fixed rewards for lies work, many get extra for his innovations	Since there is risk, he may get profit or loss depending on outcome	Works for salary for his service which fixed & definite.
Innovations	Innovative	Any innovative	Need not be innovative. He manages the ideas of top management.
Decision making	Moderate, limited to this work	Beng much irrvolved in decision making	Delegates the decisions of top management

## STAGES IN ENTREPRENEURIAL PROCESS

The entrepreneurial process involves all the functions, activities and actions associated with perceiving opportunities and creating organizations to pursue them. Entrepreneurs can increase their chances of success if they understand, follow and implement the basic five-stage entrepreneurial process. These five stages form the backbone of the entrepreneurial process and are as follows:

- a) Stage I: Conducting Opportunity Analysis
- b) Stage II: Developing the Plan and Setting up the Company

- c) Stage III: Acquiring Financial partners and sources of funding
- d) Stage IV: Determining Resources Required and Implementing the Plan
- e) Stage V: Scaling and Harvesting the Venture.

*Stage I: Conducting Opportunity Analysis*

This is a very difficult task. In this stage, the founder identifies the opportunity and creates a vision for the company. The entrepreneur weighs the real and perceived value of opportunity against the risk and return of the same. The entrepreneur tries to build the vision and conduct market analysis to sustain a competitive advantage. He also prepares a competitive analysis. Because this stage details the pricing the sales strategies required, it usually takes at least one year.

*Stage II: Developing the Plan and Setting up the Company*

In this stage, the ideas are converted into business strategies which are documented and converted to a business plan. The focus of this stage is writing a well-conceived business plan detailing how the vision and the market analysis will become a sustainable competitive advantage. At this stage the type, form and the structure of the company are determined.

*Stage III: Acquiring Financial partners and sources of funding*

Entrepreneurs may not be aware of any financing options and sources available. Hence, it is important to know the expectations, requirements and sources of funds, so as to finance the venture. Funding sources include self-funding, family and friends, venture capital and government sources. He should also be aware of private placement, capital issue and sources of debt financing.

*Stage IV: Determining Resources Required and Implementing the Plan*

Varieties of resource that are needed are to be first estimated. The critical resources are to be differentiated from others. In this stage, the appraisal of the entrepreneur's present resources is done at first. Needed resources are to be acquired and arranged in a timely manner for the

success of the enterprise. While acquiring other funds care should be taken that the funds are available as a cheaper cost and there is least loss of control.

*Stage V: Scaling and Harvesting the Venture.*

In this stage the risks faced by an entrepreneur and pros and cons of each decision taken is weighed. Screening of different types of technologies, development of growth strategies, talent building, seeking capital etc., are covered in this stage. Options available for entrepreneurs to scale the venture, merging with another company, implementing leverage buy out or selling the company as an exit strategy are considered.

## MICRO, SMALL & MEDIUM ENTERPRISES (MSME)

Definition of MSMEs usually take into consideration the total assets, the level of turnover and the number of employees of the firm.

In India, the enterprises have been classified broadly into two categories:

- Manufacturing; and
- Those engaged in providing / rendering of services.

Both categories of enterprises have been further classified into micro, small and medium enterprises based on their investment in plant and machinery (for manufacture enterprises) or on equipment's (in case of enterprises providing or rendering services). The present ceiling investment to be classified as micro, small or medium enterprises is as under:

Classification	Investment Ceiling for Plant, Machinery or Equipments *@	
	Manufacturing Enterprises	Service Enterprises
Micro	Upto ₹ 25 lakh (\$50 thousand)	Upto ₹ 10 lakh (\$20 thousand)
Small	Above ₹ 25 lakh (\$50 thousand) and Upto ₹ 5 crore (\$ 1 million)	Above ₹ 10 lakh (\$20 thousand) and upto ₹ 2 crore (\$0.40 million)
Medium	Above ₹5 crore (\$1 million) and upto ₹ 10 crore (\$2 million)	Above ₹2crore (\$0.40 million) and upto ₹ 5 crore (\$1 million)

## CONCEPT AND SCOPE

The environmental scope of the Micro, Small and Medium Enterprises or MSMEs is universally accepted by all the economies whether underdeveloped or developed. The governments have realised the need of growth and development of the MSMEs and they are initiating for the same.

