AADESH BATRA

ENTREPRENEURSHIP DEVELOPMENT AND SMALL BUSINESS ENTERPRISES

Entrepreneurship Development and Small Business Enterprises

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Aadesh Batra

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1

UNDERSTANDING ENTREPRENEURSHIP

Understanding Entrepreneurship: Concept of Entrepreneurship, Motivation for Economic Development and Entrepreneurial Achievement, Enterprise and Society, Why and how to start Business – Entrepreneurial traits and skills, Mind Vrs Money in Commencing New Ventures, Entrepreneurial success and failures, Environmental dynamics and change.

Entrepreneurial Process: Step by step approach to entrepreneurial start up, Decision for Entrepreneurial start up.

1.1 Concept of Entrepreneurship

Meaning of Entrepreneur

The concept of an entrepreneur is refined when principles and terms from a business, managerial and personal perspective are considered. In almost all the definitions of entrepreneurship, there is agreement that we are talking about different kind of behaviour that includes:

• Initiative taking

• The organizing and reorganizing of social and economic mechanisms to turn resources and situations to practical account.

• Acceptance of failure or risk.

Entrepreneurship is the dynamic process of creating incremental wealth. The wealth is created by individuals who assume the major risks in terms of equity, time or career commitment or provide value for some service or product. The product or service may or may not be new or unique, but value must somehow be infused by the entrepreneur by receiving and locating the necessary skills and resources efficiently and effectively.

Entrepreneurship is thus considered as the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks and receiving the resulting rewards of monetary and personal satisfaction and independence that comes with it.

The definition stresses four basic aspects of being an entrepreneur regardless of the field. First, entrepreneurship involves the creation process, creating something new of value. The creation has to have value to the entrepreneur and value to the audience for which it is developed. This audience could be:

• Prospective students for a new course or even college of entrepreneurship.

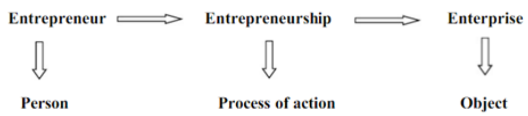
• The market of organizational buyers for business innovation.

• The constituency for a new service provided by a non-profit agency.

• The hospital's administration for a new admitting procedure and software.

Concept Of Entrepreneur

The entrepreneur is a person responsible for setting up a business. He has the initiative, skill for innovation and who looks for maximum achievements. He is a catalytic agent of change and works for the good of people. He puts up new green field projects that create wealth, open up many employment opportunities and leads to growth of other sectors.



According to Peter Drucker, Entrepreneurship is defined as 'a systematic innovation, which has of the purposeful and organized search for changes and it is the systematic analysis of the opportunities such modifications might offer for economic and social innovation'.

Entrepreneurship is a dynamic process of change, vision and creation. It needs an application of energy and passion towards the creation and implementation of new ideas and creative solutions.

Essential ingredients includes:

• Willingness to take determined risks in terms of time, equity or career.

• Ability to formulate an effective venture team.

• The creative skill to marshall needed resources.

• Fundamental skills of building a solid business plan.

• Finally, the vision to recognize opportunity where others see chaos, contradiction and confusion.

Entrepreneur is an individual responsible for the operation of a business including,

• Choice of the product

• Mobilization of resources

• Prices

• Decision

• Market

• Employment of labour

• Extending or reducing the scope of his business.

Definition:

According to J B Say:

"Entrepreneur is an economic agent to unities all the means of production".

According to Webster's:

"An Entrepreneur is defined as an individual who forecasts future demand for the product or services and arranges business enterprise to respond to their demand".

According to David McClelland :

"An entrepreneur is a person with a high need for achievement. He is energetic and a moderate risk taker".

Seven key qualities of entrepreneur

• **Inner Drive to succeed**

Entrepreneurs are driven to succeed and expand their business. They see the bigger picture and are often very ambitious. Entrepreneurs set massive goals for themselves and stay committed to achieving them regardless of the obstacles that get in the way.

