



# Entrepreneurship Development and Business Communication



**DEPARTMENT OF EXTENSION EDUCATION**

**Jawaharlal Nehru Krishi Vishwa Vidyalaya**

**Jabalpur (M.P.)-482004.**

# **Entrepreneurship Development and Business Communication**



**Department of Extension Education  
Jawaharlal Nehru Krishi Vishwa Vidyalaya  
Krishi Nagar, Adhartal, Jabalpur- 482004  
(M.P.)**

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# Jawaharlal Nehru Krishi Vishwa Vidyalaya

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## FOREWORD

The idea of infusing entrepreneurship into education has spurred much enthusiasm in the last few decades. Ministry of Human Resource Development, Govt. of India is keen to develop job creators rather than job seekers. The courses related to such initiative are welcome steps from academic institutions. Entrepreneurship Development and Business Communication as a part of curriculum will strength the students to think about enterprise and in due course of time he/she can make an effort on these lines. Interesting impact that entrepreneurship can have on education is the high levels of student motivation and engagement it can trigger, and also the resulting deep learning.

It is immensely pleasing to note that the Department of Extension Education, JNKVV, Jabalpur is publishing a textbook on “**Entrepreneurship Development and Business Communication**” for undergraduate students of agriculture as per the changed academic requirements pertaining to Fifth Dean's Committee report. The book is styled to combine coverage of models, concepts, processes, practices and perspectives that draw on both the practicalities and the more academic analysis of Entrepreneurship Development. Learners come with a rich array of different backgrounds and ways of thinking about entrepreneurship development.

I would like to congratulate the Head and the Faculty of Department of Extension Education of all the campus of JNKVV in bringing out this textbook. The authors deserve commendation for their excruciating efforts. I am confident that the publication will prove to be a useful book for students, teachers and other persons engaged in teaching courses on entrepreneurship development.

(P.K. Bisen)





# Jawaharlal Nehru Krishi Vishwa Vidyalya

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## PREFACE

Entrepreneurship is an essential component of agricultural development. Entrepreneurship development in agriculture is an important way out to bring a transformation in our rural areas. The graduates are required to possess professional capabilities to deal with the concerns of sustainable development of agriculture in all its aspects. Further, there is need for agricultural graduates to possess entrepreneurship to provide a class of village-based services. Accordingly, agricultural course curricula are prepared under the instruction of ICAR, New Delhi to maintain uniformity in contents throughout the country. The 5th Dean's committee recommended the present course curricula and this book is prepared as per the new content.

Entrepreneur is seen as the agent for economic renewal, the instrument for facilitating innovation via a process of new combinations of factors of production. Highly interesting impact that entrepreneurship can have on education is the high levels of student motivation and engagement it can trigger, and also the resulting deep learning. In developing any entrepreneurial learning strategy, there is a need to resolve a conceptual confusion concerning the relationship between Enterprise, Entrepreneurship and Innovation. This confusion impacts adversely upon efforts to develop Entrepreneurship Education as an academic field, but also in the minds of learners. This book explores the key terms within Entrepreneurship Education, providing a critical underpinning for the educator.

It is my hope that this text book on “**Entrepreneurship Development and Business Communication**” will serve as a comprehensive reading material for students, extension professionals, researchers, youth workers, trainers and educators in working with entrepreneurship education.

I compliment all the faculty of Department of Extension Education in bringing out this text book as the efforts made by them are praiseworthy and deserve appreciation.

(Dhirendra Khare)



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## **PREAMBLE**

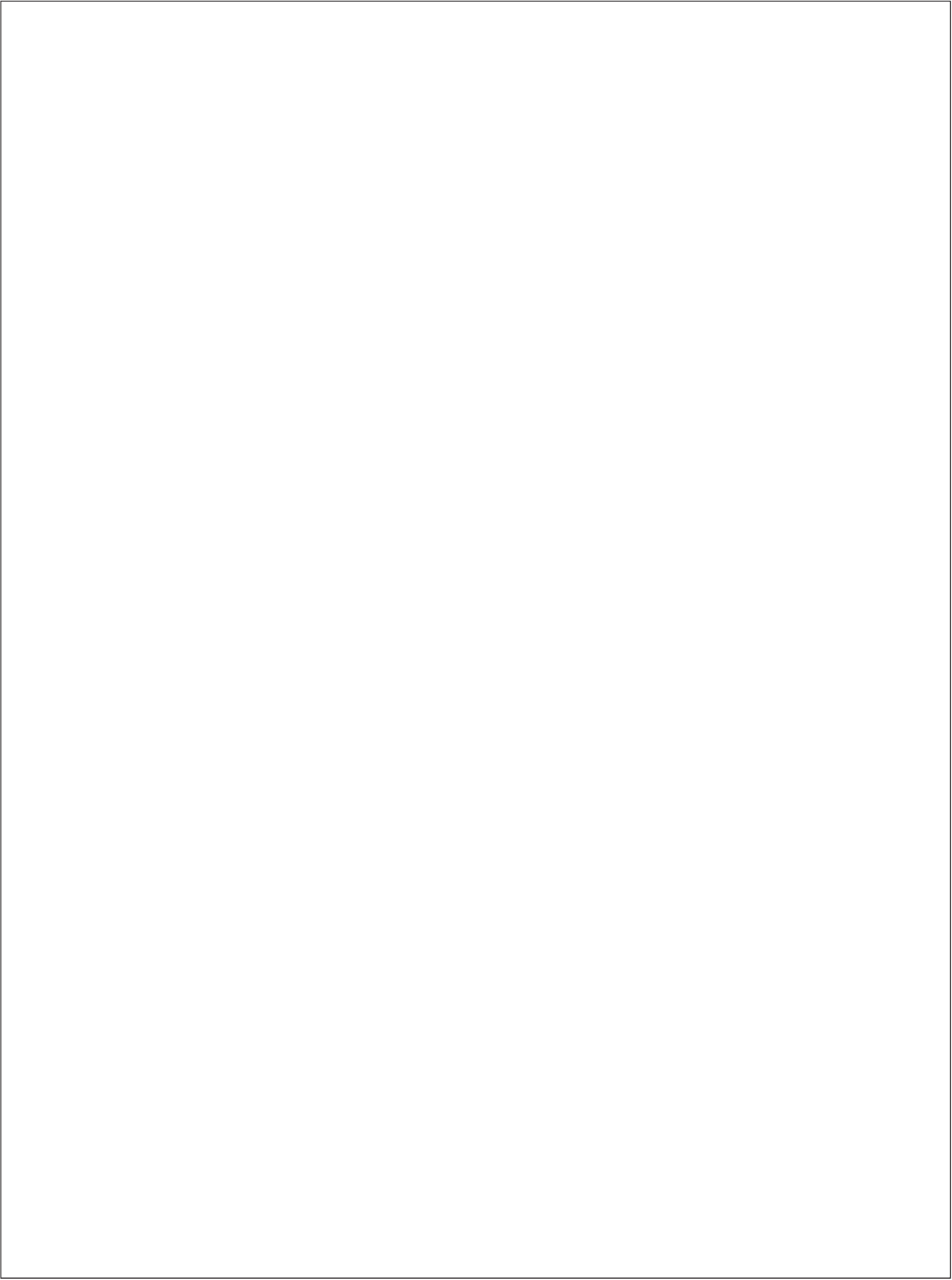
Agricultural education is a dynamic one, which is undergoing change in a very rapid manner to meet the need of the rural society. Entrepreneurship development and Business Communication has come to be recognised globally as the key to rapid and sustainable economic development as well as the welfare and progress of mankind.

In order to cope-up with the present day requirement the agriculture graduates should be well versed with the concept of entrepreneurship. It is therefore, important that entrepreneurial education is systematically provided to rural youth in particular so that they may be able to establish enterprise providing employment to self and generating employment opportunities for others. It is in this context, there is need to familiarise the students and professionals with the concepts, methodology, techniques and organisations promoting entrepreneurship development.

The Department of Extension Education, JNKVV, Jabalpur has prepared the textbook on “**Entrepreneurship Development and Business Communication**”. The present endeavour in the form of textbook of the course is made to compile various topics as per the recommendation on Fifth Dean’s Committee syllabi of ICAR.

We also acknowledge the efforts of all our faculty members of the Department of Extension Education for their deliberate efforts in chapter contribution. We are especially indebted to the authors/ institutions whose works are cited in the textbook.

(N.K. Khare)



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**Concept and Meaning**

An entrepreneur is a person who creates a new business, bearing risks and enjoying most of the rewards. The word 'entrepreneur' has been derived from the French word 'entreprendre' means 'to undertake'. Before 18th century there were many aspects of entrepreneur but after 18th century it has been in economic aspect. There are various views which come under this, some of them are risk bearing, organizer, innovative, leadership skills and capacity for high achievement.

- **‘Risk Bearing’ Concept-** This is the premier and most popular concept. It was propounded by Richard Cantillon, the French economist. According to him, “entrepreneurship is a function of taking unlimited risks. This reveals that the entrepreneur has to bear various types of risks for establishing the new enterprise and operating it. These risks are related to time changes and fluctuations in prices. He also describes entrepreneur as an agent who buys the factor of production at certain prices in order to combine them into a product with a view to selling it at uncertain prices.

Knight also describes an entrepreneur to be a specialised group of persons who bear uncertainty. Uncertainty is defined as a risk which cannot be insured against and which is incalculable.

- **‘Innovator’ Concept-** The concept of innovator includes all the combinations of factors of production which is new or changes in the composition. The innovative factor includes
  1. Introduction of new product in the market
  2. Change in the form of the product which already exists
  3. The opening of new market in to which the specific product has not entered previously
  4. The Discovery of new source of supply of raw material.
- **‘Entrepreneur as an Organiser’ concept-** According to Jean-Baptiste an Entrepreneur is one who combines the land of one, the labour of another, capital of yet another and thus produces the product. By selling the product in the market, he pays interest on capital, rent on land and wages to labourers and what remains is his/her profit.





## Definition of an Entrepreneur

- ❖ **According to Richard Cantillon-** An entrepreneur as an agent who buys factors of production at certain prices in order to combine them in to a product with a view to selling it at uncertain prices in future.
- ❖ **According to Knight-** An entrepreneur is to be a specialised group of persons who bear uncertainty. Uncertainty is defined as a risk which cannot be insured against and which is incalculable.

An entrepreneur combines capital, land, and labour to manufacture goods or to provide services through the formation of a firm for selling and getting profit or in other words an entrepreneur is an individual who creates a new business, bearing most of the risks and enjoying most of the rewards.

## Characteristics of an Entrepreneur

1. **Hard work-** A successful entrepreneur must work hard. This characteristic makes him distinguish from an unsuccessful entrepreneur. It means a successful entrepreneur works hard endless especially from the beginning till the end.
2. **Independence-** One of the common characteristics of the successful entrepreneur is that they are independent they do not live to be guided by other and to follow their routine. They liked to be independent in their business matter.
3. **Desire for high Achievement-** The entrepreneur has a strong desire to achieve goals in business. This characteristic to get high achievement makes an entrepreneur successful, remove the obstacles, suppress anxieties, increasing their risk bearing abilities.
4. **Innovative-** Production is done to meet the requirement of the customer. It is not only to change the product but also in the form of the product, packing size, change in to the ingredient and so many other factors involved to satisfy the need of the customer. So, this is essential that entrepreneur must conduct research to know the changing demands for the product and make innovation to satisfied the same
5. **Self-confidence**– An entrepreneur must have confidence and believe in them to achieve desired objective. They strongly believe that they can beat anyone in the field. They do not believe in status rather they believe that the event in their life are self-determined and have little believe in faith.
6. **Initiative** –The entrepreneur must have initiative seeking personal, responsibility for decision and use the available resources for their objectives. They take free credit for the success and failure of an enterprise.
7. **Flexibility-** Entrepreneur should be flexible, they should not be very rigid in decision making process.



### Differences between Entrepreneur and Manager :-

S.N.	Points	Entrepreneur	Manager
1.	Motive	Main Motive is to setting Enterprise	To manage the enterprise
2.	Innovation	Generate new ideas	Execute the plan
3.	Risk bearing	Assume all the risk and uncertainty involved in to the run of the business	Less Risk related to Enterprise
4.	Rewards	In terms of profit	In term of salary
5.	Status	Owner of the Enterprise	Servant of the Enterprise
6.	Qualification	There is no professional qualification required	They are generally professionals/ qualified persons
7.	Experience	As owner of the business there is no previous experiences of the Enterprise	As manager he has experience of working as executive in same field
8.	Freedom	More freedom as owner to run the enterprise	Having no or less of freedom to run the business enterprise
9.	Brain drawn	Less of brain drawn	More brain drawn

### Importance of Entrepreneur in Economic Development

1. **Wealth Creation and Sharing:** By establishing the business entity, entrepreneurs invest their own resources and attract capital (in the form of debt, equity, etc.) from investors, lenders and the public. This mobilizes public wealth and allow people to benefit from the success of entrepreneurs and growing businesses.
2. **Create Jobs:** Entrepreneurs by nature and definition are job creators, as opposed to job seekers. This kind of job creation by new and existing businesses is again is one of the basic goals of economic development. Therefore the Govt. of India has launched initiatives such as Start up India to promote and support new start ups.
3. **GDP and Per Capita Income:** It helps to increas GDP even more resources like land, labour and capital to develop products and services that add to the national income, national product and per capita income of the country. This growth in GDP and per capita income is again one of the essential goals of economic development.
4. **Living standard:** Increase in the standard of living of people in a community is yet another key goal of economic development. Entrepreneurs again play a key role in increasing the standard of living in a community. They do this not just by creating jobs, but also by developing and adopting innovations that lead to improvements in the quality of life of their employees, customers, and other stakeholders in the community.
5. **Exports:** Any growing business will eventually want to get started with exports to expand their business to foreign markets. This is an important ingredient of economic development GDP, exports, standard of living, skills development and community development.

## Types of Entrepreneurs

### According to Clarence Danhof :

1. **Innovative entrepreneur-** These entrepreneur is one who introduce new goods, inaugurate new methods of production, discover new market and reorganize the enterprise. It is important to note that such entrepreneur can work only when a certain level of development is already achieved and people look forward to change and improvement.
2. **Imitative Entrepreneur-**These are characterized by readiness to adopt successful innovation inaugurated by innovative entrepreneur. These entrepreneurs do not innovate the change themselves, they only imitate techniques and technologies innovated by others.
3. **Fabian Entrepreneur** –These entrepreneurs are characterized by very great caution and skepticism in experimenting any change in their enterprise. They imitate only when it became perfectly clear that failure to do so would result in a loss of relative position in the enterprise.
4. **Drone Entrepreneur-**These entrepreneurs are conservative or orthodox in outlook. They never like to get rid of their traditional business and traditional machinery or systems of the business. They always feel comfortable with their old fashioned technology of production even though the environment as well as the society have undergone considerable changes. Thus, drone entrepreneurs refuse to adopt the changes. They are laggards as they continue to operate in their traditional way and resist changes.

### Concept and Meaning of Entrepreneurship

- **Risk Bearing Concept-** This is the premier and most popular concept. It was propounded by Richard Cantillon, the French economist. According to him, “entrepreneurship is a function of taking unlimited risks. This has revealed that the entrepreneur has to bear various types of risks for establishing the new enterprise and operating it. These risks are related to time changes and fluctuations in prices.

When we start a new business it always includes so many risks because we try something new and different. We can also earn profit or losses because of various factors like change in the liking or input availability. Therefore entrepreneurs, need to be bold enough to assume risk, he is not to risk avoider but risk taker. This risk bearing ability makes them enable if he fails once or even one venture to persist on and on which ultimately help him to succeed.

- **High Achievement Capacity Concept-** McClelland is among the important Scholars to accept this theory. He is of the view that “entrepreneurship is high achievement capacity concept, for which capacity of making innovations and

taking the decision during risks is essential.” Under the assumption, he has mentioned two characteristics of entrepreneurship:

Besides, he has also assumed that inspiration for high-level achievements makes a man an entrepreneur.

## Definition of Entrepreneurship

In short, we can understand that entrepreneurship as a process which includes designing, launching and running all the activity to running the business successfully.

Entrepreneurship is influenced by four distinct factors: economic development, culture, technological development and education.

pattern in several years of our society. Some specific works are done only by some specific group of people. Family background also works as experience for any business, when we discuss about cultural factor.

3. **Education:** It affects to develop their knowledge and skill and changes the attitude. This is the basic of the success of any business. Positive attitude always increases their confidence for taking risk.
4. **Development of technology:** Technology plays a crucial role in the development of any enterprise. When an entrepreneur adopts day by day changing technology in the market and makes a new product according to time and changing preference of the customer help to make an entrepreneur successful.

### **Difference between an Entrepreneur and Entrepreneurship**

<b>Entrepreneur</b>	<b>Entrepreneurship</b>
An entrepreneur is a person	Entrepreneurship is a process
An entrepreneur is an individual or a team thereof, having an innovative idea, and takes every step to turn the idea into reality, while bearing the risks.	Entrepreneurship is a risky activity of commencing a business usually a start up company, offering distinct products and services to the targeted customers, which may or may not get success.
An entrepreneur is an innovator and struggles till the end for fulfilment of their dream	A procedure through which an innovation is done.
He/ she is the one who sets up the business venture, to turn a concept into reality.	It is the activity, which an entrepreneur undertakes to set up the business venture.

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According to Cambridge Dictionary meaning of intrapreneur is “an employee within a large company who takes direct responsibility for turning an idea into a profitable new product, service, business, etc., often instead of leaving to start their own company”.

An intrapreneur is also known as corporate entrepreneurship or an inside entrepreneur. This word was coined in 1980's by management consultant **Gifford Pinchot**. Being an employee of a large organization an intrapreneur applies all his skills to develop or build an innovative project, but skips smartly financial insecurity and other risks associated with it. He builds a career path within the secured structure of existing organization, utilizing entrepreneurial thinking and skills. In other words-

**Intrapreneur** = Entrepreneur - entrepreneurial risks

Successful intrapreneurs are visionary, creative, encouraging teamwork, build a group of supporters and have persistence. They are capable to create new ventures and innovates products/services and processes for better efficiency, productivity, and quality. They are proactive with risk taking ability and competitively aggressive. It is very important for an organization to retain and motivate intrapreneur. It does not only help in increasing value of the company but also attracts other talented persons to join hands in the progress of company through innovative ideas. It proves beneficial to both i.e. for organization as well as for intrapreneur. Google is the best example among such organizations that promotes intrapreneur and converting tremendous ideas into profit. These are the employees who are capable of out of box thinking and turn ideas into actions.

### **Comparison between an entrepreneur and an intrapreneur**

SN	Characteristics	Entrepreneur	Intrapreneur
<b>Differences</b>			
1.	Independence	An entrepreneur is independent to take any decision for his company. He may or may not consult anyone before taking any decision.	An intrapreneur usually reports to the owner and other top official and is usually dependent on them.
2.	Risk	An entrepreneur is always at a risk to lose everything he has invested in the company	The risks of new products developed by intrapreneurs are usually borne by the company.

3.	Funds	Fund generation is a big issue with entrepreneur and sometimes the startup closes abruptly because entrepreneur fails to generate enough funds.	Funding is provided by company/ organization after approval.
4.	Relationship with the business	The entrepreneur and his/her startup cannot be separated. During early life of a startup, the entrepreneur and the business act as one.	The intrapreneurs may/may not lack this relationship with the company they work with.
5.	Authority	Entrepreneur has complete authority over his start up.	Partial authority is hold by an intrapreneur.
6.	Decision	Start up decisions belong to an entrepreneur	Decisions belong to board of company.
<b>Similarities</b>			
1.	Innovation	Like an entrepreneur, innovations are integral part of intrapreneur's life.	
2.	Leadership	An intrapreneur exhibits many leadership qualities like an entrepreneur. These include guiding, leading, mentoring and problem solving skills.	
3.	Vision	Intrapreneur possesses clear vision of objectives and goals of the project.	
4.	Optimism	An intrapreneur is also optimistic who tries to learn from his/her mistakes and sees good in everything.	
5.	Motivator	To keep the team motivated for long time an intrapreneur as well as entrepreneur works as motivator.	

### Importance of an Intrapreneur

Since innovations are keys for success of business, an intrapreneur is important for any organization irrespective of its size. Existing organizations face challenges from growing organizations as well as from the various entrepreneurs (new organizations). This forces to change the mind set of big companies for the sake of sustainability. Therefore, big organizations are focusing on intrapreneur and innovations. Intrapreneurship offers the following advantages:

- I. Recognition:** Lack of resources and the risk involved in the entrepreneurship keeps many brilliant entrepreneurial minds to choose jobs/services over startups. Intrapreneurship programmes run by big organizations recognize and make the use of their skills to the fullest. It's an affair of mutual benefit and common interest.
- II. Enforces Equity:** Equity theory is based on an idea that the employees feel motivated if an organization uses fair methods to recognize and reward their efforts. This not only makes them content but also motivates them to give their fullest to the organization. Intrapreneurship not only recognizes entrepreneurial

candidates but also rewards them monetarily and non-monetarily.

**III. Organizational Benefits:** The organization gets to make use of entrepreneurial spirit in the development of new products, programmes and strategies in order to make profit and speed up growth.

The best example of intrapreneur in India in Agriculture happened to be in ITC. The idea of e-choupal, an ITC division germinated when Sivakumar a manager in the ITC Group's agribusiness unit, approached ITC's chairman, with a request of Rs 50 lakh to test an idea. He wanted to procure farm produce from soya farmers in Madhya Pradesh, thereby eliminating middlemen. Today, e-Choupal, reaches out to over 4 million farmers growing a range of crops in over 40,000 villages across 10 states.