The MSMEs in any country today are expected to be more dynamic. It is essential for achieving the economic goals of the country as this particular sector is always at the central place for



eliminating the economic backwardness of especially the rural and underdeveloped regions of the country.

Along with this prime objective, the MSMEs will have to contribute significantly for:

1. Creating self sufficiency in the business areas.
2. Reduction of regional imbalances.
3. Optimum use of all resources of production and consumption.
4. Establishing main employment centres.
5. Fulfil quality demands of the core sector industries.

The scope and importance of the MSMEs can be explained by various ways. The major contribution of this sector is the availability of huge employment opportunities to the labour. The labour scattered in very small and rural areas can get employment in these industries. Likewise, the access to local market is another benefit to the MSMEs. Due to its less capital intensive and high labour absorption nature, the small industries have contributed sizably to the employment generation and to the rural industrialization.

## **ROLE OF MSME IN ECONOMIC DEVELOPMENT**

Micro, small and medium enterprises play a significant role in nation 's development through high contribution to domestic production, significant export earnings, low investment requirements, operational flexibility and indigenous technology. For these reasons Indian small and medium enterprise sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades.

The role of micro, small and medium businesses in the economic development of a nation is as discussed:

**i) High contribution to domestic production:** The SMEs play a significant role in nation development through high contribution to the gross domestic production. In India, these units are producing more than 8,000 products and contribute about 40 percent to the GDP. In this sense, in recent years the MSME sector has constantly registered higher growth rate compared to the overall industrial sector.

**ii) Large employment opportunities:** The MSME Sector, in terms of per unit of business employment figure may not appear to be a big employer. However, collectively the number of employment opportunities created by this sector, is notable. Also, while creating local job opportunities it helps mitigate problem that causes large scale migration of rural population to urban areas.

**iii) Meet local requirements of larger businesses:** The micro, small and medium businesses are complementing to larger industries as ancillary units. The local input requirements of bigger units for several raw, semi-finished and finished products are largely met by these locally based units.

**iv) Environmentally friendly approach:** The methods of production applied by micro, small and s are largely eco-friendly, thus, not damaging its basic elements, i.e., air, water and soil. The manufacturing techniques are simple and in most cases they do not require use of harmful substances require use of heavy machines. Some of the SMEs rather enrich the environment with their production processes. Organic farming, handmade paper production and manure making are few examples.

**v) Export earnings and import substitution:** The SMEs are making a huge contribution towards improving the balance of payment position and self-reliance. Their share in total exports stands at about 40 percent- with a massive production of more than 8000 products to the tune of about 18 lakh crore. There are more than 8,000 products ranging from traditional to high-tech items which are being manufactured by the Indian MSMEs. All this is helping Indian economy significantly in becoming self-reliant by cutting down on the list of import items

**vi) Supporting the idea of inclusive growth:** Inclusive growth means equitable opportunities for economic participants during economic growth with benefits to every section of society. The micro, small and medium enterprises create employment opportunities, help skill development and encourage innovation. Thus, they promote inclusive development of a society. The National Programme on Skill Development and Entrepreneurship, 2015 is a major step in the direction of inclusive growth



# Institutional Support

## INTRODUCTION

Entrepreneurs who wish to start a business or industrial units require various sources and facilities apart from appropriate information related to their business. Recognizing the need to help budding entrepreneurs, both Central Government and all State Governments have initiated and started various Agencies, Institutes, Banks, Boards etc., throughout the country, in this regard.

## DIFFERENT SCHEMES

### 1. DIC- A Single Window Agency

**Meaning:** DISTRICT INDUSTRIES CENTRE. Launched in 1978 in all districts of each state. There are about 400 DIC's in India.

**Nature of support:** Information and Consultancy Services. Industrial Inputs.

### Objectives:

- To effectively promote cottage and small-scale industries in rural areas and small towns.
- To act as a Single Window Agency to help the entrepreneur with all the information under one roof.
- To serve as an integrated administrative frame work at the district level for industrial development.

### Functions:

- **Surveys:** To carry out surveys to assess the potential of a district with respect to industrial development taking into account availability of raw material, manpower, infrastructure, demand for a product etc. This survey provides a basis for advising budding entrepreneurs.
- **Action Plan:** To prepare an action plan for the industrial development of the district.
- **Appraisal:** To appraise various investment proposals received from entrepreneurs.