• **Strong Belief in themselves**

Successful entrepreneurs have a healthy opinion of themselves and have often a strong and assertive personality. They are focused and determined to achieve them.

• **Openness to change**

Entrepreneurs know the importance of keeping on top of their industry. They are up to date with the latest technology or service technique and are always ready to change if they see a new opportunity arise.

• **Search for New Ideas and innovation**

All entrepreneurs have a passionate desire to do things better and to improve their products or service. They are constantly looking for ways to improve.They are creative, innovative and resourceful.

• **Competitive by Nature**

Successful entrepreneurs thrive on competition .The only way to reach their goals and live up to their self-imposed high standards is to compete with other successful businesses.

• **Accepting of constructive criticism and rejection**

Innovative entrepreneurs are often at the forefront of their industry. They readjust their path if the criticism is constructive and useful to their overall plan. Also the best entrepreneurs know that the rejection and obstacles are a part of any leading business and they deal with them appropriately.

• **Highly Motivated and Energetic**

Entrepreneurs are always on the move, full of energy and highly motivated. They are driven to succeed and have an abundance of self-motivation. The high standard and ambition of many entrepreneurs demand that they have to be motivated.

Characteristics Of An Entrepreneur

1. Desire to Excel:

The entrepreneur should always engage in competitions with self-imposed standards with himself to beat his last best performance. According to McClelland, this maximum achievement motive strengthened him to overcome the obstacles, suppress anxieties and repair misfortunes. The entrepreneur must have a strong desire to be a winner.

2. Self Confidence:

Entrepreneurs must have confidence and belief in themselves to achieve their desired objectives. They strongly believe that they can beat any one in this field.

3. Initiative:

An entrepreneur should have initiative seeking personal responsibility for actions and use the available resources for optimization of objectives. They take full credit for the success and assume full responsibility for the failure of the enterprise.

2. Hard Work:

Entrepreneurs who successfully build new enterprises possess an intense level of strong determination and willingness to work hard. They possess a capacity to work for long hours and in spurts of several days with less than normal amount of sleep.

5. Moderate Risk-Taker:

An entrepreneur should be a moderate risk taker and learn from failures. The successful entrepreneurs are neither high risk takers, nor gamblers. They work in between the two extremes. They take moderate challenging risk to attain moderate returns which are influenced within their abilities and decisions.

7. Optimistic:

Entrepreneurs do not believe that the success or failure of a new business venture depends upon luck or fate or external uncontrollable factors. They are highly optimistic about the success of the enterprises. They use positive knowledge to support their thinking. They always look at the brighter side of the situation.

6. Motivation:

An entrepreneur should have a strong motivation towards the achievement of a task and should be able to get things done by others. He should be a person who likes working with people and has skills in dealing with them.

8. Analytical Ability:

Entrepreneur must be realistic in their approach. They should not be affected by the personal likes and dislikes. At the time of crisis, they must select experts rather than their friends and relatives to solve the problems. They must analyze the problem in detail before taking any decisions.

9. Mental Ability:

Mental ability refers to the inner strength of an entrepreneur which helps him to reach his goal. It is that ability which helps him to quickly respond to difficult situation. It consists of intelligence and creative thinking of an entrepreneur.

10. Communication Ability:

An entrepreneur must be good with the art of communication. It is that skill through which both the sender and receiver understand each other and are being understood. Entrepreneurs are required in many situations to influence customers,creditors, suppliers, employees and government and make them think in his way and act accordingly. An entrepreneur who can effectively communicate and convince the above people will be more likely to succeed than the entrepreneur who does not.

11. Flexibility:

Entrepreneurs should be flexible in their decisions in the sense that they should not be very rigid in the decision making process. If the situation demands a change in the decision that will be beneficial to the enterprise, then after analyzing the pros and cons of the decision, the entrepreneur should revise or modify or change the decisions.

12. Independence:

Successful entrepreneurs do not like to be guided by others. They prefer to work in an environment free from interference. They like to be independent in the matters of decision making of their own business.

