ENTREPRENEURSHIP DEVELOPMENT & MANAGEMENT

UNIT I

Entrepreneurship-concept/meaning, need. Competencies/qualities of an entrepreneur, concept of Small Business entreprise

Concept of Entrepreneurship

- Entrepreneurship involves decision making, innovation, implementation, forecasting of the future, independency, and success first and this is how entrepreneurship developed.
- Entrepreneurship is a discipline with a knowledge base theory. It is an outcome of complex socio-economic, psychological, technological, legal and other factors. It is a dynamic and risky process. It involves a fusion of capital, technology and human talent. Entrepreneurship is equally applicable to big and small businesses, to economic and non-economic activities. Different entrepreneurs might have some common traits but all of them will have some different and unique features. If we just concentrate on the entrepreneurs then there will be as many models as there are ventures and we will not be able to predict or plan, how and where , and when these entrepreneurs will start their ventures.

- Entrepreneurship is a process. It is not a combination of some stray incidents. It is the purposeful and organized search for change, conducted after systematic analysis of opportunities in the environment. Entrepreneurship is a philosophy- it is the way one thinks , one acts and therefore it can exist in any situation be it business or government or in the field of education, science and technology or poverty alleviation or any others.
- Entrepreneurship can be described as a process of action an entrepreneur undertakes to establish his enterprise. Entrepreneurship is a creative activity. It is the ability to create and build something from practically nothing. It is a knack of sensing opportunity where others see chaos, contradiction and confusion. Entrepreneurship is the attitude of mind to seek opportunities, take calculated risks and derive benefits by setting up a venture. It comprises of numerous activities involved in conception, creation and running an enterprise.

What Is Entrepreneurship?

- Entrepreneurship can be defined by describing what entrepreneurs do. For example: "Entrepreneurs use personal initiative, and engage in calculated risk-taking, to create new business ventures by raising resources to apply innovative new ideas that solve problems, meet challenges, or satisfy the needs of a clearly defined market."
- But as the following definitions state, entrepreneurship is not restricted to business and profit:
- "Entrepreneurship involves bringing about change to achieve some benefit. This benefit may be financial but it also involves the satisfaction of knowing you have changed something for the better.
- "Entrepreneurship is essentially the act of creation requiring the ability to recognize an opportunity, shape a goal, and take advantage of a situation. Entrepreneurs plan, persuade, raise resources, and give birth to new ventures."

DEFINITIONS:

- According to **Peter Drucker- "**Entrepreneurship is defined as 'a systematic innovation, which consists in the purposeful and organized search for changes, and it is the systematic analysis of the opportunities such changes might offer for economic and social innovation"
- **According to V.R. Gaikwad : "**Entrepreneurship connotes innovativeness, an urge to take risk in face of uncertainties, and an intuition, i.e. a capacity of seeing things in a way which afterwards proves to be true."
- **Entrepreneurship is a dynamic process of vision, change, and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks- in terms of time, equity, or career; the ability to formulate an effective venture team; the creative skill to marshall needed resources; the fundamental skills of building a solid business plan; and, finally, the vision to recognize opportunity where others see chaos, contradiction, and confusion.**

Characteristics of Entrepreneurship:

Entrepreneurship is characterized by the following features:

- **1. Economic and dynamic activity :** Entrepreneurship is an economic activity because it involves the creation and operation of an enterprise with a view to creating value or wealth by ensuring optimum utilisation of scarce resources. Since this value creation activity is performed continuously in the midst of uncertain business environment, therefore, entrepreneurship is regarded as a dynamic force.

2. **Related to innovation:** Entrepreneurship involves a continuous search for new ideas. Entrepreneurship compels an individual to continuously evaluate the existing modes of business operations so that more efficient and effective systems can be evolved and adopted. In other words, entrepreneurship is a continuous effort for synergy (optimization of performance) in organizations.

3. Profit potential: "Profit potential is the likely level of return or compensation to the entrepreneur for taking on the risk of developing an idea into an actual business venture." Without profit potential, the efforts of entrepreneurs would remain only an abstract and a theoretical leisure activity.

4. Risk bearing: The essence of entrepreneurship is the 'willingness to assume risk' arising out of the creation and implementation of new ideas. New ideas are always tentative and their results may not be instantaneous and positive.

5.Customer satisfaction: The business is not about the prices that you charge for your goods and services and not about your competition and how to beat them. Your business is all about your customers, or clients, it means we have to earn money to satisfy the customer needs and earn profit with keep them smiling.

An entrepreneur has to have patience to see his efforts bear fruit. In the intervening period (time gap between the conception and implementation of an idea and its results), an entrepreneur has to assume risk. If an entrepreneur does not have the willingness to assume risk, entrepreneurship would never succeed.

Importance of Entrepreneurship

- **Provides employment:** Wealth and a thigh majority of jobs are created by small businesses started by entrepreneurially minded individuals, many of whom go on to create big businesses. Often hold **a** view that all those who do not get employed anywhere jump into entrepreneurship.
- **Creates Innovation:** Entrepreneur keeps new idea. Through innovation and new technology they introduce new concepts and products as well as services. In this way, they made more competent and upgraded the nation and share their part in economic development.

- **Wealth Development:** Entrepreneurs are essential for wealth development. All individuals who search business opportunities usually create wealth by entering into entrepreneurship. The creation of wealth plays a considerable role in the development of nation. The business as well as the entrepreneur contributes in some or other way to the economy, may be in the form of products or services or boost up the national income or tax contributions. Their efforts are produced and developed wealth of the nation.
- **Improvement in National income:** Entrepreneurs are always on the lookout for opportunities. They explore and exploit the opportunities. It will result in the increase of the overall productivity and national income in the country. The total output of all goods and services including imports of the country is known as national income. An entrepreneurs manufactured product and services as per the demand of the market so that they are highly responsible for improvement in national income in the country.

- **Improvement in per capital income and standard of living:**Entrepreneurs are essential for economic growth. This economic growth also improves the living standards of the society. By making efficient use of the resources, they start producing more of better quality and that too at lower costs. This enables people to ensure easy availability of better quality products at lower prices to the consumers which result in the improvement in the standard of living of the people in the nation.

NEED OF ENTREPRENEURSHIP

Entrepreneurship offers the following benefits:

1. Development of managerial capabilities: The biggest significance of entrepreneurship lies in the fact that it helps in identifying and developing managerial capabilities of entrepreneurs. An entrepreneur studies a problem, identifies its alternatives, compares the alternatives in terms of cost and benefits implications, and finally chooses the best alternative.

This exercise helps in sharpening the decision making skills of an entrepreneur. Besides, these managerial capabilities are used by entrepreneurs in creating new technologies and products in place of older technologies and products resulting in higher performance.

2. Creation of organisations: Entrepreneurship results into creation of organisations when entrepreneurs assemble and coordinate physical, human and financial resources and direct them towards achievement of objectives through managerial skills.

3. Improving standards of living : By creating productive organisations, entrepreneurship helps in making a wide variety of goods and services available to the society which results into higher standards of living for the people.

Possession of luxury cars, computers, mobile phones, rapid growth of shopping malls, etc. are pointers to the rising living standards of people, and all this is due to the efforts of entrepreneurs.

4. Means of economic development: Entrepreneurship involves creation and use of innovative ideas, maximisation of output from given resources, development of managerial skills, etc., and all these factors are so essential for the economic development of a country.

Who Are Entrepreneurs?

The word „Entrepreneur‟ has been taken from the French word. It means Between Takers. Entrepreneur is another name of Risk Taker.

- An entrepreneur is an individual who takes moderate risks and brings innovation.
- Entrepreneur is a person who organises/ manages the risks in his/her enterprise.
- “Entrepreneur is a individual who takes risks and starts something new”

Definition

- According to J.B.say, “Entrepreneur is an Economic agent to unites all the means of production”

- **According to International Labour Organisation (ILO):** "Entrepreneurs are those people who have the ability to see and evaluate business opportunities, together with the necessary resources to take advantage of them and to initiate appropriate action to ensure success."
- **According to McCleland: "**An entrepreneur is someone who exercises some control over the means of production and produces more than what he can consume in order to sell or exchange it for individual or household income".

Characteristics of Entrepreneur

- **Exploration of opportunity :**An entrepreneur is always looking for opportunities. Many entrepreneurs start by finding a need and quickly satisfying it. They exploits opportunity for his benefit. They do things before other asked to work by people or forced by situation. An entrepreneur accept every opportunity as a challenge but does not lose his patience.
- **Clear objectives:** An entrepreneur must have clear objectives of business means about their product, quality, methods, technique, market, packaging, nature of business or the nature of goods to be produced etc.
- **Independence:**An entrepreneur must have been independent to make their own decision at each and every stages of business. Sometimes they took help from few experts as per requirements of situation.

- **Communication skill:** An entrepreneur must have good communication skills which means they must be capable to communicate and understand properly.
- **Self-confidence :**Entrepreneurs must have self-confidence to achieve their objective and face the problem encounter to operating own business.
- **Knowledgeable:** An entrepreneur must do regularly updated personal research on market. They have to satisfy different type of customers and solve their problems. He seek relevant information from their client, suppliers, competitors and others. This updated knowledge will help them to solve their business problems.

Qualities of Entrepreneur

Being an entrepreneur is about more than just starting a business or two, it is about having attitude and the drive to succeed in business. All successful Entrepreneurs have a similar way of thinking and posses several key personal qualities that make them so successful in business. Successful entrepreneurs like the ambitious Richard Branson have an inner drive to succeed and grow their business, rather than having a Harvard Business degree or technical knowledge in a particular field.

All successful entrepreneurs have the following qualities:

- **Inner Drive to Succeed** Entrepreneurs are driven to succeed and expand their business. They see the bigger picture and are often very ambitious. Entrepreneurs set massive goals for themselves and stay committed to achieving them regardless of the obstacles that get in the way.
- **Strong Belief in themselves** Successful entrepreneurs have a healthy opinion of themselves and often have a strong and assertive personality. They are focused and determined to achieve their goals and believe completely in their ability to achieve them. Their self optimism can often been seen by others as flamboyance or arrogance but entrepreneurs are just too focused to spend too much time thinking about un-constructive criticism.

- **Search for New Ideas** and Innovation All entrepreneurs have a passionate desire to do things better and to improve their products or service. They are constantly looking for ways to improve. They're creative, innovative and resourceful.
- **Openness to Change** If something is not working for them they simply change. Entrepreneurs know the importance of keeping on top of their industry and the only way to being number one is to evolve and change with the times. They're up to date with the latest technology or service techniques and are always ready to change if they see a new opportunity arise
- **Competitive by Nature** Successful entrepreneurs thrive on competition. The only way to reach their goals and live up to their self imposed high standards is to compete with other successful businesses.

- **Highly Motivated and Energetic** Entrepreneurs are always on the move, full of energy and highly motivated. They are driven to succeed and have an abundance of self motivation. The high standards and ambition of many entrepreneurs demand that they have to be motivated!
- **Accepting of Constructive Criticism and Rejection** Innovative entrepreneurs are often at the forefront of their industry so they hear the words "it can't be done" quite a bit. They readjust their path if the criticism is constructive and useful to their overall plan, otherwise they will simply disregard the comments as pessimism. Also, the best entrepreneurs know that rejection and obstacles are a part of any leading business and they deal with them appropriately

Merits of Entrepreneur

- **Self-motivation:** If compared with regular employees, entrepreneurs keeps much self-motivation beginning from the planning stage of the business up to development and realization. Thrill-seekers obviously love being entrepreneurs as they are exposed to too much risk.
- **Economically stable:** Entrepreneur earns more money that is equal to their efforts in comparison to a common employee. In addition they must follow the salary structure set by their employers. It means in that way they provide employment as well as economic security to the society.
- **Flexibility:** Entrepreneurs are independent to take decision regarding their work management as well as schedule. They are able to take vacations anytime and spend much quality time with their families. Their work is more flexible than others.

- **Personal Growth:** An entrepreneur directly deals with the situation and people. That makes their personality versatile and build up to deal with different situation.
- **Independent:** Some people wish to be their own boss and make all the important decisions oneself. Entrepreneur would be able to make decisions without the pressure of getting fired. Their work decision and style is totally independent in comparison to others.

Demerits of Entrepreneurs:

- **Bearing Risks:** An entrepreneur lives with risks and bears many risks in running and developing business. When you start a business, you should be prepared to leave behind the security of having a paycheck each month. Entrepreneur always shall not keep fixed amount of money for their needs fulfilment as an employee who is having regular amount of salary.
- **Hectic Work Schedule:** An entrepreneur have the luxury of a flexible schedule, also make sacrifices especially during situation that require them to work longer hours. Unlike regular employees who are not worried too much about the status of the business, entrepreneurs must make sure that everything is going well at the cost of their personal life and health.

- **Solely responsible:** Entrepreneur own the business, all major decisions are made by them. This is quite a burden and difficult to handling such responsibility. Every decision directly affects the future of their businesses and sometimes causes of loss.
- **Raising of Funds:** An entrepreneur must raises funds oneself required for the enterprises.
- **Qualification:** An entrepreneur needs to possess qualities and qualification like high achievement, motive, originality in thinking, foresight, risk bearing ability and so on without keeping these quality they could not run their business.

SMALL BUSINESS ENTREPRISES

- Sometimes called a small business, a small-scale enterprise is a business that employs a small number of workers and does not have a high volume of sales. Such enterprises are generally privately owned and operated sole proprietorships, corporations or partnerships. The legal definition of a small-scale enterprise varies by industry and country.

Characteristics of a Small Scale Business

- Not every small business eventually grows to the size of large corporation. Some businesses are ideally suited to operate on a small scale for years, often serving a local community and generating just enough profit to take care of company owners. Small-scale businesses display a distinct set of identifying characteristics that set them apart from their larger competitors.

Lower Revenue and Profitability : Small-scale business revenue is generally lower than companies that operate on a larger scale. The Small Business Administration classifies small businesses as companies that bring in less than a specific amount of revenue, depending on the business type. The maximum revenue allowance for the small business designation is set at $21.5 million per year for service businesses.

Lower revenue does not necessarily translate into lower profitability. Established small-scale businesses often own their facilities and equipment outright, which, in addition to other factors, helps to keep costs lower than more leveraged businesses.