- **Guidance:** To guide entrepreneurs in selecting appropriate machinery and equipment.
- **Marketing:** To assist entrepreneurs in marketing their products and assess the possibility of export promotion.
- **R&D:** To link R&D institutes with entrepreneurial activities for product innovation.
- **Training:** To conduct artisan training programs.

## 2. SISI

**Meaning:** SMALL INDUSTRIES SERVICE INSTITUTE. There are 58 SISIs all over the country including one in each State Capital.

**Nature of support:** Entrepreneurship development, consultancy and training.

### **Objectives:**

- To provide consultancy and training to small entrepreneurs - both existing and prospective.
- To serve as an interface between Central and State governments.
- To initiate entrepreneurial promotion programs

### **Functions:**

- To render technical support services.
- To conduct Entrepreneurship development programs
- To collect Trade and Market information and share it with entrepreneurs.
- To carry out modernization and implant studies.
- To conduct State and District industrial potential surveys.
- To provide consultancy services.
- To provide training in various trade/activities.

### 3. NSIC

**Meaning:** NATIONAL SMALL INDUSTRIES CORPORATION LTD. This is one of the oldest agencies set by the central government in 1955 and is the forefront of industrial development in the country.

**Nature of support:** Wide ranging industrial inputs.

#### **Objectives:**

- To promote, aid and foster the growth of SSI's in the country with a focus on commercial aspects.
- To enable the Small Scale Industries to gain competitive advantage and to contribute effectively to the development of the country.
- To evolve special schemes to meet the needs of handicapped, scheduled castes and scheduled tribe entrepreneurs.

#### **Functions:**

- To provide machinery on hire-purchase scheme to SSI's
- To procure government orders for small scale units
- To develop small-scale units as ancillaries to large industries.
- To import and distribute scarce and rare raw materials among actual users in the small-scale sector
- To undertake the construction of industrial estates
- To help exporting products of SSIs
- To develop prototype of machines and equipment's and pass on the know how to SSIs
- To set up SSI in other developing countries.
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### 4. SIDBI

**Meaning:** SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA. It was established in 1990 under Act of Indian Parliament as a principal financial institution. It is a subsidiary of IDBI. Its head office is in Lucknow. SIDBI is among the top 25 development banks in the world.

**Nature of support:** Financial services and other support services

**Objectives:**

- (i) To promote, finance and develop small scale sector in India.
- (ii) To co-ordinate the functions of other institutes engaged in similar activities
- (iii) To finance industrial infrastructure projects.

**Functions:**

- To provide finance assistance to
  - a. new projects
  - b. expansion/diversification projects
  - c. modernization projects
- To initiate steps for technological upgradation and modernization of existing units.
- To promote rural industrialization
- To provide channels for marketing SSI products in India and abroad.
- To foster Human Resource Development to suit the SSI sector needs
- To disseminate appropriate information to budding and existing entrepreneurs.

## 5. KSFC

**Meaning:** KARNATAKA STATE FINANCIAL CORPORATION. It was established in 1951 through a State Financial Corp. Act-1951.

**Objectives:**

- a) To cater to financial requirements of small-scale units.

- b) To extend medium and long term credits to units which fall outside the preview of Industrial Finance Corporation and Public Sector Banks.

**Functions:**

- To provide long-term finance to small and medium industrial units organized on different ownership basis such as proprietorship, partnership, co-operative, public or private company concern.
- To provide finance to service-oriented enterprises such as travel agencies, car rental agencies, hotels, tourism-related activities, hospitals and nursing homes etc.
- To take over sick SSI units and auction them to entrepreneurs willing to rebuild.

**6. TECSOK**

**Meaning:** TECHNICAL CONSULTANCY SERVICES OF KARNATAKA. It was established in 1976 by the government of Karnataka. It is located in Basava Bhavan, Basaveshwara Circle, Bangalore.

**Nature of support:** Multi-disciplinary technical, industrial and management consultancy.

**Objectives:**

- a) To provide reliable consultancy support for entrepreneurs to startup self-employment ventures in Karnataka.
- b) To provide consultancy services to the various Departments and Agencies of state and Central Governments.

**Functions:**

- To identify investment opportunities which are location specific.



