Entrepreneur

Entrepreneur plays a vital role in the economic development of a nation. Economic development refers to the income levels and its stability. This chiefly depends on its entrepreneurs. An Entrepreneur is a kind of individual who aims at achieving his goals and who possesses knowledge, skills, inventiveness, drive and spirit of innovation. An entrepreneur always finds opportunities and transforms opportunities into achievement and gains economic benefits. Entrepreneurship involves process of manufacture, innovation in production, usage of new materials, and market etc.

CONCEPT OF ENTREPRENEUR

The word **"Entrepreneur" is derived from the French verb 'entrepredre' which means 'to undertake'.** 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 organizes/ manages the risks in his/her enterprise. "Entrepreneur is an individual who takes risks and starts something new"

DEFINITION

An entrepreneur is an individual who takes moderate risks and brings innovation. An entrepreneur is a person who has possession of a new enterprise, venture or idea and assumes significant accountability for the inherent risks and the outcome. An entrepreneur is "one who undertakes an enterprise, especially a contractor, acting as an intermediary between capital and labour."

According to J.B. Say, "An Entrepreneur is the economic agent who unites all means of production; land of one, the labour of another and the capital of yet another and thus produces a product. By selling the product in the market he pays rent of land, wages to labour, interest on capital and what remains is his profit".

According to Joseph Schumepeter, "An entrepreneur in an advanced economy is an individual who introduces something new in the economy, a method of production not yet tested by experience in the branch of manufacture concerned, a product with which consumers are not yet familiar, a new source of raw material or of new market and the like".

According to Cantillon "An entrepreneur is the agent who buys factors of production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future".

To conclude, **an entrepreneur is the person who undertakes risk, combines various factors of production, exploits the supposed opportunities, and creates wealth and employment.**

CONCEPT OF ENTREPRENEURSHIP

The term ‘entrepreneurship’ is associated with the term ’Entrepreneur’. Though, they apparently look same, conceptually they are different. Entrepreneurship is the process of finding opportunities in the market place, planning for the resources required to convert these opportunities into success and to achieve long term gains. It involves creating capital by exploiting resources in new ways to initiate and operate an enterprise. Entrepreneurship can be defined by describing what entrepreneurs do. For example: "Entrepreneurs use individual inventiveness, and take on calculated risk to create new business ventures by raising capital to apply inventive new ideas that resolve problems, meet challenges, or satisfy the needs of a clearly distinct market." But the entrepreneurship is not limited 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."

According to Cole “Entrepreneurship is the purposeful activity of an individual or a group of associated individuals undertaken to initiate, maintain and aggrandize profit by production or distribution of economic goods and services”.

According to Higgins “Entrepreneurship is meant the function of foreseeing investment and production opportunities, organizing an enterprise to undertake a new production process, raising capital, hiring labour, arranging the supply of raw materials, finding site, introducing a new technique, discovering new resources or raw materials and selecting top managers for day to day operations of the enterprise”.

FUNCTIONS OF ENTREPRENEURS

An entrepreneur always seeks opportunity. He not only finds the business opportunities but also utilizes the other resources like 5 Ms-man, money, machine, materials and methods. However, the main functions of the entrepreneurs are as under:

1. Idea generation: This is the most essential function of the entrepreneur. Idea generation is possible through the vision, insight, observation, experience, education, training and exposure of the entrepreneur. It specifically implies proper selection of product and identification of project. Ideas can be generated through surrounding environment and market survey. It is the chief function of the entrepreneurs to generate as many ideas as possible so as to select the best business opportunities for a commercially-viable business venture.

2. Determination of objectives*:* Another function of the entrepreneur is to determine and lay down the objectives of the business. Entrepreneur should be quite clear regarding the following things:

(i) The nature of business

(ii) The type of business

This indicates whether the enterprise belongs to the category of a manufacturing concern or a service-oriented unit or a trading business. Thus, the entrepreneurs can attempt to venture in accordance with the objectives determined by him.

3. Raising of funds: Fund raising is the most essential function of an entrepreneur. All the actions of a business depend upon the financial support and its apposite management. It is the sole accountability of the entrepreneur to raise funds from both, internal and external agencies. In this regard, he should be aware of the different sources of funds and the official procedure to raise funds. He should be well aware of different government sponsored schemes such as PMRY, SGSY, REGP, etc.

4. Procurement of raw materials: Another important function of the entrepreneur is to procure raw materials. Entrepreneur has to find out the cheap and regular sources of supply of raw materials, which will enable to reduce the cost of production.

5. Procurement of machinery*:* The next function of the entrepreneurs is to procure the machineries and equipments for establishing the new venture. While procuring the machineries, he should specify the following details:

(a) The details of technology

(b) Capacity of the Installed machines

(c) Details of the manufacturers and suppliers

(d) After-sales service

(e) Warranty period of the machineries and instruments

All these details are to be minutely observed by the entrepreneurs.

6. Market research: Another important function of the entrepreneur is market research and analysis of product. Market research involves the systematic data collection regarding the product which the entrepreneur wants to manufacture. It has to be done indefatigably in order to know the details of the product, i.e. the demand for the product, the supply of the product, the cost of the product, the customers, etc. while initiating an enterprise.

7. Determination of form of enterprise*:* Entrepreneur has to consider the nature of the product, level of investment, nature of activities, types of product, quality of product, quality of human resources, etc. to decide the form of enterprise. The principal forms of ownership organizations are sole proprietorship, joint venture, Joint Stock Company and cooperative society. Determination of ownership right is crucial on the part of the entrepreneur to obtain legal title to resources.

8. Recruitment of manpower*:* Entrepreneur has to perform the following activities while undertaking this function:

(a) Estimating manpower need of the organization

(b) Forming selection procedure

(c) Devising scheme of reimbursement

(d) Forming the rules of training and development

9. Implementation of the project: Entrepreneur has to work on the implementation of the project. The acknowledged project is to be implemented in a time-bound manner. All the activities from the initial stage to the final stage are to be accomplished by him in accordance with the implementation schedule to manage cost and time, as well as to manage competition. Thus, implementation of the project is an important function of the entrepreneur.

To conclude with, all these functions of the entrepreneur can precisely be put into the following categories:

(i) Innovation

(ii) Risk bearing

(iii) Organization

(iv) Management

CHARACTERISTICS OF ENTREPRENEUR

An entrepreneur is important for economic progress. He is the individual who introduces innovative things in the market. He is considered not only as a simple owner of capital but also as the business leader. He is a person with innovative skills, drive and aptitude who always finds business opportunities and promptly utilizes them for exploitation.

To be successful, an entrepreneur should have the following characteristic features.

1. Need to achieve: Entrepreneurs must have strong and keen desire to achieve higher goals. Their inner instincts motivate them to achieve higher goals: majority of the people dream of achieving something but do not work towards achieving their dreams whereas Entrepreneurs act incessantly to accomplish the goal and turn their dreams into reality. For them, success is achievement.

2. Independence: Majority of the entrepreneurs establish their own business because they abhor working for others. They prefer to be the boss of their own self and want to be enjoy responsibility of their own decisions.

3. Risk-bearing: Entrepreneurs are the individuals who take decisions under unfavourable circumstances and thus they are willing to take risk, but they never prefer gambling with the results. They opt for reasonable risk rather than playing wild gamble. In a way they undertake calculated risk which is supposedly enough to be exciting, but with fair chances of success and fruitful result.

4. Locus of control: According to Rotter's locus of control theory, an individual perceives the outcome of an event as being either within or beyond his personal control. Entrepreneurs believe in their own capability to manage the consequences of their endeavour by influencing their socio-economic environment.

5. Determination: Entrepreneur always sticks to his job. They take personal interest in solving the problems while setting up the project. They keep on working quite sincerely until their projects get implemented.

6. Positive self-concept: Entrepreneurs are never negative in their action. They always try their best to convert their dreams into reality and prove their caliber. They utilize their positive knowledge to support their thinking. They never entertain negative attitude.

7. Ability to find and explore opportunities: Entrepreneurs seek opportunities. They convert the problems and challenges into viable opportunities. They plan out using their intelligence and achieve their goals in realizing an opportunity.

8. Hope of success: Entrepreneurs set their goals with a hope of success. This is because they set their goals that are practically possible.

9. Flexibility: Majority of the successful entrepreneurs measure the pros and cons of a decision and change their decisions as per the situation. They on no account feel indisposed to revise their decisions. They are always open to face any situation.

10. Analytical ability of mind: Entrepreneurs always keep aside their personal likes and dislikes. They are always pragmatic in their approach. At times they opt for experts rather than friends and relatives to assist them. They generally evade emotional and sensitive attitude towards their business.

11. Sense of efficacy: Entrepreneurs are always goal oriented. They usually solve their problems themselves. They set their goals for future and plan accordingly to accomplish them.

12. Openness to feedback and learning from experience: Successful entrepreneurs always get immediate feedback of their performance. They modify their plans on the basis of the feedback received from the environment around them. They keep learning from their own experience and never get disheartened having received unfavorable information. On the contrary, they get stimulated by unfavorable information and involve themselves sincerely in their own tasks to reach their preferred goals.