Intrapreneurs can be classified as Employee Intrapreneur, the Creator Intrapreneur, Doers Intrapreneurs and Implementer Intrapreneurs

### AGRI – ENTREPRENEURSHIP

Agriculture is the main livelihood of India and fragmentation of land holding forces farmers to practice traditional agriculture hence there are enormous problems which need solution. This scenario provides a lot of opportunities to the agri-entrepreneurs or agripreneurs.

As the name suggests, “Agri- entrepreneurship is a set of different ventures related to agriculture's primary and secondary products.” It may be related to forward marketing of agricultural products or backward linkage to inputs required for the agricultural production. Agri-entrepreneur or agripreneur is the new breed of entrepreneurs, who use his skills to promote the traditional practice of farming to a more business-oriented vocation. Indian economy is agrarian in nature hence scope for agripreneur in our country is limitless. The Agripreneurs aim to provide innovative and technology-driven solutions to current challenges faced by the agriculture sector at lower cost. Infusion of the skills and mindset of an entrepreneur, along with the understanding of agriculture enhances the success rate of agribusiness including dairy, horticulture, forestry etc. Increasing demand of organic food, Production and marketing of required agricultural inputs and produce enhances the prospect for entrepreneur. Many national and multinational companies invite Agripreneurs to team up with their ventures to create a win- win situation to both.

**Agripreneurship:** It is defined as generally sustainable, community oriented, directly marketed agriculture. Sustainable agriculture denotes a holistic, systems oriented approach to farming that focuses on the interrelationships of social, economic and environmental process.

Easy access to technology, emergence of micro financing, liberalized government rules, awareness and training programmes on agri and allied sectors and finally changing mindset of the highly qualified people to go for self employment in the

field of agriculture have contributed significantly in enhancing the potentiality for agripreneurship in India (Bairwa et al., 2014). According to him “Agripreneurship is the profitable marriage of agriculture and entrepreneurship. Agripreneurship turns your farm into an agribusiness. The term Agripreneurship is synonym with entrepreneurship in agriculture and refers to agribusiness establishment in agriculture and allied sector”.

**Agripreneur :** An agripreneur is someone who is proactive, curious, determined, persistence, visionary, hard working, honest, has integrity with strong management and organizational skills to undertake a variety of activities in agriculture sector in order to be an entrepreneur (Bairwa et al).

### **Types of Agriventures:**

Basically agripreneurs are randomly classified by different authors but they can be classified according to the sectors they are working in-

1. Agricultural input-output sector
2. Agricultural service-providing sector-agriclinics,
3. Agricultural knowledge management sector
4. Agricultural processing sector

- 1. Agricultural input-output sector:** This sector covers mainly inputs like seeds, fertilizers, bio-agents, insecticides, pesticides, animal feeds, vaccines, poly structures, irrigation tools and equipments, farm machineries etc in one hand and cereal, pulses, oilseeds, fruits, vegetables, flowers, spices, medicinal and aromatic products, fibre, dairy products, meat, honey etc on other hand. A vast range of items comes under this sector. Increasing awareness and demand of organic and quality/nutritious food both in India and abroad is creating avenues for agripreneurs.
- 2. Agricultural service-providing Sector:** In general, service industry is a type of business that provides services to customers rather than producing a product. Providing services to farmers is also a lucrative employment for many. Transportation, banks, market, retailers, cold storage, insurance, farm mechanics, agri-clinics, warehousing, custom hiring centre etc are service industries for agriculture. They serve as backbone of the agriculture and offer smooth functioning without any obstacle. Globalization helped the entrepreneurs to improve this sector with minimized risk. Organic products, home delivery, ready to cook food and vegetables, ready to serve meal, home cook on demand, meals on wheels. Community cooking, chef at your door etc are some examples of new and upcoming service sectors which are being explored by entrepreneurs.
- 3. Agricultural knowledge management sector:** Knowledge and information helps to grow in right direction at a faster pace. Flow of information used to be

slow and sluggish previously. Increasing awareness among farmers to improve agriculture and popularization of user friendly gazettes has unveiled potential for agripreneurs regarding volume and profit maximization. Digital as well as traditional platforms are now capable of providing information at a faster rate with customized preferences. These platforms are designed to provide expert advice and to transfer knowledge to farmers on technology, cropping practices, pests and disease management, cost minimization, market trends, prices of various crops in the national & international markets, animal health which help in improving productivity of crops/animals and increased income to farming community.

4. **Agricultural processing sector:** This is the fastest growing sector, generally termed as secondary agriculture where agricultural produce/output serves as raw material for processing, milling, ginning, oil, sugar, jaggery etc. Small houses, flat system, working women force, taste preferences, changing consumers' behaviour and globalization are pushing the consumers to buy processed products. Semi processed and processed category is opening profitable avenues for new ventures. Generally Agro product processing units (mills for dal, rice, ginning, decortications etc) and agro product manufacturing units (Sugar, oil, straw board making, confectionaries, bakeries) have been the traditional units but now big companies are focusing on product development. Private sector is targeting agribusiness at all levels of operation. Bio fuels and alternate energy sources are new areas tapped by agripreneurs.

#### **Importance of Agripreneurship:**

Agripreneurship plays vital role in the growth and development of national economy through employment development, increases the income level and job opportunities in both on and off farm activities, for skilled and unskilled and for poor and rich. It skillfully addresses the need of the farmers and demand of the consumers. It helps in joining all stakeholders and induces productivity gains. It also integrates the farmers into local, national and international markets and forms commodity groups for better negotiation. For a broad chunk of population it helps in availability of nutritious food at reduced costs, decreases supply uncertainties for the rural and urban poor in the country. It also creates a mutual dependency between product/by-product utilization units.

#### **Conclusion:**

According to statistics, for every new business venture started, approximately three jobs open up. Agripreneurship has a potential to contribute a major percentage into income and employment generation in on farm as well as off farm ventures. The skill gap can be bridged by introducing formal courses in syllabus and trainings. Due to increasing population agripreneurship is not only an opportunity but also its urgent to improve the production and profitability in agriculture and allied sector. Government is being very supportive and motivating agripreneurs through various schemes like Atal Incubation



Centre. Financial assistance is also being granted for sound proposals. There are high potentials for agripreneurs in India because of diversified culture and differential needs.

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## IMPACT OF ECONOMIC REFORMS ON AGRIBUSINESS/ AGRI-ENTERPRISES

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“In the midst of every crisis, lies a great opportunity” – once Albert Einstein said. This quote most aptly describes the genesis of 1991 economic reforms in India that has changed the country forever. Also referred to as New Economic Policy (NEP, 1991) or new industrial policy, it was a major shift from a socialist, conservative protectionist economy to market oriented, liberalized and globalized economy. This historical shift, which essentially resulted from a serious economic crisis due to huge balance of payments during 1980s, was forced upon the country by International funding agencies as a condition for a World Bank loan for bailout plan. There was no choice but to accept and implement the economic reforms to get the bailout loan in order to avoid the bankruptcy. Now, decades later, with an all-round impact of new economic policy on development, one can be sure to describe it as blessing in disguise. This new idea of economic reforms, presented by Dr Man Mohan Singh, the then Finance Minister in his budget on 24th July, 1991 with an emphatic declaration in the parliament quoting Victor Hugo “no power on earth can stop an idea whose time has come”. He continued “I suggest to this august House that the emergence of India as a major economic power in the world happens to be one such idea. Let the world hear it loud and clear. India is now wide awake. We shall prevail. We shall overcome”. With this bold declaration, decades of Nehruvian socialist economic policy came to an end and a new era of economic liberalization begun in the Indian economy. As a result, an economy characterized by 'Hindu Rate of Economic growth' subsequently became one of the fastest growing economies in the world. Only three decades after that emphatic declaration of economic awakening, now that country is targeting for a five trillion economy, it is indeed a testimony to that visionary idea which changed the Indian economic scenario beyond recognition.

### **Main Features of Economic Reforms:**

The primary objective of economic reform was to improve the economic health and overall wellbeing of the people by accelerating the growth of economy through greater market competition and capacity enhancement for higher economic efficiency and productivity. In order to achieve these objectives, wide ranging economic reforms in macro (e.g. fiscal policy, monetary and trade policy) and micro (industrial deregulation, infrastructural reforms and agriculture) economic policies were introduced. The three major components of economic reforms were liberalization, privatization and globalization. Liberalization was aimed at reducing the government control or the end of license raj, whereas privatization was aimed at encouraging private investment and

competitiveness in various sectors and globalization was to open the Indian market and Indian businesses, for global participation. In order to benefit from global markets particularly for agricultural trade, India is also committed to World Trade Organization (WTO) agreements in 1995 and this was a major step forward in terms of globalization of Indian agriculture sector. In the Post-WTO era, Indian agricultural global trade and private investment got a major boost although it has been a mixed bag due to limited competitive capacity, reduced public investment and poor agri infra-structure development (Hirashima, 2000; Rao, 2001). Globalization opened the Indian market to other countries and it has become increasingly competitive where India can be in disadvantage. WTO has failed to provide a level playing field to the Indian agri export where it has to compete with highly subsidized produce from Europe and USA. Cheap imports from other countries have certainly put Indian farmers on the losing side. Therefore, with such past experiences, Indian farmers are now opposed to International trade agreements. Recently, farmers and affiliated organization have opposed the signing of Regional Comprehensive Economic Partnership (RCEP) with ASEAN countries fearing the cheap agricultural imports from countries like China, Australia and New Zealand.

It is widely recognized, the economic reforms have not benefitted the agriculture sector to the extent it has benefitted other sectors. Major reforms are needed to stimulate growth, to make it market oriented and competitive and also to minimize the vulnerability of Indian farmers from the globalized market (Thamarajakshi, 1999; Datt and Ravallion, 2002; Mahadevan, 2003). Rising and wide spread signs of agrarian crisis all too evident with no signs of any sustainable solution. Although it can be attributed to a variety of economic and ecological factors however, for this vital sector which supports more than 50% of the population, new policies need to address the issues of social equity, gainful employment for rural youth and capacity enhancement. Creating an enabling economic and structural environment for promoting agri-enterprises for rural youth is seen as a potential area for creating a sustainable growth in this sector.

#### **Globalized Market and Agribusiness in India:**

Indian agriculture, historically, has been a major global player in international agri-commodity trade. The spice trade dates as far back as 7000 years ago when India was the main trader for spices across Europe, Mediterranean and East Asia. Globalization has created an environment for greater economic dependence among nations and opens opportunities for trans-boundary businesses. However, it can be a threat to Indian businesses as they cannot compete with big multi-national companies unless they innovate and collaborate. Moreover, it can particularly put our farmers to disadvantage unless they have adequately government protection and thus it can further marginalize the resource-poor small farmers which constitute majority of Indian farmers.

In globalized modern trade exports from agriculture sector continues to be a major export area. Post-WTO regime agriculture exports have got a major boost,

although often it has to compete with unfavorable market and duty regimes with the highly subsidized agriculture from Europe and USA. Recently, Government of India has approved the Agriculture Export Policy, 2018 in December 2018 which aims to increase India's agricultural exports to US\$ 60 billion by 2022 and US\$ 100 billion in the next few years with a stable trade policy regime.

However, in order to take advantage of huge domestic market, now the focus has to shift to promoting the agri-businesses/entrepreneurship with private investment and innovations. It will not only help create employment opportunities in agriculture sector but also it will be a major boost to farm income in commensurate with government objective to double the farm income in next three years. Agri-business is essentially a shift from merely a farm producer and be dependent on market demand to owning a business and to be a product maker or a processor or service provider with innovative ideas with financial support from private investors. Government policies are framed to support agri-business in India and have taken several initiatives to promote agri startups with financial and technological support. For example, The Government of India has recently allowed 100 per cent foreign direct investment in marketing of food products and in food product e-commerce under the automatic route. In order to promote the food processing capacity, The Government of India has committed Rs 6000 crores to create mega food parks in the country to triple the capacity of food processing sector in India from the current 10 per cent of agriculture produce. In order to promote startups in agriculture sector government of India has launched a major project called AGRI-UDAAN to train and mentor the young entrepreneurs in identified priority areas.

**AGRI UDAAN - Food & Agribusiness Accelerator:** Government of India has launched this programme to boost Agri-entrepreneurship and innovation in agriculture. It is a six-month-programme run by Indian Council of Agriculture Research (ICAR) in collaboration with ICAR's National Academy of Agricultural Research Management (NAARM) and Indian Institute of Management (IIM), Ahmedabad in which shortlisted agri-startups with innovative business models will be mentored and guided to scale up their operations in identified focus areas. Some of the main focus areas include sustainable inputs, precision or smart agriculture, farm machinery, supply chain technology, farm fresh retail, post-harvest technology, Agri Biotech, Animal husbandry and fisheries among others. The startups will get mentors to guide them and they will be given exposure in various aspects of business for fund raising, technology commercialization, product validation, business plan preparation, risk analysis and other aspects of business management. Recently AGRI UDAAN- Food and Agribusiness Accelerator 3.0 was launched at the ICAR-National Academy of Agricultural Research Management, Hyderabad on 31st August 2019 with an objective to scale up successful agri startups.

**Opportunities and Obstacles:** Currently, country has most benign environment for agri- entrepreneurship and for any fresh startup for following factors;

1. **Right eco-system:** India is at the cusp of becoming an innovation and startup hub

because of right investment and technological environment. For agri startup also this is the right time because of Government policies, Improved Infrastructure, Technological support, Private Investment, Innovations and Change in Farmers Mindset.

2. **Vast domestic market:** Today, India is one of the most attractive consumer markets in the world where every business wants its presence. The growing purchase power of masses and aspiring millennials has created huge demand for food products.
3. **Untapped Potential:** So far agri startup has not been a focus area for entrepreneurs and investors. However, now with the growing opportunities in areas like post-harvest processing, Agri-biotechnology, supply chain management, dairying and fisheries private investors find it attractive to invest in these areas. For example, startups in Agrifood received funding of US\$ 1.66 billion between 2013-17 in more than 500 business deals.
4. **Growing demand for Healthy and Quality products:** With growing health awareness and affordability, consumers in India are willing to spend extra for health & quality products. For example, according to Assocham-EY joint study Indian organic food market is projected to register a growth rate of over 23% by 2023. Area under organic cultivation has been steadily increasing in the country due to favorable government policies and better profitability to the farmers. This is a potential niche area for India where country has particular advantage over developed countries.
5. **Diverse Agro-climatic Conditions:** Besides cultural diversity, India is blessed with one of the most diverse agro-climatic conditions. Thus, enabling to grow a range of diverse crops, fruits and vegetables as per market demand. This unique advantage can be tapped for specialty products with unique market advantage.
6. **Adequate human resource:** India has unique advantage in terms of availability of trained human resource not only in agriculture but in supporting technology and management.

#### **Obstacles:**

1. **Quality and certification:** quality control and certification facilities for producers are lacking which becomes a major disadvantage particularly in the international market. Country needs quality assurance mechanisms such as Total Quality Management and good manufacturing practices to be created and inculcated at the grass root level.
2. **Logistic support:** despite having improved road connectivity the adequate logistic support is lacking particularly in rural India.
3. **Lack of entrepreneurial training in course curriculum:** ICAR's fifth Dean's committee has pointed out this lacuna in our education system and has

introduced management lessons to prepare our graduate with business mindset. It remains a major bottleneck in promoting entrepreneurship in agriculture.

4. **Limited participation of farmers:** For effective backward and forward integration of any agri-business model, farmers' participation is important. Common farmers are not yet very forthcoming and have a risk averse attitude.

Many successful startups coming to horizon in recent past attracting handsome private investment is an encouraging sign that agri startup will become as successful as in IT or financial sectors. However, at the moment it is at the nascent stage and certainly needs to be nurtured and adequately supported from government. As stated earlier, the agriculture sector has not benefitted as much from economic reforms and globalization. However, now, notwithstanding the limitations in the sector, the emerging agri-entrepreneurship trends clearly suggest that agriculture sector is getting ready to take advantage of economic reforms with access to global market and pouring-in of private investment. With the right eco-system, it is certain that India will become a major hub for agri entrepreneurship very soon.

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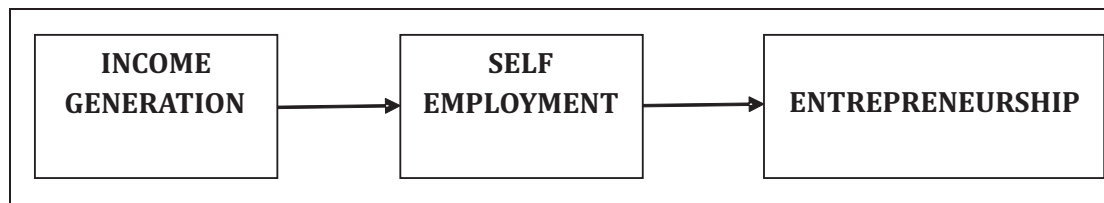
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Entrepreneurship development is a key to achieve overall economic development through higher level of industrial activity. It is a process in which persons are injected with motivational drives of achievement and insight to tackle uncertain and risky situation especially in business undertakings. The process of entrepreneurial development focuses on training, education, reorientation and creation of conducive and healthy environment for the growth of enterprise.



#### Stages of Entrepreneurship Development

1. **Income generation:** Initial stage in the entrepreneurial process in which one tries to generate surplus or profit. They are often taken on part-time or casual basis to supplement income. eg. a man with some surplus money might put his money in a fixed deposit account in a bank or a chit-fund to earn some interest.
2. **Self-employment:** Second stage in the entrepreneurial process and refers to an individual's fulltime involvement in his own occupation.
3. **Entrepreneurship:** Terminal stage of the entrepreneurial process wherein after setting up a venture one looks for diversification and growth. An entrepreneur is always in search of new challenges. An entrepreneur is not a routine businessman, he might not have resources but he will have ideas. He is innovative and creative. He can convert a threat into an opportunity. Small business might shut-down or change his business if he anticipates losses but an entrepreneur will try again after analyzing the situation. On the other hand an entrepreneur can leave a perfectly running business to start another venture if he so desires.

#### Phases of Entrepreneurial Venture

Framework for entrepreneurial venture has been developed in line with Ramachandran and Ray (1998). Entrepreneurial activities originate from individuals: the framework of entrepreneurial ventures is described as under:

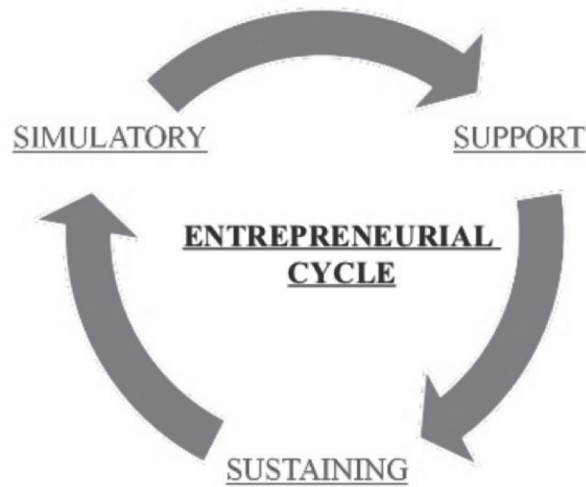
- I. Identification of an enterprise by an entrepreneur
- II. Initiation/ creation of enterprise
- III. Nurturing of enterprise
- IV. Concluding/ transition phase

According to Ray and Mondal, the phases of entrepreneurial ventures are:

- I. Preparation:** Preparation deals with a conscious search for the solutions, seeking information about the problems which arise during the entrepreneurial process.
- II. Incubation:** It is the stage of subconscious assimilation of information, where it is allowed to ferment. The process of mental fermentation allows the entrepreneur to collect and assimilate further relevant information and develop clarity of thinking.
- III. Idea generation:** Various ideas and solutions are generated at this stage. The approaches to problem solving relating to the new venture are tested in real life situation, using the individual's researches, previous experiences, insights and risks.  
  
This phase also stimulates the decision making process, and helps the entrepreneur to identify a solution relevant to his or her situation.
- IV. Identification of enterprise:** This may come from unsatisfied need of an entrepreneur, as well as unsatisfied personal needs. This is reflected by the alertness of the entrepreneur to identify the business opportunity.  
  
The most important task in this phase is to identify a solution which is likely to be successful and profitable in the long run.
- V. Initiation/ creation of enterprise:** The entrepreneur needs to create an organisation for transforming the concept into marketable product in utilising and combining physical and other resources. The entrepreneur interacts with the environment to transform ideas into reality.
- VI. Nurturing of enterprise:** Organisation translates the business concept into marketable products or services, and offers it to the customer. The entrepreneur gets feedback or market response in terms of sales, profitability etc. The feedback is measured in terms of efficiency, competitiveness, effectiveness, innovativeness, flexibility etc.
- VII. Concluding/ transition phase:** Entrepreneurial process does not end with achieving stability and success. The organisation shall require different managerial style as the environment changes and competition gradually builds up more and more.

## Entrepreneurial Development Cycle

# **ENTREPRENEURIAL DEVELOPMENT CYCLE**



**Entrepreneurship development is a process comprising essentially three phases- Stimulatory, Support and Sustenance.**

- 1. Stimulatory/ Simultaory:** Entrepreneurship refers to enterprising or achieving attitude. The questions arises how this is enterprising or “need for achievement” attitude to be developed and fostered. Motivation through stimulation and training psychologically prepares an individual to take to entrepreneurship. The stimulatory phase requires a well designed training programme based on experiential learning. On the part of the trainer also it is very important that he/she should have deep knowledge about psychology and interested genuinely in the people.