Smaller Teams of Employees : Small-scale businesses employ smaller teams of employees than companies that operate on larger scales. The smallest businesses are run entirely by single individuals or small teams. A larger small-scale business can often get away with employing fewer than one hundred employees, depending on the business type.

Small Market Area : Small-scale businesses serve a much smaller area than corporations or larger private businesses. The smallest-scale businesses serve single communities, such as a convenience store in a rural township. The very definition of small-scale prevents these companies from serving areas much larger than a local area, since growing beyond that would increase the scale of a small business's operations and push it into a new classification.

Sole or Partnership Ownership and Taxes : The corporate form of business organization is not well-suited to small-scale operations. Instead, small-scale businesses prefer to organize as sole proprietorships, partnerships or limited liability companies. These forms of organization provide the greatest degree of managerial control for company owners, while minimizing the hassle and expense of business registration.

These businesses generally do not file their own taxes; instead, company owners report business income and expenses on their personal tax returns.

Limited Area of Fewer Locations : A small-scale business, by definition, can be found only in a limited area. These companies are not likely to have sales outlets in multiple states or countries, for example. A large number of small-scale businesses operate from a single office, retail store or service outlet. It is even possible to run a small business directly out of your home, without any company facilities.

Objectives of Small Scale Industries

The main of objectives of small scale industries are as follows:

- To improve the standard of living of the people.
- To provide large scale employment opportunities and eradicate unemployment problem from the country.
- To encourage effective mobilization of available resources.
- To balance regional development of the nation.
- To development of backward areas.
- To ensure equitable distribution of national income and resources.
- To save art and culture of the country.

Scope of Small Scale Industries

- The scope of small scale industries is quite vast covering a wide range of activities. With its distinct qualities lots of activities are found particularly possible. Among them manufacturing activities, servicing activity, repairing activities, retailing activities, financial activities, whole sale activities, construction activities, transportation activities, communication activities, public utilities, assistance activities, food packaging or making, textiles and related activities, glass and ceramics, Home appliances, electric equipment's, stationary, Metal works, mathematical instruments, sports material and goods, clocks and watches etc. and many more activities which are found particularly amenable for operation of small scale units. Now a days the scope of small scale industries is wider in comparison to year back.

Types of Small-Scale Industries

Small-scale industries can be classified into five main types as follows:

- Manufacturing industries are those industries producing complete articles for direct consumption and also processing industries.
- Feeder industries specializing in certain types of products and services like casting, electro-plating, welding etc.
- Small scale service business enterprises (SSSBEs) are serving industries covering light, repair, and shop's necessary to maintain mechanical equipment.
- Ancillary industry undertaking (ANCs), producing parts and components and rendering services.
- Export oriented units (EOUs) are those units who is establishing for the purpose of producing goods for export purpose.
- Tiny enterprises (TINY)

- Artisans, Village and Cottage industries
- Women entrepreneurs' enterprise are those small scale unit where one or more women entrepreneurs have not less than 51 percent financial holding.
- Mining or quarrying enterprise are those units who are doing related mining works.

UNIT II

Entrepreneurial Support System-a brief overview of- District Industries Centers(DICs), State National Financial Corporation (SFCs), Small Industries Development Bank of India(SIDBI), National bank for agriculture and rural development(NABARD), National Small Industries Corporation(NSIC), and Special Economic Zone(SEZ) concept.

SUPPORT SYSTEM FOR THE DEVELOPMENT OF ENTREPRENEURSHIP

- Introduction: India is second among all nations in total entrepreneurship activity as per the Global Entrepreneurship Monitor Report 2002. The liberalization of the economy since 1991 has paved the way for a huge number of people to become entrepreneurs. Developing countries like India are striving to be outward looking global economies rather than inward looking local economies. This will be possible only if small and medium scale enterprises (SMEs) are encouraged. Entrepreneurship can be cultivated among the present youth and it can be developed systematically with the help of support system. The post-globalization era has brought with it a growing middle class and rising disposable incomes. This presents tremendous opportunities for developing entrepreneurship. The emerging entrepreneurs can reap the benefits of these opportunities by catering to various demands of this segment through their small scale industries.

Small scale industries: An industrial undertaking in which the investment in fixed assets in plant and machinery whether held on ownership basis or on hire purchase does not exceed Rs. 5 Crore can be termed as small scale industrial undertaking.

Medium scale undertaking: Units with investment in plant and machinery in excess of SSI limit and up to Rs. 10 crore may be treated as Medium scale enterprises.

The small scale industries are of two types, traditional and modern. The traditional small scale industries include khadi and handloom, village industries, handicrafts, sericulture, coir etc. Modern small industries manufacture a wide variety of goods from simple items to sophisticated items like television sets, electronic control system, various engineering products, particularly as ancillaries to large industries.

Since independence, the growth and development of the small scale sector has been favored by the government of India on the following grounds:

1) Generation of employment opportunities by SSIs
2) Mobilization of capital and entrepreneurship skills
3) Regional dispersal of industries
4) Equitable distribution of national income

Policies pursued by the government over the years have resulted in the growth of small scale sector to a considerable extent. To accelerate the pace of industrialization in the country and also to support economic development, Government at central as well as at state level has made good efforts by way of implementing various measures. Government have set up number of agencies and institutions to assist and support emerging and established entrepreneurs to set up and develop their business at two levels- small and medium. Starting a business or an industrial unit requires various resources and facilities. Finance has been an important resource to start and run an enterprise because it facilitates the entrepreneur to procure land, labour, material, machines to run an enterprise. Hence finance is the most important requirement of the business. Considering this, the government has come forward to help small entrepreneurs through the financial institutions and nationalized banks. But the finance alone is not sufficient to start a business. A minimum level of prior built-up of infrastructural facilities is also needed. This is one of the reasons for lack of industrial development in backward areas. Creation of infrastructure involves huge funds. In view of this various central and state government institutions have come forward to help small entrepreneurs in this regard by providing them various kinds of support and facilities. Institutional support makes the economic environment more conducive for the growth of the business. These institutions are supporting the entrepreneurs in various aspects of the business such as education, training, finance, marketing etc.

Support system for the development of entrepreneurship exists in the form of following institutions.

1) Educational institutions providing professional and non-professional or traditional courses
2) Financing institutions
3) Promoting institutions
4) Non-government organizations
5) Government's support
6) Support from family members, relatives and friends

INTRODUCTION TO DISTRICT INDUSTRIES CENTERS (DICs)

- Entrepreneurship development (ED) refers to the process of improving entrepreneurial skills and knowledge through structured training and institution-building programmes. Entrepreneurship development focuses on the individual who wishes to start or expand a business. This accelerates employment generation and economic development. District Industries Centers (DICs) provide full assistance to the entrepreneurs who are going to start the business on their own and in their regional places. These centers provide service and support to small entrepreneurs under a single roof at both pre and post investments. The DICs program was started on May 1st in the year of 1978 with a view to providing integrated administrative framework at the district level for promotion of small scale industries in rural areas. Providing complete assistance and support to entrepreneurs in multi-regions are the ultimate aims of DICs. These DIC programs can take over the responsibilities in order to promote cottage and small scale industries at district level effectively. DIC's are the implementing arm of the central and state governments of the various schemes and programmes. Registration of small industries is done at the district industries centre and PMRY (Pradhan Mantri Rojgar Yojana) is also implemented by DIC. Management of DIC is done by the state government.

OBJECTIVES OF DISTRICT INDUSTRIES CENTERS (DICS)

- The following are the main objectives of DICs:
  - To identify the new entrepreneurs and providing assistance to them regarding their own startup's.
  - To provide financial and other facilities to smaller blocks.
  - To rise the complete efforts for industrialization at district level.
  - To enhance the rural industrialization and also the development of handicrafts.
  - To reach economic equality in multiple areas of the district.
  - To allow various government schemes to the new entrepreneurs.
  - To desize the regional imbalance of development.
  - To make all the necessary facilities to come under one roof

FUNCTIONS OF DISTRICT INDUSTRIES CENTERS (DICS)

The DIC's programme is funded jointly by the concerned state and central government. It took part in various promotional measures In order to bring out the development of small unit sectors in the district level. The DIC's performs the following functions mainly:

1. **To spot the entrepreneurs:** DICs conducting various motivational programmes so that they can find new entrepreneurs throughout the districts. It is done particularly under some schemes and with the association of SIS's and TCO's for conducting Entrepreneurial programmes.
2. **2. Purchase of fixed assets:** To purchase fixed assets, the DICs suggest loan applications of the prospective entrepreneur to some of the concerned financial and development institutions like NSIC, SISI etc., DCI's also recommend commercial banks so that to meet the working capital requirement of SSI to run operations daily.

3. Offers subsidies and other incentives: DCIs help the rural people to subsidies offered by the government on various schemes. It leads to the betterment in boosting financial capacity of the units and may undergo for further development activities.
4. Guidance of import and export: Government provides various types of incentives for import and export on particular goods and services. The license to the importer and exporter is issued on the basis of recommendation of DIC.
5. Entrepreneurial training programmes: DCIs allow a lot of training programmes for the rural entrepreneurs who are new to the business world and also recommend other institutions to take part in such training programs. These are intended to give better assistance to the new entrepreneurs.
6. Provides employment for unemployed educated ones: The DICs have introduced a scheme to guide the unemployed educated youth by providing them facilities for self-employment. The age limits between 18 to 35 years with minimum qualification of metric or technical trade. The notable thing here is that the technocrats and women are given importance.

Roles of DICs

- DICs perform following roles-

- It promote and develop new entrepreneurs by giving them motivation and knowledge through Panchayat union headquarters.
- It provide technical advice to select and identify new projects to entrepreneur.
- It provide provisional registration of small scale industries which is essential for obtaining financial support from government or private institution or banks.
- It sponsors the loan application to for the purchase of land and buildings or fixed assets.
- It provide margin money to start rural industries for starting new venture.
- It takes the initiatives and follow up to get clearances from various departments.
- It provides necessary assistance for raw material supplier, machinery supplier, importing of tools and raw material.
- It arrange financial assistance with the lead banks or nationalized banks or the respective areas.

- It provides interest-free sales tax loan recommendation to SSI units.
- It provides subsidies such as power, water, and interest subsidy for engineers from various institutions.
- It gives training to rural and small entrepreneurs for their skill development and technical know-how to update their work performance and product finishing to meet the national and international standards.
- It provides marketing assistance to sell their product directly to the customers.

Schemes of DICs:

DICs commence various schemes for facilitate the rural and new entrepreneur few of them is as follows-

- Zila Udyog Mitra Committee headed by District Collector to sort-out various problems of district area industrial units.
- NABARD Margin Money Scheme for up to 25 lac project cost provides 20% interest free loan to any rural small-scale industry.
- PMEGP includes industry projects –for service provider 10 Lac and for business project 25 Lac investment in fixed capital are eligible for the scheme.
- Seed Money Scheme (SMS) for providing soft loan to encourage unemployed person to take-up-self-employment or start new ventures.
- District Industries Centre Loan Scheme for generating self-employment in semi-urban and rural areas. This scheme is highly useful for rural artisans.
- Industrial Promotion Subsidy Scheme firstly implemented in Maharastra for providing incentives and decentralization of industries. It provides simplified procedural rules and regulation for the development of district industry.

- District Award to Small-Scale Entrepreneurs introduced by Directorate of Industries in 1985 for promoting entrepreneurship and recognizing its achievement. Award will be granted every calendar year and provide first award rupees 15,000 cash with silver plated mementos and second award is of rupees 10,000 cash with mementos.

State Financial Corporation (SFC)

- Financial Corporation Act 1951, made it mandatory that every state in India will have its own established financial corporation. The main function of State Financial Corporation is to provide mainly the term loan assistance to small and medium scale industries for acquiring fixed assets like land, building, plant and machinery. Loans are also extended for expansion, diversification, technology development, expansion of the business. The SFC also takes over term loan accounts from banks and other financial institutions when a borrower has a good track record with the corporation. SFCs undertake the issue of stock, shares, bonds or debentures of industrial concerns and to grant loans and advances to industrial concerns repayable within a period not exceeding 20 years.

OBJECTIVE OF SFC

The State Financial Corporation (SFCs) are state level financial institutions operating as regional development banks playing a crucial role in the development of small and medium enterprises in the states concerned in tander with national priorities. It is based on following objective.

- SFC establishes uniformly in regional industries.
- It provides incentive to new industries
- To bring efficiency in regional industrial units.
- To develop regional financial resources.
- It provides finance to small-scale, medium sized and cottage industries in the state.

FUNCTION OF SFC

SFCs provide financial assistance by way of term loans, direct subscription to equity, debentures, guarantees, discounting of bills of exchange and seed/special capital. It has following functions.

- It provides loans for a period not exceeding 20 years to industrial units.
- In underwrites the issue of shares, debentures and bonds for a period not exceeding 20 years of industrial units.
- To give guarantee to loans taken by industrial units for a period not exceeding 20 years.
- SFC makes payment of capital goods purchased in India by these industrial units.
- It subscribe to the share capital of the industrial units, in case they wish to raise additional capital.
- State Financial Corporation of every state is governed by a board of directors consisting of 18 Directors in all, duly elected and nominated.

- The State Financial Corporation can be increased up to Rs. 10 crores with the prior sanction of the Central Government.
- The State Financial Corporation can issue bonds and debenture to a maximum to ten times the amount of its paid up capital and reserve fund.
- The State Financial Corporation can accept public deposits for a maximum period of 5 years. However the total amount received by way public deposits should not exceed twice its paid up capital.
- Borrowings from the state government and the Reserve Bank.

Small Industries Development Bank of India

- SIDBI was established under SIDBI Act 1988 and commenced its operations with effect from April 02, 1990, as a subsidiary of IDBI. It took over the IDBI business relating to small scale industries including National Equity Scheme and Small Industries Development Fund. The objective of establishment of SIDBI is to strengthen and broad base the existing institutional arrangement to meet the requirements of small scale industries and tiny industries. Some of its functions include:
- Administration of small industries development fund for development and equity support to small and tiny industries.
- Providing working capital through single window scheme
- Providing refinance support to banks/development finance institutions
- Undertaking direct financing of SSI units
- Coordination of functions of various institutions engaged in finance to SSI and tiny units.