- To assist entrepreneurs in obtaining statutory and procedural clearances.
- To carry out feasibility studies and environmental impact studies.
- To assist preparation of detailed project reports as per investment norms and financial norm.
- To carry out market survey and research specific to industry needs.
- To assist in project implementation and extend turnkey assistance.
- To help in reorganization and restructuring of employees.
- To diagnose sick units and suggest rehabilitation measures
- To provide consultancy in valuation of assets, manpower, planning and budgetary control system
- To promote consultancy for merges and take overs.

## 7. KIADB

**Meaning:** KARNATAKA INDUSTRIAL AREA DEVELOPMENT BOARD. This is a statutory body established in 1966 by government of Karnataka. Headquarters is at Bangalore with 9 zonal offices all over Karnataka.

### **Objectives:**

- a) To establish Industrial areas and promote rapid and orderly establishment of industries in the state of Karnataka
- b) To provide infrastructural facilities and amenities to SSIs
- c) To assist in implementation of government policies (iv) To function on 'No profit - No loss' basis.

### **Functions:**

- To acquire lands for industrial activity at identified and notified locations and form industrial area with all infrastructure facilities like road, electricity power, water supply
- To acquire lands in favour of single unit.

- To acquire lands for single unit complexes for government organizations and to facilitate government projects
- To provide all the infrastructure facilities to such industrial areas.
- To maintain the infrastructural facilities during the contractual project.

## 8. KSSIDC

**Meaning:** KARNATAKA STATE SMALL INDUSTRIES DEVELOPMENT CORPORATION LTD. Established in 1960 by Government of Karnataka.

**Nature of support:** Infrastructure and industrial inputs.

### Objectives:

- To assist small scale industries in the procurement of raw materials
- To take up any activity aimed at rapid development of small scale industry

### Functions:

- To establish and manage industrial estates
- To procure and distribute scarce and rare raw materials to various SSIs
- To provide assistance towards marketing of products from various SSIs
- To organize national level and international level exhibition and facilitate exchange of information
- To supply machinery under hire purchase scheme
- To provide guidance to SSI entrepreneurs contributing
- To provide technical library facilities in coordination with Indian Standard Institution.

### Types of help

(i) KSSIDC has promoted establishment of ancillary units to help PSU's like BEL, ITI, HAL, NGEF. BEML etc.

(ii) It has constructed 86 plots exclusively for SC/ST entrepreneurs.

## 9. KSIMC

**Meaning:** KARNATAKA SMALL INDUSTRIES MARKETING CORPORATION. This was established in 2001 as a subsidiary of KSSIDC. The office is in Rajajinagar Industrial Estate.

### **Objectives:**

- (i) To extend marketing support and assistance
- (ii) To procure government needs from SSI's through purchase and price preference.

### **Functions:**

- To improve quality of products
- Improve production manufacturing process
- Reduce prices
- Augment exports

### **Types of help**

(i) 75% of items reserved by SSI sector shall be procured from the units located within State, through an open tender system

(ii) SSI units of the state shall be offered a price preference of 15% over the lowest price quoted.

(iii) Benefits were available from 1<sup>st</sup> April 2001 upto 5 years.

## **BUSINESS PLAN**

Planning is the first and the most crucial step for starting a business. A carefully charted and meticulously designed business plan can convert a simple idea/innovation into a successful business venture.

A business plan is a road map for starting and running a business. A well-crafted business plan identifies opportunities, scans the external and internal environment to assess the feasibility of business and allocates resources in the best possible way, which finally leads to the success of the plan. It provides information to all concerned people like the venture capitalist and other financial institutions, the investors, the employees

A business plan is the blueprint of the step-by-step procedure that would be followed to convert a business idea into a successful business venture. A business plan first of all identifies an innovative idea, researches the external environment to list the opportunities and threats, identifies internal strengths and weakness, assesses the feasibility of the idea and then allocates resources (production/operation, finance, human resources) in the best possible manner to make the plan successful.

- **Functional Plans**

From this point on, the business plan would introduce, in a little more detailed manner, the major functions of the business in order to achieve its objectives. These functions are: operations of the business, its management, marketing, and finances.