13. Confronting uncertainty: Successful entrepreneurs are always optimistic and take every problem as the opportunity. They manipulate their surroundings in such a way that the works get accomplished rationally. Thus, their extraordinary insight and skill makes each situation favorable for them.

14. Interpersonal skills: Entrepreneurs always remain comfortable while dealing with people at each level. They interact with raw material suppliers, customers, bankers, etc. for different activities and that is their quality of interpersonal skill to deal with people.

15. Stress takers: Entrepreneurs do have that capacity to work continuously for longer time and side by side solving the problems at the same time. They have to come across number of challenges which many times give them stress. They can face these challenges if they have the capability to work for long hours and keep themselves cool under monotony.

16. Time orientation: Entrepreneurs look forward to future trends on the basis of their past experience and exposure. They stick to the time pragmatically while doing their jobs.

17. Innovators: Successful entrepreneurs are innovative with their ideas. They continuously put their efforts in introducing innovative products, new technique of manufacture, opening new markets and recognizing the enterprise.

18. Business communication skill: The entrepreneurs must possess good communication skill. Both written and oral communication skills are necessary for the entrepreneurs for running enterprise efficiently.

19. Telescopic faculty: Successful entrepreneurs always think in advance. They do possess telescopic faculties that make them think for the future. Future point of reference makes them quite attentive to the changing circumstances of the time and they tend to manufacture goods and commodities as per the changing demands.

20. Leadership: Entrepreneurs should have the quality of leadership. The quality of leadership will allow them to influence people by means of communication towards the accomplishment of goals. As the leaders, they should provide the necessary motivation by guiding, inspiring, assisting and directing the members of the group for accomplishment of unity of action, efforts and purpose. The quality of leadership also allows them to reduce the problems. Good organizational work depends upon efficient leadership of the entrepreneur.

21. Business planning: Planning relates to deciding in advance what, when and how to do a thing. Entrepreneurs should be well-equipped with dexterity and knowledge to set up their business plan. A successful entrepreneur always follows the doctrine of management while setting up his business. The planning can perform as a link between the current positions and probable future form of the enterprise. It provides a sense of vision to the entrepreneurs to cope with risky and uncertain situations.

22. Decision making: Decision-making skill is an elemental distinctive of an entrepreneur. This helps them in choosing a particular course of action at every stage of creation of an enterprise out of numerous alternative courses for the purpose of achieving particular goals. Hence, decision making is essential at all times and mostly at circumstances of uncertainty and risk.

23. Ability to mobilize resources: Entrepreneurs must have the capability to marshal all the inputs to acquire the end product. They have to mobilize Man, Money, Material, Machinery, Market and Method efficiently to realize the ultimate product as entrepreneurship is a function of gap filling and input completing.

24. Self-confidence: Entrepreneurs must have self-assurance to accomplish the task efficiently and powerfully. They must take decisions on their own in unsure and perilous situation and should stick to it assertively even if there occurs preliminary setbacks.

PLANNING

Planning is an essential step to achieve success in any programme. Planning for an enterprise, can be considered as a primary preparation to initiate new venture and its development.

Planning-Importance

1. It is an integral part of any fruitful activity.
2. It is regarded as fundamental to a good start an entrepreneur career.
3. It arises from the complexity and from the importance of the job to be done.
4. Planning use to discover and prepare the way for action that should be taken.
5. It gives meaning and system to the action.
6. It gives the basis for a course of future action.
7. Entrepreneur should accomplish to key preliminary preparations before them launch their new venture.
8. Aspiring entrepreneurs may make preparations so that they cannot get off to a good start but also transform their dreams into successful business enterprise.

PROJECT PLAN – A BASIC DOCUMENT

A project plan spells out the main features and the future prospects of a planned business. Besides, it provides insights into vital issues that are to be attended to and sorted out to achieving the ultimate goal. Some suggest that a project plan is a well defined written document, based on significant facts, records and estimates. It portrays by and large description of a business proposal, attempts to justify its technical practicability as well as commercial accomplishment.

Project Plan-Benefits and Utilities:

A project plan is quite a useful tool to bring greater success in attaining objectives of a business. Some of the major benefits and utilities are:

• **Highlights basic elements.** A project plan lays stress on the basic elements generally in about every business. The basic elements include ownership, business locality, purpose, policies and strategies, resource necessities, budget estimates, and probable ways and means to carry out goals.

• **Deals with decisive issues.** A decision should be taken whether to go for a particular business or not. More importantly, a project plan justifies the individual capability and aptitude to mobilize resources available.

• **Assists in evaluation.** A project plan helps in evaluating by and large merit of an innovative business thought.

• **Serves to gain support.** A project plan certainly helps in looking for and acquiring required monetary assistance from external sources.

• **Helps timely implementation.** A project plan document works as a manual to be followed in the procedure of organizing, directing, coordinating and controlling planned activities designed at ensuring well-timed accomplishment of objectives.

• **Facilitates registration.** A project plan is important for seeking permission to engage in a business from a competent authority. Both permission and registration through competent authorities are quite necessary to initiate and carry out any business activity and to seek monetary support from commercial banks.

• **Prepares groundwork.** Project planning is one of the critical elementary tasks necessary to make ready the groundwork for a new large or small venture, and seldom for expansion, diversification of an existing unit.

IMPORTANCE OF BUDGETING

A budget is generally a statement of probable outcome during a designated time period. It is expressed in financial terms – as revenue, expenditure and capital budgets and in non financial terms – as in budgets of direct labour hours, materials, physical sales volume or units of manufacture.

George R. Terry has described budget as "an estimate of future needs, arranged according to an orderly basis, covering some or all the activities of an enterprise for a definite period of time."

The purpose or importance of budgeting:

• To plan for the efficient and smooth running of an enterprise.

• To sustain the manufacture schedule

• To coordinate the various activities of an enterprise.

• To cause control on various departments.

• To help in decentralization

• To help in allocation of authority

• To plan and manage receipts and expenditure.

• To manage the expansion.

• To arrange the funds.

• To control the research project

MONITORING AND EVALUATION OF AN ENTERPRISE

Monitoring and evaluation provides learning from past experience. It motivates the company to improving service delivery, planning and allocating capital and demonstrating results as part of responsibility to key stakeholders.

Monitoring: It is standard methodical collection and analysis of information to track the development of programme accomplishment against predetermined targets and objectives. It relates to keep a cautious check of project activities over a period of time. Each project needs advanced proposals and objectives. Monitoring system should work out to keep watch on all the activities, including finances. This will let the project staff to know how things are going, as well as giving early warning of probable problems and difficulties. Monitoring should be done while a project is being implemented to improving the project design. It provides information on where a project is at any given time with respect to targets and outcomes. Moreover, it focuses particularly on efficiency, and the use of resources. It does help in clarifying the objectives of the programme .It links activities and their resources to objectives. Monitoring converts objectives into performance indicators and sets targets. It regularly collects data on these indicators and compares actual results with targets. With its help reports regarding the progress can be passed on to the managers and alert them to about any forthcoming problem.

Evaluation: It is an objective appraisal of an ongoing or recently finished project, programme or policy, its design, implementation and results. Evaluation deals with questions of cause and effect. It assesses the value, worth or impact of an intervention and is characteristically done on an episodic basis. Generally, it is done annually or at the end of the phase of a project or programme. An evaluation studies the outcome of a project with the aim of informing the design of future projects. Evaluation looks at the significance, efficiency, and sustainability of an intervention. It provides evidence of why targets and outcomes are or are not being achieved and addresses issues of causality. Evaluation analyzes why planned results were or were not achieved. It assesses specific casual contributions of activities to results. Evaluation examines implementation process. It explores unintentional results. Evaluation provides lessons, highlights significant accomplishments or programme potential and offers recommendations for expansion.

Impact assessment

- Seeks to capture and isolate the outcomes that are caused by the programme

- ReviewS all previous Monitoring &Evaluation activities, processes, reports and analysis

- Provides a thorough understanding of the various causal relationships and the mechanisms through which they operate

- May seek to manufacture, compare, contrast a range of interventions in a region, timeframe, sector or reform area

IMPORTANCE OF MONITORING AND EVALUATION

1. Offer invariable feedback to improve customer's service.

2. Recognize potential problems as early as possible and propose probable solutions.

3. Observe the user-friendliness of the project to all sectors of the target population.

4. Observe the effectiveness with which the different components of the project are being implemented and propose steps for improvements.

5. Evaluate possibilities up to which the project is able to achieve its general objectives.

6. Provide guiding principles for the setting up of future projects.

7. Try to improve project design.

8. Consider views of stakeholders.

10. Show necessity for mid-course corrections. Reliable information allows managers to keep track of progress and regulate operations accordingly.