Functions of SIDBI

The important functions of SIDBI is as follows-

- Technological development of MSME.
- Modernization of existing MSME.
- Expand the channels of marketing for MSME products.
- Expand the market domestic to international.
- Promote employment generating industries.
- Equal regional, rural, semi-urban areas development.
- Overall facilities for MSME development.

Objectives of SIDBI

The objectives of SIDBI is as follows-

- Provide short term credit for working capital of MSME.
- Provide long term credit for capital investment of MSME.
- Provide technological up gradation and modernization of new or existing MSME.
- Provide expanded channels for marketing of manufactured product of MSME.
- Promote employment oriented industries in MSME.
- Promote development of undeveloped rural and semi urban areas.
- Stopping migration to create more employment in undeveloped areas.
- Providing refinancing loans and advances to MSME.
- Provide discount and rediscount bills to MSME.

- Extend seed capital for MSME.
- Provide soft loans under national equity fund, mahila udyam nidhi, mihila vikas nidhi and seeds capital schemes.
- Provide direct assistance to MSME.
- Providing finance for export of the product manufactured by MSME.
- Providing different services for know-how, training, leasing, factoring etc.
- Providing scarce raw material and resources at minimum cost.
- Expend financial support to leasing, hire purchase and marketing of MSME.

Role of SIDBI

The major roles of SIDBI are as follows-

- Financing and Refinancing the MSME to empowering them.
- Provide other resources support to MSME.
- Bills discounting and re-discounting facilities on sales of machinery to MSME.
- Provide direct financial assistance and refinancing facilities to MSME.
- Provide soft loans and seed capital through specify lending agencies to MSME.
- Provide other services like leasing, factoring, marketing etc. to MSME.
- Provide financial support to the NSIC by the SIDBI for support of MSME.

- Provide technological upgradation to meet the global competition.
- Provide loan assistance to private companies which functions on rental or contract basis.
- Provide assistance for primary services and infrastructure, developing the growth centres.
- Provide loan assistance to ancillary units.
- Provide loan assistance for expending market and market avenues.

National Bank for Agriculture and Rural Development (NABARD)

NABARD is one of the apex development banks. It came into existence on July 12, 1982 under NABARD ACT, 1981 with a capital of Rs. 100crore contributed by Central Government and RBI, with its main office in Mumbai. The set up has been created by merging Agriculture Credit Department and Rural Planning and Credit Cell of RBI and took over the entire functions of Agriculture Refinance and Development Corporation.

NABARD raises funds through National Rural Credit-Long Term operations, National Rural Credit Establishment Fund, bonds and debentures guaranteed by Central Government, borrowing from RBI, Central Government or any other organization approved by Central Government and funds from external sources. Credit functions of NABARD include providing credit to agriculture, small and village and cottage industries through banks by way of refinance facilities to commercial banks, Regional Rural Banks, Cooperative Banks, Land Development Banks and other Financial Institutions like Khadi and Village Industries Commission (KVIC).

Its developmental functions are co-ordination of various institutions, acting as agent of Government and RBI and providing training and research facilities. The regulatory functions include inspection of Regional Rural Banks, and Cooperative Banks, receipt of returns and making of recommendations for opening new branches.

Functions of NABARD

The National Bank has a dual role to play as an apex institution and as a refinance institution. It has inherited its apex role from RBI i.e. it is performing all the functions performed by RBI with regard to agricultural credit. At the same time the National Bank has taken over the function of ARDC and thus provides refinance facilities to all banks and financial institutions lending to agriculture and rural development.

- The National Bank services as a refinancing institution for all kinds of production and investment credit to agriculture, small-scale industries, cottage and village industries, handicraft and rural crafts and real artisans and other economic activities with a view to promoting integrated rural development.
- It provides short-term, medium-term and long-term credits to state Co-operative Banks (SCBs). RRBs, LDBs and other financial institutions approved by RBI;
- It gives long-term loans (up to 20 years) to State Governments to enable them to subscribe to the share capital of co-operative credit societies;
- It gives long-term loans to any institution approved by the Central Government or contribute to the share capital or invest in securities of any institution concerned with agriculture and rural development.

- It has the responsibility of co-coordinating the activities of Central and State Government the Planning Commission and other all India and State level institutions entrusted with the development of small scale industries, village and cottage industries, rural crafts, industries in the tiny and decentralized sectors etc;
- It has the responsibility to inspect RRBs and co-operative banks, other than primary co-operative banks; and
- It maintains a Research and Development Fund to promote research in agriculture and rural development to formulate and design projects and programmes to suit the requirements of different areas and to cover special activates.

Working of NABARD

The National Bank is thus an apex organization with respect to all matters relating to policy, planning and operational aspects in the flow of credit for the promotion of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas. The National Bank is the single integrated agency for meeting the credit needs of all types of agricultural and rural development activities.

The National Bank is performing the various functions assumed by it smoothly and efficiently. For instance, it sanctioned short-term credit limits work Rs. 6230 crores during 1997-98 for financing seasonal agriculture operations at the concessional rate of 3 per cent below the Bank Rate. The National Bank has attempted to ensure the flow of credit to weaker sections of society under the New 20 point programmes by making it obligatory for banks to disburse a specified percentage of short-term loans to small and marginal farmers and other economically weaker sections.

The National Bank has continued to follow the policy earlier laid down by the Reserve Bank in regard to sanction of medium credit limits for approved agricultural purpose. It grants long term credit to State Government for contribution to the share capital of co-operative credit institutions. During 1997-98 it extended medium term and long term credit worth Rs. 210 crores.

The National Bank’s purpose wise refinance assistance. Purpose wise minor irrigation has continued to occupy an important place in schematic lending of NABARD – about 13 per cent of the schemes sanctioned in recent years consisted of minor irrigation works; it was as high as 24 per cent during 1992-93.

Farm mechanization has been a major area of NABARD refinancing –it is around 28 per cent of total refinance. NABARD’S refinance assistance under IRDP is specially to help weaker sections of the rural community for minor irrigation, dairy development, sheep/goat/piggery rearing, fisheries, small business, etc. Land development command area development (CAD) plantations and horticulture, poultry, sheep breeding etc. are more important schemes which are financed by NABARD.

State Cooperative Agricultural and Rural Development Banks (SCARDBs- formerly the land development banks) now lead in availing refinance facilities from NABARD (to the extent of 54 per cent during 1997-98) , closely followed by commercial bank including RRBs (36 per cent) and State Cooperative Banks (10 per cent). The National Bank has vigorously continued its efforts in promoting investments in the agricultural sector in the less developed/under banked states – Uttar Pradesh, Bihar, Madhya Pradesh, Rajasthan and Orissa in than order have been the biggest beneficiaries.

Objectives of NABARD

We could easily understand objectives of NABARD with these point:

- To provide individual attention and direction for rural development.
- To play apex role in national rural credit.
- To provide credit and supplemental funding to the national or state rural credit banks or institutions like SLDBs, SCBs, RRBs, commercial banks etc.
- To provide credit for initial investment in rural small, tiny, cottage, village, craft, artisans industries and farmers.
- To provide credit for rehabilitation of sick industries and institution building.
- To provide assistance, examination, training, monitoring, inspect, evaluate and refinance facilities to small and rural –farmers, tiny, cottage, village, craft industries.

Role of NABARD

NABARD plays different role for rural development and credit facilities for agriculture and different industries-

- **Credit Distribution**- It provide short, medium, long term credit to state co-operative banks, regional rural banks and other financial institution approved by RBI for agriculture, marketing, distribution, farming, trade, production etc. Provides medium term credit 18 month to 7 year and long term loan credit which is more than 7 years to village, cottage, and small industries to rural areas.
- **Developmental Roles-**It plays the roles of coordination, institution building, provide specialization to solve individual problems, monitoring work, provide facilities, research and training to the staff for agriculture, rural development, and small-tiny-cottage-handicraft industries development, to develops specialization in the industries and agricultures, provides facilities for research and training to the staff of RRBs, SCBs, LDBs, rural banking, agriculture for rural industrial development, spread information regarding rural banking and development, provides direct credit approved by central and state government institution, maintain interest free easy credit.

- **Regulatory Functions-** It plays regulatory roles like inspects the working of RRBs and cooperative banks, marketing federation, state handloom weaving societies.
- **Institutional Building-** Provide help to prepare their development action plans, provides technical -financial assistance, monitoring and evaluations cells, provide organization development interventions through reputed training, provides financial support, creates awareness among borrowers on ethics of repayment of credits, computerization of operations, development of human resources, provide development programme for senior level executives.

The National Small Industries Corporation Ltd. (NSIC Ltd)

- NSIC was set up in 1955 to support the growth of small scale industries in the country. Since then it has been assisting SSI through a number of schemes. Due to increased competition in post-globalisation period, NSIC restructured its activities from financing to promotion of marketing.

Some of the important programmes of NSIC are:

A) Marketing assistance programme

Government purchase registration: Government being the biggest buyer of any product, NSIC provides a registration to small scale unit, making them eligible for the following benefits:

- Tender at free of cost
- Exemption from Earnest money deposit
- Exemption from security deposit
- 15% price preference over large and medium unit

Exports: the corporation assists in exporting the products of SSIs. NSIC is engaged in project exports also on turnkey basis and is a major supplier of relief items of India to United Nations and other international agencies. The corporation organizes international exhibitions related to specialized products and technology, to facilitate the marketing of SSI products.

Campaigns: NSIC organizes awareness campaigns at various locations near industrial estates in the states and also in the areas ideal for setting up new industries.

Cluster Development: The Corporation has identified 28 clusters throughout India where cluster development managers have been appointed.

Informatory services: NSIC has started Informatory Services at a very nominal annual fee. SSI useful information about marketing, technology and allied get matters after taking the membership of this service.

Mentoring and advisory services: NSIC has provided the support of experienced mentors who provide the guidance to the units facing the problems in the areas of production, management and marketing. Half of the expenses required for this guidance are reimbursed by the corporation.

B) Financial support programme

- NSIC provides finance for purchase of indigenous as well as imported machinery for setting up of new industry and technical upgradation of existing units on easy terms through its hire purchase scheme.
- The corporation has started Composite Term Loan Scheme to provide single window service.

The scheme is mainly designed to encourage setting up of new SSI in the country.

Under raw material assistance scheme, the corporation provides finance to SSI for the purchase of raw material against the security of bank guarantee.

Its main function are:

- Providing modern machine on hire purchase to small scale industries.
- Purchase raw material under government purchase policy.
- Developing small scale industries as ancillary units to large scale industries.
- Arranging marketing of small Industries products by starting emporium as sales department.
- Promoting their export and international business.
- Distribution of basic raw materials through their raw materials department.
- Import and distribution of components and parts to actual small scale users in specific industries and
- To provide technical know-how and assistance.
- Provide Construction of industrial estates.

- The establishment and running of proto type production and training castles.
- Helps in development and up gradation of technology.
- Implementation of modernization programmes.
- Providing training in several industrial trades.
- Setting up small scale industries in other developing countries on turn-key basis.
- Organise training for workers and supervisors.
- Purchase finished product under the government purchase policy.

Its main objective are:

- To provide modern machinery on hire-purchase scheme to small scale industries.
- To provide equipment leasing facility.
- To help in export marketing of the products of small scale industries
- To develop prototype of machines and equipment to pass on to small scale industries for commercial
- To help in development and production.
- To distribute basic raw material among small scale industries through raw material depots.

- Up-gradation of technology and implementation of modernization programmes for small scale industries.
- To impart training in various industrial trades.
- To set up small scale industries in other developing countries on turn-key basis.
- To undertake the construction of industrial estates
- To organize training for workers and supervisors
- To assist small scale industries in export and import etc.

On getting registered with the NSIC the small industries can draw the following benefits-

- These small scale unit get free tenders from the offices of NSIC.
- These small scale unit do not have to pay any deposit amount.
- These small scale units get 15% cost priority in government purchase.
- These small scale units gets preference in government purchases.
- These small scale units can easily get a loan up to Rs. 80,000 from the SBI.

Special economic zone

- A **special economic zone** (**SEZ**) is an area in which the business and trade laws are different from the rest of the country. SEZs are located within a country's national borders, and their aims include increased trade balance, employment, increased investment, job creation and effective administration. To encourage businesses to set up in the zone, financial policies are introduced. These policies typically encompass investing, taxation, trading, quotas, customs and labour regulations. Additionally, companies may be offered tax holidays, where upon establishing themselves in a zone, they are granted a period of lower taxation.
- The creation of special economic zones by the host country may be motivated by the desire to attract foreign direct investment(FDI). The benefits a company gains by being in a special economic zone may mean that it can produce and trade goods at a lower price, aimed at being globally competitive. In some countries, the zones have been criticized for being little more than labor camps, with workers denied fundamental labor rights.

Concept of SEZ

- “De-lineated duty free enclave deemed foreign territory.
- Preferential policy frame work & operational freedom.
- Single window clearance doing away with bureaucratic hassles
- Level playing field for international business within India.
- Promote industrial growth by leveraging of India’s competitive strengths.

Definition

- According to the World Bank in 2008, the modern day special economic zone typically includes a "geographically limited area, usually physically secured (fenced-in); single management or administration; eligibility for benefits based upon physical location within the zone; separate customs area (duty-free benefits) and streamlined procedures."

Objectives of SEZ

- The SEZ measure is expected to promote self-contained areas supported by world class infrastructure oriented towards expert production units. With a view to provide infrastructure facilities for export promotion. The Indian government (including State) established SEZs in the public, joint sector. The minimum size of SEZ shall not be less than 100 hectares.
- Net foreign exchange (NFE) earning through established SEZ. SEZ units are allowed to subcontract and outsource of their production and procure foreign currency.
- SEZ may exports goods and services and also procure goods required through imports.
- Promote domestic and foreign investment.
- SEZ execute a legal undertaking with the Development Commissioner concerned.
- Generate additional economic activity.