Entrepreneurship development centres have sprung all over country in recent years since initial effort during 1971. Universities have also started introducing entrepreneurial development as a subject in their syllabi at the graduate and post-graduate level assuming that it is possible to stimulate the entrepreneurial attitude and competencies in the persons who have potential through specific training and teaching programmes.



## ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES (EDPs)

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Entrepreneurship Development Programme (EDP) is meant to develop entrepreneurial abilities among individuals. In other words, it refers to inculcation, development and polishing of entrepreneurial skills into a person who wants to establish and run his / her enterprise. Thus, the concept of entrepreneurship development programme is to equipping a person with the required skills and knowledge needed for starting and running the enterprise.

National Institute of Small Industry Extension Training (NISIET), Hyderabad defined EDP as “An attempt to develop a person as entrepreneur through structural training”.

According to N. P. Singh (1985), “Entrepreneurship Development Programme is designed to help an individual in strengthening his entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively. It is necessary to promote this understanding of motives and their impact on entrepreneurial values and behaviour.”

Now, we can easily define EDP as a planned effort to identify, inculcate, develop, and polish the capabilities and skills as the prerequisites of a person to become and behave as an entrepreneur.

The entrepreneurs possess certain competencies or traits. These competencies or traits are the underlying characteristics of the entrepreneurs which result in superior performance and which distinguish successful entrepreneurs from the unsuccessful ones.

Then, the important question arises is; where do these traits come from? Or, whether these traits are inborn in the entrepreneurs or can be induced and developed? In other words, whether the entrepreneurs are born or made?

A well-known behavioural scientist David C. McClelland (1961) at Harvard University made an interesting investigation-cum-experiment into why certain societies displayed great creative powers at particular periods of their history? What was the cause of these creative bursts of energy? He found that 'the need for achievement was the answer to this question. It was the need for achievement that motivates people to work hard. According to him, money- making was incidental. It was only a measure of achievement, not its motivation.

In order to answer the next question whether this need for achievement could be induced, he conducted a five-year experimental study in Kakinada, i.e. one of the prosperous districts of Andhra Pradesh in India in collaboration with Small Industries Extension and Training Institute (SIET), Hyderabad. This experiment is popularly known as 'Kakinada Experiment'. Under this experiment, young persons were selected and put through a three-month training programme and motivated to see fresh goals. One of the significant conclusions of the experiment was that the achievement motivation had a positive impact on the performance of entrepreneurs.

In fact, the 'Kakinada Experiment' could be treated as a precursor to the present day EDP inputs on behavioural aspects. In a sense, 'Kakinada Experiment' is considered as the seed for the Entrepreneurship Development Programmes (EDPs) in India.

The fact remains that it was the 'Kakinada Experiment' that made people appreciate the need for and importance of the entrepreneurial training, now popularly known as 'EDPs', to induce motivation and competence among the young prospective entrepreneurs.

Based on this, it was the Gujarat Industrial Investment Corporation (GIIC) which, for the first time, started a three-month training programmes on entrepreneurship development. Impressed by the results of GIIC's this training programme, the Government of India embarked, in 1971, on a massive programme on entrepreneurship development. Since then, there is no looking back in this front. By now, there are some 686 all-India and State level institutions engaged in conducting EDPs in hundreds imparting training to the candidates in thousands.

Till now, 12 State Governments have established state-level Centre for Entrepreneurship Development (CED) or Institute of Entrepreneurship Development (IED) to develop entrepreneurship by conducting EDPs. Today, the EDP in India has proliferated to such a magnitude that it has emerged as a national movement. It is worth mentioning that India operates the oldest and largest programmes for entrepreneurship development in any developing country.

The impact of India's EDP movement is borne by the fact that the Indian model of entrepreneurship development is being adopted by some of the developing countries of Asia and Africa. Programmes similar to India's EDPs are conducted in other countries also, for example, 'Junior Achievement Programme' based on the principle of 'catch them young' in USA and 'Young Enterprises' in the U. K.

#### **Features:**

The Entrepreneurship Development Programme (EDP) is designed to promote small enterprise by tapping the latent talents of potential entrepreneurs through training. The main purpose of this programme is to widen the base of entrepreneurship by development achievement motivation and entrepreneurial skills among the less privileged sections of the society. EDP is a specially prepared curriculum that aims at

training and grooming people with entrepreneurial aspiration; thereby equipping them with the required skill set to put their ideas into action. Entrepreneurship Development Programme helps budding entrepreneurs to learn the ropes of running a business organization in the most efficient manner. It emphasizes more on operational aspects rather than academic training to meet the specific need of participants. The EDP trains the participants to set up an enterprise and tailors its techniques and strategies depending on the environment in which he operates the business.

The Entrepreneurship development Institute of India (EDII) and National Institute of Entrepreneurship and small Business Development (NIESBD) play an important role in training the prospective entrepreneurs.

### **Objectives of Entrepreneurship Development Programmes :**

The major objectives of the Entrepreneurship Development Programmes (EDPs) are to:

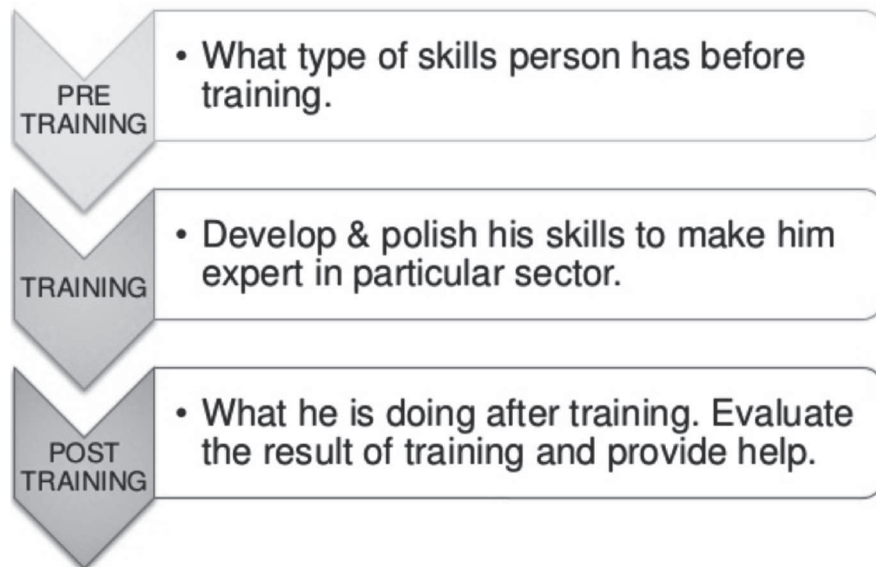
1. To let the entrepreneur set or reset the objectives of his business and work individually and along with his group.
2. To analyze active investment of finance.
3. To help in assessing industrial development of rural and less developed areas where local entrepreneurship is not readily available and to which entrepreneurs from nearby cities and town are not easily attached.
4. To understand rules, process, procedure and regulations for running the enterprise.
5. To enhance managerial capacities of the entrepreneurs.
6. To develop feeling of social responsibility on entrepreneurs.
7. To develop industries in rural and backward areas.
8. To help in balanced regional development.

### **Phases of EDPs:**

1. Pre-training phase
2. Training phase
3. Post training/Follow-up phase



## PHASES OF EDP-



1. **Pre-training phase:** Pre-training phase consists of all activities and preparation to launch training programme. Pre-training phase of EDP consists of the following activities :
  - a) Selection of entrepreneurs for the training programme.
  - b) Arrangements of infrastructure are for the programme like selection of place of training.
  - c) Deciding guest faculty for the programme from education industry and banks.
  - d) Taking necessary steps for inauguration of programme.
  - e) Formation of selection committee to select trainees from the programme.
  - f) Making provision with regard to publicity and campaigning for the programme.
2. **Training Phase:** The primary objective of training programme is to develop motivation and skill or competency amongst the potential entrepreneurs. Care should be taken to impart both theoretical and practical knowledge to various trainees. The training phase of EDP will be so designed that it will answer the following questions:
  - a) Whether the attitude of the entrepreneur has been tuned towards the proposed project or no.
  - b) Whether the trainee has been motivated to accept entrepreneurship as a career.

- c) How the trainee behaves like an entrepreneur.
  - d) Whether the trainee has sufficient knowledge on resources and technology or not.
  - e) What kind of entrepreneurial traits he lacks and what steps should be taken to set it.
- 3. Post training/ Follow-up Phase:** Follow up phase of EDP has been termed as post-training phase. The ultimate objective is to develop competent entrepreneurs so that they can start their project. Post-training phase is a review phase of training programme. It consists of reviewing of work in the following manner:
- a) Review of pre-training work.
  - b) Review of actual training programme.
  - c) Review of post training programme so that cost effectiveness of the present programme can be evaluated.

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## **ORGANIZATIONS/ INSTITUTES FOR ENTREPRENEURSHIP DEVELOPMENT**

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At present various national and state agencies are engaged in organizing EDPs for first generation entrepreneurs. Some of these are as follows:

**1. National Institute for Entrepreneurship and Small Business Development (NIESBUD), Noida, U.P.**

The National Institute for Entrepreneurship and Small Business Development was set up on 6th July, 1983. The National Institute for Entrepreneurship and Small Business Development is a premier organization of the Ministry of Skill Development and Entrepreneurship, engaged in training, consultancy, research, etc. in order to promote entrepreneurship and Skill Development. The major activities of the Institute include Training of Trainers, Management Development Programmes, Entrepreneurship-cum-Skill Development Programmes, Entrepreneurship Development Programmes and Cluster Intervention. The basic objectives of the institute are promotion and development of micro, small and medium enterprises including enhancement of their competitiveness through different activities.

**Objectives:**

- To accelerate the process of entrepreneurship development.
- To help and support agencies in carrying out activities relating to entrepreneurship development with greater success.
- To evolve standardized process of selection, training, support and sustenance to potential entrepreneurs.
- To provide functional forums for interaction and exchange of experience.

The institute is envisaged to serve as apex national resource institute for holistic development of entrepreneurial activities throughout the country. The major activities of the institute include:

- i. Evolving model syllabi for training various target groups
- ii. Providing effective training strategies, methodology, manuals and tools
- iii. Facilitating and supporting central/ state governments and other agencies in executing programmes of entrepreneurship and small business development

- iv. Conducting programmes for motivators, trainers and entrepreneurs who are commonly not undertaken by other agencies and organizing activities which help in developing an entrepreneurial culture in the society.

The major areas of intervention of the institute are conducting of training programmes, research/ review/ evaluation activities, publications and training aids, cluster development activities, virtual cluster, garment incubation-cum-training centre, intellectual property facilitation centre, employment generation/ assistance, hand-holding assistance for enterprise creation, consultancy services (national and international) etc. The institute also has a regional centre at Dehradun engaged in organizing training and research activities besides extending hand-holding support for enterprise creation and wage employment.

## **2. Entrepreneurship Development Institute of India (EDII)**

Entrepreneurship Development Institute of India (EDII), 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).

In order to broaden the frontiers of Entrepreneurship Research, EDII has established a Centre for Research in Entrepreneurship Education and Development (CREED), to investigate into a range of issues surrounding small and medium enterprise sector, and establish a network of researchers and trainers by conducting a biennial seminar on entrepreneurship education and research.

### **Objectives of EDII:**

- i) Augment the supply of trained entrepreneurs through training
- ii) Generate a multiplier effect on opportunities for self-employment
- iii) Improve managerial capabilities of small scale industries
- iv) Contribute to the dispersal of business ownership and thus, expand the social base of Indian entrepreneurial class
- v) Contribute to the creation and dissemination of new knowledge and insight into entrepreneurial theory and practice through research
- vi) Augment the supply of trainer-motivators for entrepreneurial development.
- vii) Participate in institution-building efforts
- viii) Sensitize the support environment to facilitate potential as well as existing entrepreneurs to establish and manage their enterprises
- ix) Promote micro enterprises at rural level
- x) Inculcate the spirit of entrepreneurship amongst youth
- xi) Collaborate with similar organisations in India and other developing countries to accomplish the above objectives

**EDP Initiative:**

EDII has been trying to provide EDP facilities in different dimensions. These dimensions are:

- a. Entrepreneurship in education
- b. Microfinance and micro enterprise development
- c. Performance and growth of existing entrepreneurs
- d. Performance improvement of ED institutions and ED programmes.

It has also designed and implemented several national and international training programmes and workshops for the academic community and for entrepreneurs.

**3. Indian Institute of Entrepreneurship (IIE), Guwahati**

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 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.

**Functions:**

- Promoting micro enterprises at rural areas.
- Participating in institutional building efforts.
- Inculcating spirit of 'Entrepreneurship' in youth.
- Developing new knowledge and insights on entrepreneurship theory.
- Improving managerial capabilities.
- Collaborating with other organizations.

The institute has expanded its activities to a great extent covering all facets of MSME activities. The institute has obtained ISO-9001-2000 certification. The promotion of new entrepreneurs has been the major focus of training activities organized by the institute. In order to promote new entrepreneurs, the institute organizes rural, general and women EDPs, crash course on self-employment and sector specific EDPs.

#### **4. Small Industries Development Organisations (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.

##### **Functions:**

- Formulating policy for the development of Small Scale Industries in the country.
- Provides extended support through Comprehensive plan for promotion of rural entrepreneurship Institutions set up by Central Government.

Recognizing the need for training in improving and upgrading the skill of workers and management personnel, the SIDO has formulated programmes for various types of training. It offers following courses:

- (i) Application course in industrial management
- (ii) Specialized courses in such areas as production management, marketing management, financial management, export management and materials management etc.
- (iii) Adhoc incentive courses on subjects like inspection and quality control, work study, salesmanship etc.

SIDO has specialized institutes responsible for training, research and development of product design and processes. Besides, it has designed EDPs to identify persons with entrepreneurial abilities and to train them to set up new small/ tiny industries. These EDPs are meant for separate target groups. These groups include: Educated unemployed, Women, Weaker sections, Rural artisans, Physically handicapped, Students, Defense personnel, Technocrats, Entrepreneurs under self-employment scheme.

#### **5. National Institute for Micro, Small and Medium Enterprises (NIMSME), Hyderabad**

NI-MSME was originally set up as Central Industrial Extension Training Institute (CIETI) in New Delhi in 1960 as a Department under the Ministry of Industry and Commerce, Government of India. It was decided to keep it free from the tardy and impeding administrative controls and procedures, so that the Institute can play a pivotal role in the promotion of small enterprise. Therefore the Institute was shifted to Hyderabad in 1962, and was renamed as Small Industry Extension Training (SIET) Institute.

The institute is constantly evolving in accordance with the changing times, modifying its focus with the emerging needs of MSMEs and providing solutions

in the form of consultancy, training, research and education. NI-MSME's programmes are designed to have universal relevance for successfully training the entrepreneurs to face challenges and emerging competition in the era of globalization. Over the years, the institute has gained immense experience and expertise in the areas of entrepreneurship development, technology, management and information services. NI-MSME's inherent capacity to innovate, together with its modern infrastructure, has enabled the institute to excel in its endeavour of MSME promotion.

NI-MSME has always been conceiving specialized need-based programmes, workshops and seminars in tune with the changing policy and economic scenario. The primary aim of these activities has been to enable the enterprises and the supporting systems to deal effectively with aspects that directly or indirectly affect the success of enterprises.

In line with the national objective of economic development through industrialization and based on the expertise that is available; the institute has identified some thrust areas that need emphasis and exploration. These are: Entrepreneurship Research, Women Entrepreneurship, Technology Upgradation and Transfer, Policy Issues, NGO Networking, Environment Concerns, Cluster Development, Management Consultancy, Quality Management Services, Financial Services and Information Services.

Enterprise promotion and entrepreneurship development being the central focus of NI-MSME's functions, the institute's competencies coverage on the following aspects:

- Enabling enterprise creation
- Capacity building for enterprise growth and sustainability
- Creation, development and dissemination of enterprise knowledge
- Diagnostic and development studies for policy formulations, and
- Empowering the under-privileged through enterprises.

#### **6. Small Industries Development Bank of India (SIDBI)**

It was established in April 1990 and earlier it was a wholly owned subsidiary of IDBI. Now, it is an independent company and was separated from IDBI in 1997. The aim of SIDBI's EDP is to build and nurture a reservoir of entrepreneurs through training motivation and guidance. The Bank's strategy for entrepreneurship development involves support to NGOs and specialized agencies for conducting specially designed programmes covering various target groups ultimately aimed at the promotion of rural enterprises.



The EDPs are normally of a 6 weeks duration coupled with proper practical training inputs. Agencies specialized in conducting EDPs like Entrepreneurship Development Institute of India, Institutes of Entrepreneurship Development (CEDs), Technical Consultancy Organisations (TCOs) and NGOs have been supported for conducting the EDPs for specific target groups.

The SIDBI is constantly endeavouring to address the problems related with management deficiency and a low level skill and technology by specially designed two programmes like Small Industries Management Assistance Programmes (SIMAP) and Skill-cum-Technology Up-gradation Programme (STUP). The objective of SIMAP is to develop a cadre of industrial managers specifically trained to assist the SSI entrepreneurs in their multiple responsibilities. The STUP is structured to improve the performance of the existing SSI units by developing/ strengthening managerial skills and the technical competence of the entrepreneurs and senior executive of the small enterprises.

A few specialized technical institutes like Central Institute of Plastic Engineering and Technology (CIPET), Rural Technology Institute (RTI) and Up Electronics Corporation have also been extended assistance for conduct of product specific EDPs.

## **7. National Entrepreneurship Development Board (NEDB)**

The National Entrepreneurship Development Board (NEDB) is the apex body for entrepreneurship development in the country. It devises and recommends to the Government, schemes for promotion of entrepreneurship for encouraging self-employment in small scale industries and small business. The board also recommends suitable facilities and incentives for entrepreneurship training. The board may appoint committees for specific purposes and also invite persons to the meeting of the board, as and when necessary.

### **Objectives**

The main objective of the National Entrepreneurship Development Board (NEDB) scheme is promotion of entrepreneurship for encouraging self-employment in small scale industries and small business. 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 up-gradation 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 all the grass root level and removing various constraints to their effective functioning.
- (vii) Setting up of incubators by entrepreneurship development institutions and other organizations devoted to the promotion of entrepreneurship development.

## **GOVERNMENT SCHEMES AND INCENTIVES FOR PROMOTION OF ENTREPRENEURSHIP AND GOVERNMENT POLICY ON SMALL AND MEDIUM ENTERPRISES**

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### **Government schemes and incentives for promotion of entrepreneurship**

World over, micro and small enterprises (MSEs) are recognized as an important constituent of the national economies, contributing significantly to employment expansion and poverty alleviation. Recognizing the importance of micro and small enterprises, which constitute an important segment of Indian economy in terms of their contribution to country's industrial production, exports, employment and creation of entrepreneurial base, the Central and State Governments have been implementing several schemes and programmes for promotion and development of these enterprises.

#### **1. PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP)**

Government of India has approved the introduction of a new credit linked subsidy programme called Prime Minister's Employment Generation Programme (PMEGP) by merging the two schemes that were in operation till 31.03.2008 namely Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) for generation of employment opportunities through establishment of micro enterprises in rural as well as urban areas. PMEGP is a central sector scheme administered by the Ministry of Micro, Small and Medium Enterprises (MoMSME). The Scheme is implemented by Khadi and Village Industries Commission (KVIC), a statutory organization under the administrative control of the Ministry of MSME as the single nodal agency at the National level. At the State level, the Scheme is implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) and banks. The Government subsidy under the Scheme is routed by KVIC through the identified Banks for eventual distribution to the beneficiaries / entrepreneurs in their Bank accounts.

#### **Objectives:**

- (i) To generate employment opportunities in rural as well as urban areas of the country through setting up of new self-employment ventures/projects/micro-enterprises.
- (ii) To bring together widely dispersed traditional artisans/ rural and urban



- (iv) Reimbursement of 75% of one time registration fee (w.e.f. 1st January 2002) and 75% of annual fees (recurring) (w.e.f. 1st June 2007) paid to GSI (Formerly EAN India) by Small & Micro units for the first three years for bar code.

**Objectives:**

- (i) To encourage Small & Micro exporters in their efforts at tapping and developing overseas markets.
- (ii) To increase participation of representatives of small/ micro manufacturing Enterprises under MSME India stall at International Trade Fairs/ Exhibitions.
- (iii) To enhance export from the small/ micro manufacturing enterprises
- (iv) To popularize the adoption of Bar Coding on a large scale.

**3. RAJIV GANDHI UDYAMI MITRA YOJANA- A Scheme of “Promotion and Handholding of Micro and Small Enterprises”**

There are still wide spread variations in the success rate, in terms of actual setting up and successful running of enterprises, by the EDP/SDP/ESDP trained entrepreneurs. It has been observed that new entrepreneurs generally face difficulties in – availing full benefits under available schemes of the Governments / financial institutions, completing and complying with various formalities and legal requirements under various laws/regulations, in selection of appropriate technology, tie-up with buyers and sellers etc. In order to bridge the gap between the aspirations of the potential entrepreneurs and the ground realities, there is a need to support and nurture the potential first generation entrepreneurs by giving them handholding support during the initial stages of setting up and managing their enterprises.

**Objectives:**

The objectives of Rajiv Gandhi Udyami MitraYojana (RGUMY) are to provide handholding support and assistance to the potential first generation entrepreneurs, who have already successfully completed EDP/SDP/ESDP or vocational training from ITIs, through the selected lead agencies i.e. 'Udyami Mitras', in the establishment and management of the new enterprise, in dealing with various procedural and legal hurdles and in completion of various formalities required for setting up and running of the enterprise. Under RGUMY, financial assistance would be provided to the selected lead agencies i.e. Udyami Mitras for rendering assistance and handholding support to the potential first generation entrepreneurs.