IMPORTANCE FOLLOW UP

1. It provides customer support to business of company.

2. Customers are your biggest assets and they can promote your business in incredible ways.

3. If customers are happy and satisfied they can advertise the product and company/ business.

4. Customers can motivate others persons to purchase product of the company/ business.

5. It enables entrepreneur to improve product in terms of quality and quantity.

6. It enables entrepreneurs about reputation of the company/ business.

7. Entrepreneurs get information about drawback in the product and service of the company.

8. It provides information about demand and supply of the product.

COMPETITION

Competition is universal. Competition is defined as organizations' battle with other organizations for some gainful outcome in various forms and fields *viz* market, customers, ranking, or resources. Managing competition through competitor intelligence is a powerful tool for entrepreneurs. Competitor intelligence is a process of gathering information about competitors, their acts, and how their acts will influence the organization.

COMPETITIVE INFORMATION

a) Type of Competitive Information to be collected:

In order to collect information of what the competitors are busy with, one should consider following tricks:

Variety of products or services offered by the competitors.

Specific features of the products or services offered by the competitors.

Their products' plus and minus points.

The style of business management by the other parties.

The success percentage of the competing companies must be taken note of.

The way the competitors handle new trends in business

b) Principles for managing competition

The entrepreneur has to adopt certain principles for managing competition. Some of them are as mentioned below :

• sorting of opportunities must be done promptly .

• an attempt must be made to study the psychology of the customer

• a record ,a watch on the movements of the competitors must be maintained

• To maintain a safe and healthy business identify and visualize the upcoming business trends

ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES (EDPs)

Entrepreneurs play a major role in the socio-economic development of a nation. Therefore, the role of entrepreneur is of great significance to a country like India where the country is facing problems of poverty and unemployment. Recognizing the significance of small scale industries in creation of employment and financial development, the Government of India began to give promotional packages to facilitate setting up of innovative enterprises. Thus, Entrepreneurship Development Programmes (EDPs) started in late sixties. This programme was meant for a specific group of new entrepreneurs.

THE OBJECTIVES OF EDP$_s$

1. To develop the entrepreneurial quality by increasing the supply of entrepreneurs to achieve the goal.
2. To analyze the environmental set up in regard to micro enterprises and improve their performance by the supply of well trainedentrepreneurs .
3. Know pros and cons in becoming an entrepreneurs and to provide self-employment to a large number of young men and women.
4. Enhance the growth of small-and medium-scale enterprise sectors which offer better potential for employment generation and dispersal of industrial unit.
5. Develop a broad vision about the business enterprise in rural areas where local entrepreneurship is not really available.

PHASES OF EDPs

The EDPs normally pass through following three important phases:

• Pre-training phase

• Training phase

• Post-training or follow-up phase

1. **Pre-training phase:**

This phase is the preliminary phase for launching the programmes. It includes following activities:

i. Recognition of promising area, generally a district
ii. Selection of a project leader to coordinate the programme
iii. Arrangement of infrastructure for the programme
iv. Identification of good business opportunities
v. Promotional campaigns

vi. vi) Establishing contacts NGOs and related agencies which can contribute to the programme

vii. vii) Procedure of application forms.

viii. d) Selecting the trainees through particular procedure

ix. e) financial arrangements

x. f) Preparing and finalizing the training syllabus and arranging guest faculties to impart training

xi. vi) Contacting the support agencies such as DICs, SFCs, SISI, banks, NSIC, District Magistrate, etc. for support .

xii. vii) Organizing industrial motivational campaigns to have as many number of applications as possible.

2. **Training phase:** During the training, entrepreneurs are provided proper guidance for setting up enterprise. Most of the Entrepreneurship Development institutes generally carry out full time training programmes of 4-6 weeks duration.

Training Phase: Motivational course content is provided to trainees that build and develop confidence in building entrepreneurs. It aims at empowering with decision-making skills to set up a new venture. The training also makes them grab new opportunities. Information regarding how to plan a project is also provided to trainees. For Industrial exposure and to have first-hand knowledge of factory layout, business sites, etc. plant visit/in-plant training are arranged.

3. **Post-training phase:** Post-training phase is also known as the phase of follow-up support. During this phase, post-training guidance and services are rendered to the participants of the Entrepreneurship Development Programme (EDP). During this phase, the training organization helps the entrepreneur in sorting out the problems through counseling. A committee is form consisting of members generally drafted to help the entrepreneurs.

Challenges faced by EDPs:

The low level of performance by the EDP is usually faced owing to the following problems in organizing and conducting EDP trainings:

a) Scarcity of sufficient number of specialized and dedicated organizations
b) Insufficient trainer motivators to motivate people for undergoing EDPs and to impart training
c) Identification of wrong projects
d) Lack of entrepreneurial culture and background
e) Lack of proper linkages
f) Insufficient counseling after training
g) Lack of continuous post-training support services for the project

Assessing overall business environment in Indian economy

India's business environment has improved significantly after the commencement of economic reforms in early 1990s. The investors from all over the world find it quite easy to involve in business after the reforms. This has been possible with the help of foreign direct investment and trade liberalization. However, the US financial system has also adversely hit the Indian economy. Of course, as compared to other promising economies, India has several strengths that can help moderate the adverse effects of the worldwide economic crisis. In spite of the global crisis, Indian economy offers abundant opportunities for business.

In 1947 after gaining independence, India initiated a path of industrialization to Achieve economic prosperity. India focused on developing the manufacturing base. Much of the countries development was done through the five year plans. Industries like Iron and steel, oil refineries, cement and fertilizer were brought under the gamut of public sector enterprises. The decision makers then encouraged the development of Small scale industries. They perceived that Indian small scale industries would play a vital role in the economic progress of the country and had immense potential for employment generation. Developing small scale sector would also result in decentralized industrial expansion, better distribution of wealth and to encourage investment and entrepreneurial talent.

The government has initiated several policies for the development of small scale industries. They have made it compulsory for certain items to be manufactured only by the small scale segment. In 1999, the government also established the Ministry of Small Scale Industries and Agro and Rural industries to make policy decisions for the development and interests of the small scale industries.

In the beginning the small scale sector was considered as conventional labour intensive units with old-fashioned machineries and ineffective production techniques. But in the recent time the situation is different. Today they have installed up to date equipment, applied better administration techniques and are much more industrious than before.

Small Scale Industries are situated throughout the nation, though predominantly in the rural areas but they are skill based, wherein the skill for manufacturing is passed on from one generation to another.

These units generally manufacture textile handicrafts, woodcarving, stone carving, metal ware etc. Small scale manufacturing factories are also there in urban areas and more often than not they account for the utmost volume of production. For e.g. Tripper in Tamil Nadu accounts for small scale firms involved in Spinning, weaving and dying of cotton attire.

POST LIBERALIZATION

Post liberalization economic conditions have created enormous growth for the small scale industries. The government has also supported the small scale industries by the way of implementing various policies The New Economic Policy initiated in early 1990s in India had five main components. These are

(i) Depreciation of the Indian rupee in order to increase exports,

(ii) Dismantling of government controls over domestic business,

(iii) Privatization and Sale of public sector enterprises,

(iv) Liberalization of monopoly markets to raise overseas and domestic competition, and

(v) Globalization by opening the Indian market to foreign venture.

Fundamentally, the new economic policy was a massive and radical change in the Indian economy. Under the new economic policy, infrastructural sectors such as power telecommunications, roads, ports, harbors, and civil aviation were chiefly targeted for liberalization, direct foreign investment, and privatization. Skilled and compliant manpower is crucial for economic growth. This is being provided by the Institutes of Technology, Institutes of Management, Business Schools, Institutes of Information Technology, etc. The massive increase in the middle class income with high purchasing power is supporting rapid development of consumer economy, and economy of the nation as a whole. It is worth noting that accomplishment of the National Rural Employment Guarantee Act (NREGA) is responsible for increasing the purchasing power of the people at the base. These are also contributing to fight economic collapse.

BUSINESS ENVIRONMENT IN INDIAN ECONOMY

1. Strong growth momentum

   i. Continuous progression of liberalization since 1991
   ii. Better openness to overseas deal and venture
   iii. Speedy expansion in export oriented IT and BPO industries

2. Opportunity

   i. Big and speedily increasing domestic market
   ii. Large and low cost labour strength
   iii. Engineering/IT/English language skills
   iv. large availability of raw material

3. Growth constraints

i. High economic deficits, over population and private investment
ii. severe infrastructure bottlenecks
iii. Extensive government possession of commerce and domination in banking
iv. Import tariffs and complex tax regimes
v. Restrictions on Foreign Direct Investment in several sectors
vi. Disproportionate cost of doing business

GLOBALIZATION AND EMERGING BUSINESS / ENTREPRENEURIAL ISSUES

Globalization is concerned with increasing economic openness, rising economic interdependence amongst the nations, and deepening economic integration.

The **key features of globalization** are

Economic features: expansion in trade, foreign direct investment and capital flows; mass production and utilization; global competition; trade and investment liberalization policies.

Non-economic features: Loss of national dominion; equivalence of values and cultures. Entrepreneurs must identify the opportunities and intimidation which arise from globalization in the developing countries. Some of them are as follows.

Opportunities

1. Opportunity to manufacture innovative and superior quality products and services and exporting them to other countries.

2. Generating buoyant marketplace for development of industry and services.

Threats

1) dominance of seed market by international companies and unfavorable effect on farmers' conventional constitutional rights to save and sell seeds.