- Any private/Public, joint sector as state government or its agencies can set up on SEZ.
- Full Freedom in allocation of developed plots to approved SEZ units on purely commercial basis.
- Full authority to provide services like waters, electricity, security arrangements, restaurants, recreation center etc. on commercial lines.
- Promote exports of goods and services of industrial, commercial and social infrastructure.
- All approvals to be given by the development commissioner. Clearance from the department of policy and promotion Board of Approvals.
- Creates employments with development of rural small and tiny industries.
- Equal promotion and development of underdeveloped areas of the nation.

Important of SEZ-

- SEZ are a tool for government intervention into the economy.
- The most critical instruments to advance government strategic objectives industrialization, regional development and job creation.
- SEZ can help improve attractiveness of Small industries as a destination for foreign direct investment.
- SEZs are introduced to improve on the concept of industrial zone (IDZs) which have enjoyed mixed success since introduced in 2000.
- Setting up SEZs unit duty free import or domestic procurement of goods.
- No routine examination by the customs officials of exports as well as import cargo.

- SEZs will help stimulate industrial decentralization from rural to urban centers areas.
- The government has exempted the SEZ units from the payment of stamp duty, registration fees on the lease, license of plots.
- SEZ scope will be beyond export industries to include a focus on research, innovation and regional development in areas such science parks, industrial parks and sector development zones.
- 100 percent income tax exemption (section 10 A) for the first 5 years and 50% for two years after that.
- To remedy this the new bills provides for the setting up of SEZ fund which is not only intended for feasibility studies but for incentives as well.
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SEZs in India

The special economic zones in India are explained below:

- Kandla special economic zone (KASEZ) located at the port town Gandhidham in the state of Gujrat. This is the first economic zone in Asia and largest multi-product special economic zone in India.
- Santacruz Electronic Export Processing Zone (SEEPZ) is located in Mumbai 1974. Now a days 162 units engaged in software, hardware development.
- Coachin Export Processing Zone is located in Cochin, Kerala in southwest India for export-oriented ventures. It is a multi-product zone for foreign direct investment and export promotion.
- Falta Special Economic Zone (FSEZ) comes under central government and SEZ Act. It work for commercial activities, publicity of goods and services.

- Madras Export Processing Zone (MEPZ) is established in 1984 for promotion of FDI and creating employment opportunities, providing banking facilities etc.
- NOIDA Export Processing Zone (NEPZ) is established in 1985 in Uttar Pradesh for export promotion of computer software, engineering goods, textile garments, pharmaceuticals, chemical product, leather products, gems and jewelry, woolen knitwear, Ayurveda medicines, etc.
- Vishakhapatnam Special Economic Zone (VSEZ) is establish in 1989 in a sprawling 360 acres of prime land for liberal package of incentives, support and concession for export promotion.

UNIT III

Business Planning- Various forms of business organisations- sole Proprietorship, partnership firms, joint stock companies, Set up process of a small scale enterprise, Procedures for registration of small scale industry. List of items reserved for exclusive manufacture in small scale industry.

Meaning of Business Plan

- A business plan is a comprehensive set of guideline for a new venture. A business plan is a written document that describe all steps necessary in opening and operating business. Business plan spells-out the principal features of a proposed business. It portrays an overall pictures of a business proposal, attempt to justify its technical feasibility as well as commercial success.

DEFINITION:

- We can defined business plan-“A business plan is a well-defined written argument, based on relevant facts, figures and estimates.”

Objectives of Business Planning

The objectives is as follows:

- To identify the business opportunity and ideas.
- To give direction to its vision.
- To understand and evaluate the prospects of business to other's.
- To monitor the progress after implementing the business plan.
- To make other people understand and persuade to join the business.
- To visualize and check the idea in terms of its viability in different aspects like- market, financial, operational, technical etc.
- To guide the entrepreneur in each and every aspects of business plan.

Significance of Business Planning

- It described the short and long term goals of the business planning.
- It provides descriptive information about products and services.
- It gives description of resources and means to be employed to achieve goals.
- It constructed a blue print of venture to follow, like a map, improves the user's chances of reaching its destination.
- It construct plan and serve as a bridge between the present and future.
- It help in correcting the mistakes of project feasibility.
- It help in conveyancing, impressing others to invest and support the project.
- It gives idea about its strategy, policy etc.

Advantages of Business Planning

There are number of advantages of a good and well-constructed business plan-

- The business plan is a guide to decision making because it sets goals and milestones for the new venture.
- Business plan has been made, consulting it frequently, reviewing it and revising it periodically can improve venture’s performance.
- Business plan is totally based on research and comprehension of each and every steps of work. It provide positive and healthy atmospheres for venture development.
- The business plan provide financial mapping because new venture needs finance right from the start-up phase till its end.
- A well-constructed business plan allows mistakes to be made only on paper rather than in the market place.

FORMS OF BUSINESS ORGANISATION

Business organisations may be owned and managed by a single individual or group of individuals who may form a partnership firm or a joint stock company. Such arrangement of ownership and management is termed as a form of business organisation. A business organisation usually takes the following forms in India:

(1) Sole proprietorship

(2) Partnership

(3) Cooperative Society

(4) Joint Stock Company

SOLE PROPRIETORSHIP

The term 'sole' means single and 'proprietorship' means 'ownership'. So, only one person is the owner of the business organisation. This means, that a form of business organisation in which a single individual owns and manages the business, takes the profits and bears the losses, is known as sole proprietorship form of business organisation.

- Definition of Sole Proprietorship

According to J.L. Hanson: "A type of business unit where one person is solely responsible for providing the capital and bearing the risk of the enterprise, and for the management of the business."

Thus, 'Sole Proprietorship' from of business organisation refers to a business enterprise exclusively owned, managed and controlled by a single person with all authority, responsibility and risk.

CHARACTERISTICS OF SOLE PROPRIETORSHIP FORM OF BUSINESS ORGANISATION

(a) Single Ownership: The sole proprietorship form of business organisation has a single owner who himself/herself starts the business by bringing together all the resources.

(b) No Separation of Ownership and Management: The owner himself/herself manages the business as per his/her own skill and intelligence. There is no separation of ownership and management as is the case with company form of business organisation.

(c) Less Legal Formalities: The formation and operation of a sole proprietorship form of business organisation does not involve any legal formalities. Thus, its formation is quite easy and simple.

(d) No Separate Entity: The business unit does not have an entity separate from the owner. The businessman and the business enterprise are one and the same, and the businessman is responsible for everything that happens in his business unit.

(e) No Sharing of Profit and Loss: The sole proprietor enjoys the profits alone. At the same time, the entire loss is also borne by him. No other person is there to share the profits and losses of the business. He alone bears the risks and reaps the profits.

(f) Unlimited Liability: The liability of the sole proprietor is unlimited. In case of loss, if his business assets are not enough to pay the business liabilities, his personal property can also be utilised to pay off the liabilities of the business.

MERITS OF SOLE PROPRIETORSHIP FORM OF BUSINESS ORGANISATION

(a) Easy to Form and Wind Up: It is very easy and simple to form a sole proprietorship form of business organisation. No legal formalities are required to be observed. Similarly, the business can be wind up any time if the proprietor so decides.

(b) Quick Decision and Prompt Action: As stated earlier, nobody interferes in the affairs of the sole proprietary organisation. So he/she can take quick decisions on the various issues relating to business and accordingly prompt action can be taken.

(c) Direct Motivation: In sole proprietorship form of business organisations. the entire profit of the business goes to the owner. This motivates the proprietor to work hard and run the business efficiently.

(d) Flexibility in Operation: It is very easy to effect changes as per the requirements of the business. The expansion or curtailment of business activities does not require many formalities as in the case of other forms of business organisation.

(e) Maintenance of Business Secrets: The business secrets are known only to the proprietor. He is not required to disclose any information to others unless and until he himself so decides. He is also not bound to publish his business accounts.

LIMITATIONS OF SOLE PROPRIETORSHIP FORM OF BUSINESS ORGANISATION

(a) Limited Resources: The resources of a sole proprietor are always limited. Being the single owner it is not always possible to arrange sufficient funds from his own sources. Again borrowing funds from friends and relatives or from banks has its own implications. So, the proprietor has a limited capacity to raise funds for his business.

(b) Lack of Continuity: The continuity of the business is linked with the life of the proprietor. Illness, death or insolvency of the proprietor can lead to closure of the business. Thus, the continuity of business is uncertain.

(c) Unlimited Liability: You have already learnt that there is no separate entity of the business from its owner. In the eyes of law the proprietor and the business are one and the same. So personal properties of the owner can also be used to meet the business obligations and debts.

(d) Not Suitable for Large Scale Operations : Since the resources and the managerial ability is limited, sole proprietorship form of business organisation is not suitable for large-scale business.

(e) Limited Managerial Expertise: A sole proprietorship from of business organisation always suffers from lack of managerial expertise. A single person may not be an expert in all fields like, purchasing, selling, financing etc. Again, because of limited financial resources, and the size of the business it is also not possible to engage the professional managers in sole proprietorship form of business organisations.

PARTNERSHIP

- ‘Partnership’ is an association of two or more persons who pool their financial and managerial resources and agree to carry on a business, and share its profit. The persons who form a partnership are individually known as partners and collectively a firm or partnership firm.
- **Definition of Partnership.**
- **According to L.H. Haney-** “Partnership means the relation existing between persons who agree to carry on a business in common with a view to private gain.” .
- Partnership form of business organisation in India is governed by the Indian Partnership Act, 1932 which defines partnership as “the relation between persons who have agreed to share the profits of the business carried on by all or any of them acting for all”.

CHARACTERISTICS OF PARTNERSHIP FORM OF BUSINESS ORGANISATION

Based on the definition of partnership as given above, the various characteristics of partnership form of business organisation, can be summarised as follows:

(a) Two or More Persons: To form a partnership firm atleast two persons are required. The maximum limit on the number of persons is ten for banking business and 20 for other businesses. If the number exceeds the above limit, the partnership becomes illegal and the relationship among them cannot be called partnership.

(b) Contractual Relationship: Partnership is created by an agreement among the persons who have agreed to join hands. Such persons must be competent to contract. Thus, minors, lunatics and insolvent persons are not eligible to become the partners. However, a minor can be admitted to the benefits of partnership firm i.e., he can have share in the profits without any obligation for losses.

(c) Sharing Profits and Business: There must be an agreement among the partners to share the profits and losses of the business of the partnership firm. If two or more persons share the income of jointly owned property, it is not regarded as partnership.

(d) Existence of Lawful Business: The business of which the persons have agreed to share the profit must be lawful. Any agreement to indulge in smuggling, black marketing etc. cannot be called partnership business in the eyes of law.

(e) Principal Agent Relationship: There must be an agency relationship between the partners. Every partner is the principal as well as the agent of the firm. When a partner deals with other parties he/she acts as an agent of other partners, and at the same time the other partners become the principal.

MERITS OF PARTNERSHIP FORM OF BUSINESS ORGANISATION

(a) Easy to Form: A partnership can be formed easily without many legal formalities. Since it is not compulsory to get the firm registered, a simple agreement, either in oral, writing or implied is sufficient to create a partnership firm.

(b) Availability of Larger Resources: Since two or more partners join hands to start partnership firm it may be possible to pool more resources as compared to sole proprietorship form of business organisation.

(c) Better Decisions: In partnership firm each partner has a right to take part in the management of the business. All major decisions are taken in consultation with and with the consent of all partners. Thus, collective wisdom prevails and there is less scope for reckless and hasty decisions.

(d) Flexibility: The partnership firm is a flexible organisation. At any time the partners can decide to change the size or nature of business or area of its operation after taking the necessary consent of all the partners.

(e) Sharing of Risks: The losses of the firm are shared by all the partners equally or as per the agreed ratio.

(f) Keen Interest: Since partners share the profit and bear the losses, they take keen interest in the affairs of the business.

LIMITATIONS OF PARTNERSHIP FORM OF BUSINESS ORGANISATION

A partnership firm also suffers from certain limitations. These are as follows:

(a) Unlimited Liability: The most important drawback of partnership firm is that the liability of the partners is unlimited i.e., the partners are personally liable for the debt and obligations of the firm. In other words, their personal property can also be utilised for payment of firm’s liabilities.

(b) Instability: Every partnership firm has uncertain life. The death, insolvency, incapacity or the retirement of any partner brings the firm to an end. Not only that any dissenting partner can give notice at any time for dissolution of partnership.

(c) Limited Capital: Since the total number of partners cannot exceed 20, the capacity to raise funds remains limited as compared to a joint stock company where there is no limit on the number of share holders.

(d) Non-transferability of share: The share of interest of any partner cannot be transferred to other partners or to the outsiders. So it creates inconvenience for the partner who wants to transfer his share to others fully and partly. The only alternative is dissolution of the firm.

(e) Possibility of Conflicts: You know that in partnership firm every partner has an equal right to participate in the management. Also every partner can place his or her opinion or viewpoint before the management regarding any matter at any time. Because of this, sometimes there is friction and quarrel among the partners. Difference of opinion may give rise to quarrels and lead to dissolution of the firm.

JOINT STOCK COMPANY

- A company is an association of persons formed for carrying out business activities and has a legal status independent of its members. A company can be described as an artificial person having a separate legal entity, perpetual succession and a common seal. The company form of organisation is governed by The Companies Act, 2013. As per section 2(20) of Act 2013, a company means company incorporated under this Act or any other previous company law.
- The shareholders are the owners of the company while the Board of Directors is the chief managing body elected by the shareholders. Usually, the owners exercise an indirect control over the business. The capital of the company is divided into smaller parts called ‘shares’ which can be transferred freely from one shareholder to another person (except in a private company).

DEFINITION

- **According to H.L.Haney**, “A joint stock company is a voluntary association of individuals for profit having a capital divided into transferable shares, the ownership of which is the condition of ownership.
- **Justice Marshal has defined a company** “as a person, artificial, invisible, intangible and existing only in the eyes of law. Being a creation of law. It possesses only those properties which the charter of its creation confers upon it. Either expressly or as incidental to its very existence: among the most important of which are immortality and individuality.”

Features

The definition of a joint stock company highlights the following features of a company.

(i) Artificial person: A company is a creation of law and exists independent of its members. Like natural persons, a company can own property, incur debts, borrow money, enter into contracts, sue and be sued but unlike them it cannot breathe, eat, run, talk and so on. It is, therefore, called an artificial person.