**Role and Responsibilities of Udyami Mitras**

The selected lead agencies i.e. Udyami Mitras would be expected to render following services:

- (i) Networking, coordinating and follow up with various Government

departments/agencies/ organizations and regulatory agencies on the one hand and with support agencies like Banks/financial institutions, District Industries Centers (DICs), technology providers, infrastructure providers on the other hand, to help the first generation entrepreneurs in setting up their enterprise. Udyami Mitras are expected to help the first generation entrepreneurs in:

- a. Identification of suitable project/product/enterprise and preparation of bankable project report for the same;
  - b. Creation of the proprietorship firm/ partnership firm/ Company/ Society/ SHG etc.;
  - c. Filing of Memorandum (as prescribed under MSMED Act 2006);
  - d. Accessing bank loans, admissible capital subsidy/ assistance under various schemes of the Central /State Government and other agencies/ organizations/financial institutions/ Banks etc. by networking with respective agencies
  - e. Assistance and support in establishment of work shed/office;
  - f. Sanction of Power load/connection;
  - g. Selection of appropriate technology and installation of plant and machinery/office equipment etc.;
  - h. obtaining various registrations/ licenses/ clearances / No Objection Certificates(NOCs) etc. from the concerned regulatory agencies/ Government departments/local bodies/ Municipal authorities etc.;
  - i. Allotment of Income Tax Permanent Account Number (PAN) and Service Tax/Sales Tax/ VAT registration etc.;
  - j. Sanction of working capital loan from the banks;
  - k. Arranging tie up with raw material suppliers;
  - l. Preparation and implementation of marketing strategy for the product/ service and market development; and
  - m. Establishing linkage with a mentor for providing guidance in future
  - n. Creation of web page and email identity;
- (ii) Once the enterprise has been successfully set up, the Udyami Mitras would also monitor and follow up on the functioning of the enterprise for a further period of minimum 6 months and provide help in overcoming various managerial, financial and operational problems.

The organizations of Ministry of MSME engaged in the task of entrepreneurship development i.e. the three national-level EDIs, (i.e. NIESBUD Noida, IIE Guwahati and NIMSME Hyderabad) MSMEDIs/ Branch MSMEDIs, KVIC and NSIC

(hereinafter referred as Category-I Udyami Mitras) are deemed to have been empanelled as Udyami Mitras under the scheme. Udyami Mitras would enrol the potential entrepreneurs for providing them handholding support. Only those beneficiaries would be enrolled who have already undergone EDP/SDP/ESDP of at least two weeks or who have successfully completed the vocational training in ITIs.

#### **4. CREDIT LINK CAPITAL SUBSIDY SCHEME FOR TECHNOLOGY UPGRADATION**

The Scheme was launched in October, 2000 and revised w.e.f. 29.09.2005. The revised scheme aims at facilitating Technology Up-gradation of Micro and Small Enterprises by providing 15% capital subsidy (12% prior to 2005) on institutional finance availed by them for induction of well-established and improved technology in approved sub-sectors/products. The admissible capital subsidy under the revised scheme is calculated with reference to purchase price of Plant and Machinery. Maximum limit of eligible loan for calculation of subsidy under the revised scheme is also been raised Rs. 40 lakhs to Rs. 100 lakh w.e.f. 29-09.2005.

#### **5. CREDIT GUARANTEE FUND SCHEME FOR MICRO AND SMALL ENTERPRISES**

The Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGMSE) was launched by the Government of India to make available collateral-free credit to the micro and small enterprise sector. Both the existing and the new enterprises are eligible to be covered under the scheme. The Ministry of Micro, Small and Medium Enterprises and Small Industries Development Bank of India (SIDBI), established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Fund Scheme for Micro and Small Enterprises. The scheme was formally launched on August 30, 2000 and is operational with effect from 1st January 2000. The corpus of CGTMSE is being contributed by the Government and SIDBI in the ratio of 4:1 respectively and has contributed Rs. 1754.05 crore to the corpus of the Trust up to March 31, 2009.

#### **6. SCHEMES FOR WOMEN ENTREPRENEURS:**

**A. Mahila Udyami Yojana (MUY):** IDBI has set up special fund under this scheme with corpus fund of Rs. 5 Crore to provide seed capital assistance to the women entrepreneurs intending to start projects in SSI sector. This scheme is implemented by SIDBI. 51% of equity should be managed by women.

- Seed capital is provided as soft loan- 15% of fixed cost without insisting security.
- Promoter should contribute atleast 10% of fixed cost.
- Repayment is for 10 years with moratorium period of 5 yrs.
- Debt equity ratio should be 3:1



**B. SBI Stree Sakthi Package:** Under this EDPS are exclusively designed and conducted for women entrepreneurs. Rs.25000/- is provided without collateral security.

**C. Priya Darshini Yojana:** It is implemented by Bank of India. Financial assistance is provided to women entrepreneurs who take up small business, retail traders, transport (auto rickshaws), professional and self-employed, and who take up allied agricultural activities.

- Max. loan is up to 2 lakhs for term loan and 1 lakh for working capital.
- Assets acquired with finance are hypothecated as security.
- Repayment period is 3-5 years.
- Margin money is 20% depending on type of activity.

Besides these programmes other schemes like PMRY, SEPUP (Self Employment Programme for Urban Poor), SGSY, IRDP and Rashtriya Mahila Kosh help women entrepreneurs in providing financial assistance.

## **GOVERNMENT POLICIES FOR ENTREPRENEURSHIP DEVELOPMENT**

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Since the announcement of first Industrial Policy Resolution (IPR) step by step approach was followed & various policies were implemented during past 5 decades.

- a. **The Industrial Policy Resolution (IPR), 1948:** aimed at Post independent national reconstruction through industrialization. Envisaged the importance of cottage & small enterprises for employment creation and utilization of local resources and skills. The main thrust in small scale sector was centred round Protection.
- b. **The Industrial Policy Statement (IPR), 1956:** The policy recognised the role of SSIs in providing employment opportunities, mobilising local skills and capital resources and integration with the large sector. The policy provided a clear emphatic policy and incentive support to small scale & cottage industries. It aimed at Protection plus Development of small industrial sector.
- c. **The Industrial Policy Statement (IPR), 1977:** Establishment of DICs focusing on regional growth of industries & utilization of local resources and skill. IDBI & KVIB are established & small scale sector was given priority. This policy focused on promotion. Thus Protection, Development plus promotion became its focus.
- d. **The Industrial Policy Statement (IPR), 1980:** Thrust areas were Industrial infrastructure, higher productivity promotion of agro based industries, consumer protection & quality control. For generation of wage employment & development of entrepreneurial spirit among people small scale sector was again treated most important.
- e. **The Industrial Policy Statement (IPR), 1990:** Policy of economic liberalization & Introduce simple procedures, formalities, rules & regulations. More emphasis to women & youth was given under entrepreneurship. SIDBI was established to assist entrepreneurs in the small scale sector.
- f. **New Small Enterprise Policy (NSEP), 1991:** This was made to provide adequate support to tiny and micro enterprises. Thrust areas are
  - (1) Inclusion of industry- Business & service related enterprises irrespective their location as small scale industries
  - (2) Widen scope of National Equity Fund, enlarge Single window scheme and associate commercial banks with provision of composite loan scheme

- (3) Financial support to entrepreneurs by allowing equity participation up to 24% of share
- (4) Setting up of technology development cell in SIDO
- (5) Setting up of Export development centre in SIDO
- (6) Liberalization by limited partnership act
- (7) Integrated infrastructure development system
- (8) Technology development and equitable distribution of local & imported raw material on a priority to small & tiny sector
- (9) Improvement in incentive delivery system.
- (10) Marketing, market promotion and export support modernization.

**g. Micro Small and Medium Enterprises Development (MSMED) Act, 2006:**

With a view to boost the development of small enterprises in the country, the Government of India has enacted “Micro Small and Medium Enterprises Development (MSMED) Act, 2006 and also set up a separate Ministry of Micro Small and Medium Enterprises. As per the Micro Small and Medium Enterprises Act 2006, the MSMEs are defined as follows:

<b>Manufacturing enterprises</b>	
• Micro enterprises	Investment up to Rs 25 lakh.
• Small enterprises	Investment above Rs 25 lakh & up to Rs 5 Crore.
• Medium enterprises	Investment above Rs 5 Crore & up to Rs 10 Crore.
<b>Service enterprises</b>	
• Micro enterprises	Investment upto Rs 10 lakh.
• Small enterprises	Investment above Rs 10 lakh & up to Rs 2 Crore.
• Medium enterprises	Investment above Rs 2 Crore & up to Rs 5 Crore.

**h. EXIM policy:** EXIM policy is the export import policy of the government that is announced every five years. It is also known as the Foreign Trade Policy. This policy consists of general provisions regarding exports and imports, promotional measures, duty exemption schemes, export promotion schemes, special economic zone programs and other details for different sectors. Every year the government announces a supplement to this policy. EXIM Bank of India set up for promoting India's foreign trade has the following functions, segmented into three operation groups.

- (1) Overseas Investment Finance, which handles a variety of financing programmes for Export Oriented Units (EOUs), importers and overseas investment by Indian companies.
- (2) Project Finance / Trade Finance handles the entire range of export credit services such as supplier's credit, pre-shipment credit, buyer's credit, finance

for export of projects and consultancy services, guarantees etc.

- (3) Export Service Group offers a variety of advisory and value added information services aimed at investment promotion.

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**Sheela Raghuwanshi**Assistant Professor  
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SWOT is the acronym of Strength, Weakness, Opportunities and Threats

SWOT analysis is the process of carefully inspecting the business and its environment through the various dimensions of Strength, Weakness, Opportunities and Threats.

To innovate, an entrepreneur has to make a diagnosis of the current situation. The diagnosis of the current situation is done by conducting an internal analysis and external analysis.

- Strengths are within the control of the entrepreneur, they occur at present. Strength is the basic asset of the organization that would provide competitive advantage for its growth and development.
- Weakness is within the control of the entrepreneur, it occur at present. It is the liability of an organization that can create a state of time and situation specific disadvantage for its growth and development .They are like “lack of.....” “Missing.....” or weak points. As far as possible, weakness should be eliminated!
- Opportunities are mostly beyond the control of the entrepreneur. It is the ability of the organization to grow and achieve its specific objectives in the given situation. They are different from strength in the sense that strength is positive internal factors of the business.
- Threats are also beyond the control of the entrepreneur. It is the situation that blocks the abilities of the organization to grow and develop for meeting its ultimate goals. They adversely affect the business, if not eliminated or overcome.

SWOT Analysis is a tool, often used by organizations in planning its future. This tool can be explained in a simplified manner as follows:

S –Strengths	}	of the organization
W- Weakness		
O- Opportunities	}	of the environment
T– Threats		

## Strength and Weakness

Some of the **strengths** of an organization are:

- If an organization lacks any of these, it will obviously result into its weakness.

- ✓ Poor design of product
- ✓ Limited product life.
- ✓ Low level of motivation of staff
- ✓ Non-availability of raw material
- ✓ Scarcity of capital
- ✓ Weak selling effort
- ✓ Comparatively high price
- ✓ Outdated technology

- ✓ Inadequate infrastructure
- ✓ Shortage of trained technicians.
- ✓ Lack of promotion experience
- ✓ Lack of effective co-ordination

### **Opportunity and Threat**

An entrepreneur has to know the parts of the environment to monitor, if the business is to achieve its goals. A business has to monitor key macro environmental forces like demographic, economic, technological, political, legal, social and cultural factors, also significant micro environmental forces like customers, competitors, distribution channels, suppliers, etc. that will affect its ability to earn profits. An opportunity is an area of need in which a company can perform profitably.

Some of the **opportunities** of an organization are:

- ✓ Few and weak competitors
- ✓ Growing demand
- ✓ No such product in the market
- ✓ Favourable government policies
- ✓ Easy availability of money
- ✓ Availability of appropriate technology
- ✓ Low interest on loans
- ✓ Availability of different task environment like market information, distribution outlets and media.
- ✓ Presence of favourable cultural environment.

Threats are current or future condition in the outside environment that may harm the company and might include population shift, changes in purchasing preferences, new technology etc. The purpose of analyzing threats is to avoid them by making counterbalancing actions.

**Some of the threats of an organization are:**

- ✓ Rising cost of raw material
- ✓ Shortage of power, water, fuel
- ✓ Rejection by the market
- ✓ Recession
- ✓ Tough competition
- ✓ Natural disaster



- ✓ Piracy of skilled labour
- ✓ Political instability
- ✓ Climatic changes
- ✓ Changing customer tastes and preferences
- ✓ Smuggling

On completion of a SWOT Analysis, an organization can know 'where it stands'. Therefore, it can proceed to develop specific objectives and goals for the future.

### **Usefulness of SWOT Analysis in Innovation/Creative Process**

An organization before going in for innovation has to conduct a SWOT Analysis to know its own strength and the opportunities available, to know its own weakness and threats, so as to face them. The advantages for conducting a SWOT Analysis for innovating are :-

- (1) An entrepreneur can know in which field, there is demand, and, can venture into the respective field, keeping their strengths in mind.
- (2) It helps in the development of new technology.
- (3) An entrepreneur can make an analysis as to develop a completely new product, or to just change the existing product.
- (4) There can be improvements brought about in the process of production.
- (5) On the basis of information collected through SWOT analysis, the goals which the firm wants to achieve in future can be decided.
- (6) Short term mission and long term mission of the organizations can be framed.
- (7) Alternatives can be selected and decided to exploit opportunities and to face threats in the environment.
- (8) Priorities can be given to different goals and the courses of action to achieve the goals can be timed.
- (9) Plans can be formalized for effective communication and implementation of plans.
- (10) Major functions and sub-functions can be determined in achieving the objectives of the firm.
- (11) Expansion of the range of services and benefits.
- (12) The social, political, legal, economic, technological factors can be analyzed.

An analysis of the competitors' strategies can be made and their policies can be known.

## **Time Management**

Time management refers to a range of skills, tools, and techniques used to manage time when accomplishing specific tasks, projects and goals. Time management is about getting more value out of your time and using it to improve the quality of your life. Great time management means being effective as well as efficient.

Time is money but different in that, if once lost cannot be got back. It is a limited resource and unique in that it is provided equally to every person in this universe without discrimination by the almighty. Efficient time management decides the growth and success of an enterprise. Emphasizing the importance of time management and avoiding the time wasters will reduce the stress on an entrepreneur. Successful people recognize the value of time and get best out of it by managing it better. Thus time management is about setting clear priorities and making sure that they are achieved.

### **Factors that waste time:**

- o Poor planning, lack of contingency plan
- o Lack of self-confidence about how to accomplish task at hand
- o Socializing on the job
- o Cluttered work space
- o Telephone interruption; too much time on telephone
- o Absence from, or being late to the work place
- o Postponing jobs or assignments
- o Extended lunches or breaks
- o Procrastination ( Thief of Time )
- o Poor organization
- o Difficulty with task prioritization - not knowing which tasks to focus on in what order
- o Not setting /sticking to priorities
- o Inefficient delegation, or failure to delegate duties to others

### **Time Savers**

- Identify and plan daily activities that need to be done
  - ✓ Identify and list out activities before the start of the day i.e., a “to-do” list of tasks
  - ✓ Set priorities: Priorities what needs to be done – this is especially important. Without it , you may work very hard, but you won't achieve the results you desire because what you are working on is not of strategic importance. So how do you work on To Do list tasks- top down, bottom up, easiest to hardest?

- ✓ Begin with the most important and most urgent tasks
- Be self-motivated
  - ✓ Complete tasks you have planned with commitment and dedication
  - ✓ Be result-oriented in doing business
- Set Goals
  - ✓ In order to move forward on a set of tasks in an efficient manner, you must have a goal in mind. With a goal, you can then figure out what exactly need to be done, in what order. Without proper goal-setting, it is possible to get off- track in the confusion of conflicting priorities.
  - ✓ Plan the time in terms of in time and resources required to accomplish the task
- Do not be afraid to use the phone
  - ✓ Often we rely on email alone for communications; this can be very efficient for certain communications, but for others it is more efficient to schedule a phone call and have a conversation
  - ✓ Phone calls can often help us to get the information faster we need
- Take notes during meetings, calls, etc
  - ✓ Studies have shown that people are much more likely to accomplish their goals if they have written them down. As someone once said, “A short pencil is better than a long memory.”
  - ✓ Taking notes during important meetings to record business information, customers' and suppliers' names and addresses, action items to complete prior to the next meeting, etc
- Demonstrate flexibility in terms of work hours.
- Accomplish very important tasks during the time of day when you work best.

**For example:** if you are a “morning person” try to work on the tasks that require the most thought in the morning. Save routine tasks for the end of the day, when you are starting to feel less energized

- Identify time-wasters and work to minimize them
- Learn from the experiences of others, including those of other entrepreneurs

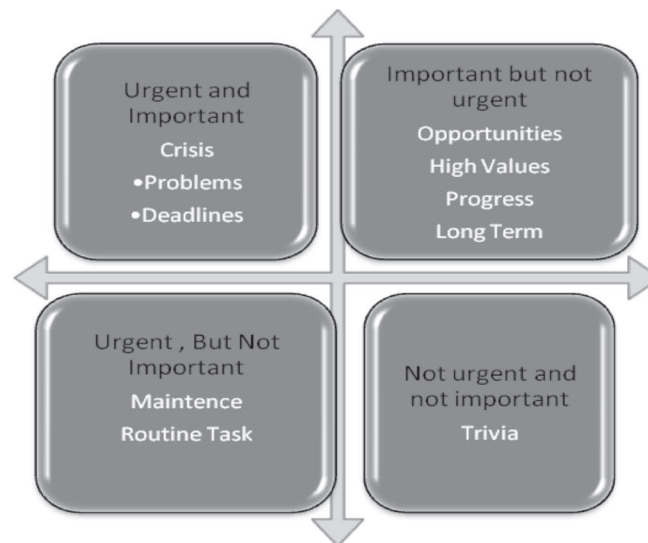
Distinguish between those tasks that we should do ourselves and those that should be delegated, and then delegate appropriately

## Time Matrix

Managing time effectively, and achieving the things that you want to achieve,

means spending your time on things that are important and not just urgent. To do this, you need to distinguish clearly between what is urgent and what is important:

- ❖ **Important:** These are activities that lead to the achieving of your goals and have the greatest impact on your life.
- ❖ **Urgent:** These activities demand immediate attention, but are often associated with someone else's goals rather than our own.
- ❖ **Urgent and Important:** Activities in this area relate to dealing with critical issues as they arise and meet significant commitments. Perform these duties now.



- ❖ **Important, But Not Urgent:** These success-oriented tasks are critical to achieving goals. Plan to do these tasks next.
- ❖ **Urgent, But Not Important:** These chores do not move you forward toward your own goals. Manage by delaying them, cutting them short and rejecting requests from others. Postpone these chores.
- ❖ **Not Urgent and Not Important:** These trivial interruptions are just a distraction, and should be avoided if possible. However, be careful not to mislabel things like time with family and recreational activities as not important. Avoid these distractions altogether

## The 80/20 Rule



The 80/20 rule, also known as Pareto's Principle, states that 80% of your results come from only 20% of your actions. Across the board, you will find that the 80/20 principle is pretty much right on with most things in your life. For most people, it really comes down to analyzing what you are spending your time on. Are you focusing on the 20% of activities that produce 80% of the results in your life?

### Tips for preparing Daily to do List

- **Be realistic:** Do not try to accomplish more than what you can do within in your capacities.
- **Be flexible:** Make allowances for change and do not get upset about it.
- **Evaluate your performance:** Constantly evaluate improvements in productivity due to use of daily schedule. Look out for reasons for poor performance and ways to overcome them.

*Prepare a master list: Since most of us handle a large number of tasks it will be useful to prepare a master list of tasks to be performed*

### Benefits of time management:

- ✓ Improves efficiency
- ✓ Saves time so that a person can allocate adequate time for family, recreation and social obligations
- ✓ Improves relationships both on and off the job

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**Concept:**

The concept of motivation is derived from the latin word 'movere' which means "to move." (Huber, 2006)

Motivation is the process of initiating a conscious and purposeful action Motive means an urge (drive or force) or combination of urges, to induce conscious or purposeful action. Motivation is a goal directed and need satisfying behaviour. It explains why people do the things they do. It influences a person to do a thing in a certain way. Motive is something (a need or desire) that causes a person to act.

**Definitions**

- Motivation can be broadly defined as the forces acting on or within a person that cause the arousal, direction, and persistence of goal-directed, voluntary effort.
- Motivation may be defined as goal seeking or goal directed behaviour or activity.
- Motivation is an urge that directs an individual towards need satisfying behaviour.
- Motivation is an internal state that arouses us to action, pushes us in particular direction and keeps us engaged in certain activities. (Ormrod, 2008)
- Motivation is the process whereby goal-directed activity is instigated and sustained" (Schunk, 1996)
- Motivation is also defined as a stage of the organism in which bodily energy is mobilized and selectively directed towards parts of the environment.

**This definition breaks in to two parts:**

1. Mobilization of bodily energy or drive and
2. Direction

All above definitions principally concerned with factors or events that excite, channel, and prolong human behaviour for a considerable period of time.