- **Operational Plan**

This plan is all about producing the proposed product and the service delivery. The objective is to show the manner in which the proposed business plan will be able to deliver with a level of efficiency for the day-to-day operations, while keeping an eye on the strategic plan. This may require an explanation of the type of facilities needed, space requirements, capital equipment, labour force, and technological capacity. It may also address storage and inventory control, purchasing plan, work shifts, shutdowns, as well as legal requirements for licensing and permits.

- **Management Plan**

This section would demonstrate the plan's validity through exposing who is going to implement it, and how the presented concepts are going to be realized and turned into a market success. This section should refer to the availability of the formal resumes for key people in the lead and management team, and have copies of those resumes placed in the appendix.

- **Marketing plan**

This part of business plan is where an entrepreneur presents an adequate description of how proposed business is going to succeed in moving the product from the production phase to consumption or from the firm to consumers through the market. It is basically the plan that would identify who the consumers are, what they like, what they are willing to buy, and how to attract them into buying this specific product. Also, who else has been attracting them, and how to beat such competitor, if any.

The efficient answers to these questions can be given by arranging the information into two parts.

- Market analysis that discusses the target market, market size and trends, market share, market claims, and market competition.
- Market strategy that addresses product pricing, product distribution and sales, advertising and promotion, and public relations

## **FEASIBILITY STUDY**

Feasibility study is a systematic method to find out the possibility and practicability of starting a project or business. An Entrepreneur with a limited financial resources before venturing in to a business has to study whether it is feasible or not. Feasibility study analyses availability of materials, skills and expertise, capital market, etc. Feasibility study contains fairly specific estimates of project cost, means of financing, sales revenues, production costs, financial and social profitability.

## Uses of feasibility study

- It helps Entrepreneur in making investment decision.
- It helps the agencies and organizations the viability of the project.
- It helps to work out the economics of production and expected profitability of the venture or enterprise.

### 1. *Technical evaluation or feasibility*

The technical feasibility is an attempt to determine how will the technical requirements for a proposed industrial unit can be met. It is a study made to see how-best the country's resources and facilities fit the needs of the proposed industrial unit. The information presented by the entrepreneur should contain.

### 2. *Economic evaluation or feasibility*

After the technical feasibility study of the project is made, Economic feasibility study of project has to be taken up. Economic evaluation of a proposed project by the entrepreneur is the presentation of information regarding the profitability of the business/industry so as to convince financial institutions and borrow loans.

### 3. *Financial analysis*

The objective of financial analysis is to ascertain whether the proposed project will be financially viable in the sense of being able to meet the burden of servicing debt and whether the proposed project will satisfy the return expectations of those who provide the capital.

While conducting a financial appraisal certain aspects has to be looked into like:

- Investment outlay and cost of project
- Means of financing
- Projected profitability
- Break- even point
- Cash flows of the project /
- Investment worthiness judged in terms of various criteria of merit

- Projected financial position

### 1. *Ecological analysis*

In recent years, environmental concerns have assumed a great deal of significance especially for projects, which have significant ecological implications like power plants and irrigation schemes, and for environment polluting industries (like bulk drugs, chemicals and leather processing). The concerns that are usually addressed include the following:

- What is the likely damage caused by the project to the environment?
- What is the cost of restoration measures required to ensure that the damage to the environment is contained within acceptable limits?

### **Feasibility study report**

After making the feasibility study of the project taking into consideration the economic, financial, and technical aspects, the entrepreneur has to prepare a report. This feasibility study report is prepared in a prescribed format. Major contents of the report are:

1. An introductory report regarding the product selected, process selected, production capacities, Justification for the proposed location, etc.
2. Non recurring expenditure (on and, factory/office buildings godowns, machinery and equipment)
3. Recurring expenses per month (on raw materials, consumables, Salaries, Rent, Fuel Power, etc.)
4. Capital requirement and sources of capital (own capital, borrowings, subsidies, etc.)
5. Total cost of production (per month)
6. Profitability (per month)
7. Percentage of operating profit per annum (Return on total project, return on won capital and Return on Total Sales)

## **PROJECT REPORT**

Project report is a document which describes the progress at every stage of the project. The project report provides detailed information about the project which is used to fill up the form for obtaining the provisional SSI registration. Project report is also useful while applying for loans from financial institutions and for getting clearances from the government. But, while evaluating the profitability of various project ideas, an entrepreneur can prepare the project report for all such projects and can select the most profitable and technically sound project.