13. Leadership:

An entrepreneur should have an ability to lead so that he can induce the people to work with confidence and zeal. It is an aid to authority and helps in better utilization of manpower.

14. Good Human Relations Ability:

Entrepreneurs should have the abilities to maintain and establish good relations with customers, employees, financiers, suppliers and other people related with the business to run it effectively and efficiently. An entrepreneur who maintains good human relations is much more likely to succeed in his business than the individual who does not practice such relations.

Concept of Entrepreneurship:

The word “entrepreneur” is derived from the French verb enterprendre, which means ‘to undertake’. This refers to those who “undertake” the risk of new enterprises. An enterprise is created by an entrepreneur. The process of creation is called “entrepreneurship”.

Entrepreneurship is a process of actions of an entrepreneur who is a person always in search of something new and exploits such ideas into gainful opportunities by accepting the risk and uncertainty with the enterprise.

Definition:

According to Peter Drucker

Entrepreneurship is defined as *“a systematic innovation, which consists in the purposeful and organized search for changes and in the the systematic analysis of the opportunities such changes might offer for economic and social innovation.”*

According to J.A Schumpeter

“Entrepreneurship is a creative activity, the entrepreneur being an innovator who introduces something new into the economy, a new method of production not yet tested by experience in the branch of manufacture concerned, a product with which customers are not familiar, a new source of raw materials and other similar innovation”.

According to A.H Cole

"Entrepreneurship is the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or organize a profit oriented business unit for the production for distribution of economic goods and services".

Entrepreneurship as a Career

The greatest challenge before the youngsters in India today is to build the country into an economic global giant. The obvious questions that come to the minds of most of them are:

Why should we in India think of being an entrepreneur?

Why not work as part of a larger organization where the opportunities and resources to scale ideas are perhaps far greater?

Entrepreneurship is important for two reasons:

1. It furthers innovation to find new solutions to existing and emerging demands.

2. It offers far greater opportunities for wealth creation for self and the society than anything else. Entrepreneurship has its challenges. It is about 20 % luck and 80% effort, clarity, courage, confidence, passion and above all smartness.

What leads a person to take up entrepreneurship as a career option?

There can be a number of reasons including displacement from a job, frustration in the present job, not getting a job of his/her choice, etc. Sometimes a person realizes much in advance that his/her job is in jeopardy, as the organization is moving towards closure. At times a deserving employee getting superseded in promotion is compelled to quit the job and look for doing something on his own. Some people object to a system wherein reward is often based on seniority rather than merit.

Above facts are corroborated by the research findings of Gilad and Levine (1986). They proposed two closely-related explanations of entrepreneurial motivation, the "push" and the "pull" theory.

The "push" theory argues that individuals are pushed into entrepreneurship by negative external

forces, such as job dissatisfaction, difficulty in finding employment, insufficient salary or inflexible work schedule.

The "pull" theory contends that individuals are attracted into entrepreneurial activities seeking independence, self-fulfillment, wealth and other desirable outcomes. Research indicates that individuals become entrepreneurs primarily due to "pull" factors rather than "push" factors.

Some of the prominent pull factors that attract individuals towards entrepreneurship as a career option are:

To satisfy the dream of having high Financial Rewards:

To satisfy the need to derive high financial rewards as an outcome of efforts leads some to start a business of their own. The fundamental difference between job and own venture lies in the degree of financial rewards for the efforts put in to achieve organizational goals.

High Need for Independence:

There are personalities who would like to have freedom about, when to work, with whom to work, with whom to do business at what terms etc. It is this instinct in them that pushes such personalities to start something of their own.

Opportunity to deal with all aspects of a business:

No job can provide an opportunity to learn and deal effectively with a wide spectrum of business activities starting from idea generation, creation, conceptualization, design, marketing to customer response and customer satisfaction.

Vision to leave a long lasting mark:

Entrepreneurship creates an opportunity to make definite contribution to the society by lifting the people in and around the venture. A continuous zeal to innovate helps in touching the heads and hearts of people at large.