**Factors for the motivation or motivated behaviour are:**

1. Environmental conditions



2. Internal urge
3. Incentive, awards

### Theories of Motivation

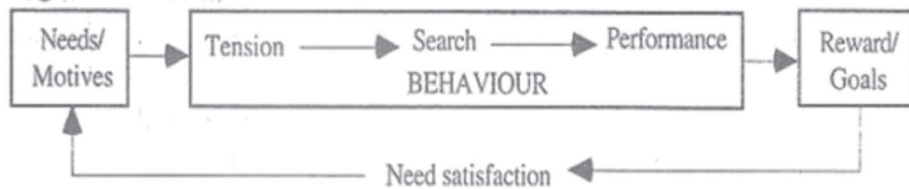
In spite of the magnitude of the effort that has been committed to the study of motivation, there is no single theory of motivation that is universally accepted. The lack of a unified theory of motivation reflects both the difficulty of the construct and the diverse backgrounds and aims of those who study it. To explain these crucial points, it is illuminating to consider the development of motivation and motivation theory as the objects of scientific inquiry. Motivation theory is thus concerned with the processes that explain why and how human behaviour is activated.

### Motivation Process

The process of motivation progresses through a series of steps. Needs/motives are the starting point of motivation. An unsatisfied need creates tension that stimulates drives within the individual. These drives generate search behaviour to achieve particular goals that will satisfy the need and lead to a reduction of tension. The action taken by the individual will lead to the reward/goal which satisfies the need and reduces tension.

**Note:-** The process is always similar for every theory of motivation.

The motivation process is presented in the following diagram;



### Five Steps of Motivation Process:

1. Identify Unsatisfied Needs and Motives.
2. Tension.
3. Action to satisfy needs and motives.
4. Goal accomplishment.
5. Feedback

### Steps of motivation process are explained below:

1. **Identify unsatisfied needs and motives:** The first process of motivation involves unsatisfied needs and motives. Unsatisfied needs activated by internal stimuli such as hunger and thirst. They can also be activated by external stimuli such as award, incentive.

2. **Tension:** Unsatisfied needs to create tension in the individual. Such tension can be physical, psychological, and sociological. In this situation, people try to develop objects that will satisfy their needs.
3. **Action to satisfy needs and motives:** Such tension creates a strong internal stimulus that calls for action. The individual engages in activities to satisfy needs and motives for reduction of tension.
4. **Goal accomplishment:** Action to satisfy needs and motives accomplishes goals. It can be achieved through reward and punishment. When actions are carried out as per the tensions, then people are rewarded others are punished. Ultimately goals are accomplished.
5. **Feedback:** Feedback provides information for revision or improvement or modification of needs as needed. Depending on how well the goal is accomplished their needs and motives are modified.

Drastic changes in environment necessitate the revision and modification of needs.

### **Historical Development**

Early explanations of motivation based on instincts. Psychologists in the late nineteenth and early twentieth century's suggested that human beings were basically programmed to behave in certain ways, depending upon the behavioural cues to which they were exposed. The very good example is of Sigmund Freud, who focused that the most powerful determinants of individual behaviour were those of which the individual was not consciously aware.

According to Steers, Porter, and Bigley (1996), in the early twentieth century researchers began to examine other possible explanations for differences in individual motivation. Some researchers focused on internal drives as an explanation for motivated behaviour. Others studied the effect of learning and how individuals base current behaviour on the consequences of past behaviour. Still others examined the influence of individuals' cognitive processes, such as the beliefs they have about future events. Over time, these major theoretical streams of research in motivation were classified into two major schools: the content theories of motivation and the process theories of motivation.

### **Major Content Theories**

Content (or need) theories of motivation focus on factors internal to the individual that energize and direct behaviour. In general, such theories regard motivation as the product of internal drives that compel an individual to act or move toward the satisfaction of individual needs. Major content theories of motivation are Maslow's hierarchy of needs, Alderfer's ERG theory, Herzberg's motivator-hygiene theory, and McClelland's learned needs or three-need theory.

## Major Process Theories

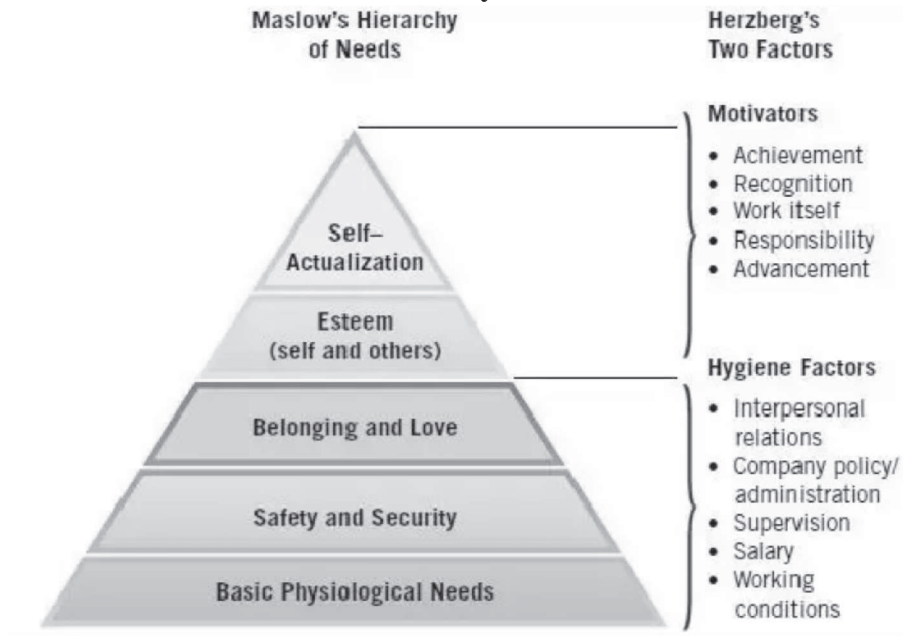
Process (or cognitive) theories of motivation focus on conscious human decision processes as an explanation of motivation. The process theories are concerned with determining how individual behaviour is energized, directed, and maintained in the specifically willed and self-directed human cognitive processes. Process theories of motivation are based on early cognitive theories, which posit that behaviour is the result of conscious decision-making processes. The major process theories of motivation are expectancy theory, equity theory, goal-setting theory, and reinforcement theory.

### (A) Maslow's Hierarchy of Needs:

Abraham Maslow developed the hierarchy of needs, which suggests that individual needs exist in a hierarchy consisting of physiological needs, security needs, belongingness needs, esteem needs, and self-actualization needs. The needs are satisfied on the basis of urgency and importance to individuals i.e. the fulfilment of needs starts from the first order and if first order needs are fulfilled the individual thinks of second order and so on as given below. Hence lower-level needs such as the physiological and security needs must be met before upper-level needs such as belongingness, esteem, and self-actualization can be motivational.

1. **Physiological needs:** These are called first order needs. These needs are necessary for survival of the individual e.g. food, clothing, shelter etc. these are most important, if these needs are fulfilled then only the individual steps in to second order needs.
2. **Safety needs:** These are second order needs. These needs are for the security of the individual from physical, physiological, economic and social viewpoints e.g. protection from danger, threatening etc.
3. **Social/Belongingness needs:** These are third order needs. Man is a social animal and has an inherent desire to be with others in some form e.g. friendship, company etc. These are also called response needs.
4. **Esteem needs:** These are fourth order needs. The individual likes to get appreciation and recognition from others in the society e.g. power, status, prestige etc.
5. **Self-actualization:** These are called last order or fifth order or highest order needs. Self-actualization needs are those corresponding to the achievement of one's own potential, to the exercising and testing of one's creative capacities, and, in general, becoming the best person one can possibly be. It is self-realization and knowing self are the ultimate purpose of human being. What is human being, how he should live, what is his purpose of living etc.

**(B) McClelland's Learned Needs Theory:**



McClelland's theory suggests that individuals learn needs from their culture. Three of the primary needs in this theory are the need for affiliation (n Aff), the need for power (n Power), and the need for achievement (n Ach). The need for affiliation is a desire to establish social relationships with others. The need for power reflects a desire to control one's environment and influence others. The need for achievement is a desire to take responsibility, set challenging goals, and obtain performance feedback.

The main point of the learned needs theory is that when one of these needs is strong in a person, it has the potential to motivate behaviour that leads to its satisfaction. Thus, managers should attempt to develop an understanding of whether and to what degree their employees have one or more of these needs, and the extent to which their jobs can be structured to satisfy them.



### Characteristics of People with High Achievement Motivation

Characteristics	Achievement	Affiliation	Power
<b>General</b>	Concern to do better, to improve performance	Concern for establishing, maintaining, repairing friendly relation	Concern with having impact, reputation and influence
<b>Arousing Situation</b>	A moderately challenging task	Opportunity to be with friends	Hierarchical or influence situation
<b>Related Activities</b>	Chooses and performs better at challenging tasks, prefers personal responsibility, seeks and utilizes feedback on performance quality, innovates to improve	Makes more local phone calls, visits, seeks approval, dislikes disagreeing with strangers, better grades from a warm teacher	Accumulates 'Prestige Supplies' often tries to convince others

The theory of achievement motivation is a miniature system applied to a specific context, the domain of achievement-oriented activities, which is characterized by the fact that the individual is responsible for the outcome (success or failure), he anticipates unambiguous knowledge of results, and there is some degree of uncertainty or risk (McClelland, 1961).

Achievement motivation can, therefore, be defined as the striving to increase or to keep as high as possible, one's own capabilities in all activities in which a standard of excellence is thought to apply and where the execution of such activities can, therefore either succeed or fail. (Heckhausen, 1967)

#### (C) Expectancy Theory

Expectancy Theory is based on three elements:

1. Expectancy : the belief that your effort will result in your desired goal. This is based on your past experience, your self confidence and how difficult you think the goal is to achieve.
2. Instrumentality :the belief that you will receive a reward if you meet performance expectations.
3. Valence : the value you place on the reward.

Therefore, according to Expectancy Theory, people are most motivated if they believe that they will receive a desired reward(outcome) if they hit an achievable target. They are least motivated if they don't want the reward or they don't believe that their efforts will result in the reward.

#### (D) Equity Theory

Adam's equity theory of motivation proposes that high levels of employee motivation in the workplace can only be achieved when each employee perceives their

treatment to be fair relative to others.

**(E) Goal-setting Theory**

It states that specific and challenging goals along with appropriate feedback contribute to higher and better task performance. In simple words, goals indicate and give direction to an employee about what needs to be done and how much efforts are required to be put in.

**(F) Reinforcement Theory**

Reinforcement Theory tries to explain what motivates good and bad behaviour in the workplace. Reinforcement refers to rewards that are used to encourage good behaviour and punishments are used to reduce bad behaviour.

**Conclusion:** Motivation theories attempt to explain human behaviour to help us understand it better. They help in the explanation of the different forces that push us to work and how certain factors influence our decisions on work and careers. Each theory has its own explanation and data to support it. An individual should recognise several aspects that can be applied into situation in each theory. How to combine them into a practical framework for more motivation

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Organizing can be defined as “identifying and grouping different activities in the organization and bringing together the physical, financial and human resources to establish most productive relations for the achievement of specific goal of organization”.

Organizing is the establishing of effective authority relationships among selected works, persons and work places in order for the group to work together efficiently. (G.R.Terry)

In general words organizing refer to arranging everything in orderly form and making most efficient use of resources. When the managers are performing organizing function it result in creation of an organizational structure which shapes the systems of working.

### **Organizational process**

The process of organizing consists of the following steps

1. **Identification and division of work:** The organizing function begins with the division of total work into smaller units, Each unit of total work is called a job. And an individual in the organization is assigned one job only. The division of work into smaller jobs leads to specialization because jobs are assigned to individual according to their qualifications and capabilities. The division of work leads to systematic working. For example, in a bank every individual is assigned a job. One cashier accept cash, one cashier makes payment, one person issues cheque books, one person receives cheques etc; .With division of work into jobs the banks work very smoothly and systematically.
2. **Grouping the jobs and departmentalization:** After dividing the work in smaller jobs, related and similar jobs are grouped together and put under one department. The Departmentalization or grouping of jobs can be done by the organization in different ways. But the most common two ways are:
  - (a) **Functional departmentalization:** Under this method jobs related to common function are ground under one department. For example; all the jobs related to production are grouped under production department, jobs related to sales are grouped under sales department and so on.
  - (b) **Divisional departmentalization:** When an organization is producing more than one type of products then they prefer divisional departmentalization.



Under this, jobs related to one product are grouped under one department. For example if an organization is producing cosmetics, textile and medicines then jobs related to production, sale and marketing of cosmetics are grouped under one department, jobs related to textile under one and so on.

3. **Assignment of duties:** After dividing the organization into specialized department each individual working in different departments is assigned a duty matching to his skill and qualifications. The work is assigned according to the ability of individual. Employees are assigned duties by giving them a document called job description. This document clearly defines the contents and responsibilities related to the job.
4. **Establishing Reporting Relationship:** After grouping the activities in different departments the employees have to perform the job and to perform the job every individual needs some authority. So in the fourth step of organizing process all the individuals are assigned some authority matching to the job they have to perform.

The assignment of the authority results in creation of superior-subordinate relationship the question of who reports to whom is clarified. The individual of higher authority becomes the subordinate. With the establishment of authority, managerial hierarchy gets establishment of authority also helps in creation of managerial level. The managers with maximum authority are considered as top level managers with minimum authority become part of middle level management and managers with minimum authority are grouped in lower level management. So with establishment of the authority the individual can perform their jobs and everyone knows who will report to whom.

Developing good organizational skills is a key ingredient for success in school and in life. Although some people by nature are more organized than others, anyone can put routines and systems in place to help a child become more organized. The Coordinated Campaign for Learning Disabilities has compiled a list of strategies that parents can use to help their child develop good organizational skills.

### **Use checklists**

Help your child get into the habit of using a "to-do" list. Checklists can be used to list assignments and household chores and to remind children to bring appropriate materials to class. It is recommended that children keep a small pad or notebook dedicated to listing homework assignments. Crossing completed items off the list will help children feel a sense of accomplishment.

### **Organize homework assignments**

Before beginning a homework session, encourage your child to number assignments in the order in which they are to be done. Children should start with one that's not too long or difficult but avoid saving the longest or hardest assignments for last.

**Set a designated study space**

Children should study in the same place every night where supplies and materials are close at hand. This space doesn't have to be a bedroom, but it should be a quiet place with few distractions. Young children may want their study space near a parent. This should be encouraged, as parents can then have the opportunity to monitor progress and encourage good study habits.

**Set a designated study time**

Children should know that a certain time every day is reserved for studying and doing homework. The best time is usually not right after school, as most children benefit from time to unwind first. Parents should include their child in making this decision. Even if your child does not have homework, the reserved time should be used to review the day's lessons, read for pleasure or work on an upcoming project.

**Keep organized notebooks**

Help your child keep track of papers by organizing them in a binder or notebook. The purpose of a notebook is to help keep track of and remember the material for each day's classes and to organize the material later to prepare for tests and quizzes. Use dividers to separate class notes, or color-code notebooks. Having separate "to do" and "done" folders helps organize worksheets, notices and items to be signed by parents as well as provide a central place to store completed assignments.

**Conduct a weekly clean-up**

Children should be encouraged to go through and sort out book bags and notebooks on a weekly basis. Old tests and papers should be organized and kept in a separate file at home.

**Create a household schedule**

Try to establish and stick to a regular dinnertime and a regular bedtime. This will help your child fall into a pattern when at home. Children with a regular bedtime go to school well rested. Try to limit television watching and computer play to specific amounts of time during the day.

**Keep a master calendar**

Keep a large wall-sized calendar for the household that lists the family's commitments, schedules for extracurricular activities, days off from school and major events at home and at school. Note dates when your children have big exams or due dates for projects. This will help family members keep track of each other's activities and avoid scheduling conflicts.

**Prepare for the day ahead**

Before your child goes to bed he/she should pack schoolwork and books in a book bag. Clothes should be ironed and laid out with shoes, socks and accessories. This will cut

down on morning confusion and allow your child to prepare for the day ahead.

Provide necessary support while your child is learning to become more organized

Help your child develop organizational skills by photocopying checklists and schedules and taping them to the refrigerator. Give children gentle reminders about filling in calendar dates and keeping papers and materials organized. Most important, set a good example.

**What are Organizational Skills?**

Organization skills are those related to creating structure and order, boosting productivity, and prioritizing tasks that must be completed immediately, versus those that can be postponed, delegated to another person, or eliminated altogether.

Maintaining strong organizational skills can reduce the chance of developing poor work habits such as procrastination, clutter, miscommunication, and inefficiency.

Managers look for employees who can not only keep their work and their desk organized, but for those who can also adjust quickly to the organization structure of a company.

Develop these skills and emphasize them in job applications, resumes, cover letters, and interviews. Showing that you have the skills a company is seeking will help you get hired and promoted.

**Internal and External Organization Skills**

**Internal Organization Skills:** Organizational skills encompass more than simply keeping a clutter-free desk. While maintaining a clear space to work is important, neatness is only one of several key organizational skills. Employees with excellent organizational skills are also able to keep themselves calm and prepared with systematic planning and scheduling.

**External Organization Skills:** Work projects are typically centered around a rigid timeline, and organizing a job into smaller projects and goals can be an effective way to complete them. Employers look for workers who can schedule and delegate these smaller tasks to themselves and other employees in order to stay on track with deadlines while sustaining a healthy work-life balance.

**Controlling:**

Controlling means comparison between actual output and planned output to find out the reasons for deviations and taking corrective measures to stop such deviations in future.

**Importance of controlling:**

1. Helps in achieving organizational goal.
2. Judging accuracy of standards
3. Making efficient use of resources



Good supervision impacts organizational results and the overall work environment. A strong supervisory team that contributes to a positive work environment and enables employees to be (and feel) successful can provide your organization with a competitive advantage in attracting and retaining talented employees - which is critical in a sector that faces challenges in recruiting and retaining top employees. Good supervision is based on clearly defining the role of supervisors in your organization, and ensuring supervisors have the requisite competencies to carry out their role electively. Supervision is a management function. Therefore, the delivery of supervision should be a key part of an organization's safety management system.

Supervision is a managerial activity to influence supervisees so that they become more positively motivated and contribute fully towards the achievement of the objectives of the organization.

Supervision is a process or course of activities through which the supervisor administers and controls the subordinates so that they manage their tasks efficiently in order to achieve desired programme or goal.

### **What Is Problem Solving?**

Problems are at the centre of what many people do at work every day. Whether you are solving a problem for a client (internal or external), supporting those who are solving problems, or discovering new problems to solve, the problems you face can be large or small, simple or complex, and easy or difficult. A fundamental part of every manager's role is finding ways to solve them. So, being a confident problem solver is really important to your success. Much of that confidence comes from having a good process to use when approaching a problem. With one, you can solve problems quickly and effectively. Without one, your solutions may be ineffective, or you will get stuck and do nothing, with sometimes painful consequences.

There are four basic steps in solving a problem: Defining the problem, Generating alternatives, Evaluating and selecting an alternative, and Implementing solutions.

Monitoring and Evaluation are the two management tools that help in keeping a control on the business activities as well as raising the level of performance. Monitoring refers to an organized process of overseeing and checking the activities undertaken in a project, to ascertain whether it is capable of achieving the planned results or not. Conversely, evaluation is a scientific process that gauges the success of the project or program in meeting the objectives.

The primary difference between monitoring and evaluation is that while monitoring is a continuous activity, performed at the functional level of management, evaluation is a periodic activity, performed at the business level. To get some more differences on these two, check out the article presented below.



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**Concepts of Leadership**

Leadership entrepreneurship qualities by business managers is not enough for success of enterprises. Managers need to have both leadership and entrepreneurship qualities in order to be successful. At this point, the concept of entrepreneurial leadership emerges. Entrepreneurial leadership is a new and modern type of leadership that is a combination of leadership qualities and spirit of entrepreneurship. In addition, entrepreneurial leadership is creating new products, new processes and expansion opportunities in existing businesses, working in social institutions and dealing with ignored social issues, participating in social and political movements, contributing to the change of current services and policies implemented by civil society organizations and governments. In recent times, entrepreneurial leadership has become a new phenomenon in business management that needs to be discussed. In this regard, in this study, the importance of entrepreneurial leadership is emphasized by examining the concept of entrepreneurial leadership within a theoretical framework..

**Definition of Leadership:**

According to Stogdill (1948), there are nearly as many definitions given to leadership as there have been researchers who have written about the concept.

Conger (1992:p.18) defines leadership as "individuals who establish direction for a working group of individuals who gain commitment from this group of members to this direction and Leadership is a process by which a person influences others to accomplish an objective and directs the organization in a way that makes it more cohesive and coherent.

This definition is similar to Northouse's (2007, p3) definition Leadership is a process whereby an individual influences a group of individuals to achieve a common goal. Leaders carry out this process by applying their leadership knowledge and skills. This is called Leadership (Jago, 1982). However, we know that we have traits that can influence our actions. This is called Trait Leadership (Jago, 1982), in that it was once common to believe that leaders were born rather than made.

While leadership is learned, the skills and knowledge processed by the leader can be influenced by his or hers attributes or traits; such as beliefs, values, ethics, and character. Knowledge and skills contribute directly to the process of leadership.