2) decrease in subsidy, resulting in their increasing cost and a lesser amount of use by small and marginal farmers.

3) Import and removal of low cost agriculture and industrial products from outside countries, harmfully disturbing aboriginal production.

4) reimbursement mostly accumulate to large and rich farmers, as small farmers cannot go in for export oriented production.

5) Rise in the price of food grains.

ENTREPRENEURSHIP IN GLOBAL ENVIRONMENT

ECONOMIC SOCIAL, CULTURAL AND FINANCIAL IMPLICATIONS

The economic social, cultural, financial and rigid environment in a country affects the nature and growth of entrepreneurship.

The prerequisites of entrepreneurship:

• Access to funds

• Right regulatory and tax environment

• High personal and tax rates can significantly reduce risk taking ability of entrepreneurs.

• The social and cultural environment is the most important precondition In which accomplishment and wealth creation are held in high regard.

• The countries where the motives of entrepreneurs are viewed as suspect,their financial gain is questioned.

• In some countries the failure of an entrepreneur can end an individual's career.

Characterizing countries entrepreneurial Culture:

i) while determining the Government participation in the economy Entrepreneurship in any country one should consider

• the taxation rate

• To what extent is state ownership seen as appropriate

• How country manage economy through set of laws

• readiness to protect, encourage trade & foreign investments.

• Labour laws, terms & conditions

ii) While determining the social respect for individual Vs collective action one should consider

• country's fairly homogeneous culture

• Extent of wealth distribution-equal or unequal

SWOT ANALYSIS

The analysis of the current situation is done by conducting (1) Internal Analysis and (2) External Analysis, jointly known as SWOT analysis that refers to identifying the strengths, weaknesses, opportunities and threats of an organization. SWOT Analysis is basically a tool, often used by organizations in planning its future. This tool can be explained in a better way as under:

S - **Strengths**

W - **Weaknesses**

O - **Opportunities**

T - **Threats**

The Internal Analysis of the organization includes the organizational position with respect to different functional areas like Production, Finance, Marketing & Distribution and so on. This will reveal its strength and weakness. The External Analysis will include the industry performance, competitive activity and a review of the growth and decline of the user industries.

STRENGTHS AND WEAKNESS

Every business must assess its strengths and weaknesses sporadically. It can be done by the management itself or by some outside expertise. The sole aim of SWOT analysis should be to overcome their weakness gradually and transform it into its strength later on.

Some of the strengths of an organization are:

a. Accessibility of required infrastructure
b. Sufficient manufacturing capability
c. Skillful manpower
d. Quality assurance and quality control
e. Manufacture at low cost
f. Facilities for product development
g. Good locality
h. Wide network
i. Motivated employees
j. Latest equipments installed
k. Brand name at National/Regional/Local level
l. Consistency in gaining profits
m. Good financial position
n. Efficient administration
o. Human resource development

Some of the Weaknesses of an organization are

a) Increasing expenditure of operations
b) Union pressures
c) Low level of employees
d) Lack of raw material
e) Lack of capital
f) Weak credit in market
g) Problem of utilization of capacity
h) Out-of-date technology
i) Poor planning
j) Insufficient infrastructure
k) Less number of trained technicians
l) Poor managerial expertise
m) Unorganized work culture
n) Ineffective co-ordination
o) Brand name not recognized on a National/Regional/Local level
p) Poor location for business
q) Too much waste

This is an important part as to realize what needs to be done to minimize weakness in the future.

OPPORTUNITIES

If the business is to achieve its goals, an entrepreneur has to know the parts of the environment to be monitored. A business has to monitor environmental forces like customers, competitors, distribution channels, suppliers, etc. as they can affect its profits. A marketing intelligence system should be developed to track important developments. For each trend or development, management needs to identify the hidden opportunities and threats. An opportunity is an area of need in which a company can perform profitably.

Some of the opportunities of an organization are:

a) Rising population
b) Increase in disposable earnings
c) Skilled workforce
d) trouble-free accessibility of money
e) Appropriate technology
f) Positive government policies
g) Availability of market information, distribution outlets and media.
h) Existence of good cultural environment.
i) Opponent going bankrupt

THREATS

Some developments in the external environment characterize threats. An environmental threat is a challenge posed by an unfavourable trend or development.

Some of the threats of an organization are:

a) Scarcity of power, water, fuel

b) Negative response by the market

c) Recession

d) Cut throat competition

e) Political unsteadiness

f) End of season approaching

g) Technical obsolescence

h) Financial crisis in the market

i) Ever-increasing interest rates

j) Resource crisis

k) Difficulty in retaining technical expertise

l) Rising cost of wages

m) Change in customers' tastes and preferences

n) Existing product becoming old-fashioned

On completion of a SWOT Analysis, an organization can know 'where it stands'.

Therefore, it can proceed to develop specific objectives and goals for the future.

ADVANTAGES OF SWOT ANALYSIS

The advantages for conducting a SWOT Analysis are mentioned as under:

1. An entrepreneur can come to know the demand and can accordingly choose respective field, keeping their strengths in mind.

2. It certainly helps in the development of innovative technology.

3. An entrepreneur can make an analysis as to develop a completely new product, or to just bring slight change in the existing product.

4. Improvements can be brought about in the practice of production.

5. New goals can be set through SWOT on the basis of previous findings.

6. Short term task and long term task can be planned.

7. Opportunities and threats can be recognized.

8. Batter plans can be formalized for effective communication & implementation.

9. Major functions & minor-functions can be set out in achieving the objectives of the firm.

10. Expansion of the range of services and benefits.

11. The social, political, legal, economic, technological factors can be analyzed

12. An analysis of the competitor’s strategies can be made and their policies can also be known.

GENERATION OF IDEA

All Entrepreneurs need to have ideas to initiate their entrepreneurial ventures. The process of generating ideas is itself an innovative process. The question is from where an Entrepreneur can get the idea. Different researchers have tried to find out the source of an entrepreneur's ideas. The sources for idea are as under:

Common sources:

Individual interests or hobbies

Work experiences, knowledge, and skills.

Existing products and current services, surrounding the environment.

HOW TO GENERATE IDEAS

(1)Environmental scanning:

Entrepreneurs should make use of available information to catch the current developing trend in business and for that he should keep reading local, national, international; news papers, magazines, journals, commercial articles, and should keep watching commercial news on TV. Moreover, it may look like a difficult task but the potential entrepreneurs should do it passionately to get in touch with theEcurrent scenario.

(2)Use of Creativity to problem solving:

entrepreneurs should use their creativity to have solution of unusual problem. Creative thinking means to link new concepts in extraordinary manner.

(3) Brainstorming:

One of the most popular approaches to generating ideas is brainstorming. It is an idea-generating process for getting dynamic solutions that gives a large number of alternatives. Brainstorming is a simple technique that can be done with friends or colleagues. In a brainstorming session, a group of people get together, mostly in a relaxed atmosphere, where everyone feels free to broaden their minds and imagine beyond the ordinary. A group leader presents the issue or problem to be solved and ensures that all participants identify with it. Then members put up as many ideas as they can in a specified time by explaining them orally. Participants are motivated to come up with as many ideas possible and to build on one another's ideas. In brainstorming sessions, discussion is nonstop as participants propose a good number of ideas. No participant is allowed to criticize the ideas of other participants during the brainstorming session. Moreover, all ideas delivered by the participants get recorded and are further put for discussion. The purpose of brainstorming is to open up as many alternatives as possible. It can lead to strong arguments and counterarguments but it is certainly a fruitful way to generate abundant ideas.

(4)Focus groups:

These groups of people's present information about projected products or services in a prearranged setting. In a focus group, a moderator focuses the group discussion on number of issues. For example, a focus group might look at a proposed product and answer specific questions asked by the moderator. Secondly, the focus group might be given a moral general issue to discuss and the moderator simply leads the discussion based on interpretations made by the group. Thus, a focus group can provide an outstanding technique to generate innovative ideas.

(5)The Role of Intuition:

Intuition is a cognitive process through which we knowingly or unknowingly make decisions on the basis of our knowledge and experience. It is perhaps a sudden outcome of the mind. Even though structured or systematic approaches to generating ideas are important, intuition also plays an important role. Intuition is certainly a powerful source of new ideas if you learn how to use it effectively. However, the best approach of all could be to combine the structured with the intuitive as both of them complement each other. We should listen to that intuition and use more structured approaches to modify our ideas.

IDEA INCUBATION

Idea incubation means to exercise the ideas in reality. It begins with basic elements by the one who considers the particular idea as the best to be used. He/she involves others in the process and proves the idea to be perfect. Finally, the idea results into a new product believing that it is capable enough to avail fund successfully and is also commercially useful. Numerous companies promote idea incubation by grouping workforce collectively in cooperative environments. Cooperative groups work best for idea incubation so as to identify strengths and weaknesses of the idea, and thereby product which is more refined and strong can be gained. Several companies offer their services as professional idea incubators. These companies use a trained staff that can think innovatively. There are lots of Idea incubation firms which provide support to product development throughout the process from the initial vague concept to viable manufacture. Successful idea incubation can result into all types of products. Finally, what requires is strong leadership and administrative skills along with entrepreneurial guts. Once an idea is incubated, it needs to be further developed and commercially presented. This depends a lot on the team leader who can motivate the employees to use the idea in productive way.