(ii) Separate legal entity: From the day of its incorporation, a company acquires an identity, distinct from its members. Its assets and liabilities are separate from those of its owners. The law does not recognise the business and owners to be one and the same.

(iii) Formation: The formation of a company is a time consuming, expensive and complicated process. It involves the preparation of several documents and compliance with several legal requirements before it can start functioning. Incorporation of companies is compulsory under The Companies Act 2013 or any of the previous company law, as state earlier. Such companies which are incorporated under companies Act 1956 or any company law shall be included in the list of companies.

(iv) Perpetual succession: A company being a creation of the law, can be brought to an end only by law. It will only cease to exist when a specific procedure for its closure, called winding up, is completed. Members may come and members may go, but the company continues to exist.

(v) Control: The management and control of the affairs of the company is undertaken by the Board of Directors, which appoints the top management officials for running the business. The directors hold a position of immense significance as they are directly accountable to the shareholders for the working of the company. The shareholders, however, do not have the right to be involved in the day-to-day running of the business.

(vi) Liability: The liability of the members is limited to the extent of the capital contributed by them in a company. The creditors can use only the assets of the company to settle their claims since it is the company and not the members that owes the debt. The members can be asked to contribute to the loss only to the extent of the unpaid amount of share held by them. Suppose Akshay is a shareholder in a company holding 2,000 shares of Rs.10 each on which he has already paid Rs. 7 per share. His liability in the event of losses or company's failure to pay debts can be only up to Rs. 6,000 — the unpaid amount of his share capital (Rs. 3 per share on 2,000 shares held in the company). Beyond this, he is not liable to pay anything towards the debts or losses of the company.

Merits

The company form of organisation offers a multitude of advantages, some of which are discussed below.

(i) Limited liability: The shareholders are liable to the extent of the amount unpaid on the shares held by them. Also, only the assets of the company can be used to settle the debts, leaving the owner's personal property free from any charge. This reduces the degree of risk borne by an investor.

(ii) Transfer of interest: The ease of transfer of ownership adds to the advantage of investing in a company as the share of a public limited company can be sold in the market and as such can be easily converted into cash in case the need arises. This avoids blockage of investment and presents the company as a favourable avenue for investment purposes.

(iii) Perpetual existence: Existence of a company is not affected by the death, retirement, resignation, insolvency or insanity of its members as it has a separate entity from its members. A company will continue to exist even if all the members die. It can be liquidated only as per the provisions of the Companies Act, 2013.

(iv) Scope for expansion: As compared to the sole proprietorship and partnership forms of organisation, a company has large financial resources. Further, capital can be attracted from the public as well as through loans from banks and financial institutions. Thus there is greater scope for expansion. The investors are inclined to invest in shares because of the limited liability, transferable ownership and possibility of high returns in a company.

(v) Professional management: A company can afford to pay higher salaries to specialists and professionals. It can, therefore, employ people who are experts in their area of specialisations. The scale of operations in a company leads to division of work. Each department deals with a particular activity and is headed by an expert. This leads to balanced decision making as well as greater efficiency in the company's operations.

Limitations

The major limitations of a company form of organisation are as follows:

(i) Complexity in formation: The formation of a company requires greater time, effort and extensive knowledge of legal requirements and the procedures involved. As compared to sole proprietorship and partnership form of organisations, formation of a company is more complex.

(ii) Lack of secrecy: The Companies Act requires each public company to provide from time-to-time a lot of information to the office of the registrar of companies. Such information is available to the general public also. It is, therefore, difficult to maintain complete secrecy about the operations of company.

(iii) Impersonal work environment: Separation of ownership and management leads to situations in which there is lack of effort as well as personal involvement on the part of the officers of a company. The large size of a company further makes it difficult for the owners and top management to maintain personal contact with the employees, customers and creditors.

(iv) Numerous regulations: The functioning of a company is subject to many legal provisions and compulsions. A company is burdened with numerous restrictions in respect of aspects including audit, voting, filing of reports and preparation of documents, and is required to obtain various certificates from different agencies, viz., registrar, SEBI, etc. This reduces the freedom of operations of a company and takes away a lot of time, effort and money.

(v) Delay in decision making: Companies are democratically managed through the Board of Directors which is followed by the top management, middle management and lower level management. Communication as well as approval of various proposals may cause delays not only in taking decisions but also in acting upon them.

Co-Operative Organisation

- Co-operative is owned and operated by a group of individuals for mutual benefit. A co-operatives is a legal entity with several corporate features, such as limited liability, unlimited life span, share profits and loss between its members to their contribution. Co-operatives are autonomous business owned and democratically controlled by its members- who buy their goods or service- not by investors. Co-operative are organized solely to meet the needs of its member-owners, not to accumulate capital for investors. It is a democratic controlled business based on the principle of one member, one vote. Every member keep equal control over their management. The core principle of co-operative organization is “One for all and all for one”. The five basic pillars of a co-operative organization is – mutual trust, mutual supervision, Self-reliance, spontaneity and equality.

DEFINITION

- **According to the International Labour Organisation-** "A cooperative organization is an association of persons, usually of limited means, who have voluntarily joined together to achieve a common economic ends through the formation of a democratically controlled organization making equitable contribution to the capital required and accepting fair share of risks and benefits of the undertaking".
- **According to Mr. N. Barrow-"**A voluntary organization of persons with unrestricted membership and collectively own funds consisting wage-earners and small producers, united on democratic basis for establishment of enterprises, under joint management for the purpose of improving their household or business economy".

Significance of Co-Operative Societies

- For the purpose of understanding significance of co-operative society we can refer the points given below-
- **Voluntary Association-** A co-operative organizationis based on voluntary membership. There is no burden of become its member.
- **Legal Entity-**A registered co-operative organ acquire perpetual succession, common seal, separate legal entity from its members.
- **Equal Voting Right-** Its run their business and management on totally democratic basis. Every member keeps equal position in the organization and keeping equal right of voting.
- **Facilitating its member**- Cooperative always formed for the purpose of cheap credit, providing marketing facilities, providing goods and services, providing seeds, fertilizer etc. at cheap costs. Its basic objective is to facilitating its member.
- **Serving to society-** Cooperative rendering its services to its members. It’s primarily providing services and earning profit. It can earn profit by extending their serving to society and non-members.

Set up process of a small scale enterprise

- There are several steps involved in setting up a small business enterprise.

Following are the major ones:

(i) Information Collection

(ii) Information Organization

(iii) Acquiring Required/Vocational Skills

(iv) Financial Requirements

(v) Market Assessment

(vi) Provision for Crisis

(i) Information Collection:

The first step involved is to decide which enterprise one wants to set up. This begins with collecting information about the units already working in that field of concern. This can be done by various ways such as going through the telephone directories or by visiting the registrar's office of the small-scale units.

This will enable the prospective entrepreneur to make an assessment of the present market situation in that business activity. Based on this information, they can weigh the pros and cons involved in entering into that business activity.

(ii) Information Organization:

Having collected information about enterprise concern, the prospective entrepreneur needs to organize the same in an orderly and systematic manner to derive the meanings from them. This will help to make assessment about the minimum requirements to start an enterprise in a particular business line.

Here, one generally undertaken exercise is to prepare a checklist for ready reference of all required and available resources in terms of space, fund, training and development, and manpower requirements. Once this exercise is over, the step involved will be to prepare a summary of how the checklist will be transformed into the desired products and services.

(iii) Acquiring Required/Vocational Skills:

The third step is to understand the need for upgrading one's vocational skills if it is a pre-requisite for your Small Enterprise Unit (SEU). The importance of acquisition of required skills is justified by the statement that "it is better to teach a man to fish than to provide him with fish everyday".

There is a need to build on one's strengths in order to gain and feel confident of implementing your project of setting an SEU. Awareness and training in required subject can remove structural barriers. You will feel sure of yourself in taking loans and as also taking risk. Risk is a part of setting up an SEU.

- Once your clients have set up their SEU, updating themselves on the latest developments in the field should be a continuous process. They can also hire skilled workers and staff to carry out the major tasks at their SEU.

(iv) Financial Requirements:

The fourth step involved is ascertaining the financial requirements for setting up a small business enterprise. This is particularly important because generally small entrepreneurs do not have their own funds. Hence, they depend upon borrowed funds from family members or relatives or friends or financial institutions.

While planning for finance, the prospective entrepreneur needs to consider issues like sources, availability, estimation and management of working capital. One should have the basic knowledge of preparing income and expenditure statements.

One should also go for insurance cover provided by the concerned financial institutions. Providing financial services in a commercial way is gaining a lot of credence these days. There are well-planned credit schemes for small enterprises available offered by the banks and co-operatives.

(v) Market Assessment:

No business enterprise can be thought of without market. Enterprise exists, survives and thrives because of market. Production has no value or meaning if it is not sold /marketed. Therefore, while planning for establishing a small business enterprise, the prospective entrepreneur needs to know who will buy his/her product.

Here, the trite saying about the importance of market seems worth citing: “A manufacturer of iron mails must know before manufacturing who will buy his/her iron nails.” In sum and substance, a prospective entrepreneur needs to identify market for his/her product before it is actually produced. Market survey or market research helps the entrepreneur assess market for his/ her product.

(vi) Provision for Crisis:

The last but not the least step involved in setting up a business enterprise is the preparedness to manage crisis situations, if any. Yes, some may not consider it as a necessary step because foreseeing any crisis and its handling is simply an additional step.

Even many may view why to think in a negative way for the worst which may not happen at all. Admitting that optimism helps, there is no harm in being prepared for any eventuality, if it arises. It is always useful to remain prepared for something unexpected in terms of resources, policies, finances and natural calamities takes place. Seeking insurance cover is the best way to deal with these situations.

PROCEDURES FOR REGISTRATION OF SMALL SCALE INDUSTRY

The main purpose of registration of SSI or MSME is to maintain statistics and to maintain a not e of such units for providing support and incentives for these companies.

PROCEDURE FOR REGISTRATION

Eligibility:

- All Micro & Small Enterprises which are registered with the Director of Industries (DI)/District Industries Centre (DIC) as manufacturing/service enterprises or having Acknowledgement of Entrepreneurs Memorandum (EM Part-II) are eligible for registration with NSIC under its Single Point Registration Scheme (SPRS).
- Micro & Small Enterprises who have already commenced their commercial production but not completed one year of existence. The Provisional Registration Certificate can be issued to such Micro & Small Enterprises under Single Point Registration scheme with monitory limit, minimum amount of money to be invested, of Rs. 5 Lacs which shall be valid for the period of one year only from the date of issue after levying the registration fee and obtaining the requisite documents.

- **How to apply:**

Micro and Small enterprises could be applied through online application that is provided by the prescribed state website(State website's of thou are applying for registration) respective state in which or by submitting the application form in duplicate which is to be submitted the concerned Zonal/Branch Office of NSIC located nearest to the unit.

Procedure:

Step 1: Provisional Small Scale Industry (SSI) Registration

To obtain SSI registration you must apply for provisional SSI registration certificate. This certificate is given when the unit is in pre-operative stage and helps SSI unit obtain term loans and working capital. This license is given for five years.

One could apply for this certificate online through the state website or by applying in the concerned zonal department.

Important Documents for Provisional SSI registration:

- Three passport size photographs of proprietors/partners/directors, as the case may be.
- Photocopy of the partnership deed in case of a partnership unit. It is not necessary that the partnership should be registered under the partnership Act.
- Copy of the Memorandum and Articles of Association in case of Private Company along with certificate of incorporation. Copy of the resolution of the company authorising one of the Directors of the company to sign the application form and also appear for the interview.
- Proof of legal possession i.e. rent receipt, NOC from the landlord with proof of ownership, the power load authorised by the connection holder to the applicant
- Provisional Registration would be allowed in approved Industrial areas only after the Unit has obtained consent to establish from Delhi Pollution Control Committee
- Some of the documents may differ because each state has different requirements of documents. Above given documents are minimum required documents which are to be submitted

Benefits of Provisional SSI registration

- Material for construction of factory building : The material which is needed for construction of the factory or building would be available to the factory at subsidized rates from government
- Apply for Municipal Corporation License & power connection. With the provisional registration the company would be able to get all the clearances from the concerned authorities.

Step 2: Start the Business

- The next step towards having a permanent license is to start the business with SSI certificate. The owner should start the production in the factory so that permanent licence could be given.

Step 3: Apply for Permanent SSI registration

- After you have started the business you should apply for permanent SSI registration. This could be done by applying online through state website or through the Zonal office or district office of the department.

Requirements for applying PRC(Permanent Registration Certificate)

- You may apply for the PRC without an industrial license in case your unit is listed in Schedule-III of the Industrial Licensing Exemption Notification. Other units must first acquire an industrial license.
- The unit should have obtained all clearances from the pollution control board, drug control board etc.
- The unit should not violate any locational restriction
- The original value of plant including machinery should be within prescribed limits for which you are applying.
- The unit should not be a subsidiary, owned or controlled by another industrial undertaking.

Documents which are to be submitted for applying in

- Proof of ownership of premises i.e. allotment letter/possession letter/lease Deed/property tax receipt. If the unit has a municipal corporation license in its own name or in the name of its proprietor or one of the Partner/Directors as the case may be, then no other proof of legal possession is required.
- In case premises are arranged on rental basis, unit should submit proof of Legal possession i.e. a rent receipt and/or NOC from the landlord supported by the proof of land lord's ownership. For this purpose rent receipt/rent agreement with GPA (General Power of Attorney) is also accepted provided the GPA is appointed by the owner/lessee through a Regd. deed.
- One photo copy of sale bill of each end product applied for.
- One photo copy of purchase bill of each raw material.
- Copy of partnership deed in case of partnership unit (this need not be registered.)

- Copy of Memorandum of Articles of Association with certificate of incorporation in case of private limited company (in case of any change of Directors subsequently, copy of resolution and intimation in form No.32)along with copy of resolution authorising one of the directors to sign the application for grant of permanent SSI registration.
- Copy of the industrial license from Govt. of India in case the end products require such license under Industrial Development and Regulation Act.1951.
- An affidavit on Rs.10/- Non judicial Stamp Paper duly attested by Notary Public affixed with proper notarial Stamp giving the status of the unit, machinery installed, power requirement etc. as per the prescribed format
- Purchase bill of machinery installed.
- Photo copy of valid consent letter from pollution control committee of that state.