### **Principles of Leadership:**

To help you be, know, and do, follow these eleven principles of leadership (U.S. Army, 1983). The later chapters in this Leadership guide expand on these principles and provide tools for implementing them:

1. Know yourself and seek self-improvement - In order to know yourself, you have to understand your be, know, and do, attributes. Seeking self-improvement means continually strengthening your attributes. This can be accomplished through self-study, formal classes, reflection, and interacting with others.
2. Be technically proficient - As a leader, you must know your job and have a solid familiarity with your employees' tasks.
3. Seek responsibility and take responsibility for your actions - Search for ways to guide your organization to new heights. And when things go wrong, as they often tend to do sooner or later — do not blame others. Analyze the situation, take corrective action, and move on to the next challenge.
4. Make sound and timely decisions - Use good problem solving, decision making, and planning tools.
5. Set the example - Be a good role model for your employees. They must not only hear what they are expected to do, but also see. We must become the change we want to see - Mahatma Gandhi
6. Know your people and look out for their well-being - Know human nature and the importance of sincerely caring for your workers.
7. Keep your workers informed - Know how to communicate with not only them, but also seniors and other key people.
8. Develop a sense of responsibility in your workers - Help to develop good character traits that will help them carry out their professional responsibilities.
9. Ensure that tasks are understood, supervised, and accomplished - Communication is the key to this responsibility.

### **Styles of Leadership**

A leadership style is the manner and approach of providing direction for a team, implementing plans and motivating people to complete a task. There are several different leadership styles, each with advantages and disadvantages. The terminology style is roughly equivalent to the leader's behaviour. It is the way in which the leader influences the followers (Luthans, 1977). There are many ways to lead and every leader has own style. Some of the more common styles include autocratic, bureaucratic, leadership and laissez-faire. In the past several decades, management experts have undergone a revolution in how they define leadership and what their attitudes are toward it. They have gone from a very classical autocratic approach to a very creative, participative approach.

Somewhere along the line, it was determined that not everything old was bad and not everything new was good. Rather, different styles were needed for different situations and each leader needed to know when to exhibit a particular approach.

### **Autocratic Style of Leadership**

This is often considered the classical approach. It is one in which the manager retains as much power and decision-making authority as possible. The manager does not consult employees, nor are they allowed to give any input. Employees are expected to obey orders without receiving any explanations. The motivation environment is produced by creating a structured set of rewards and punishments.

Generally, the autocratic leadership style is not considered to be the most suitable way to get the best response from a team, but it has distinct advantages in situations where there is great urgency and pressure to achieve, such as the armed forces. Autocratic leaders tend to be the sole decision makers for their group (Van Vugta et al., 2004).

### **Authoritarian Style of Leadership**

Authoritarian leaders, also known as autocratic leaders, provide clear expectations for what needs to be done, when it should be done, and how it should be done. There is also a clear division between the leader and the followers. Authoritarian leaders make decisions independently with little or no input from the rest of the group. Researchers found that decision-making was less creative under authoritarian leadership. Lewin also found that it is more difficult to move from an authoritarian style to a democratic style than vice versa. Abuse of this style is usually viewed as controlling, bossy, and dictatorial.

### **Democratic Style of Leadership**

The term democratic leadership' has been replaced by 'participative leadership' (Yukl, 2000). Participative leadership is the degree to which a leader shares the influence on decision making with his followers in a workgroup (Somech, 2003). Democratic leaders make the final decisions, but they include team members in the decision-making process. They encourage creativity, and people are often highly engaged in projects and decisions. This is not always an effective style to use, though, when you need to make a quick decision.

The democratic leadership style is also called the participative style as it encourages employees to be a part of the decision making. The democratic manager keeps his or her employees informed about everything that affects their work and shares decision making and problem solving responsibilities. This style requires the leader to be a coach who has the final say, but gathers information from staff members before making a decision.

### **Participative /Democratic Style of Leadership**

Lewin's study found that participative leadership, also known as democratic

leadership, is generally the most effective leadership style. Democratic leaders offer guidance to group members, but they also participate in the group and allow input from other group members. In Lewin's study, children in this group were less productive than the members of the authoritarian group, but their contributions were of a much higher quality.

Participative leaders encourage group members to participate, but retain the final say over the decision making process. Group members feel engaged in the process and are more motivated and creative.

### **Laissez-Faire style of Leadership**

First described by Lewin, Lippitt and White in 1938, the laissez faire leadership style is sometimes described as a 'hands off' leadership style because the leader provides little or no direction to their followers. This style allows complete freedom to the group to make decisions without the leader's participation. Thus, subordinates are free to do what they like. (Iccolo et al., (2012) note that laissez-faire is the avoidance or absence of leadership, indicating leaders who avoid making decisions hesitate in taking action, and are absent when needed.

The laissez-faire leadership style is also known as the "hands-off" style. It is one in which the manager provides little or no direction and gives employees as much freedom as possible. All authority or power is given to the employees and they must determine goals, make decisions, and resolve problems on their own.

### **Delegative (Laissez-Faire) Leadership**

Researchers found that children under delegated leadership, also known as laissez-fair leadership, were the least productive of all three groups. The children in this group also made more demands on the leader, showed little cooperation and were unable to work independently.

### **Bureaucratic Style of Leadership**

Bureaucratic leadership is where the manager manages "by the book" Everything must be done according to procedure or policy. If it isn't covered by the book, the manager refers to the next level above him or her. This manager is really more of a police officer than a leader. He or she enforces the rules.

### **Business Leadership skills**

Effective leadership skills are necessary in any business in order to succeed. Whether you own the business, manage it, or employees are looking to make his or her way up the corporate ladder, the right leadership style is essential in order to reach your business goals. Listed below are six business leadership skills that every great leader should possess.

#### **1. Adaptability:**

Adaptability means reacting in an effective manner to changing circumstances. Everyone experiences challenge when trying to adapt to the new and unfamiliar, but true

leaders are able to resolve those challenges with a solid plan of action. If there is one trait that every good business leader should possess in today's workforce, it is adaptability.

**People Skills** although it might seem obvious that business leaders should have good people skills, many leaders lack this important trait. People skills consist of several other traits, including the ability to observe people, the ability to communicate effectively, the ability to motivate, and adaptability.

Developing better people skills helps leaders attain business objectives faster and be more productive. People skills involve genuinely connecting with employees and co-workers. When you have the ability to connect with others, you develop a trusting, productive work environment that benefits everyone.

## **2. Self-awareness:**

Leaders who are aware of how they are perceived by others and how they impact the behaviour of others are more likely to succeed than those who are not self-aware. Most leaders are guilty of believing they are better leaders than they really are because of intention, however, managing a group of people based on intention and assuming others can read your mind often leads to disaster. To be an effective business leader, try not to assume that the people you work with instinctively understand the reasoning behind your actions. When we assume others know the reason for our behaviour it leads to miscommunication and misunderstandings. It is important to practice self-awareness in order to establish a positive working relationship with employees and co-workers. Identify your weaknesses and determine what you need to do to overcome them, whether it is explaining things more clearly, being more willing to compromise or developing better team-building skills. Remember, even if you aren't aware of your flaws, those around you are. If you are self-aware, people you work with will recognize that you are making an effort to overcome your faults – a very important trait of a great leader.

## **3. A Sense of Purpose:**

Every business needs the vision to set its direction and successful leaders are able to tap into that vision to achieve success. Good business leaders have a strong sense of purpose and the ability to convey this purposefulness to the people they work with. Leaders who understand the true purpose behind the vision inspire others and motivate them to work towards achieving the company's vision.

## **4. Decisiveness:**

Decisiveness involves making good judgments in a timely manner and is one of the most effective leadership skills to have. Even the most decisive leader has some fear of being held responsible for an incorrect decision because the decisions they make have a direct impact on how they are accepted as a leader. Although some leaders are reluctant to make quick decisions, the consequences of being indecisive are much greater than the consequences of occasionally making the wrong decision. The chances of facing tragic consequences down the line are much higher for those leaders who have a difficult time

being decisive – and these types of leaders are also remembered much longer for their inability to make a solid decision.

### **5. Collaborative Skills:**

Successful leaders understand that they don't have to come up with all of the ideas on their own – they nurture growth in others and encourage employees to contribute. Today's business environment benefits greatly from a culture of collaboration, both internally and externally. Technology has created new methods for communicating and collaborating in today's workforce, and the Internet makes collaborating with others easy to do at a low cost. If you can create an environment where everyone can contribute ideas or help increase sales, the collaboration will quickly add to your bottom line.

If you want to learn how to be a good leader, enrol in Fremont College's Business Leadership degree program. Earn a bachelor's degree in Business Leadership in just over two years and attain the skills needed to effectively manage a group of people. The Business Leadership degree prepares you for all types of leadership jobs, including Marketing Manager, Production Manager, and Sales Manager.

### **6. Business Communication Skills:**

Communication is a key in every aspect of life, but it's especially crucial in the workplace. Whether you're just starting out in business or are further along in your career curve, there are specific business communication skills necessary for success. What business communication skills and “soft skills” will help you work smarter? Here are 9 communication skills every professional should master.

- a. Active listening skills:** The ability to listen to and incorporate others' views in your communication. Listening shows you value opinions outside of your own and are open to new concepts. As a result, your audience views you as an equal partner and you can come to a solution that benefits the greater good. An active listener will allow pauses for interjections, repeat other people's words and ask questions to affirm his or her engagement in a conversation.
- b. Writing skills:** Using specific data and examples in written communication to make a solid case, and communicating proposed action items. Written communication for business should be brief but informative, and helps an audience focus on only the most important points. Good written communication also includes adequate follow-up, which closes the communication loop and shows proactive activity towards goals
- c. Verbal skills:** The ability to communicate information (ideas, thoughts, opinions and updates) in a clear manner verbally. Like good written communication, good verbal communication in the workplace is also concise and specific (researchers have found that today's attention span amounts to only 8.25 seconds). Verbal communication allows employees to engage with one another in-person and come to a mutually agreeable consensus.

- d. **Interpersonal communication skills:** Building trust and strong relationships with key stakeholders in a business. Another “soft skill,” successful interpersonal communication allows employees to find common ground, display empathy and build bonds with one another. Interpersonal communication means connecting on more than business level, but a personal level as well.
- e. **Teamwork skills:** Effectively communicating with others who may have different opinions and skill sets. In a business setting, this means putting aside personal differences and working toward a common goal. For teamwork to be successful, all parties must recognize that combined efforts are worth more than individual contributions.
- f. **Presentation skills:** Presenting information and ideas to an audience in a way that is engaging, motivating, and effective. This method of business communication allows one individual, or a group of individuals, to share evidence to support an idea or argument. A good presenter is also a good storyteller, using data, stories and examples to influence an audience to act toward a desired outcome.
- g. **Selling skills:** Persuading stakeholders to pursue an idea, decision, action, product or service. Selling skills extends beyond just those whose jobs fall under the sales department. Employees with selling skills can use these skills to influence other employees to buy into a project, team members to choose a side, or executives to offer new products or services.
- h. **Negotiation skills:** Reaching a mutually beneficial solution by understanding and leveraging the other side's motivations. A mutually beneficial or “win-win” solution is one that both sides finds favourable, and maintains positive relationships for future interactions. In order to achieve this outcome, you'll need to discover what factors would be most influential and agreeable for the other side.
- i. **Networking skills:** Displaying business value and encouraging others to enter into your business network. In order to network successfully, you'll need to be interesting enough that others desire to partner with you in some way. A large business network can also be a safety net, and means you have more people to rely on when you require help, information or services.

## 7. Direction and Motivation:

Motivation may be defined as the complex of forces inspiring a person at work to intensify his willingness to use his maximum capabilities for the achievement of certain objectives. Motivation is something that motivates a person into action and induces him to continue in the course of action enthusiastically. It determines the behaviour of a person at work.

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Managerial skills are the knowledge and ability of the individual in a managerial position to fulfil some specific management activities or tasks. This knowledge and ability can be learned and practiced. However, they also can be acquiring through practical implementation of required activities and tasks.

A manager's job is complex and multidimensional. It requires a range of skill to perform the duties and activities associated with it. Regardless of the level of management, managers must possess and seek to further develop many critical skills. A skill is an ability or proficiency in performing a particular task. Management skills are learned and developed.

An effective manager must possess the following skills to perform his job well:

- 1. Technical Skill:** Technical skill is the ability to use the procedures, techniques, and knowledge of a specialized field. Engineers, accountants, doctors, and musicians all have technical skills in their respective fields. Technical skill also includes analytical ability and the competent use of tools and work equipments to solve problems in that specific discipline. Technical skills are especially important for first-line managers. These skills become less important than human and conceptual skills as managers move up the hierarchy.
- 2. Human or Psychological Skill:** Human skill is the ability to work with people by getting along with them. It is the ability to motivate, lead and to communicate effectively with others. It is also known as 'people', 'interpersonal' or 'behavioral' skill. This skill is important as the managers spend considerable time interacting with people both inside and outside the firm. Managers require such skill for the following specific reasons:
  - ✓ To get the best out of their people.
  - ✓ To communicate, motivate, lead and inspire enthusiasm and trust.
  - ✓ To get the job done.
  - ✓ To coordinate and resolve conflicts.
  - ✓ To allow subordinates to express themselves.
  - ✓ To take care of the human side of the organization.
  - ✓ To face the challenges of globalization, workforce diversity and competition.

- ✓ To keep people busy.
- ✓ To retain good workers in the firm.
- ✓ To improve overall organizational performance.

Human skills are equally important at all levels of management. A related aspect of human skill is political skill which is a distinct type of social skill that is important for managerial success.

**3. Conceptual Skill:** Conceptual skills are most important at the top management levels. More specifically, conceptual skills refer to the ability:

- ✓ To organize information and to judge relationships within a complex whole.
- ✓ To think and to conceptualize about complex situations.
- ✓ To see organization as a whole.
- ✓ To understand the relationships among various sub-units.
- ✓ To visualize how organization fits into its broader environment.
- ✓ To recognize significant elements in a situation and to understand the relationships among the elements.
- ✓ To understand how a change in one unit will impact the other units.
- ✓ To coordinate and integrated the entire organization's interests and activities.
- ✓ To think in the abstract.

Conceptual skill is often called the ability to see the 'big picture'. It means the ability to 'think strategically'- to take the broad, long-term view. The importance of conceptual skills increases as the manager is promoted higher in the organization.

**4. Diagnostic Skill:** This is the skill that enables a manager to visualize the most appropriate response to a situation. A manager can diagnose and analyze a problem in the organization by studying its symptoms and then developing a solution. It is the ability to define the problem, recognize its possible causes, focus on the most direct problem, and then solve it.

It is the ability to determine, by analysis and examination, the nature and circumstances of a particular condition. It is not only ability to specify why something occurred, but also the ability to develop certain speculations in 'what if' situation. It can be noted that managers generally use different combinations of skills at different levels of an organization. For example, top managers rely heavily on conceptual and diagnostic skills and first-line managers put more emphasis on technical and interpersonal skills.

Many experts have suggested few more additional skills for managers to perform their roles successfully. They are as follows:

5. **Design Skill:** Design skill is the ability to solve problems in ways that benefit the enterprise. Managers must be able to do more than see a problem. If they become 'problem watchers', they will fail. They must be able to design a 'workable solution; to the problem in the light of the realities they face.
6. **Analytical Skill:** These skills involve using scientific approaches or techniques to solve management problems. In essence, analytical skills are the abilities to identify key factors and understand how they interrelate. These skills include the ability to diagnose and evaluate. These are needed to understand problems and to develop plans of action for their solution. It is ability to think about how multiple complex variables interact.
7. **Decision Making Skill:** All managers must make decisions and the quality of these decisions determines their degree of effectiveness. Manager's decisions making skill in selecting a course of action is greatly influenced by his analytical skill. All managers must have decision making skills. Research indicates that half of managers' decisions fail because managers employ 'failure-prone tactics'.
8. **Digital Skill:** Managers must know how to use digital technology to perform many aspects of their jobs. This skill increases a manager's productivity. This skill involves a conceptual understanding of computers and telecommunications. Through computers, managers can perform in minute's tasks in financial analysis, human resources planning and other areas that otherwise take hour to complete.
9. **Interpersonal Skill:** Effective communication is vital for effective managerial performance. This skill is crucial to managers who must achieve results through the efforts of others. It is the ability to exchange ideas and information's in ways that other people understand the message. It also involves feedback from employees to ensure that one is understood. If managers are to succeed in the workplace, they must strengthen their communication skills.
10. **Planning and Administration Skill:** This skill involves deciding what tasks need to be done, determining how they can be done. Allocation resources to enable then to be done, and them monitoring process to ensure that they are done. Included in this competency are:
  - ✓ Information gathering, analysis, and problem solving;
  - ✓ Planning and organizing projects;
  - ✓ Time management; and
  - ✓ Budgeting and financial management
11. **Teamwork Skill:** It is the skill to: (i) design teams properly, (ii) create a supportive team environment; and (iii) manage team dynamics appropriately. Because more and more organizations are relying on team to improve quality and productivity, it becomes important for managers to develop their teamwork skill.

- 12. Strategic Action Skill:** Strategic action skill involves understanding the overall mission and values of the organization and taking strategic actions. Today, managers at all levels and in all functional areas are being challenged to think strategically in order to perform their jobs better;
- 13. Global Awareness Skill:** Today, most of the companies are serving global markets. Many organizations need to set up operations in other countries. Hence, it has become necessary for managers to develop global awareness competency. This skill is reflected in (i) cultural knowledge and understanding, and (ii) cultural openness and sensitivity.
- 14. Self-Management Skill:** The dynamic work environment calls for self-awareness and development. Effective managers have to develop self-employment skill which includes:
- ✓ Integrity and ethical conduct,
  - ✓ Personal drive and resilience,
  - ✓ Balancing work and life demands,
  - ✓ Self-awareness and development, and
  - ✓ Learning about you.

**Managerial skills possessed by an entrepreneur:**

It is scientifically proven that the necessary skills required to become an entrepreneur, can be picked up along the way. But what are these skills? There are many, but the most important skill an entrepreneur must have in their arsenal, is management. So let's take a look at some of the most important managerial skills an entrepreneur must be equipped with, to make its venture go.

**Time management:** Time is money, and sometimes this proverbial master class is actually quite true. Time is a resource that is the most important of them all. People and monetary funds come and go, but time never stops for anybody. And that is the reason why a good entrepreneur must understand the true value of time, and must know how to manage it to get the most out of everything. It is imperative for an entrepreneur to manage well between professional and personal life, and short and long term planning, and all this involve the crucial element of TIME.

**Employee Management:** Entrepreneur must have a keen sense of managing the employees working for them. What does that mean? It means, a keen eye is require on the part of an entrepreneur to hire the best possible candidate for the role he can produce the best result at, putting them under relevant training to improve their performance, even going so far as to employing an absence management software to gauge the efficiency and productivity of these people.

**Business Planning:** As a budding businessman, planning your process, your business approach, and your strategies is one of the most critical aspects of the game. A good entrepreneur needs to be good at planning all these things and then making sure that the organization sticks to the plan. These plans may include hiring employees, accounting

development and growth of the firm, and even overseeing day-to-day business functions or multi-year business strategies.

**Financial Management:** Finance is probably the most important aspect of your business. Any organization that has ever been created in the history of this universe, has been done so to earn money, and if that is how important it is, a good quality entrepreneur needs to have exceptional command on the finances and needs to know how to earn, regulate, invest, and even save money.

**Customers Management:** Customers are your bread and butter as an entrepreneur, everything you ever hope of doing, revolves around how well you do with your customers. So it makes sense that a good entrepreneur needs to know his way around his customers. Finding the customers, making them happy, and then retaining them for years to come to develop a good loyal partnership with them is of paramount important when you are an entrepreneur trying to make a name for your business.

**Sales management:** Your entire comes down to this, the success of your ventures is gauged by the quality and quantity of your sales. Poor sales results in poor business, good sales results in promotion and success, so is it even a question why an entrepreneur needs to be sales team does not necessarily mean that it would translate to good sales, peoples invest in YOU, as the owner of your company, almost as much as they spend your product.

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**Sanjay Singh**SMS, Krishi Vigyan Kendra, Rewa  
JNKVV, Jabalpur**Creativity:**

In simple term it is the ability of imagination of an individual. It leads someone to reach unexplored areas. Creativity refers to the tendency or ability to generate and recognize new ideas, alternatives or possibilities that may be useful in solving existing problem. Creativity is also referred as creation of fresh idea or plan.

**Importance of creativity:**

1. Creation of new ideas for competitive advantage
2. It helps in developing new ways and approach for improvement in existing product or service
3. It helps in optimizing a business enterprise.
4. It enables entrepreneurs to find some of the path breaking discoveries.
5. It fosters innovation

**Components of Creativity:**

1. Functionality
2. Originality

**Types of Creativity:**

1. Deliberate and cognitive
2. Deliberate and emotional
3. Spontaneous and cognitive
4. Cognitive and emotional

**Meaning of problem solving:**

Problem solving refers to ability to solve problems in an effective, efficient and timely manner without any impediments. Problem-solving is a basic coping strategy. Problem-solving is a structured approach to address a problem and can lead the way of the best solution to a problem. It is the application of ideas, skills or factual information to find the solution to a problem or to achieve a targeted result. It involves different sequential phases like being able to identify and define the problem, generating alternative solutions, evaluating and selecting the best alternative, and implementing the

selected solution. Obtaining a feedback and responding to it appropriately is also considered as an essential aspect of problem solving skills.

### **Problem solving steps:**

Effective problem solving involves working through a number of stages or steps. There are six problem solving steps which provide a shared, collaborative and systematic approach to problem solving.

- 1. Identify the problem:** The first step in problem solving is recognition of the problem. This might sound like common sense. It often requires more thought and analysis. This stage involves detecting and recognizing a problem, identifying the nature of the problem and defining the problem. One should try to describe the problem as objectively as possible. The following points should be taken into considerations in this step:-

- Selection of the problem to be analyzed
- Clearly define the problem and establish a precise problem statement
- Set a measurable goal for the problem solving effort
- Establish a process for coordinating with and gaining approval of leadership

The following questions should be considered while identifying the problem:-

What is the problem? How often does the problem occur? When does it occur? When doesn't it occur? Where does it occur most often? Who tends to be involved with the problem most often?