Business incubators are programme,s intended to speed up the successful improvement of entrepreneurial companies. Incubators differ in the way of their services, in their organizational constitution, and more or less in the types of consumers they serve. Successful completion of a business incubation programme increases the probability that a new company will continue in business for the long period.

The incubation process:

• Help with business fundamentals

• Networking management

• Promotional support

• Speedy Internet access

• assist with financial management

• Access to bank loan, funds and security programmes

• Deal with presentation skills

• Linkage with higher education resources

• Links to strategic partners

• Access venture capital

• Comprehensive business training programmes

• Advisory boards and mentors

• organization panel identification

• Technology commercialization assistance

• Intellectual asset management

Entrepreneurs who wish to enter a business incubation program must apply for admission. Acceptance criteria vary from program to program, but in general only those with feasible business ideas and a workable business plan are admitted. It is this factor that makes it difficult to compare the success rates of incubated companies against general business survival statistics. Although most incubators offer their clients office space and shared administrative services, the heart of a true business incubation program is the services it provides to start-up companies.

COMMERCIALIZATION

It is the process of introducing a new product into the market. It's the most important aspect of business as the success of any product depends a lot on the way it's being commercialized.

The Commercialization Process:

Commercialization of a product is possible with only the following three facts:

1. **The launching period:**

The time to launch any product in the market should be decided after observing the market condition and consumers' interests.

2 **Place to launch its product:.**

A product can be launched at a single place or at many places at a time. This depends a lot on the company's resources, in terms of capital, administrative intelligence and operational capacities. Smaller companies usually launch in attractive cities or regions, while larger companies launch their products at national r international level at a time. Multinational companies do launch their products at international level as they have that capacity as far as finance and skilled staff is concerned.

3. **To decide primary target consumer group:**

This primary consumer group should consist of innovators, early adopters, heavy users and/or opinion leaders. This will guarantee the success so as to be used in nearer future by other buyers in the market place.

Thus, commercialization of new product is perhaps the most important aspect that needs to be taken care for the success of new product

PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP)

Government of India has approved a new credit linked subsidy programme known as Prime Minister's Employment Generation Programme (PMEGP). It has been done by merging the two schemes that were in process till 31.03.2008 specifically Prime Minister's RojgarYojana (PMRY) and Rural Employment Generation Programme (REGP) that were meant for creation of employment opportunities through establishment of small enterprises in rural and metropolitan areas. PMEGP will serve as a central sector scheme to which shall be administered aad monitored directly by the Ministry of Micro, Small and Medium Enterprises (MoMSME). The Scheme shall be implemented and governed by Khadi and Village Industries Commission (KVIC), which is a statutory organization under the administrative control of the Ministry of MSME as the single nodal agency at the National level. Whereas at the State level, the State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) as well as banks will implement the Scheme. The Government subsidy under the Scheme will be routed by KVIC through the recognized Banks to the entrepreneurs in their Bank accounts.

OBJECTIVES OF PMEGP

I.The chief objective of the scheme is to produce more and more employment opportunities in both, rural as well as urban areas of the country. For this purpose, setting up of new self-employment ventures/projects/micro enterprises shall also be done.

II. It also aims at bringing together a widely isolated traditional rural and urban youth seeking employment and providing them self-employment opportunities.

III. Through the scheme, the government wishes to provide a sustainable employment to a large segment of traditional rural and urban unemployed youth in the nation, and thereby to help them.

IV. It is also an attempt to increase the earning capability of rural and urban youth.

CONDITIONS OF ELIGIBILITY FOR BENEFICIARIES

- The age should be above 18 years.
- There will be no limit of income for setting up projects under PMEGP.
- The beneficiaries should have studied at least up to VIII standard for setting up of project costing more than Rs.10 lakh in the manufacturing sector and above Rs. 5 lakh in the business /service sector.
- The assistance under the Scheme is provided only in case of new projects sanctioned particularly under the PMEGP.
- Self Help Groups along with those belonging to BPL are also eligible for assistance under PMEGP provided that they must not have availed benefits under any other Scheme
- The institutions should be registered under Societies Registration Act,1860.

MARKET DEVELOPMENT ASSISTANCE SCHEME FOR MICRO/ SMALL MANUFACTURING ENTERPRISES/ SMALL & MICRO EXPORTERS

The scheme offers financial support by manufacturing Small & Micro Enterprises in International Trade Fairs/ Exhibitions under MSME India stall. It also offers funding for sector specific market studies done by Industry Associations/ Export Promotion Councils/ Federation of Indian Export Organization. SSI Associations that initiate anti-dumping cases are covered under the scheme.

OBJECTIVES OF MARKET DEVELOPMENT ASSISTANCE SCHEME FOR MICRO/ SMALL MANUFACTURING ENTERPRISES/ SMALL & MICRO EXPORTERS

(i) The scheme aims at encouraging Small & Micro exporters for tapping and developing markets in foreign country.

(ii) Through this scheme, government wants to motivate the representatives of small/ micro manufacturing Enterprises to participate under MSME India stall at International Trade Fairs/ Exhibitions for further exposure.

(iii) Further the scheme also aims at popularizing the implementation of Bar Coding on a large scale.

SCHEME FOR ASSISTANCE TO TRAINING INSTITUTIONS

The Scheme provides financial assistance to establish new institutions (EDIs) and to strengthen the infrastructure of the existing EDIs. The chief objectives of the scheme are development local entrepreneurship and thereby to develop new micro and small enterprises and to create self-employment in rural as well as urban areas, by providing training to new generation entrepreneurs in setting up of enterprises. The assistance shall be in the form of capital grant specifically for development of infrastructure.

RAJIV GANDHI UDYAMI MITRA YOJANA

The Union Micro, Small and Medium Enterprises Ministry launched the Rajiv Gandhi UdyamiMitraYojana to provide assistance to entrepreneurs in the Northeastern region. Beneficiaries from the Northeastern region, and those belonging to the SC/ST/physically handicapped/women categories, will not have to contribute for the establishment of service enterprises of micro-manufacturing enterprises, under the scheme.

OBJECTIVE OF RAJIV GANDHI UDYAMI MITRA YOJANA (RGUMY)

The objective of the scheme is to provide support and assistance to the new generation entrepreneurs, who have already completed EDP/SDP/ESDP or vocational training from ITIs, through the selected lead agencies. Under This scheme, financial assistance is provided to the selected lead agencies

NATIONAL AWARD SCHEME

The Micro, Small & Medium Enterprises (MSMEs) in India have seen an immense development in the last few decades. The MSMEs have made us notice remarkable growth in terms of quality production, export-import, modernization, product development very much beyond expectations. Entrepreneurial efforts have made it possible to produce a large number of items, which previously were imported. In some cases new variants so produced are having additional attributes and are quite user friendly as well. This all has been possible due to the farsightedness of entrepreneurs of MSMEs

SCHEME TO SUPPORT FIVE SELECTED UNIVERSITIES / COLLEGES TO RUN 1200 ENTREPRENEURSHIP CLUBS.

The scheme is to support five universities to run Entrepreneurship Clubs and each university should be from Northern, Western, Eastern, Southern and North East region. Each university is supposed to run 240 clubs per year and each club should have a membership of 50 entrepreneurs. In a period of 5 years, 3 lakh entrepreneurs are to be benefited in all.

OBJECTIVES OF THE SCHEME

The scheme is to encourage entrepreneurs. Moreover, this scheme will perform a very important role in bringing the entrepreneurs, universities and MSME-Development Institutes (MSME-DI) together. Because of this scheme it will be possible for entrepreneurs to come together and solve their common problems.

PROBLEMS IN WOMEN ENTREPRENEURS

1. Problem of Finance
2. Scarcity of Raw Material
3. Stiff Competition
4. Limited Mobility
5. Family Ties
6. Lack of Education
7. Male-Dominated Society
8. Low Risk-Bearing Ability

SCHEMES FOR WOMEN ENTREPRENEURS:

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

B. Stree Sakthi Package (SBI): Under this scheme, EDPS are exclusively designed and conducted for women entrepreneurs. Moreover, an amount of Rs.25000/- is provided without collateral security.

C. Priyadarshini yojana: It is implemented by Bank of India. Financial assistance is provided to women entrepreneurs

• Max. loan provided in the scheme is upto 2 lakhs for term loan and 1 lakh for working capital.
• Assets acquired with finance are hypothecated as security.
• Repayment period is 3-5 years.
• Margin money is 20% depending on type of activity.
Besides these programmes other schemes such as PMRY, SEPUP (Self Employment Programme for urban Poor.),SGSY, IRDP and RashtriyaMahilaKosh help women entrepreneurs in providing financial assistance.

In conclusion Government incentives available are of two types of subsidies.