It acts as a guide to management, especially at the intimal stage to know whether the technical, commercial, financial and economic conditions are feasible or not.

### **Importance of a Project Report**

Project report is of great importance. It highlights the practicability of a project in terms of different factors like economy, finance, technology and social desirability. It is needed by the entrepreneur for carrying out expansion or starting a new production line.

These may be carried on by individuals like engineers and scientists, bankers or institutions, consultancy services and development banks. Ah important aspect of the report lies in determining the profitability of the project and minimizing risks in the execution of the project.

### **Contents of report:**

- General information
- Promoter
- Location
- Land & building
- Plant & machinery
- Capital requirement & cost
- Operational requirement & cost
- Raw material
- Man power
- Products
- Market
- Economic analysis
- Working capital
- Requirement of funds.



## **Typical Outline of the Project Report**

### Section A: Information about the entrepreneur

1. Name of the entrepreneur, residential address, telephone -number e-mail fax and date of birth.
2. Educational qualifications of the entrepreneur.
3. Special training/vocational training.
4. Job held/business undertaken/industrial activity undertaken.
5. Qualities, skills, values, beliefs, attitudes and aptitude.
6. Why has the entrepreneur decided to set up this particular project?
7. Why does the entrepreneur think he will be successful in this business?
8. Family background of the entrepreneur.

### Section B: Information about the project

1. Name of the product(s).
2. Description of the product with the unique selling proposition and special features.
3. Where the product is being used or consumed?
4. Available substitutes in the market:
5. Names of competitors.
6. Description of products of competitors with their special features
7. Present demand and supply position and projected sales for first three years.
8. Future demand and supply position.
9. Price of the product.
10. Anticipated changes in tastes, preferences and needs of the market.
11. Anticipated changes in technology, sources of raw material and packaging.
12. Target market
13. Value of orders\_ in hand (already received) and expected shortly.

Section C: Information about the business

1. Name of the business
2. Address of the business
3. Form of ownership organisation (Proprietorship, partnership, company, etc.)
4. Type of Project-Manufacturing/service/trading

Section D: Details of the proposed project

1. Production programme (for a period of one year)
2. Inputs
  - a. Machinery, equipment, and instruments
  - b. Raw material, semi-finished goods and finished goods
  - c. Utilities
  - d. Manpower

**GUIDELINES BY PLANNING COMMISSION FOR PROJECT REPORT**

Planning commission of India issued some guide lines for preparing/ formulating realistic project reports. 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.

The summery of the guidelines by planning commission are presented here.

1. General information:

The feasibility report must include the analysis of the industry to which it belongs. The report should deal with description of type of industry, its priority, past performance, increase in production, role of public sector, technology, allocation of funds and information about the enterprise.

2. Preliminary Analysis of alternatives

The details like gap between demand and supply of proposed products, availability of capacity, list of all existing plants in industry, indicating their capacity, level of production

attained, list of present projects and list of proposed projects. All technically feasible options are considered here.

### 3. Project Description

The feasibility report should provide a brief description of the technology/process selected for the project, information pertaining to the selection of optimal location, population, water. Land, environment, pollution and other environmental problems etc., are to be provided.

The report should contain details of operational requirements of the plant, requirement of water, power, personnel, land, transport, construction details for plant and offices etc.

### 4. Marketing plan:

The details like marketing plan, demand, target price of product, distribution methods etc., are to be presented.

### 5. Capital requirements and costs

Information with regard to capital requirement and costs with breakup are to be provided. The estimates should be realistic and based on logical information.

### 6. Financial Analysis

Financial analysis is essential to assess the financial viability of the project.

A preformat balance-sheet, details of depreciation, clearance for foreign exchange, details of any income tax rebate, incentives for back work areas are to be included.

### 7. Economic Analysis

Social profitability analysis is to be made. Impact of the operations on foreign trade, direct costs and benefits are to be included in the report.

### 8. Miscellaneous aspects

Depending upon the nature and size of operation of a particular project, any other relevant information may be included in the project report

## **INTERNATIONAL ENTREPRENEURSHIP**

International entrepreneurship involves carrying out business activities across national border to respond to customer needs outside the country by availing opportunities outside the country.