- 2. Analyzing or structuring the problem:** This stage involves a period of careful observation, intensive inspection, fact-finding and developing a clear or well defined picture of the problem. It is all about gaining more and detailed facts and information pertaining to the problem and its clear understanding. This stage also indicates fact finding & analysis and formation of a more comprehensive picture of both the goal(s) and the barrier(s). This stage is essential for problems of more complex nature. The following components are included in this step:-

- Identifying the processes that impact the problem and select one
- Listing of the steps in the process as it currently exists
- Map the Process
- Validation the map of the process
- Identify potential cause of the problem
- Collection and analysis of data related to the problem
- Verify or revise the original problem statement
- Identify root causes of the problem



- Collection of additional data if needed to cross check the root causes

**3. Generating potential solutions/options:** From the information and data gathered in the first two phases of the problem solving framework possible solutions are assessed critically to address the identified problem. During this stage a range of possible courses of action, but with little attempt to evaluate them are generated. In a group situation this stage is often carried out as a brainstorming session, in which each person in the group is allowed to express their views on possible solutions (or part solutions). In organizations different people with different background possess expertise in different areas and it is therefore worthwhile to record the views of each concerned person. Different options or solutions are listed. This process of generating solutions can help to examine the problem from multiple perspectives. It may be impossible to address all areas of a problem. In such case, the problem is break down and one should generate solutions by writing them down or speaking in a group.

**4. Decision making on the best solution:** This stage involves detailed analysis of the different available possible courses of action or solutions and selecting the best solution or alternative for implementation. This is the most complex component of the problem solving process. On the basis of the previous step each potential solution is carefully assessed and analyzed in light of the existing conditions. Some solutions may not be feasible due to other problems like time constraints, limited budget or any other. Short- and long-term pros and cons of each solution are critically assessed. The following points should be considered in selection of best solution or option:-

1. Establishing criteria for selecting a solution
2. Evaluating the potential solutions against criteria.

Once solutions have been selected, it should be examined that “What could possibly go wrong if we do this?” If there is no way to counter serious obstacles, the team may need to think of other more appropriate solutions. It is generally a good idea to select a solution that is associated with low risk and that is compatible with priorities and future goals.

**5. Implementation on best solution:** This stage involves accepting and carrying out the chosen course of action. Implementation means acting on the chosen solution or course of action. During implementation more problems may arise especially if identification or structuring of the original problem was not carried out properly. A detailed and specific plan should be developed for effective implementation of various activities in relation to course of action. It involves the three basic stages.

1. Planning and preparation for step by step process or action for solution.
2. Implementation and monitoring of the activities.



3. Review and evaluation of the progress.

It may be preferential to implement on a pilot basis or small scale at first-

- 6. Monitoring/Seeking feedback:** The last stage of problem solving is reviewing the outcomes of problem solving over a period of time, including seeking feedback as outcomes of the chosen solution. The final stage of problem solving is concerned with checking the progress or success of chosen course of action. This can be achieved by monitoring and gaining feedback from people involved in the process. Feedback may be obtained in following ways.

1. Monitoring
2. Questionnaires
3. Follow-up phone calls

It is important to keep a record of outcomes and any additional problems that occurred during the entire process of problem solving.

#### **Types of problem solving:**

There are various types of problem solving strategies. It may be applied in line with the situations, intensity of problem, availability of time & resources and capabilities of the organization. The major problem solving strategies or skill are listed as under-

- 1. Trial and error method:** It is a way of solving problems through repeated attempts. It is a method of trying something different every time till achievement of desired result. This approach can be a good option when limited number of options are available. Although this approach sounds random, problem solving through trial and error is efficient only when one can base his attempts on some prior knowledge and information.
- 2. Difference Reduction:** In difference reduction method a large task is divided into smaller steps. The first thing you do is ask oneself what step will take you from where you are to as close as possible to the final goal. You take that step and repeat the process until you reach the goal. Sometimes difference reduction is not the quickest way to get to our goal – sometimes one has to take one step backwards to take a step forwards.
- 3. Means-Ends Analysis:** In means-ends analysis current situation is compared with the situation desired. The most significant difference between those two situations is assessed and sub-goal is created to remove that difference.
- 4. Algorithm:** Algorithms are step-by-step strategies or processes to solve a problem or achieve a goal. It is a procedure for solving a problem based on conducting a sequence of specified actions. Algorithm is most commonly used in the field of mathematics and computer science. While an algorithm provides an accurate answer, it is not always the best approach to problem-solving. This

strategy is not practical for many situations because it can be so time consuming

5. **Heuristics:** Heuristics are general strategies used to make quick, short-cut solutions to problems that sometimes lead to solutions but sometimes lead to errors. Heuristics are sometimes referred to as mental short-cuts, and we often form them based on past experiences. A heuristic is a mental rule-of-thumb strategy that may or may not work in certain situations. Unlike algorithms, heuristics do not always guarantee a correct solution. However, using this problem-solving strategy does allow people to simplify complex problems and reduce the total number of possible solutions to a more manageable set.
6. **Graphic representations:** Graphic representations are visual-based illustrations of a problem that might lead to clarification of a problem or creative solutions. Examples of graphic representations are flow charts, diagrams, outlines or mind maps. With any of these options, you can draw the problem out, and this might help you see the problem in a new way.

#### **Problem solving skills possessed by an entrepreneur:**

An Entrepreneur is one who bears risk and takes to make a profit. He works as an innovator and designer of new ideas. Management skills and strong team building abilities are perceived as essential leadership attributes for successful entrepreneurs.

There are certain problem-solving skills that an Entrepreneur should possess to run an enterprise successfully.

1. **Critical Thinking Skills:** Critical thinking is the ultimate key to problem-solving and is the most important problem-solving skill an entrepreneur should possess. Critical thinking is the process of devoting our time to digest the issue at hand logically before taking a final decision. Using this skill, entrepreneurs may properly analyze all the factors that are related to their problems and come up with a appropriate and satisfactory conclusion. This skill enables entrepreneurs to identify problems and convert such problems into opportunities. Business challenges and problems cannot be resolved without critical thinking.
2. **Decision Making Skills:** Another skill that every entrepreneur must possess is decision making. After analyzing several possible alternatives and solutions in relation to a problem an entrepreneur must be able to arrive at a decision quickly.. The faster the decision is made, the quicker can execution process begins.
3. **Communication Skills:** Entrepreneurs having good communication skills inspire others to be more confident in expressing their views & opinions and encourage them to report feedback, which can obviously speed up the process of finding solutions. Good communication skills can build up confidence level and through which one is able to gain a better perspective and receive valuable insights.

3. **Creativity/ Lateral Thinking:** Lateral thinking is the ability to think outside the box when solving problems. Creativity helps entrepreneurs in creation of new ideas and developing new ways and approaches for solution of a problem. It enables entrepreneurs to connect dissimilar and unrelated subject.
4. **Initiative:** Having initiative is essential to becoming a successful entrepreneur. Successful entrepreneurs are always in search of new ways to do things, to communicate with their staff and to improve their product or service. The initiative of an entrepreneur is developed over time and it shows that you are passionate about your product and determined to succeed; qualities that investors love to see.
5. **Persistency**
6. **Understanding of the business**
7. **Self-Discipline**
8. **Flexibility/Adaptability**

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**Meaning of Quality**

The concept of quality is an evolutionary, not a revolutionary one. It has traversed a long path over the period from operator's inspection to the Total Quality Management (TQM).

Table 1 summarizes the evolution and development of the quality concept over the period.

**Table 1: Historical Development of the Quality Concept**

Quality Imperatives	Period
Operator Inspection	1870-1890
Foreman Inspection	1890-1920
Quality Circle (QC) Departments	1920-1940
Statistical Quality Control (SQC)	1940-1960
Quality Assurance (QA) Departments	1960-1990
Total Quality Management (TQM) and Statistical Process Control (SPC)	1990 onwards

Quality is a customer's determination, not the manufactures' determination. Quality is viewed as a continuous improvement in performance to satisfy the customer's needs and expectations. A number of definitions have been propounded by experts over the period. Some of these are presented here.

**According to Joseph M. Juran:** "Quality is fitness for use or purpose"

**Philib B. Crosby opines:** "Quality is conformance to requirement"

**ISO has defined quality as follows:** "The totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs of customers"

Having gone through above definition, now quality can safely be defined as continuously meeting agreed customer needs or what it takes to satisfy the customer, or simply fitness for purpose.

Quality has become so essential in today's competitive environment that ignoring the quality issue is tantamount to corporate suicide. Of late, concept of quality has expanded to Total Quality Management (TQM). TQM has become the buzzword of the day. The subsequent discussion, therefore, unfolds all about TQM.

### **Meaning of Total Quality Management (TQM):**

TQM is known by various names, such as total quality improvement (TQI) or total quality control (TQC), or simply as total quality or as Strategic Quality Management (SQM), and so on. Notwithstanding, all these nomenclatures mean the same, i.e., continuous improvement in all parts of an organisation with a view to satisfy customer needs as much as possible.

**According to V. Daniel Hunt**, “Total quality management is both a comprehensive managerial philosophy and a tool kit for its implementation.”

**British Quality Association defined TQM as** “management philosophy and company practices that aim to harness the human and material resources of an organisation in the most effective way to achieve the objectives of the organisation”.

### **Confederation of Indian Industry (CII) defined TQM as follows:**

“Meeting the requirements of the internal and external customers consistently by continuous improvement in the quality of work of all employees.”

### **TQM can be conceptualized into the following three processes:**

1. **Quality Process:** It is for understanding who are the customers, what are their needs and taking steps to completely satisfy the needs of these customers.
2. **Management Process for Continuous Improvement:** The term management refers to managing continuous improvement and does not address any specific organisational level. The process comprises the PDCA cycle and its continuously evolving policies, objectives and methods to achieve goals, education and training, implementation, checking causes, checking effects, taking appropriate actions, and preventing recurrence. Management process addresses continuous improvement to keep pace with the:
  - (i). Changing requirements
  - (ii). Competitive environments, and
  - (iii). Technological advances.
3. **People Process:** It is initiating and maintaining the TQM. It is carried out through involvement of all employees on the basis of all the three values, namely, intellectual honesty, self-control, and respect for others. Now that we have understood the meaning of TQM given by different experts, now we can profitably define TQM as long-term effort to transform all parts of the organisation in order to produce the best product and service possible to meet customer needs.

### **Need for Total Quality Management (TQM) in small enterprises**

Having gone through the meaning of TQM, now two questions come in the mind:  
(i). Why is TQM needed in small-scale enterprises? (ii). Can it really be applied and work

in small-scale enterprises? The first two questions are addressed in this section. The next section of the chapter is devoted to answering the “how” question.

It is easy to start small enterprises but difficult to make them survive. It is more so in the context of ever increasing competition in business brought by liberalisation, privatisation and globalization (LPG) of the Indian economy. Only those enterprises can survive who possess strength to face the stiff and complex competition. Further, small enterprises find it more difficult to face competition due to their small size in all respects be these finance, technology, managerial competencies, etc. Then, the question arises is how to develop competitive strength among small enterprises to meet competition effectively. The answer to this question is 'quality'. As mentioned earlier, quality is in conformance to requirements. According to David Kearns, the former CEO Xerox, quality has assumed so importance that it has become the battlefield of nineties; only the fittest will survive beyond 2000.

Quality serves as competitive advantage and enables small enterprises to withstand the onslaughts of competitive environment. As competition always keeps changing to more and more complex, so is required continuous improvement in quality to face such ever complex competition effectively. It is TQM that ushers in continuous improvement in organisational performance. TQM, thus, strengthens the competitive strength of small-scale enterprises to conform to the changing requirements of business. The same underlines the need for TQM in small-scale enterprises.

In aggregate, TQM offers the following advantages to small-scale enterprises:

- Increases efficiency in processes.
- Provides more time for innovation and creativity.
- Higher morale of employees.
- Improvement in the quality of products and services.
- Increases customer satisfaction.
- Larger market share for the product.
- Higher productivity.
- Higher profits.

Having appreciated the need for TQM in small enterprises, Let us now applied in small-scale enterprises.

### **TQM process in small-scale enterprises**

The purpose of TQM is to meet the requirements of customers consistently by continuous improvement in the quality of work of all employees. For this, TQM involves the following process:

1. Customer Satisfaction
2. Processes
3. Continuous improvement
4. Team work
5. Personal initiative

**A brief description of these follows:**

- 1. Customer Satisfaction:** Customer is one who buys others' goods and services. Today, customer dictates production or market. The long-term success of any business, therefore, depends on customer satisfaction. This is especially true for small businesses where the impact of losing even a single customer can be serious. The first step in planning for customer satisfaction is to understand what customers expect from the product or service is to be provided to them.

For any business, there can be two types of customers: internal and external. Internal customers are those individuals within an organization to whom another department provides their products and services. External customers are those whom are the ultimate purchaser or end user of product or service.

The following steps can be followed to understand customer requirements.

1. Document the results of the work performed.
  2. Identify everyone (customers) who receives the outputs.
  3. Pinpoint the output characteristics the customers want, require, or expect.
  4. Verify output requirements, determine requirement importance, and understand current level of satisfaction.
- 2. Processes:** Process can be defined as a series of inter-dependent tasks that produce results. This requires transformation of inputs into outputs. Processes exist in every part of an organization. People mistakenly think of only production or manufacturing operations. In fact, the word 'process' is all embracing one. As every part of an organisation performs work, all these should be systematically defined to include them in the process. Administration, billing, sales, maintenance, recruitment and training are the examples of different parts of organisation in which process exists. It may be true that there may be some processes in the organisation that are obvious, while others may not be so obvious. Such processes need to be clearly defined.

The various steps that can help define the processes that any organisation performs are listed in the following Figure.

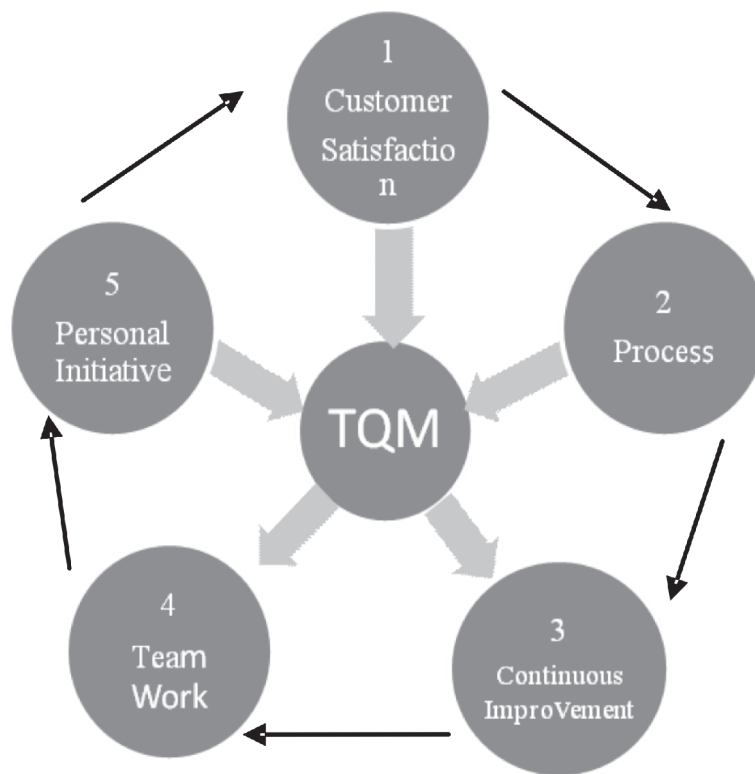


1. **List team outputs**  
(to document the results of the work performed.)
2. **Group similar outputs.**  
(to create an outline of the process.)
3. **Name the process**  
(to allow it to be easily referenced.)
4. **Define process boundaries**  
(to establish beginning and ending points.)
5. **List process activities**  
(to provide examples of the tasks involved.)
6. **Identify inputs**  
(to determine the resources required.)

3. **Continuous Improvement:** The third step involved in TQM is making efforts for continuous improvement in performance/process. The first step in improving a process is to eliminate the waste associated with the process. But, the question is how to eliminate the waste? The various techniques like value-added assessment, minimize checks and inspections, and minimize administrative tasks help reduce/eliminate waste in process. Process simplification is the second step involved in improving process. Simplification means reducing the complexity of a process. Further, simplification can lead to fewer activities and things to go wrong. Experience suggests that the simpler a process is, the easier it is to learn and perform consistently. Reducing cycle time is yet another technique to improve process. Cycle time is the time required to deliver a product or service to customer. Cycle time includes delays, processing time, time required to check and handover, and so on. Long cycle times not only prevent prompt deliveries to customers. But also increase cost. Hence, there is need for reduction in cycle time.

4. **Team Work:** The fourth element involved in TQM process is team work. A team is a group of individuals who work together on one or more common processes. These individuals may, all, be from the same department, represent several departments, or involve an external supplier or customer. The five faculty members in the Department of Business Administration in Assam Central University responsible for teaching management programme is an example of team.

Effective team work has its foundations on consensus. Consensus is a general agreement by everyone involved. Consensus is arrived when all members of a team understand a decision, and, even if they do not completely agree with the decision, accept and support it.



- 5. Personal Initiative:** TQM process completers with encouraging personal initiative in organisational functioning. Empowerment breeds personal initiative. According to Stephen R. Covey, “An empowered organization is one in which individuals have the knowledge, skill, desire, and opportunity to personally succeed in a way that leads, to collective organisational success” Now, the question is how to create an empowered organisation to make the employees personal initiative in the organisational processes? The key to preparing employees to take appropriate personal initiative is to train them in the concepts and techniques of TQM process. Such a training help employees manage the processes they are responsible for performing.

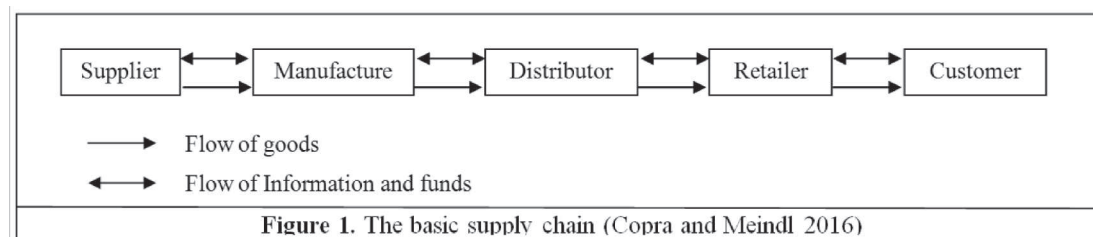
**Reference:**

- Khanka, S.S. (2012). Entrepreneurial Development. New Delhi, S. Chand & Company Ltd.

**Parvez Rajan**Assistant Professor,  
Department of Extension Education  
JNKVV, Jabalpur**Definitions of Supply Chain Management:**

**According to the Council of Supply Chain Management Professional (2011):** The planning and management of all activities involved in sourcing and procurement, conversion and all logistics management activities. More important, it also includes coordination and collaboration with channel partners. In essence, supply chain management integrates supply and demand management within and across companies.

**Gartner (2013):** It refers to the processes of creating and fulfilling demands for goods and services. It encompasses a trading partner community engaged in the common goal of satisfying end customers.



Supply Chain Management is a methodology of improving the business processes, making them more resilient, more agile and as a result, more competitive. The main function of SCM is to improve the product or services competitiveness (Machowiak, W. (2012).

Supply Chain Management is basically the flow of goods and services. It includes the whole process of good's movement, storage of raw materials, in-process inventory and good's consumption from the beginning to end. The ultimate goal of efficient supply chain management is to reduce the inventory costs for an organization and keeps product's availability when required.

**Supply Chain Management in Agriculture: Definition**

Supply Chain Management in agriculture is defined as “The management of movement of agricultural commodities from the farm through the rural and urban markets to reach the door steps of end consumers both household and industrial consumers.” (Mondal S, 2018)

Agricultural Supply Chain Management consists of many players, starting from:

- I. Agricultural producers
- II. The middleman
- III. Commission agents and traders
- IV. The bulk purchaser or procurers, millers or intermediary processors
- V. Warehousing agents or cold storage space providers
- VI. Transporters
- VII. Retail distributors etc

### **Evolution and History of Supply Chain Management**

The term, “Supply Chain Management” was first coined by Keith Oliver in 1982.

Before the 1950s, logistics was thought of in military terms. It had to do with procurement, maintenance and transportation of military facilities, materials personnel. The emergence and evolution of supply chain management may be depicted as a time line following (Habib and Jungthira Panich, 2008).

1950	Initiated logistic concept
1970	Matured logistic concept
1970-1980	Logistics in SCM
1980	Initiated the SCM concept
1985	SCM in Manufacturing Industry
1995	Initiated SCM in the Service Industry
2007	Educational SCM

The scope and definition of supply chain management has been ever changing. It is continuously evolving and broadening its scope. To identify the trend in the evolution of SCM reviewing papers in chronological orders. Reviewing papers in chronological order will show the trend in evolution of definition of SCM.

<b>References</b>	<b>Definitions</b>
Chang et al. (2013)	Supply chain management now has a new strategic dimension to it which is e-procurement.
Dubey and Ali (2013)	Supply Chain Management may be defined as the management of upstream and downstream associations with vendors and customers to provide better customer value at least cost to the supply chain.
Machowiak (2012)	SCM is a methodology of improving the business processes, making them more resilient, more agile and as a result, more competitive. The main function of SCM is to improve the product or service competitiveness.