Benefits for having a permanent SSI registration

- Tax Benefits: Depending on your business, you may enjoy Excise Exemption Scheme as well as exemption from certain Direct Taxes in the initial years of your business.
- Availability of raw material depending on existing policy: Raw material for production would be given by the government in the initial years at subsidized rates.
- Benefits from Banks: All banks and other financial institutions recognise MSMEs and have created special schemes for them. This usually includes priority sector lending, which means that the likelihood of your business being sanctioned a loan is high, and lower bank interest rates. There may also be preferential treatment in case of delay in repayment.
- Benefits from State Governments: Most states offer those who've registered under the MSMED Act subsidies on power, taxes and entry to state-run industrial estates. In particular, there is a sales tax exemption in most states and purchase preference on goods.

Time taken for SSI or MSME registration ranges between 5 to 20 days depending on the state in which the industry is located in.

List of Items Reserved for Exclusive Manufacture in Small Scale Industry

- List of 20 items which were reserved for exclusive manufactured for micro and small enterprise sector till their de-reservation on 10-04-2015 is given below:

S.No.	Product Code	Name of the product
1.	202501	Pickles and chutneys
2.	205101	Bread
3.	211000102	Mustard Oil (except solvent extracted)
4.	211000104	Ground Nut Oil (except solvent extracted)
5.	276001	wooden furniture and fixtures
6.	285002	Exercise books and registers
7.	305301	Wax candles
8.	314201	Laundry soap
9.	317001	Safety matches
10.	318401	Fire works
11.	319902	Agarbattis
12.	321701	Glass bangles
13.	340101	Steel almirah
14.	341004	Rolling shutters
15.	34200602	Steel Chairs- all types
16.	34200702	Steel tables- all other types
17.	342099	Steel furniture-all other types
18.	343302	Padlocks
19.	345207	Stainless steel utensils
20.	345202	Domestic utensils- aluminum

UNIT – IV

Project Preparation- Project identification, Contents of Project report, Project report preparation, Techno- Economic feasibility report, project viability, Viability report.

PROJECT- Meaning

- A Project is a set of complex, interrelated and sequential activities, which requires completion within specific time and money. Project is work plan which involves scientific and systematically work plan which is directed for specific objectives. We can say that project is a set of complex activities which is directed to accomplish the goals of entrepreneur. Project is a onetime exercise of entrepreneurship for undertaken goals to create a product or services

Definition

- **According to F.L. Harrison**- “A project can be defined as a non-repetitive, One-off undertaking, normally with discrete time, financial and technical performance goals”.
- **According to Project Management Institute of United States of America**-“Project is a one short time, limited, goal directed major undertaking requiring the commitment of varied skills and resources”.
- **According to I.M.D.little and J.A. Mirrless-** “Project is a scheme, or part of a scheme, for investing resources which can reasonably be analyzed and evaluated as an independent unit”.

Characteristics of Project

Some characteristics of project is as follows

- Project is different from stereotyped business activities.
- Project involves capital arrangement and its investment for the purpose of developing production or services facilities in a particular time framework.
- Capital investment is required in project but returns are expected only after the project completion.
- Project requires completion of its work within a framework of approved time and cost schedule.
- Project location affects the viability of the project.
- Project has specific and clear objectives.

Objectives of Project

A project may be developed to meet out the following objectives-

- It is concerned with the development of new production by an entrepreneur.
- It is necessary for entrepreneur to have sufficient value addition to meet out the investment already made in addition to balancing plants.
- It is concerned for modernization of production, product and process to meet the competitiveness.
- It is concerned with the replacement or maintenance of the production unit.
- It is concerned with the expansion of the existing projects.
- It is concerned diversification of enterprise to generate income from different areas where investment was not made earlier.

Factors Considered in Preparation of Project

Following factors should be kept in mind in preparation of a project:

- Entrepreneur’s interest, personality, ability and training should keep in mind to prepare a project.
- Government rules regarding project, its regulation, foreign investment, environment policies, licensing procedure should keep in mind to prepare a project report.
- Project require certain resources and inputs. The availability of these resources should keep in mind to prepare a project.
- The cost factor should keep in mind to prepare a project report for meet different investment, expenses, selling and administration cost etc.
- The technological development and other development factor of existing place should keep in mind to prepare a project.

. PROJECT IDENTIFICATION- Meaning

- Project identification is the first step of starting a new venture. Project identification is concerned with collection, compilation and analysis of economic data for the development of opportunities. It begins with conceiving of idea to set up a project. An individual who is keeping an idea to start a new venture is called project identification but its possibility is to be allowed on the ground of economic, technological, environmental, social, political, government feasibility analysis. In this stage individual will test and share its idea with his family members, friends, colleagues to assemble enough information and newness of idea.

Importance of Project Identification

Project identification is great importance for the following reasons:

- 1. Project identification initiate the process of development of venture.
- 2. It creates development in terms of employment and income generation.
- 3. It provide the framework of the venture.
- 4. It provide future structure pattern of activities and services of the enterprises.
- 5. It prepare substantial financial outlays.
- 6. It prepare and develop basic infrastructure and environment.

Techniques of Project Identification

(i) **Desk Research-** desk research is based on published information, internet, government publication, journals, magazines and available data based records. Which is primarily search and study by the entrepreneur.

(ii) **Field Survey**- After desk research entrepreneur must collect data from field study like- industrial policy of the government, Bank report and survey, market report of demand and supply and its condition, Process and methodology survey, consumer behavior survey, social economic feasibility study, technology availability etc.

Problems of Project Identification

Problems are as follows:

1. Non availability of required project planning capability of expert knowledge is become the problems of project identification.
2. Non availability of realistic data base becomes the problem of project identification.
3. Non procurement of equipment, material, time, resources becomes the problem of project identification.
4. Rapid changing technology becomes the problem of project identification.
5. Lack of sufficient experience of particular field becomes the problem.

6. Delay supply of electricity-power, water, no objection certificate of basic need becomes the problem.
7. Delay in government approval, legal formalities, policy implementation, regulation becomes the problem for project idea.
8. Nonsupport of social environment becomes the problem of project identification.

PROJECT REPORT- Meaning

- A project report serves like a road map or strategy to reach the destination report are taking a big risk as they are not assessing their determined by the entrepreneur. In simple words project report or business plan is a written statement of what an entrepreneur proposes to take up. Establishing a small scale enterprise requires detailed project report. Project report is a kind of course of action what the entrepreneur hopes to achieve in his business and how he is going to achieve it. Project report for small scale industry helps in identifying the product, target market, level of sills, cash requirement, assets etc. The entrepreneur establishing their commercial enterprises without considering the project requirement.

NEED OF PROJECT REPORT

1. A project report is prepared when the initial problems occurring in the path of the project are taken care of and the need of the project is being realized.
2. A project report is the detailed of whole process and activities of project idea.
3. A project report gives guidance of the project activities.
4. A project report shows the final blue print of the project idea.
5. A project report provide sequence of the project activities

THE OBJECTIVES OF PROJECT REPORT

The objectives of project report is as follows:

- 1. It provide short description of purposed plan.
- 2. It provide solution to various problems.
- 3. It save time and money of entrepreneur.
- 4. It gives energy and guidance to entrepreneur.
- 5. It gives idea about estimated cost, expenditure, income, risk etc.
- 6. It evaluated the feasibility of the project idea.
- 7. It provide suitable base for licensing, government support, facilities etc.

SIGNIFICANCE OF PROJECT REPORT

- 1. **Factual Presentation of objectives**-An objective without a plan is a dream. It describe the direction the enterprise is going in, what its goals are, it wants to be and how it is going to get there.
- 2. **SWOT analysis**- A project report helps to understand the opportunities, problems and weakness of the business.
- 3. **Guide**-The preparation of project report is of great significance for an entrepreneur. It guides the entrepreneur in actually starting up and running the business venture.
- 4. **Monitor**- It helps him to monitor whether the business is growing as was projected in the business plan or not.
- **5. A road map**-It provide a road map to entrepreneur. Their goals, product, process, methods, availability of resources and everything

CONTENTS OF GOOD PROJECT REPORT

A good project report should contain the following contents.

- **Cover sheet:** cover sheet is like the cover pages of the book. It mentions the name of the project and address of the promoters.
- **Table of Contents:** The table of contents is like the table of content of a book. It guides the person reviewing the project report to the desired section quickly. A good methodology would be, to divide the project report into section and number or label the section like 1, 2, 3… or a, b, c….etc.
- **General information, location, land and building:** A good project report should contain information on product profile and product details.
- **Bio-Data of Promoters**: Promoter's educational qualification, work experience, project related experience should be essential

- **Exact Location:**Report should furnish the details about exact location of the project, lease or freehold, location advantages, land area, construction area, type of construction, cost of construction,
- **Plant Layout**: detailed plan and estimate along with plant layout which will give details about the business concept.
- **Describe Objectives:**It must discuss the objective of the business, a brief history about the past performance of the company.
- **Describe Form of Ownership**: the form of ownership. It also label’s the address of the proposed headquarters

- **Product, services, process and utilities:** A brief description of product/services production process, process chart, technical know-how, available technology alternatives and production program. It includes the key features of product and the product range that would be offered to potential customers. It also licensing agreements.
- **Sources of Utilities**: The report also includes the sources of utilities like the water, power, steam, compressed air requirements, and cost estimates.
- **Sources of Man power :** Man power requirement by skilled and semiskilled, sources of manpower supply, cost of procurement, requirement for sources of procurement,
- **Procurement of Raw Material** cost of raw material, tie-up arrangements, if any for procurement of raw material, alternative raw material, if any.

- **Marketing Plan:** Marketing mix strategies are to be drawn based on the market research. The market research provides information regarding the taste, needs, and habits of the customer.
- **Market Research:**Market research is the backbone of success and failure of any product in the market. Based on the information collected through market research marketing mix strategies for product services, prices, promotion and place (distribution) are prepared.
- **Budget of Marketing Plan:** The budget for the marketing plan is drawn at the end. End-users of product, distribution of market (as local, national, international), trade practices, sales promotion activities, are the basis of proposed market research.

- **Requirement of working capital and funds:** Working capital required, sources of working capital need for collateral security, nature and extent of credit facilities offered and available.
- **Requirement of Finance:** This also includes break-up project cost in terms of costs of land, building machinery, miscellaneous assets, preliminary expenses, contingencies and margin money for working capital, arrangements for meeting the cost of setting up of the project.
- **Project Feasibility:** Project report contains some other information like cost of production and profitability of first ten years. Break-even analysis and schedule of implementation should also be included.

Project Report Preparation

- Small-scale enterprises do not use high level technique which is used for preparing project reports of large-scale enterprises. Every small-scale enterprises vary their product to others. That is why all the information may not be homogeneous for all units. Information will be given in the project report depends upon the size of the unit as well as nature of the product. It is an investigating process, which precedes investment decisions. It present the relevant facts before the decision enable them to accept or reject the project. So, the project idea is examined from the view point of overall objectives, financial viability, technical feasibility and social impact. The general set of information given in any project report is listed here.

The project formulation divides the process of project development into eight different and sequential stages as given below:

- General Information.
- Project Description.
- Market Potential.
- Capital Costs and Sources of Finance.
- Assessment of Working Capital Requirements.
- Other Financial Aspects.
- Economic and Social Variables.
- Project Implementation.

The nature of information to the collected under each one of these stages has been given below.

- **General Information -**The information of general nature given in the project report include the following:

Bio-data of Promoter: Name, address, qualifications, experience of all the partners individually or entrepreneur.

Industry Profile: A reference analysis of industry past, present to which the project belongs, its problems etc.

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

Product Details: Product -utility, range, price, design, advantages to be offered by the product over its substitutes, if any.

- **Project Description -**A brief description of the project covering the following aspects is given in the project report.

Site: Location of enterprise, owned or leasehold land, industrial area, No Objection Certificate from the Municipal Authorities if the enterprise location falls in the residential area.

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

- Raw Material: Requirement of raw material, whether inland or imported, sources of raw material supply.
- Skilled Labour: Availability of skilled labour in the area, arrangements of training in various skills.
- Water and electricity: The sources of quality water and electricity should be clearly stated in the project report.

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

Communication System – Availability of communication facilities like mobile, internet, telephone, telex etc. should be stated in the project report.

Transport Facilities – Requirements for transport, mode of transport, potential means of transport, distances to be covered should be mention in the business plan.

Other Common Facilities – Availability of common facilities like machine shops, welding shops and electrical repair shops etc. Should be stated in the report.

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

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

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

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

Research and Development – A description should be made in the project report regarding proposed research and development activities to be undertaken in future.

- **Market Potential-** The following aspects relating to market potential of the product should be stated in the report**-**
- Demand and Supply position – State the total expected demand for the product and present supply position. This should also be mentioned how much of the gap will be filled up be the proposed unit.
- Expected Price – An expected price of the product to be realized should be mentioned in the project report.

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

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

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

- **Capital Costs and Sources of Finance-** An estimate of the various components of capital items like land and buildings, plant and machinery, installation costs, preliminary expenses, margin for working capital should be given in the project report. The present probable sources of finance, owner's funds together with funds raised from financial institution and banks should be mentioned.
- **Assessment of Working Capital Requirements-** The requirement for working capital and its sources of supply should be carefully and clearly mentioned in the project report.
- **Other Financial Aspects-**A projected Profit and Loss Account for sales revenue, cost of production, allied cost and profit-loss, Balance Sheet, Cash Flow Statement should also be prepared to indicate the financial position and requirements at various stages of the project.