• Investment subsidy to establish more enterprises. It includes various subsidies such as capital investment subsidy, transport subsidy, power generator subsidy, and social subsidy

• Other subsidies include Export / import subsidy, tax subsidy, excise subsidy/ duty exemption, and capital subsidy for technology upgradation

VENTURE CAPITAL

Origin and Evolution

For the Indian industries, venture capital is quite a new concept. As the name indicates, it deals with providing financial support and stability to new entrepreneurs to initiate and capitalize their business. General Doritos set up the American Research and Development Fund (AR and D) at Massachusetts Institute of Technology in 1946 to finance the commercial utilization of innovative technologies developed in universities in USA and that's where the origin of venture capital lies. This organization provided finance to 100 companies nearly for 11 long years and made its investment 35 times

CONCEPT OF VENTURE CAPITAL

Venture capital is a kind of equity financing specifically for providing fund to high risk projects. It is based upon the partnership formed between the entrepreneur and the venture capitalist and thus, represents an effort to new entrepreneurship which goes further for the conventional projects. Venture capital is an investment in such types of enterprise where the uncertainties are yet to be reduced to minimum risks. It is generally provided to the entrepreneurs with good business thoughts as well as sound knowledge of the particular business but lacking financial resources to execute them. Venture capital can open doors for such new entrepreneurs.

Thus, venture capital can be considered as equity support to finance new concepts that involve a high risk and at the same time, have high development and profitability. Venture capital is important enough to facilitate the small and medium entrepreneurs to initiate innovative enterprises. It is very much linked with inventiveness, novelty, high development and high profit. It is regarded as the launching platform to innovative entrepreneurship.

AIMS OF VENTURE CAPITAL:

a) It satisfies the ambition of entrepreneurs.
b) It gives life to potential business enterprise.
c) It provides proper direction to guide new entrepreneurs.
d) It helps in building enterprise.

FEATURES OF VENTURE CAPITAL:

a) It assumes a high level of risks in the anticipation of earning a high profit.
b) It finances high-risk projects.
c) It actively guides the innovative enterprise.
d) It takes generally 4 to 5 years to attain the desired level of profit.
e) It is fundamentally a long-standing venture and the incomes are in the form of capital gains.

f) Venture capitalists normally discontinue their investment in the assisted company when it reaches a definite juncture of profitability.

g) It carries a royalty related to sales generated by the company after commercialization.

VENTURE CAPITAL: FINANCING STEPS

1. Identifying the accurate investment financier – The Company should prefer to work with an Investment Banking firm (IB) that offers the following skill set:

a. Very good perception and vision of venture capital business
b. Good understanding of company's trade and production
c. aptitude to tell a good and factual story about the company
d. knowledge of dealing with the Venture capital
e. Good set of connections in the Venture Capital community

2. Preparation of Investment Memorandum and Financial Model:

After the finalization of the investment banking firm, the company should work to prepare the Investment Memorandum (IM) and a Financial Model (FM) in coordination with the investment bank. A good IM is very important for the company's business as it addresses most of the investor's key questions and queries and helps the investor to make up his mind for the company. A Financial Model includes various business variables like revenue drivers; cost drivers, capital expenses etc. in a Microsoft Excel file and projects the company revenues, profitability, cash flows and finance necessities for next 5 to 7 years.

3. Short listing and approaching the venture capital funds:

The next step is to list out the investors whom the investment banker will approach on behalf of the company. While short-listing the investors, it should be kept in mind that the short listed investors should be comfortable with the company's production, stage of business (seed stage, early stage, growth stage, pre-IPO etc.) and the company's finance necessities.

4. Meeting the Venture Capital Funds:

The investment banker approaches the venture capital finances and starts making presentation to them. The purpose of these presentations is to arrange the first meeting between the promoters of the company and the investors. In the follow-up meetings, the company tries to convince the investors about the investment. Once the investors are convinced, they issue a Term Sheet.

5. Signing the Term Sheet:

A Term Sheet (TS) generally covers all the key terms and conditions of the investment. The valuation of the company and the transaction structure are the most important terms in the TS. There are a number of other important terms related to investor's exit, board memberships etc, which are also covered in the Term Sheet. Once there is an agreement on all the terms, a non-binding Term Sheet is signed between the company and the investors.

6. Due Diligence by the Investors:

After the Term Sheet, investors conduct a due diligence process on the company. Generally investor's due diligence process focuses on the following aspects of the company and its expansion plans:

a. Financial

b. Production

c. Technical

7. Signing the shareholder's agreements and funds transfer

Once the investors are pleased with the outcome of the due diligence process, they issue a Shareholder's Agreement (SHA). SHA covers all the terms of the Term Sheet and other important terms and conditions regarding dispute resolution, non-compete, lock-in, share transfer process etc. Generally lawyers from the company's side and the investor's side are also involved in this process. Once there is an agreement, all the shareholders of the company and the investors sign the SHA and investor transfers funds to the company.

MERITS OF VENTURE CAPITAL:

(a) Venture capital helps in promotion of industrialization in the country.

(b) It helps in developing and promoting innovative technologies.

(c) It helps the new entrepreneurs to convert their thoughts into reality.

(d) It enhances employment opportunities.

(e) It develops entrepreneurship in the country.

SUCCESSFUL VENTURES IN INDIA:

1. Pepsi Foods Ltd. In Punjab having contract with farmers for Tomato crop, Basmati rice, groundnuts

2. Appachi's Integrated Cotton Cultivation

3. Ugar Sugar's experience with Barley

4. Kerala Ayurveda Pharmac

SOURCES OF VENTURE CAPITAL

The important sources of venture capital in our country are as follows:

1. Programme for Advancement of Commercial Technology (PACT): It was the first venture capital funding in India, started in 1995 to finance Indian firms in commercializing the innovative technologies. It was started by Indo-US joint ventures known as Programme for Advancement of Commercial Technology.

2. Technology Development and Investment Corporation of India (TDICI):

Technology Development and Investment Corporation of India (TDICI) was the first venture capital company of India and it was promoted by ICICI in 1986.

3. Risk Capital and Technology Finance Corporation (RCTFC): It is an autonomous body launched by Industrial Finance Corporation of India (IFCI). It promotes and supports the entrepreneurs especially engaged in technological development.

4. Venture capital scheme of IDBI: This scheme of IDBI is emerging as one of the major sources of venture-capital funding. It is meant specifically to support projects which promote innovative and experimental technologies in Indian conditions.

Following is the list of some of the players engaged in the venture capital finance in the India:

a) ANZ Grindlays Bank

b) Credit Capital Venture Fund (India) Ltd

c) 20th Century Venture Capital Corporation

d) APIDC Venture Capital Ltd

e) Canbank Venture Capital Fund

f) Gujarat Venture Finance Ltd

g) Industrial Development Bank of India

h) IL and FS Venture Corporation

i) SBI Capital Venture Fund

j) Pardeshiya Industrial and Investment Corporation of Uttar Pradesh Ltd (PICUP)

CONTRACT FARMING

Contract farming can be considered as an agreement between farmers and processing and/or marketing firms which aims at production and supply of agricultural products. The arrangement also involves the customer. Under such arrangements farmers are supposed to provide a specific product in good qualities. Thus, the risk gets distributed between the processor and farmer. Contract farming when efficiently organized and managed, reduces risk for both parties. Contract farming can develop markets and proves to be profitable for both the sponsors and farmers. The approach of contract faming is widely used now-a-days, not only for tree and other cash crops but for fruits and vegetables, poultry, pigs, dairy produce and even prawns and fish. The contract farming system should be seen as a joint venture between agribusiness and farmers.

MERITS AND PROBLEMS OF CONTRACT FARMING:

Advantages for farmers

- The sponsor supplies production services through advances at his credit
- Contract farming promotes new technology and also enables farmers to learn new skills
- Farmers' price risk is often reduced
- Contract farming opens up new markets for small farmers

Problems faced by farmers

- Farmers face the risks of both market failure and production problems
- Sometimes all contracted production is purchased
- Sponsoring companies may exploit a monopoly position
- The staff of sponsoring organizations may be indifferent in allocating exact quota
- Farmers may become indebted when their calculation regarding production and excessive advances get wrong

Advantages for sponsors

- Contract farming with small farmers is politically acceptable
- Working with small farmers solves the problem of land constraints
- Production is more reliable as farmers are responsible for production
- As the farmers are involved, the quality is much more consistent

Problems faced by sponsors

- Contracted farmers constraints turn out to be the problems of sponsor at later stage
- Communication constraints may affect farmers' capability to produce to managers' specifications
- Poor administration and poor consultation with farmers
- Farmers may sell outside the contract
- Farmers may divert inputs supplied on credit to other purposes

JOINT VENTURE

A joint venture is a kind of enterprise owned by two or more participants. It is a combination of subsets of assets contributed by two (or more) business entities for a definite business function. It is basically a long-term contract which is specific and flexible. A joint venture can be a partnership of firm, a corporation or any other form of business organization which the participating firms choose to select. It is a type of development stratagem adopted by business firms. A joint venture is a unit formed between two or more parties to take on profitable activity In short, business structure formed by two or more parties for a specific purpose is known as Joint ventures.

CHARACTERISTICS OF JOINT VENTURE:

1. Contribution of money, property, effort, knowledge, skill by partners
2. Joint property interest in the subject matter of the venture.
3. Right of mutual management of the enterprise.
4. Right to share in the property.