Randall and Mello (2012)	Supply Chain Management incorporates supply and demand management inside and across companies.
Dubey et al. (2012)	Supply Chain Management as a concept manages the flow of material, information and funds end to end i.e. from upstream to downstream members. It also deals with the disposal of material after consumption as per the environmental norms. SCM tries to achieve this at the lowest cost with maximum efficiency.
Melnyk et al. (2009)	The definition that “SCM is primarily responsible for managing the buying as well as managing the flow of orders and information” is no longer valid. Today all the related aspects such as improving customer service, mitigating supply chain risk, reducing wastes, improving new product design process and enhancing product service quality are treated as an integral part of supply chain management.
Parkan and Dubey (2009)	In India, supply chain cost can be divided in two main categories: a) Distribution cost: which is generally logistics cost b) Inventory value and inventory holding costs: which mainly consist of cost of inventory and cost of keeping inventory in storage location
Wadhwa et al. (2008)	The challenge of SCM is to identify and implement strategies that minimize cost while maximizing flexibility in an increasingly competitive and complex market.
Vachon and Klassen (2007)	Supply chain management is increasing its dimensions. Being efficient is not enough; Companies are now looking for sustainable and environmental friendly supply chain.
Sachan and Datta (2005)	SCM should not be studied alone and its interest should not be only industrial development. Concepts such as market orientation, relationship marketing should be studied with SCM. There is a need of new boundaries of SCM which can incorporate all these concepts into SCM.
Chen and Paulraj (2004)	Supply chain management is not only limited to logistics activities and planning and control of materials and information flow internally within the company or externally between companies. It also deals with the strategic decisions such as inter-organizational issues, alternative organizational form to vertical integration. It is also the management of relationship between suppliers and customers.
McCormack and Kasper (2002)	Supply Chain Management involves processes which help a firm to improve its competencies by synchronising operations to include source, make and deliver processes in collaboration with channel partners and suppliers.
Skojett-Larsen (1999)	SCM can be seen from many perspectives such as system engineering, economics, sociology and management.

Walton and Gupta (1999)	Supply chain management is the integration of various concepts such as extended enterprise, the virtual organization, the virtual value chain and green supply chain. These aspects are important from the perspective of strategy and operations for an industry.
Spekman et al. (1998)	Supply Chain Management attempts to ensure that the expertise of any member of supply chain shared throughout the supply chain. By sharing the expertise, a firm will be able to improve on customer value as well as gain competitive advantage in the market.
Harland (1996)	Supply chain management integrates two business functions, it manages immediate relationships with suppliers, and it also integrates chain of supplier's suppliers and a customer's customers and so on. It is the management of interconnected business involved in the ultimate provision of products and service packages required by end users.
Lee and Billington (1993)	A supply chain is a network of facilities that performs the function of procurement of material to intermediate and finished products, and distribution of finished products to customers.
<i>Source: Parkhi S, et al, 2015, AIMS International Journal of Management.</i>	

### Levels of Supply Chain Management

There are three levels of Supply Chain Management

**Strategic SCM:** It deals with future planning than in looking at market evaluation, capacity issues, new products, and technology changes. This planning is addressing issues that may be factors several years out. This is accomplished at the executive management level.

**Tactical SCM:** It involves a shorter planning cycle. It is more concerned demand planning, inventory planning and supply planning. This is determined at a less senior level than Strategic SCM.

**Operational SCM:** It is current planning activities measured in at most weeks. Operational SCM involves the majority of the operations. It includes demand fulfilment, scheduling, production, transport and monitoring.

### Advantages of Supply Chain Management:

1. Improves productivity and business functions.
2. Develops better customer relationship and service.
3. Better information system about goods, market etc.
4. Attracting and retaining employees.
5. Creates new market opportunities.

6. Improves quality of the product.
7. Increase the level of profit in business.
8. Enhanced supply chain management
9. Minimizes cost.

**References:**

1. Chopra, S. and Meindl, P. (2016) Supply Chain Management, sixth edition, Prentice Hall of India.
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## PROJECT PLANNING FORMULATION AND REPORT PREPARATION

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### Project

A project comprises of a series of activities for achieving predetermined objective or set of objectives. The objectives may be social, economic or a combination of both and they can be defined as General objectives and operational objectives.

Project includes all activities which are aimed at

- (a) Production of goods/services
- (b) Increasing the capacity of the existing projects and
- (c) Increasing the productivity of the existing means of production.

A project is a specific activity on which money is spent in the expectation of returns.

Therefore, there is a specific starting point and definitely specific end point and it is intended to achieve a specific objectives. In addition, a project has a specific geographic location and serves a group of population.

### Formulation of project plan

Project formulation is the systematic development of a project idea for arriving at an investment decision. It has the built-in mechanism of ringing the danger bell at the earliest possible stage of resource utilization.

Project formulation is a process involving the joint efforts of a team of experts. Each member of the team should be familiar with the broad strategy, objectives & other ingredients of the project. Besides being an expert in his area of specialization, he should be able to play his role in the overall scheme of things. It aims at a systematic analysis of project potential with the ultimate objective of arriving at an investment decision. In this process it makes an objective assessment from all possible angles starting from project identification up to its appraisal stage. Thus, project formulation is the process of examining technical, economic, financial & commercial aspects of a project. It refers to a preliminary project analysis covering all aspects such as technical, financial, commercial, economic & managerial to find out whether it is worthwhile to take project for detailed investigation & evaluation.

### **Stages of project formulation**

The process of project development has been categorized in the following stages:

1. Feasibility Analysis
2. Techno-Economic Analysis
3. Project Design and Network Analysis
4. Input Analysis
5. Financial Analysis
6. Social Cost-Benefit Analysis
7. Pre-Investment Analysis

Thus, project formulation takes into consideration the above seven important aspects of a project.

#### **1. Feasibility Analysis:**

The first stage of project formulation is feasibility analysis, in which the project idea is examined to see whether to go in for a detailed investment proposal or not. As project idea is examined in the context of internal and external constraints three alternative could be considered:

- (a) The project idea seems to be feasible
- (b) The project idea is not a feasible one
- (c) Unable to arrive at a conclusion for want of adequate data

If it is feasible, we abandon the idea and if sufficient data are not available, we make more efforts to collect the required data and development of design.

#### **2. Techno-Economic Analysis :**

One of the most important activities during the development phase of new products or services is the evaluation of their economic feasibility/viability - a process known as "techno-economic analysis" (TEA). The analysis looks at the market that the service or product is entering, anticipated selling price and cost of production (input costs). This information is used to predict future cash flows and the likely return on investment. Techno-economic analysis provides the project a unique individuality and sets the stage for detailed design development.

#### **3. Project Design and Network Analysis:**

It is very important stage of project formulation and also known as the heart of the project entity. It defines the sequence of events of the project. A detailed work plan of the project is prepared and time is allocated for each activity. It helps to identify project inputs, finance needed and cost-benefit profile of the project.

#### **4. Input Analysis:**

This stage assesses the requirement of inputs during the construction as well as the implementation of a project. It is very important to appraise the input requirement for each activity and total input requirement is calculated by sum up. It also considers the recurring and non recurring resource requirement and evaluates the feasibility of the project from the point of view of the availability of necessary resources i.e. material, human resources etc. This aids in assessing the project cost, through financial analysis or cost-benefit analysis.

#### **5. Financial Analysis :**

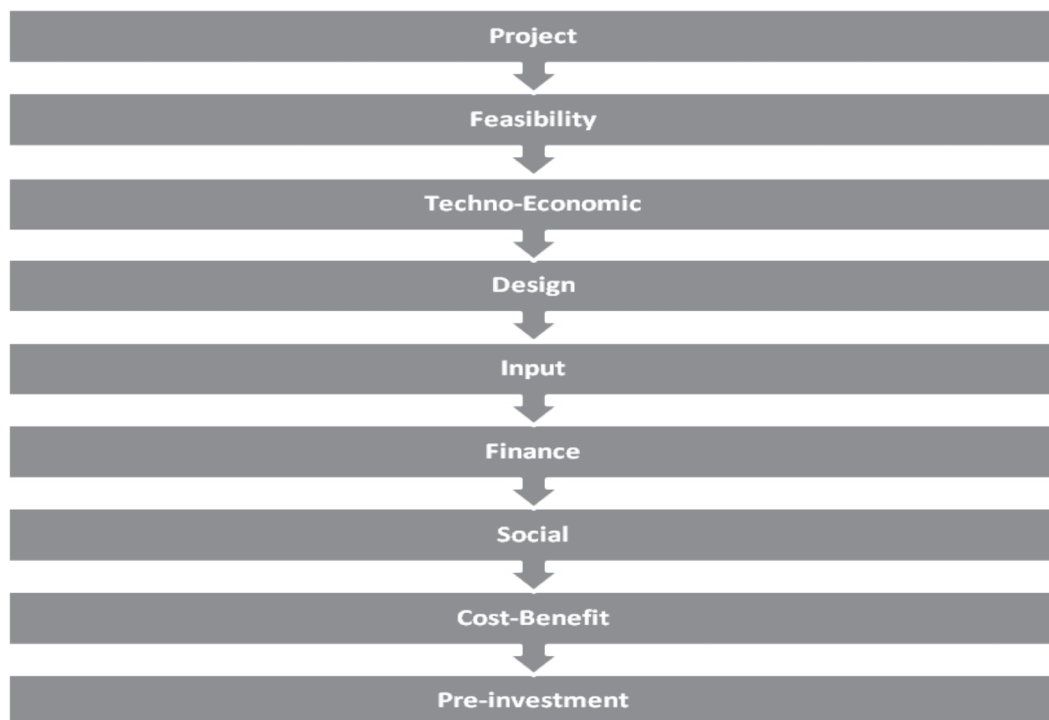
This is very important step which involves the estimation of project cost, operating cost and fund requirement. This analysis is useful for decision makers for comparison of various project proposals on a common scale. Analytical tools used are discounted cash flow, cost-volume-profit relationship and ratio analysis.

#### **6. Cost-benefit Analysis:**

The overall worth of the project is considered in this step. Definitely the project design forms the basis of evaluation it considers costs that all entities have to bear and the benefit connected to it.

#### **7. Pre-investment Analysis:** This is the stage, where the results obtained in previous stages are consolidated to arrive at clear conclusions. It helps the project-sponsoring body, the project implementing body and the external consulting agencies to accept/reject the proposal.

### Sequential Stages of Project Formulation



#### Report preparation:

Report is a concise copy of detailed analysis done for the project. An entrepreneur prepares the report before the investment in project is done, which assesses the demand for proposed product/service, works out cost of investment and profitability on this investment. It acts as an instrument to convince investors to invest in the project.

A project report gives information on the following:

- ❖ Economic aspects – In this part the information of present market, scope for growth, justification for investment is considered.
- ❖ Technical aspects – The requirement of technology, machinery, and equipment are covered in this part.
- ❖ Financial aspects – This part of the report gives the information on total investment needed, entrepreneur's contribution, cost of capital and return on capital.
- ❖ Production aspects – Product details, justification for the choice of product, export worthiness etc are the important elements of this section.
- ❖ Managerial aspects – This feature covers the qualifications, experience of people needed for managerial posts.

## **Contents of a project report**

It is detailed plan of action and particulars about the proposed project.

- ❖ Objectives and scope of the report.
- ❖ Product characteristics- It includes product design, specifications, quality standards, uses and applications etc.
- ❖ Market position and trends- Covers current capacity for production, potential demand, export prospects, trends in import-export, price structure etc.
- ❖ Raw materials- Requirement of raw material for production, types, quality, sources, price.
- ❖ Manufacturing- Product manufacturing process, production schedule, technique used is clearly mentioned in this part.
- ❖ Plant and machinery (types, infrastructure support, cost).
- ❖ Land and building (Requirement, building construction schedule, choice of location, cost).
- ❖ Financial implications (Capital structure, fixed and working capital investment, project cost, profitability).
- ❖ Marketing channels (Trade practices, marketing and advertising strategy).
- ❖ Personnel (Requirement of staff, skilled-unskilled labour, salary and wage payment, qualifications, experience)

The project report is submitted to financial institutions for grant of land and other financial concessions. Organizations like Small Industries Service Institute (SISI) and Small Industries Development Organisation (SIDO) help entrepreneurs to prepare project report. The financial institutions ascertain from the report, whether the project can generate enough funds to repay the borrowings in stipulated time frame

## **Financial Planning**

Financial Planning is the process of estimating the capital required and determining its competition. It is the process of framing financial policies in relation to procurement, investment and administration of funds of an enterprise.

Financial planning is the task of determining how a business will afford to achieve its strategic goals and objectives. It describes each of the activities, resources, equipment and materials that are needed to achieve these objectives, as well as the timeframes involved.

The Financial Planning activity involves the following tasks:

- ❖ Evaluate the business environment
- ❖ Confirm the business idea and objectives

- ❖ Identify the types of resources needed to achieve these objectives
- ❖ Quantify the amount of resource (labour, equipment, materials)
- ❖ Calculate the total cost of each type of resource
- ❖ Summarize the costs to create a budget
- ❖ Identify any risks and issues with the budget set.

## Objectives of Financial Planning

- Determining capital requirements- It depend upon factors like cost of current and fixed assets, promotional expenses and long- range planning. Capital requirements have to be looked with both aspects: short- term and long- term requirements.
- Determining capital structure- The capital structure is the composition of capital, i.e., the relative kind and proportion of capital required in the business. This includes decisions of debt- equity ratio- both short-term and long- term.
- Framing financial policies with regards to cash control, lending, borrowings, etc.
- A finance manager ensures that the scarce financial resources are maximally utilized in the best possible manner at least cost in order to get maximum returns on investment.

## Importance of Financial Planning

Financial Planning is necessary to ensure effective and adequate financial and investment policies. It is a process of framing objectives, policies, procedures, programmes and budgets regarding the financial activities of a concern. The importance of financial planning is as follows:

1. Adequate funds have to be ensured.
2. Stability is maintained with reasonable balance between outflow and inflow of funds.
3. Financial Planning ensures that the suppliers of funds are easily investing in companies which exercise financial planning.
4. It helps in making growth and expansion programmes which helps in long-run survival of the company.
5. Financial Planning reduces uncertainties with regards to changing market trends which can be faced easily through enough funds.
6. Financial Planning helps in reducing the uncertainties which can be a hindrance to growth of the company. This helps in ensuring stability and profitability in concern.

## Financing of Enterprise

Finance is one of the important prerequisites to start an enterprise. Financing an

enterprise – whether large or small-is a critical element for success in business. The decisions taken by the entrepreneur well in advance regarding the future financial aspects of his /her enterprise is called financial planning. In short, “financial planning is a financial forecast made for the enterprise in beginning itself.” Therefore, every enterprise should clearly chalk out its future financial requirements in its very beginning itself.

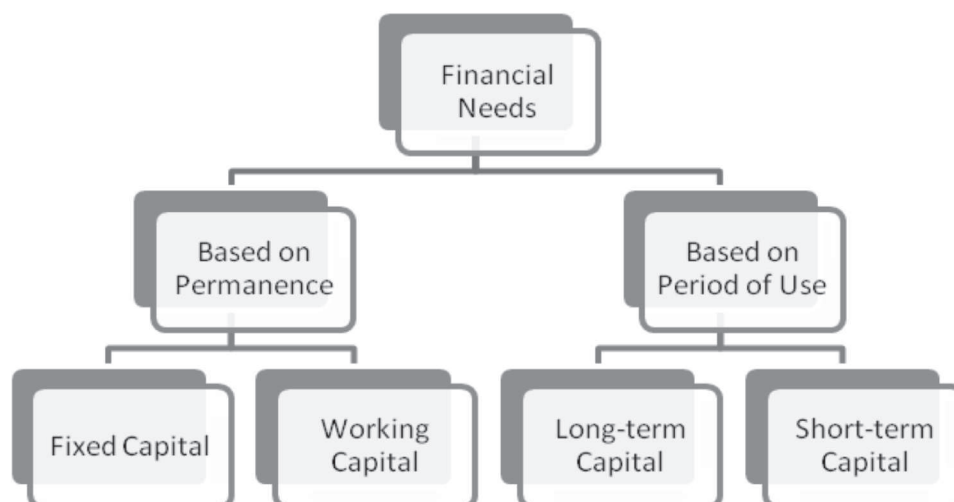
In financial planning, the entrepreneur should clearly answer the following three questions:

- ❖ How much money is needed?
- ❖ Where will money come from?
- ❖ Where does the money need to be available?

While estimating the money needed, the entrepreneur should take the following three things into consideration:

1. There should be adequate money to pay the purchase considerations.
2. There should be sufficient capital at his /her disposal to support the business operations up to the three initial months of the enterprise.
3. Enough provision should be made to meet unexpected / unplanned business expense.

Thus, the total of these three amounts will constitute the total money needed to start the enterprise.



1. **Fixed Capital:-** The money invested in some fixed assets or durable assets like land, building, machinery, equipment, furniture etc. is known as fixed capital .These assets are required for permanent use, that is, for a long period of time



2. **Working Capital:-**The money invested in current assets like raw material, finished goods etc. is known as working capital. In other words, money required for day-to-day operations of business/ enterprise is called 'working capital'.
3. **Long-term Capital: -**This is such money whose repayment is arranged for more than five years in future. The sources of long-term finance could be owner's equity, term –loans from financial institutions, credit facilities from the commercial banks, hire –purchase facilities from specific organization etc.
4. **Short-term Capital: -**This is a borrowed capital/ money that is to be repaid without one year. The sources of short-term finance include bank borrowings for working capital, deposits or borrowing from friends and relatives etc.

In every business/enterprise, capital is arranged from two sources:

**Internal sources:** In this source, funds are raised from the enterprise itself. These are

- Owner's capital known as equity, deposits and loans given by the owner, the partner, the directors to the enterprise.
- Personal loans taken by entrepreneurs on LIC, Provident Fund, buildings, investments.
- Retention of profits, or conversion of some assets into funds, in case of running enterprise.

**External Sources:** In this source, funds raised from other than internal sources. These

- Deposits or borrowings from relatives and friends and others.
- Borrowings from the banks for working capital purposes.
- Credit facilities from the commercial banks.
- Term –loans from financial institutions.
- Hire purchase or leasing facility from the National Small Corporation (NSIC)
- Seed /Margin money, subsidies from the Government and the financial institutions.

### **Rural Entrepreneurship**

Rural Entrepreneurship can be defined as entrepreneurship emerging at village level which can take place in a variety of fields of endeavour such as business, industry, agriculture and acts as a potent factor for economic development.

**Problems faced by the rural entrepreneurs:**

#### **Financial Problems**

- (a) Lack of funds, lack of tangible security and credit in the market.
- (b) Risk bearing Capacity: low risk bearing ability due to lack of financial resources

and external support.

- (c) Poor infrastructure facilities: lack of proper transport power supply

### **Marketing Problems**

- (a) Limited scale and scope of local market opportunities
- (b) Lack of market information due to poor communication facility
- (c) Competition: Rural entrepreneurs are facing tough competition
- (d) Middlemen: exploitative middlemen together with low awareness
- (e) Low quality products

### **Management Problems**

- (a) Lack of IT knowledge and Technical Skills
- (b) Non availability of skilled labours
- (c) Low awareness over Legal Formalities
- (d) Less availability of Raw materials

### **Opportunities of Rural Entrepreneurship**

1. **Support & Motivation to local people:** Rural entrepreneurs have a lot of support from the rural people. Rural village people always encourage and give the motivation to the entrepreneurs.
2. **Low establishment cost:** When compared to the urban areas, rural entrepreneurs' business establishment cost is very low. There is no need to construct or facilities huge infrastructure and buildings.
3. **Competitive advantages / Availability of labour:** In India seventy percent of the people are living in the village. Majority of the rural people are depending on the agriculture. The agriculture work is not available throughout the year. That is the reason why rural entrepreneurs have the competitive advantage in easily acquiring unskilled and semiskilled labor.
4. **Government policies and subsidies:** The government of India is continuously monitoring and introducing the new policies for encouraging the rural entrepreneurship. These policies are very flexible, innovative, liberalized and giving continues support to rural entrepreneurs. At the same time government has also announced huge subsidies for promoting the rural entrepreneurship.
5. **Availability of raw materials:** Most of the times the rural entrepreneurs are depending upon the farm based products as raw materials, which are available through-out the year. These raw materials are available in the rural area that is the reason there is no transportation cost and flotation cost.
6. **Cost of production:** Rural entrepreneurs cost of production is very low when

compared to the urban industries. The factors of production are available with low cost; automatically the cost of production is also low. Because of this rural entrepreneurs can sell their goods and services with cheaper cost.

7. **Optimum utilization of produces:** Optimum utilization of farm produces is only possible through the rural entrepreneurship only. Most of the rural entrepreneurs depend upon the farm produces as raw materials.
8. **Employment generation for rural youth:** Rural entrepreneurs are providing hundred percent jobs for rural youth. If the rural entrepreneurs are succeeding in this activity the migration of the people to urban from rural will be immediately stopped to a maximum extent.
9. **Promotion cost:** There is no promotion cost for rural entrepreneurs; in fact the competition is very less. Particularly there is no need for advertising and other promotional activities for their products.
10. **Potential customer:** In this twenty-first century rural villagers are economically strong and also heavily populated. This heavy population can be converted as potential customers. That is the reason all the MNC's are concentrated in rural villages for their potentiality.
11. **Building the goodwill:** Rural entrepreneurs have a lot of scope building the goodwill. Most of the rural entrepreneurs have ethical values and also these people do not work for pure profits.

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