- **Economic and Social Variables:** In view of the social responsibility of business, the abatement costs, i.e., the costs for controlling the environmental damage should be stated in the project. Besides, the socio-economic benefits expected to accrue from the project should also be stated like-Employment Generation, Import Substitution, Ancillarisation, Exports, and Local Resource Utilization etc.
- **Project Implementation:** Last but not the least, every entrepreneur should draw an implementation scheme or a time-table for his project to ensure the timely completion of all activities involved in setting up an enterprise. Timely implementation is important because if there is a delay, it causes, among other things. A project cost overrun. In India, delays in project implementation has become a common feature. Delay in project implementation creates problems for the financial viability of the project. For this entrepreneur must use CPM and PERT analysis

TECHNO-ECONOMIC FEASIBILITY REPORT

Techno-economic analysis is primarily concerned with the identification of project demand potential and the selection of the optimal technology which can be used to achieve the project objectives. The analysis provides necessary material on which the project design can be based. It also indicates whether the economy is in position to observe the output of the project or not.

The examination of this aspect requires a thorough assessment of the various requirements of the actual production process and includes a detailed estimate of the goods and services needed for the project. So, the feasibility report should give a description of the project in terms of technology to be used, requirement of equipment, labour and other inputs.

Location of the project should be given special attention in relevance to technical feasibility. Another important feature of technical feasibility relates the types of technology to be adopted for the project. The exercise of technical feasibility is not done in isolation. The scheme has also to be viewed from economic consideration; otherwise, it may not be a practical proportion, however, sound technically may be:

- The promoter of the project can approach the problem of preparation of technical feasibility studies.
- Undertake a preliminary study of technical requirements to have a quick evaluation.
- If preliminary investigation indicate favorable prospects working out further details of the project. The exercise begins with engineering and technical specifications and covers the requirements of the proposed project as to quality, quantity and specification type of components of plant and machinery, accessories, raw materials, labour fuel, power, water, effluent disposal transportation, etc.

Thus, the technical feasibility analysis is an attempt to study the project basically from a technician's angle. The main aspects to be considered under this study are: technology of the project, size of the plant, location of the project, pollution caused by the project production capacity of the project, strength of the project. Emergency of stand-by facilities required by the project sophistication such as automation, mechanical handling, etc. required collaboration agreements, production inputs and implementation of the project are also to be studied.

Content of Techno-Economic Feasibility Report

1. Management capabilities to implement the project and management efficiency

- Constitution of the company
- List of promoters
- Personal details of promoters or partners, sole proprietor- name, address, age, qualification experience, contact no. etc.
- Financial status of the promoters or partners
- Organization chart, authority, responsibilities
- Details of key personnel
- Write up the type of skilled persons requirements
- Bankers or auditors details

2. Government clearances to be obtained

- License for production/ import/ export duties office if required
- Foreign countries policies relevant to the business
- Labour law
- Factory act/industry act/boiler act
- Registration of company/ firms
- Income tax act
- Excise duty/sales tax
- ISO certification
- Maximum retail price
- Storing the raw material, other material
- Packaging/ transporting
- Investment subsidy provided by government
- Location of project-agricultural, residential, industrial
- Export processing zone
- Government reservation list for SSI sector
- Others

3. Marketing Aspects

- Establishing the future demand or supply gap in quantity terms
- Marketing scope of the product
- Marketing mix

4. Technical aspects

- Quality parameters of the proposed produced product
- Product specification
- Quantity or units of production
- Proposed technology
- Process of manufacturing
- List of machines, accessories, spare parts etc.
- Supplier selection
- Raw material- cost, quantity, quantity and supporting material
- Manpower requirement and their remuneration
- Utilities, services, electricity, water, effluent treatment
- Location, land, building, other building
- Schedule of implementation

5. Financial Feasibility

- Estimation of the project cost
- Source of finance
- Debt equity ratio
- Security margin
- Promoter’s contribution
- Cost of production
- Profitability estimates for the future five years
- Profitability estimates and financial indicators

6. Conclusion

- If the proposed project is found feasible from all the above aspects. The appraiser recommends for implementation of the project.

Importance of techno-economic feasibility report

For understanding importance we can consider these points-

- Studied functional aspects of the project before its implementation.
- Studied manufacturing aspects of possibility or disability of related activities.
- This report act as guide to oneself and other's to understand the vision.
- This report helps to management monitoring and its implementation.
- This report very necessary to convince the investors and funding agencies.
- In case of week planning industry become sick- with the help of this report entrepreneur balance their efforts and rectify problems.
- Report makes sound planning of ventures and well planned job is half done.

PROJECT VIABILITY

- Project viability or project feasibility is a process of investigation, evaluation, review the project undertaken with alternative concepts of the project idea. Project viability is totally based on rational, factual data based study on the project possibility as far as nature, scale, technology, financial, marketing, practical implementation concern. It is concerned for idea development, uncertainties, implementation, legality, investment, anticipation possibility of the project. The purpose of feasibility study is to establish whether a project is worthwhile in the light of its invested costs and its expected benefits. It is a process of enquiry with substantial data requirements. Examination of viability of the project may require the specialized data based appraisal of entrepreneur idea with the help of expert consultants if the result of appraisal are in favour it means we have to go ahead and in case of unfavorable appraisal, that mean this is the time to search further idea or project.

Objectives of Project Viability

The objectives of project viability is as follows:

1. To assess project results and to find out how objectives of project are met.
2. To improve the project planning with research process.
3. To improve the project management and minimize risk factory.
4. To promote the approach of participation.
5. To make plans for future work and study will make further plan.
6. To monitor and understand different stakeholder’s views, values and interest.

Importance of Project viability

Following point highlight the importance of project viability:

1. Viability study analyses the real demand for the product based on market research.
2. Viability study analyses the economic possibility of the study.
3. Viability study protect from large capital investment before test of reliability.
4. Viability study necessary for assessing resources availability like human or natural resources.
5. Viability study measure the legal roadblocks involving trademark, patents or other intellectual property rights.

1MARKET FEASIBILITY OR VIABILITY REPORT

Market Feasibility analysis is the first stage in the process of project development. The purpose of the analysis is to examine the desirability of investing in pre-investment studies. For this purpose it is essential to examine project idea in the light of the available internal (
inputs, resources & outputs) and external constraints (environment). When a project idea is taken up for developmental three situations can arise.

- The project may appear to be feasible,
- Project may turn out to be not feasible or
- The available data may not be adequate for arriving at reasonable decision regarding further investment.

In the last mentioned case, investment in pre-investment studies will obviously have to be adequate for arriving at reasonable decision regarding further investment and also have to be deferred till such times adequate data regarding the project feasibility is available. The project sponsoring body will therefore have to invest in collection additional data and refer the investment decision for the time being. In the second situation when the project is found to be not feasible, further investment in the project idea is completely ruled out. In the third situation, when the project idea is found to be feasible, the decision-makers can proceed to invest further resources in pre-investment studies and design development.

The principle objectives of such study are to determine whether.

- The investment opportunity is so promising that an investment decision can be taken on the basis of information elaborated at the pre-feasibility stage.
- The project concept justifies a detailed analysis by pre-feasibility study.
- Any aspects of the project are crucial to its feasibility and necessitate in-depth investigation through function or a support studies such as market surveys, lab test, pilot study plan.
- The information is adequate to decide that the project is not either a viable preposition or attractive enough for a particular investor or investor group.

UNIT- V

Managerial Aspects of Small Business- Basic principles of Management (Definition, function), operational aspects of production, inventory management, financial management, Record keeping, Marketing Techniques, Personnel Management, Importance of communication in business.

MANAGERIAL ASPECTS OF SMALL BUSINESS

- **PRINCIPLES OF MANAGEMENT-Introduction**

Management is universal in the modern industrial world. Even-organisation requires the making of decisions, the co-ordination of activities, the handling of people, and the evaluation of performance directed toward group objectives. Numerous managerial activities have their own particular approach to specific types of problems and are discussed under such headings as farm management, management of health delivery systems, college management, government management, marketing management, production or operation management and other. All have elements in common. This study material summarizes some of the essential concepts and techniques of management that are fundamental to various applications.

Management has become more important as labour has become more specialized and as the scale of operations has increased. Technological’ developments have created new challenges.

Meaning of Management

- In general usage, the word “management” identifies a special group of people whose job it is to direct the effort and activities of other people toward common objectives. Simple stated, management gets things done through other people.” For the purpose of this book, management is defined as the process by which a cooperative group directs action toward common goals. This process involves techniques by which a distinguishable group of people (manager) coordinates activities of other people, mangers seldom actually perform the activities themselves. This process consists of certain basic function which provide an analytical approach for studying management. Management is the integrating force or agency, consisting of some basic function, for accomplishing the objectives of an organisation. Management is the art of getting things done through and with people.

DEFINITIONS

- **Dr. William R. Spriengal:** “Management is an executive function which is primarily concerned with carrying out of the broad policies laid down by the administration. It is that function of an enterprise which concerns itself with the direction and control of the various activities to attain the business objectives.”

- **J.N. Schulze:** “Management is the force which leads, guides and directs and organisation in the accomplishment of a pre-determined object.”

- **Keith and Gubellini**: “Management is the force that integrates men and physical plant into an effective operating unit.”
- **S. George**: “Management consists of getting things done through others. Manager is one who accomplishes the objectives by directing the efforts of others.”

Characteristics of Management

The following are the salient characteristics of management implied in the concepts discussed above:

- **Management is a process**: It is an important process continues till the objectives set by administration are actually achieved. Those who perform this process are technically known as ‘manager’.
- **Achieve Pre-determined objectives**: Every managerial activity has certain objectives which may be express or implied.
- **Group Activity:** Management is always concerned with the group-efforts and not individual efforts.
- **Management is a Science as also an Art**: There are definite principles of management, it is an art. It is also a science because by the application of these principles predetermined objectives can be achieved.
- **Separate Identity**: Management is getting things done through and with the people, yet the identity of the “thinkers” is quite different from the identity of the “Doers”.

Functions of Management

Different authorities offer different names for the key functions of management, however, there is general agreement on most of the actual duties of a manager are planning, organizing, decision making, staffing, controlling, communicating, directing, leadership, co-ordination, administrating etc. All the above mentioned in detail below:

- **PLANNING**

Planning helps in determining the course of action to be followed for achieving various organizational objectives. It is a decision in advance; what to do, when to do, how to do and who will do a particular task. Planning is a process which involves "thinking before doing".

Louis A. Allen: Management planning involves "the development of forecasts, objectives, policies, programmes, procedures, schedules and budgets." According to him, planning is essentially deciding about future. The ways and means required to achieve organisational goals from the essential part of planning.

- **ORGANIZING**

Organisation is the structural framework of duties and responsibilities required of personnel in performing various functions with a view to achieve business goals through organisation.

According to Louis Allen: "Organisation is process of identifying and grouping work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objective." In the words of Allen, organisation is an instruments for achieving organisational goals. The work of each and every person is defined and authority and responsibility is fixed for accomplishing the same.

- **STAFFING**

The success of an enterprise will depend upon the caliber and motivation of persons working in it. All organisational structures require different types of people. The staffing function of management refers to the systematic approach to the problem of selecting, training, motivating and retaining managerial personnel in any organisation. It is concerned with recruitment, training and development of managers.

According to Haiman: "staffing function pertains to the recruitment, selection, development and compensation of subordinate managers. Staffing like all other managerial functions, is a duty which the managers performs at all times."

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- **MOTIVATION**

Motivation has come from motives which are the expression of human needs by a human being. Motivation is the process of inducing persons to experience needs for certain desired behavior so that organisational efficiency is achieved.

Scott has defined it as:"Motivation means a process of stimulating people to action to accomplish desired goals."

McFarland defined it as follows:"Motivation refers to the way in which urges, drives, desires, aspirations, strivings needs, direct, control, or explain the behavior of human beings.”

- **LEADERSHIP**

Leadership is an essential ingredient for successful organisation. The successful organisation has one major attribute that sets it apart from unsuccessful organisation that is dynamic and effective leadership.

Leadership has been defined by Davis as follows:"Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and motivates it towards goals."

Thus, leadership is the process of influencing the activities of an individual or a group for goal achievement in a given situation. Leadership process comprises three factors-leader, the follower, and other variable.

- **CONTROLLING**

Control is the process of checking whether the plans are being adhered to or not, keeping a record of progress and then taking corrective measures if there as any deviation.

According to Henry Fayol: "In an undertaking control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established." It has to point out weaknesses and errors in order to rectify them and prevent recurrence. It operates on everything, things; people, actions, etc.

The need for control arises to maximize the use of scarce resources and to achieve purposeful behavior of organisation members. It is any process that guides activity towards some predetermined goals.

Operational Aspects of Production

- Production management comprises two words – Production+ Management. Here production implies arrangement which involves fulfilling targets using specific policies of planning, organizing, self-improvement and control with the help of human and other resources. The success of any manufacturing schedule of any commercial venture depends upon the production management. Production management is a process involving all works involved in production.

- **According to alwood Buffa:**“Production management is related to taking thosedecisions about production activities as a result of which specified goods and services can be made available in the required amount, at the required time and that too with minimum investment.”
- **According to R.R. Mayor:** “Attaining a physical goal with the help of human, material and infra-structure by a manufacturing-organisation isproduction. In a service organization product stands for performance of some work which has some utility. This includes many services to the consumer, right from motor-repairing to scientific consultancy.”

The Nature of Production Management

The nature of production management can be understood with reference to it’s under mentioned qualities:

- **Interdisciplinary:** The production management in compasses economics, sociology, mathematics, engineering, psychology, commerce, geography, marketing, finance and other social and physical science knowledge has made the production management possible. It is an-inter related with trade and other industrial activities. We can say there is not starting and finishing lines of knowledge.
- **An Art as well Science: ‘**Art’ teaches us to do and ‘science’ teaches us to know. In selection of machine a production manager keep in mind scientific factors like capacity, condition, and quality of finishing, fuel consumption. Time etc. along with its co-ordination with their various activities in artistic manner.
- **Branch of Management:** Production management is branch of management which deals with planning, organizing and control of production and its related activities. Production management is a sub branch of management function.

- **Specialist Function:** Production management is a specialist function. Complicated manufacturing processes and development of high technology like standardization, atomization, and specialization is the requirement of production function. This made production function specialized.
- **Wide area of work:** Production management functional area is very wide. It involves management of transforming procedure, research and development, designing, engineering and many more.