Thus, joint ventures are having limited scope and time. Each partner must have something distinctive and significant to offer to the venture and at the same time provide a source of gain to the other participants. However, the participants' competitive relationship does not get affected by the joint venture agreement.

REASONS FOR FORMING A JOINT VENTURE:

- Build on company's name and fame
- Spreading expenditure and risks
- Improving financial resources
- Access to innovative technologies and clientele
- Access to modern administrative practices

Few examples of joint ventures in agriculture:

1. Avesthagen forms global Joint Venture with Limagrain in Atash Seeds Private Limited.
2. NAFED joint venture with cooperative federations/marketing societies
3. KRIBHCO Reliance Kisan Limited Joint Venture

BENEFITS OF JOINT VENTURE:

1. Joint ventures perform a valuable function in assisting companies in the process of restructuring.
2. It can facilitate a firm to attain market penetration into new areas overtime and can develop new product markets.
3. It can also be used by minor firms as a component of long-term strategic plan.

Characteristics of Food Processing Industry:

- The food processing industry in India ranks fifth in terms of production, consumption export and expected growth and contributes 6.3% of GDP.
- Food processing industry / Sector is highly fragmented comprising of Fruits & vegetables, milk & milk products, meat & poultry, marine products, grain processing, beer & alcoholic beverages and convenience food & drink
- Entrepreneurs in this sector are small & unorganized & this sector constitutes 42%
- Though organized sector is small (25%) it is growing at a much faster rate.
- Small scale Industries in Food processing sector constitutes 33%
- Fruits & vegetables processing industry is also fragmented with large number of units in house hold & small scale sector with low capacity up to 250 tonnes per annum.
- Primary milling of grains is important activity of Grain processing industry.
- Oil seed processing is largely concentrated in cottage industry.
- Branded grains as well as processed products are gaining popularity due to hygienic packaging.
- Products of bakery & bread manufacturing are reserved for small – scale sector. In Biscuits 80% is under unorganized sector only.
- India's Dairy Industry was considered as one of the successful development industries in Post – Independent era with total milk processing around 35% of which organized sector accounts 13% & remaining at (farm level) unorganized
- Dairy cooperatives account for major share in organized sector Since 2001 exports of dairy products is increasing at 25%.
- Poultry industry is also among faster growing sectors with 8% increase per year
- Meat export is largely driven by poultry, buffalo, sheep & goat growing at 30% per annum.
- Exports of marine products have been inconsistent and declining trend due to adverse European & American markets. Ex: Antidumping initiated against Indian shrimp by America.
- Changing life styles, food habits, post liberalization trends, organized food retail gave boost to processing sector. In India processing sector is characterized by poor infrastructure, in adequate quality control, inefficient supply chain, high transportation, high taxation & packaging cost.
- Availability of raw material, priority sector status to agro processing by Govt. and vast domestic market are major strengths of processing industry
- Setting up of SEZ/AEZ, food parks & mega food parks and promotional schemes, opening of global markets provide lot of opportunity for entrepreneurs in this sector

Opportunities & Scope in Food Processing Industry in India

- Shift from conventional farming to commercial farming
- With huge population of 1.08 billion India has large growing market with 350 million strong urban middle class and changing food habits.
- A large part of shift in consumption is to processed food market accounting 32% of total food market
- According to the confederation of Indian Industry (CII), the food processing sector has potential of attracting US $33 billion of investment in 10 years & generates employment of 9 million person days.
- Government has introduced several schemes to promote food processing sector.
- Foreign Direct Investment in the country's food sector is poised to hit the US $ 3 - billion mark in coming year. FDI approvals in food processing have doubled in last one year alone.
- In an effort to boost food sector Government is working on Agri-zones & concept of mega food parks.
- Conducive food policy environment: National policy on food processing aims at increasing the level of food processing from present 2% to 10% by 2010 & 25% by 2025

Project

Definition & Meaning –

1. Projects are the building blocks of investment plan.
2. An agricultural project is an investment activity in which financial resources are expended to create capital assets that produce benefits over an extended period of time.
3. Project is an activity on which money is spent in expectation of returns and which logically seems to lend itself to planning, financing and implementation as a unit.

Types of Agricultural Projects

1. Water Resource Development Projects

These projects include irrigation projects, ground water projects, projects for land reclamation, drainage projects, salinity prevention and flood control.

2. Agricultural Credit Projects

These are called "on-lending projects". These projects provide credit to the farmers for farm investment for increasing agricultural production, raising their standard of living and the economy as a whole.

3. Agricultural Development Projects

These are the projects aimed at improving farm economy of individuals and regional development.

4. Agro-industries and Commercial Development Projects

Projects of input, services to farming, projects concerned with processing, storage, market development, projects for fisheries development.

PROJECT CYCLE

There tends to be a natural sequence in the way projects are planned and carried out, and this sequence is often called the "project cycle." The important phases in project cycle are

(1) Conception or Identification

(2) Formulation or preparation of the project

(3) Appraisal or Analysis

(4) Implementation

(5) Monitoring

(6) Evaluation

1. Conception or identification of the project

The first stage in the cycle is to find potential projects. In agricultural projects, costs are easier to identify than benefits because the expenditure pattern is easily visualized. The various types of costs involved in the project are:

Project costs: These include the value of the resources in maintaining and operating the projects

Associated costs: Costs that are incurred to produce immediate products and services of the projects for use or sale

Primary costs or Direct costs: These include costs incurred in construction, maintenance and execution of the projects

Indirect costs or Secondary costs: Value of goods and services incurred in providing indirect benefits from the projects such as houses, schools, hospitals, etc **Real costs and nominal costs:** Costs at current market prices are nominal costs, whereas if costs are deflated by general price index, these are termed as real costs **Social costs:** These are technological externalities and technological spill-over accrued to the society due to presence of projects, i.e., pollution problems, health hazards, salinity conditions, etc.

Tangible benefits: Incremental income due to the existence of projects is obtained either from an increased value of production or from reduced costs.

Intangible benefits: These include better income distribution, national integration, better standard of living, etc.

2. Formulation or Preparation of the Project:

The following points are considered while formulating the projects.

The location of the project site must be based on technical analysis and technical feasibility of the projects.

The location of the project depends up on available physical resources, market conditions, marketing facilities, alternative investment prospects, administrative experience, farmers‟ objective, technical skill, motivations, demand for products, etc.

Technical aspects: Technical analysis must make into consideration all aspects of technology to be used in the project and account for all inputs of goods and services.

Financial aspects: The implementing agency should be in a position to estimate financial requirements and anticipated returns, through farm planning and budgeting. Once the incremental income is arrived at, the repayment capacity duly giving allowance for risk and uncertainty can be worked out. Cash flow chart can be profitably used here.

Commercial aspects: The aspects focus on the estimation of effective demand, availability of input supplies and arrangements for the output marketing. Market potentiality for the products needs a careful scrutiny.

Managerial aspects: If we want successful implementation of the project, effective managerial issues are very crucial. The managerial skills can be sharpened.

Organisational aspects: Organisation refers to the process of putting the priorities in an orderly form. For proper administration of the projects, efficient personnel and other requirements are indispensable.

Social aspects: Here customs, culture, traditions and habits etc., of the beneficiaries are considered. The relevant implications like the probable changes in the living standards, material welfare, consumption habits, income distribution effects, etc., fall under this coverage.

Economic aspects: Here we have to examine the benefits, which the project is going to contribute in terms of the utilization of scarce resources of the nation. The indirect effect like, the income distribution, needs to be assessed.

3. Appraisal or Analysis

Appraisal should take place before the implementation of the project. It is done independently by specialists. In the appraisal stage it is important to know whether the project is technically feasible according to the data available. The technical data for assessing the feasibility of the project

should be consistent with the information available in the office of the sanctioning authority of elsewhere. Managerial aspects play a key role in the project appraisal. Projects become abortive due to the failure to consider managerial aspects, i.e., such as new skills and information gained by the farmers in the project area, including adoption of new technology. The managerial capabilities and capacity of administrative personnel must also be assessed in project appraisal.

4. Implementation

This is the most crucial phase of the project cycle. The secret of successful implementation depends up on the extent of realism put into the plans drawn beforehand. It is often not uncommon, to notice our plans getting deviated from the reality. Here the role of prudent decisions by the personnel incharge of implementation to take the situation comes into play. Project implementation can be divided into three different periods, viz., investment period, development period, and full-production period. Investment period may range from few months to few years depending up on the nature of assets to be acquired. Assets proposed should be of superior quality. Development period too consumes time. Implementing agency should make all efforts to reduce the gestation period as per the plan envisaged in the beginning. Full production period is the time during which the beneficiaries start reaping the benefits of the project.

5. Monitoring

Monitoring is the timely collection and analysis of data on the progress of a project, with the objective of identifying constraints which impede successful implementation. This is highly desirable, particularly when projects fail, to be completed as per time schedule or in the process of attaining the set goals. It is imperative to get the feedback on the problems faced so that effective measures can be taken up to plug the deficiencies, which hamper the speedy implementation. Monitoring has to be done continuously to offset various shortcomings that crop up from time to time with regard to various aspects of implementation.