International business is becoming more and more important for ventures of all sizes, particularly in the present highly competitive global economy, wherein more and more countries are opening up their economies for international trade. It is important to realize that although it helps an entrepreneur expand their business, it also requires a better understanding of international markets by appropriately diagnosing economic, political, technological, market, legal, social and cultural environments of each country wherein the entrepreneur proposes to enter.

## **ENTREPRENEURIAL ENTRY INTO INTERNATIONAL BUSINESS**

The key to entering into foreign markets is to understand the customer in detail first with due emphasis on issues related to language, social norms and culture. Entering into international markets mainly involves extending business internationally by adding customers, distribution channels and production facilities internationally.

After having analysed the business environment to identify business opportunities abroad, an entrepreneur needs to respond to the following challenges before deciding to operate abroad:

- management practices and style,
- strategic issues that need to be appropriately responded to,
- alternative strategies and their implications to enter into other countries,
- process to take decision for entering into international markets,
- ethical practices and propensities across nations and their implications for business,
- country-specific risk associated with change in government regulations.

There are various ways an entrepreneur can market products internationally. The method of entry into a market and the mode of operating overseas are dependent on the goals of the entrepreneur and the company's strengths and weaknesses. The modes of entering or engaging in international business can be divided into three categories:

- Exporting,
- Non-equity arrangements, and
- Direct foreign investment.

### 1. Exporting

Usually, an entrepreneur starts doing international business through exporting. Exporting involves providing products manufactured in one country to customers located in another country. It could be direct exports or indirect exports. Exporting normally involves the sale and shipping of products manufactured in one country to a customer located in another country.

#### a) *Indirect Exporting:*

Indirect exporting involves having a foreign purchaser in the local market or using an export management firm. For certain commodities and manufactured goods, foreign buyers actively seek out sources of supply and have purchasing offices in markets throughout the world. An entrepreneur wanting to sell into one of these overseas markets can deal with one of these buyers. This method of exporting involves the least amount of knowledge and risk for the entrepreneur.

#### b) *Direct Exporting:*

In the case of direct exports, the entrepreneur routes their products through an independent distributor or through their own overseas sales office. The independent distributor takes the responsibility of identifying foreign customers and also takes care of technicalities related to documentation, financing and delivery of products and gets a set commission for it. Independent foreign distributors usually handle products for firms seeking relatively rapid entry into a large number of foreign markets.

## 2. Non-equity Arrangements

When market and financial conditions warrant the change, an entrepreneur can enter into international business by one of three types of non-equity arrangements:

- Licensing,
- Turn-key projects, and
- Management contracts.

Each of these allows the entrepreneur to enter a market and obtain sales and profits without direct equity investment in the foreign market.

### a) *Licensing:*

Licensing involves an entrepreneur who is a manufacturer (licensee) giving a foreign manufacturer (licensor) the right to use a patent, trademark, technology. Production process, or product in return for the payment of a royalty. The licensing arrangement is most appropriate when the entrepreneur has no intention of entering a particular market through exporting or direct investment. Since the process is low risk, yet provides a way to generate incremental income, a licensing arrangement can be a good method for the entrepreneur to engage in international business.

### b) *Turn-Key Projects:*

Another method by which the entrepreneur can do international business without much risk is through turn-key projects. The underdeveloped or lesser-developed countries of the world have recognized their need for manufacturing technology and infrastructure and yet do not want to turn over substantial portions of their economy to foreign ownership. One solution to this dilemma has been to have a foreign entrepreneur build a factory or other facility, train the workers, train the management, and then turn it over to local owners once the operation is going, hence the name turn-key operation.

c) *Management Contracts:*

A final non-equity method the entrepreneur can use in international business is the management contract. Several entrepreneurs have successfully entered international business by contracting their management techniques and skills. The management contract allows the purchasing country to gain foreign expertise Without giving ownership of its resources to a foreigner, or the entrepreneur, the management contract is another way of entering a foreign market without a large equity investment.

3. Direct Foreign Investment

The wholly owned foreign subsidiary has been a preferred mode of ownership for entrepreneurs using direct foreign investment for doing business in international markets. Joint ventures and minority and majority equity positions are also methods for making direct foreign investments.