The Importance of Production Management

The importance of production management in manufacturing and commercial sector of any country can be made clear under the following heads:

- **Efficient use of Resources:** Production management helps to utilized efficiently resources with the help of planning, control and engineering.
- **Importance for Consumer:** consumer is the biggest beneficiary of an efficient production management. It provides qualitative goods at cheaper price, satisfactory services, quick delivery and fulfilling consumer demands.
- **Constant Availability of Raw Material:** The problem of under or over stocking of material can be avoided through production management. An important benefit is that it helps all the material required for the venture is made available in good time and its flow can be continuously maintained as its requirement.

- **Avoidance of Block capital:** Production management procure optimum level of material so that money doesn’t have to be invested in stocking unnecessary storage of material.
- **More Profit earned:** Things are used wisely leading to increase in production and due to maximum production at minimum investment more profit can be earned.
- **Benefit for Investors:**Production management gives good results to the investors for their money and increases their earnings. Good and efficient production management makes an effort to attain this goal.

Operational Aspects of Production

Operational aspects of production are as follows:

- **Production Planning:** Production management works for long-term and short-term production planning of product. It includes routing, scheduling and preparation of orders. Routing describe the necessary work operations and their sequences, scheduling describe starting and completing time of various production activities, scheduling and preparation of orders includes preparation of demand schedules for various kinds of materials, manpower, and production facilities required at various points of time.
- **Production Control:** Production manager must do production control by taking steps to utilize the various factors of production in an efficient manner so that the goods are produced at the lowest possible cost and according to the requirements and satisfaction of the customers.
- **Quality Control:** Production management must maintaining a specific quality of the product with specification and minimization the amount of defective work.

- **Industrial Engineering:** It includes fixation of methods and process of manufacturing activities, designs tools, fixtures, gauges, accessories required for performance.
- **Purchasing Decision:**It includes decision relating to quantity requirement, purchasing frequency time, price of material, delivery date, quality requirements of materials and equipment comes under purchasing decision.
- **Plant Engineering:** It includes maintaining the plant and equipment, its servicing, and supply of light, heat and power. The production should take care of all these things.

- **Method Analysis:**In this aspect production management must analyze variety of alternatives available for manufacturing because there cost may be differ, its work and worth, viability for organizationwould be different. Production manager must study the various alternative and analyze them in right perspective in order to choose the best one.
- **Inventory Management:** Production manager must be control over the cost of production by reducing the wastage of all 5 resources. For this utilize economic order quantity, reorder levels and arrange the procurement of raw materials.
- **Plant Layout:** Production management must handle the plant layout means arrangement of machines and equipment in such manner to minimize cost, time, wastage and production uninterruptedly.
- **Others Management:** Production manager must control work – measurement of worker, cost cutting and control, time and motion study, standardization and storage, price analysis etc.

Inventory/ Material Management

Inventory or Materials management is one of the important sub-system vital to the operations of a firms and is composed of an integrated group of subsystems. The various sub-systems of materials management include procurement, production planning, materials handling, traffic arrangements shipping, etc.

L.J.DeRose:“coordination’s of all those activities concerned with material and inventory manufacturing processes.”

Significance of Inventory/Materials Management.

Efficient management of material is very important in industrial enterprises. It will help in achieving the following benefits:

- Adequate supply of raw materials will be ensured. There will be no stoppage of work because of lack of material.
- Excessive investment is stocks will be avoided.
- Effective utilization of materials and other facilities will be ensured.
- Productivity will improve as raw materials of right quality are continuously made available.
- Inventory losses will be minimized.
- Reduction in material costs will improve the profitability of the enterprise.

Inventory/Materials Control

- Materials are one of the important elements of production as they form a high proportion of the total cost of production. In order to achieve low cost of production the wastage should be kept at the lowest possible level. To avoid this wastage, some type of control is exercised which is known as the “Materials Control”. Materials control means steps taken to reduce the amount of loss of materials at the time of receiving, storing and issuing the raw materials.

The objectives of inventory/materials control are as follows:

- To ensure of requisite quality of materials.
- To ensure of regular supply of materials.
- To ensure proper storage of materials.
- To ensure minimum wastage of materials during storage and use.

Needs of Inventory/Materials Control. In industrial concerns the system of materials control is very would ensure the following reasons:

- Such a system would ensure the availability of different kinds of materials.
- As materials form a high proportion of total cost, wastage can be reduced if materials purchased are of the proper quality. This can be ensured by efficient Materials Control system only.
- Under the system of materials control the management may evolve some techniques which will get the optimum use of materials from the workers.
- Efficient handling of materials and storage lowers the acquisition and possession costs and thereby real cost is reduced.

FINANCIAL MANAGEMENT

Financial management is concerned with flow of funds in any firm. It is concerned with financial decision making and deals with raising of funds and their optimum utilization. It is also concerned with making the company financially strong so that it can face any situation strongly and efficiently. It also helps in efficient operation of the business which means obtaining, managing and efficiently utilizing the funds. It is based on the number of systematic principles, policies, laws and guidelines which are continuously reviewed in the light of requirement of the applied business situation. Financial management is both a science and an art.

According to Soloman-"Financial management is concerned with the efficient use of an important economic resources, namely, capital funds".

NATURE OF FINANCIAL MANAGEMENT

The nature of financial management rotates around the activities of planning, reporting and control of such decision –

- **1.Investment Decision**- Selection of projects from different alternatives by the application of capital budgeting techniques, measurement of risk versus return, determining cost of capital, management of working capital, decision of lease/hire purchase of machineries and equipment, decisions on merger and acquisition.
- **2. Financial Decision**- Finding the sources of funds, optimizing capital structure, dividend decisions.
- 3. It is a branch of business management.
- 4. It has a got an important position in the organisation structure.
- 5. It is scientific and analytical in nature.

OBJECTIVES OF FINANCIAL MANAGEMENT-

The objectives may be defined as the target against which the firms operating performance can be measured. The objectives must be clear and well defined. The objective of financial management must include the following characteristics-

The main objective of financial management is profit and shareholder’s wealth maximization.

- Maximizing of sales revenue.
- Maximization of net profit.
- Maximization of return on investment.
- Maximization of the size of the firm.
- Maximization of the percentage market share.
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SCOPE OF FINANCIAL MANAGEMENT

The scope of financial management includes

- Procurement of financial management includes.
- Procurement of the funds at the minimum cost.
- Investment of the funds in various assets in the most profitable way.
- Distribution of returns to the shareholders in order to satisfy their expectation and also be increase the profitability.
- Overall financial planning sources.

Records Keeping Management

- Records keeping is that area of office management which deals with the records of the organization. Opinions differ regarding what precisely constitutes records keeping but most experts of this area concur that responsibility for filing of records, retrieving of information , establishing retention and destroying schedules and microfilming can be considered important activities with which records keeping deals. They claim the complete life cycle of a record making, using, preserving and destruction, is within the scope of records keeping. Thus, records management may broadly be defined as the systems of co-ordination of activities of making administering, retaining, submitting and disposing of the records of the organization. Sometimes we misunderstand between these two- record keeping and Accounting.

Record- Keeping – Record- Keeping involves recording of various business transactions (financial transaction only) and maintenance of books of accounts.

Accounting – Accounting is beyond the recording and maintaining the books of accounts. It involves analysis and interpretation of the data provided through record-keeping, drawing conclusions there from and advising the management in taking decision on the basis of the obtaining conclusions.

SCOPE OF RECORDS KEEPING

(i) **Creation of Records-** The first state involves design and control of office forms. Data should be recorded in the forms accurately and completely. The time period for which the records are to be kept should also be determined property.

(ii) **Storage of Records-** Under the second stage, records are properly classified and put into appropriate file covers or folders. The folders are then kept in the suitable filing equipment. The records should be stored at an accessible location and arrangements should be made for their protection.

(iii) **Retrieval of Records-** The purpose of maintaining records is to make them available for future reference. Therefore, an efficient filing procedure should be designed to retrieve the records in time.

(iv) **Disposal of Records -**This state is concerned with disposition of obsolete and unnecessary records. A record retention schedule is made under which records are classified into various categories like records required for ever and records required for different periods ranging from 3 months to twenty five years.

WHAT ARE RECORDS?

Accordingly to Zane K. Quible, "Records Refer To The Informational Documents Utilized By An Organisation To Carry Out Its Functions." Records constitute the memory of the entire organization. They contain a tangible (written, pictorial or otherwise) evidence of the activities of the organization. Records include letters, circulars, reports deeds of agreements, invoices, vouchers, pictures, graphs, books of accounts, minutes of meetings, etc.

SIGNIFICANCE OF RECORDS

The basic objectives of maintaining records in an organization are discussed below:

(i) **Future reference:** Records are memory of the business which can be used in future for taking decisions.

(ii) **Evidence:** Records are an important aid when it becomes necessary to refer to past records to argue a case or settle a dispute. Thus, they serve as a written proof of the transactions.

(iii) **Barometer of progress:** Records facilitate evaluation of performance and comparison of the working of the enterprise during different periods. They are also useful for comparing it with other organizations in the line.

(iv) **Reduces errors:** If the records are kept properly, they may form a very essential part of any system of internal control. One of the important objects of maintaining records is to minimize chances of errors and prevent occurrence of frauds.

(v) **Decision-making:** Records constitute an important tool in the hands of management. In modern business, vital decisions must be based on relevant and up-to-date information.

MEANING OF PERSONNEL MANAGEMENT

- Personnel management is major ‘sub-system’ of all organizations. Since recruitment, selection, development, utilization of and motivation of people are integral aspects of any organized efforts, personnel’s management is inherent in al organization, whether or not there is a department by the name. Personnel management is a major component of managerial process. Personnel’s management should not be confused with the personnel department of an enterprise. Personnel management is certainly sometime more than the responsibilities assigned to the personnel department. Manager at all levels of the organization are deeply involved in the management of human resources.

Definition of Personnel Management

According to the Institute of Personnel Management (U.K.), "Personnel Management is an integral but distinct part of management, concerned with people with people at work and their relationship within the enterprise, seeking to bring together into effective organization the men and women who staff the enterprise, enabling each to make his own best contribution to its success, both as individual and as a member of a working group."

It seeks to provide relationships within the enterprise that are conductive both to effective work and human satisfaction.

In the words of French Wendell. 'Personnel's Management is the recruitment, selection, development, utilization of and accommodation to human resources by organizations." The human resources of an organisation consist organization's activities."

Thus, personnel management basically deals with the management of human resources.

Objectives of Personnel's Management

- To attain maximum individual development.
- To establish desirable working relationship between employers and employees and between groups of employee.
- To mould effectively the human resources' and
- To ensure satisfaction to the workers so that they are freely read to work.
- To provide fair wages, good working conditions and service benefits to the workers.
- To ensure that every employee makes his maximum contribution to the success of the enterprise.

Scope of Personnel Management

The scope of personnel management is very wide. It involves the following activities:

- Manpower planning i.e., determining the number and kinds of personnel required to man various positions in the organization.
- Recruitment, selection and placement of personnel, i.e., employment performance and growth.
- Training and development of employees for their efficient performance and growth.
- Appraisal of performance of employees and taking corrective step such as transfer form one job to another.
- Motivation of workforce by providing financial incentives and avenues of promotion.

COMMUNICATION-Meaning, definition

- Communication is a work derived from the Latin word communicate termed meaning to share, to make common, to impart, convey or transmit. As such communication may be defined as the sharing or exchange of messages, facts, opinions, ideas or attitudes and emotions between sender (manager) and receiver (employee) or between two or more people, other words, and communication is the process through which two or more persons come to exchange ideas and understanding among themselves. Sharing or exchange is a two-way process, a give and take between a sender and a receiver. This give and take of information (or ideas/facts/figures/message/orders/ instructions/responses) creates interpersonal relationship between two individuals, possessing their particular attitudes, feelings and emotions and this interpersonal exchanges can bring about mutual understanding and confidence:

1. "Communication is an exchange of facts, ideas, opinions and motions, by two or more persons." -**Newman and Summer**
2. "Communication is an intercourse by words, letters, symbols or manager and is a way that one organisation member shares meaning and understanding with another. -**Koontand O'Donnel.**

THE ELEMENT OF COMMUNICATION PROCESS

A communication process involves the following element.

- **Sender>Ideas>Encoding >Channel >Receiving >Decoding>Feedback**

Thus the above figure shows the following element:

1. **SENDER -** The person who intends to make contact with objective of passing information and idea to other persons; is known as sender.
2. **IDEAS -** This is the subject matter of communication. This might be an opinion attitude, feeling, views, orders, of suggestions etc.
3. **ENCODING -**Since the subject matter of communication is abstract and intangible, its transmitting requires the use of certain symbols such as words, action or pictures, etc. Conversion of the subject matter into these symbols is the process of encoding.
4. **CHANNEL -** These symbols arc transited to the receiver through certain channel or medium.
5. **RECEIVER -** Receiver is the person to whom message is meant for.
6. **DECODING -** Receiver converts the symbols received from the sender to give him the meaning of the message.
7. **FEEDBACK -** Feedback is the process of ensuring that the receiver has received the message and understood in the same sense as sender meant it.

SIGNIFICANCE OR IMPORTANCE OF COMMUNICATION:

- **BASIS OF CO-ORDINATION** - The important of communication at the concept of modern complex organization is much greater. These big organisations being designed on the bases of specialization and division of labour constitute a large number of person.

- **SMOOTH WORKING OF ORGNAZAITON** - Communication makes possible the smooth and unrestricted running of the enterprise. All organisational interaction depends on communications. A job of the manager is to co-ordinate the human and physical elements of an organisation in to an active working unit that achieves common objectives. It is only the process of communication which makes co-operative action possible

- **BASIC OF DECISION MAKING** - Communication is a primary requirement for decision making. In its absence it may not be possible for the top management to take any meaningful decision information must be received before any meaningful decision and be made. Again to implement the ideas'effectively, it becomes essential to have a good communication system. That is why; Chester.I.Bernard says that the first executive function is to develop and maintain a system of communication.
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- **4. INCREASES MANAGERIAL EFFICIENCY** - Communication is essential for quick and systematic performance of managerial functions. The management conveys through communication only the goals and targets issues instruction allocates job and responsibilities and looks after the performance of subordinates. As a matter of fact communication the entire.