6. Evaluation

This is the last phase of the project cycle. Evaluation can be done several times during the life of a project. In the evaluation process, it is important to see, how far the objectives set out in the project are achieved. Deficiencies, snags or failures to achieve the objectives may be analyzed and appropriate solutions to such failures answered. Evaluation process is to be completed in three phases. They are pre-project evaluation, concurrent evaluation and ex-post evaluation. In the first phase, evaluation is attempted before any change occurs in the existing situation. This is primarily meant to assess economic feasibility of the projects, since it is done at the very beginning. This type of analysis is otherwise called pre-project evaluation. Sometimes it is also important to take up evaluation when the project is in execution, and such evaluation is called concurrent evaluation. This type of evaluation is basically meant for identifying and analyzing the pitfalls in the execution of the project. Evaluation is also resorted to particularly when the project is completed in all its phases, in order to assess the achievement of ends or objectives set out by the projects. Such evaluation is called ex-post evaluation or end-evaluation.

IMPORTANCE OR SIGNIFICANCE OF PROJECT REPORT

1. It describes the direction the enterprise is going in, what its goals are, where it wants to be, and how it is going to get there.
2. It also enables an entrepreneur to know that he is proceeding in the right direction.
3. to attract lenders and investors
4. The preparation of project report is beneficial for those small enterprises which apply for financial assistance from the financial institutions and the commercial banks
5. It is on the basis of project report that the financial institutions make appraisal if the enterprise requires financial assistance or not.

COMPONENTS OF A PROJECT REPORT

Therefore, the project report needs to be prepared with great care and consideration. A good project report should contain the following components.

1) General Information: Information on product profile and product details.

2) Promoter: His/her educational qualification, work experience, project related experience.

3) Location: Exact location of the project, lease or freehold, location advantages.

4) Land and building: Land area, construction area, type of construction, cost of construction, detailed plan and estimate along with plant layout.

5) Plant and Machinery: Details of machinery required, capacity, suppliers, cost, various alternatives available, cost of miscellaneous assets.

6) Production Process: Description of production process, process chart, technical knowhow, technology alternatives available, production programme.

7) Utilities: Water, power, steam, compressed air requirements, cost estimates, sources of utilities.

8) Transport and Communication: Mode, possibility of getting, costs.

9) Raw Material: List of raw material required by quality and quantity, sources of procurement, cost of raw material, tie-up arrangements, if any

10) Manpower: Manpower requirement by skilled and semi-skilled, sources of manpower supply cost of procurement, requirement for training. and its cost.

11) Products: Product mix, estimated sales, distribution channels, competitions and their capacities, product standard, input-output ratio, product substitute.

12) Market: End-users of product, distribution of markets local, national, international, trade practices, sales promotion devices, and proposed market research.

13) Requirement of Working Capital: Working capital required, sources of working capital, need for collateral security, nature and extent of credit facilities offered and available.

14) Requirement of Funds: Break-up of 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.

15) Cost of Production and Profitability of first ten years.

$$\text{16) Break-Even Analysis:- BEP} = \frac{\text{Fixed Cost}}{\text{Sales Projected - Variable costs}} \times 100$$

17) Schedule of Implementation

PREPARATION OR FORMULATIONOF A PROJECT REPORT

The process of Project formulation can be divided in to eight distinct and sequential stages. These stages are:

1. General Information.
2. Project Description.
3. Market Potential.
4. Capital Costs and Sources of Finance.
5. Assessment of Working Capital Requirements.
6. Other Financial Aspects.
7. Economic and Social Variables.
8. Project Implementation.

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

1.GENERAL INFORMATION:

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

a) Bio-data of Promoter/s: Name and address of entrepreneur/s; the qualifications, experience and other capabilities of the entrepreneur/s;

b) Industry Profile: A reference of analysis of industry, to which the project belongs, e.g., past performance; present status, its organization, its problems etc.

c) Constitution and Organization; The constitution and organizational 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.

d) Product Details: Product utility, product range, product design; advantages to be offered by the product over its substitutes, if any.'

2. PROJECT DESCRIPTION

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

a) 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.

b) Physical Infrastructure: Availability of the following items of infrastructure should be mentioned in the project report: i. Raw Material: Requirement of raw material, whether inland or imported, sources of raw material supply. ii. Skilled Labour : Availability of skilled labour in the area, arrangements for training labourers in various skills.

c) Utilities: These include: i. Power: Requirement for power, load sanctioned, availability of power. ii. Fuel: Requirement for fuel items such as coal, coke, oil or gas, state their availability. iii. Water: The sources and quality of water should be clearly stated -in the project report.

d) Pollution Control: The aspects like scope of dumps, sewage system and sewage treatment plant should be clearly stated in case of industries producing emissions. e) Communication System: Availability of communication facilities, e.g., telephone, telexes etc. should be stated in the project report.

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

g) Other Common Facilities: Availability of common facilities like machine shops, welding shops and electrical repair shops etc., should be stated in the report.

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

3. MARKET POTENTIAL

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

ii. Expected Price-An expected price of the product to be realized should be mentioned in the project report. Marketing Strategy-Arrangements made for selling the product should. Be clearly stated in the project report.

iii. After-Sales Service-Depending upon the nature of the product, provisions made for after-sales service should normally be stated in the project report. Transportation Requirement for transportation means indicating whether put transport or entrepreneur’s own transport should be mentioned in. the project report.

4. CAPITAL COSTS AND SOURCES OF FINANCE

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

5. ASSESSMENT OF WORKING CAPITAL REQUIREMENTS

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

6. 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. Arrangement made for treating the effluents and emissions should also be mentioned in the report. Besides, the socioeconomic benefits expected to accrue from the project should also be stated in the report itself.

Following are the examples of socio-economic benefits. I. Employment Generation. II. Import Substitution.. III. Ancillarisation. IV. Exports. V. Local Resource Utilization. VI. Development of the-Area.

7. PROJECT IMPLEMENTATION

Last but no means the least, every entrepreneur should draw an implementation scheme or a time-table for his project to ensure the timely completion of all activities involved in setting up an enterprise. Timely implementation is important because if there is a delay, it causes, among other things, a project cost overrun. Delay in project implementation jeopardizes the financial viability of the project, on the one hand, and props up the entrepreneur to drop the idea to set up an enterprise, on the other. Hence, there is a need to draw up an implementation schedule for the project and then to adhere to it. Following is a simplified implementation schedule for a small project.

FINANCIAL ANALYSIS

Financial analysis is one of the roots of management used to carry out its controlling function. Proper interpretation of data presented by the financial statement helps in judging the profitability of operations during given time periods, in determining the soundness of financial condition at a specific date. The term financial statement refers to two basic statements that an accountant prepares at the end of a specified period of time for a business enterprise.

Balance sheet : It is a statement of financial position of a firm at a particular point of time.

Income statement: It is also called profit-loss statement. It shows firm‟s earnings for the period covered, usually half yearly or yearly.

Balance sheet

Balance Sheet From an analyst point of view, it is a written representation of resources and liabilities of the business firm. It shows the financial condition of the business firm at a given date. The balance sheet contains and reports on assets, liabilities and net worth of a firm. Assets must always equal the sum of liabilities and net worth. What is owned by or owed to firm (assets) must equal what the firm owes to its creditors plus what is owed to its owners (net worth). Balance sheet indicates the sources from which business obtained capital for its operations and the form in which that capital is invested on a specific date.

Limitation :

It is an interim statement between two operating periods. It summarizes solvency of business at a given time rather than financial transactions occurred in business during an accounting period.

Income Statement

Income Statement It is also called profit and loss statement. It states the source of firm‟s incomes, describes the nature of the expenses, and shows the net profit earned (or net loss incurred) during an accounting period. It is supporting evidence to balance sheet, in the sense, that it explains the change in retained earnings on the balance sheet.

Uses of Income Statement

Can determine what profit is earned by the business.

Can find particular causes of low profit or operating losses.

Management can take action to prevent the occurrences of future losses or to prevent further decline in profits

Comparison Of Balance Sheet And Income Statement

No	Balance sheet or Net worth statement	Income statement or profit or loss statement
1	Net worth statement is a summary of assets, liabilities and owner's equity at a given point of time	Income statement is a summary of both cash and non cash financial transactions of farm business accrued during the selected accounting period
2	The most commonly requested document by a lender in reviewing a loan request.	It is used to measure the financial profitability of business during a period of time.
3	It is used in preparation of income statement and tax returns	It is used in making an analysis of the business profitability, efficiency and financial stability.
4	Net worth statement offers a little insight into financial transactions of accrued in business during an accounting period.	Information from this document is used in preparation of cash flow summary.

Financial Tests Ratio analysis:

1. It has the following advantages
2. Has no units
3. Compares numerator with respect to denominator
4. Relative and comparable
5. Ratio analysis will explain what strength, weakness, pressures and forces are currently at work in your business operation farm business managers will need a full time job accountant for the change accruing in his capital structure and net worth as revealed in his balance sheet.