The percentage of ownership obtained in the foreign venture by the entrepreneur is related to the amount of money invested, the nature of the industry and the rules of the host government.

a) Minority Interests:

Japanese companies have been frequent users of the minority equity position in direct foreign investment. A minority interest can provide a firm with a source of raw materials or a relatively captive market for its products. Entrepreneurs have used minority positions to gain a foothold or acquire experience in a market before making a major commitment. When the minority shareholder has something of strong value, the ability to influence the decision-making process is often far in excess of the amount of ownership.

b) Joint Ventures:

Another direct foreign investment method used by entrepreneurs to enter foreign markets is the joint venture. Although a joint venture can take on many forms, in its most traditional form, two firms (for example, one Indian firm and one U.S firm) get together and form a third company in which they share the equity.

Joint ventures have been used by entrepreneurs most often in two situations:

- when the entrepreneur wants to purchase local knowledge as well as an already established marketing or manufacturing facility, and
- when rapid entry into a market is needed. Sometimes joint ventures are dissolved and the entrepreneur takes 100 percent ownership.

Even though using a joint venture to enter a foreign market is a key strategic decision, the keys to its success have not been well understood, and the reasons for forming a joint venture today are different from those of the past.

c) Majority Interest:

Another equity method for the entrepreneur to enter international markets is to purchase a majority interest in a foreign business. In a technical sense, anything over 50 percent of the equity in a firm is majority interest. The majority interest allows the entrepreneur to obtain managerial control while maintaining the acquired firm's local identity. When entering a volatile international market, some entrepreneurs take a smaller position, which they increase up to 100 percent as sales and profits occur.



## VENTURE CAPITAL

Venture capital is the source of finance committed to an enterprise that has risk and adventure. It is a fund made available for financing of new business ventures from scratch. Venture capital is arranged to the entrepreneurs through the private equity market for supporting profitable, but risky ventures.

- Venture capital is "the money obtained through private investments or public investment funds directed to high risk and high potential enterprises".
- Central Bank, U.K. defines venture capital as "an equity by which an investor supports an entrepreneurial talent with finance and business skills to exploit market opportunities, and thus, gain long-term market gains".

Venture capital funding represents a win-win situation wherein the venture capitalist who is in search of high returns meets the entrepreneur who is in need of risk-finance. Keeping in view the long-term interest a venture capitalist tries to build-up a rewarding relationship by not only providing funds, but also participating in the overall management of the venture through arranging technical advice on product development, finding new resources, expanding marketing network and guaranteeing repayment of loans.

### **Role and Significance of Venture Capital**

A timely availability of adequate venture capital plays a crucial role in encouraging entrepreneurial activity in any society. Thus, venture capital can be regarded as a launching pad to innovative entrepreneurship by which adequate boost is given to convert creative business ideas into commercially viable ventures.

The important role played by venture capital in the overall well-being of a country is as follows:

- a. *Venture capital opens new avenues for deserving entrepreneurs:*

Venture capital is provided to entrepreneurs who have conceived excellent business ideas, have sound knowledge of the specific business, but lack financial resources to implement them. The venture capitalist come into their rescue by:

- Arranging development finance to accelerate early growth of their Businesses.
- Supplying funds for faster expansion of their already growing ventures.

*b. Venture capital is provided after reducing uncertainty to risks:*

Before taking any decision on investment, a venture capital firm will satisfy itself with not only the entrepreneur's qualifications, technical and managerial competence, but also the techno-economic viability of the proposed project, including marketing prospects of the concerned product or service.

Venture capital is provided only after ensuring a high rate of return on the investment under risky business conditions. Availability of venture capital to a business on the basis of its merits implies safety and security of investment.

*c. Helps building entrepreneurial vision:*

Today, many societies around the globe show a lower preference for adopting entrepreneurship as careers. Children belonging to middle and lower middle class families with money constraints are rather encouraged to take up employment.

*d. Mobilisation of small savings:*

Mostly, the small investors in their individual capacity do not possess the professional expertise to analyse the risk factor involved in high-risk investment like venture capital. Investment organisations help them by providing the required computations and analysis.

*e. Results in socio-economic benefits:*

Besides bringing about direct gains in the form of growth of individual businesses through profitability and expansion, venture capital helps achieving a number of socio-economic goals. It opens up the path to the overall social up-liftment by creating job opportunities, removing poverty, facilitating support to innovation and creativity, fulfilling ambition of entrepreneurship minded people and transforming education system into action-oriented industry.