A strong urge from within to start a business, combined with workable innovative ideas, careful planning and hard work can lead to a very engaging, self-satisfying, enjoyable and profitable endeavor. The greatest contributory factor to entrepreneurship is an intention i.e. a strong

purpose in life coupled with determination to produce desired results.

Positive aspects of entrepreneurship.

There is no age bar to entrepreneurship. But youth is certainly more suited to take up an entrepreneurial venture because they are technologically precocious, do not fear from change and challenge and have greater ability to see things differently.

Thus, leaving aside the pull and push factors leading to entrepreneurship, the fundamental decision to take up entrepreneurship as a career option gets guided by a three part process in which an individual weighs the desirability of self-employment with the desirability of working for others, possession of competencies and capabilities to undertake entrepreneurial venture.

The fact remains that present environment provides great entrepreneurial opportunities and more and more youngsters are consciously opting for it a as career option.

• Being the boss of his own business, he enjoys unlimited powers. He can do things in his own way and he need not take orders from someone else. He can make his own decisions and act on them.

• There are numerous opportunities for his self- development.

• Instead of depending on others, he generates employment for others.

• Working on one"s own and thus getting rewards yields immense satisfaction and pleasure for more than what he can get in a job.

• Monetary rewards can be more than commensurate with his capacity and capabilities.

• He can make significant contribution to the development of the country and be proud of taking part in nation building activities.

• He can command deference and respect of his immediate family and friends. It is a kind of intangible reward.

• He can be a great achiever realizing his goals and proving his achievements to the world. He can be recognised for his outstanding efforts.

Negative aspects

• Though an entrepreneur is his own boss, in some respects he is not. It is so because he is constrained by various people like his financiers, suppliers, labourers, customers,etc.

• He has to work long and hard hours from morning to dusk and his venture tends to absorb all his energy and time. This may affect his social and family life.

• He may have to face frustration since the scope of his operations is limited by his limited resources.

• At times he may have to face disappointments and frustrations since everything in his venture may not always work the way he would like it to.

• He has to always work with tension since there is always the risk of failure.

Entrepreneur Vs Entrepreneurship

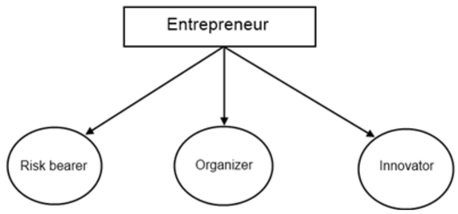
Entrepreneur	**Entrepreneurship**
Refers to a person	Refers to a process
Visualizer	Vision
Organizer	Organization

Innovator	Innovation
Technician	Technology
Initiator	Initiative
Decision Maker	Decision
Planner	Planning
Leader	Leadership
Motivator	Motivation
Programmer	Action
Communicator	Communication
Administrator	Administration

1.1.1 Motivation for Economic Development and Entrepreneurial Achievement

Motivation for Economic Development

An entrepreneur is person that finds, evaluates and develop an opportunity by overcoming the problem that arise in developing and implementing something new by different way of Innovation, this is crucial in economic development of a country like India which faces very complex problems like cleanliness, over crowded cities, safe drinking water, basic infrastructures and medical facilities.



Motivation for Economic Development

A government and society has to encourage entrepreneurs to adopt to new ways of solving the problem by providing financial and other limited resources for economic growth of the country.

An entrepreneur has to take responsibility of solving the problems and equip himself or herself with qualities like self directed to achieve goals, able to identify or create an opportunity, Stress Taker, Risk Taker, Flexible, Planner, Ability to deal with uncertainties, Independent, Self Confident, Motivator.

Hence an entrepreneur can contribute to economic growth of country in following ways:

Imports: An Entrepreneur can decrease burden of Foreign Exchange, by reducing import of costly and capital goods from other countries by making products in India.

Cost : Reducing the cost of products and services

Efficiency: Efficient treatment of waste and recycling of goods.

Exports: A person can explore new markets for his or her products to earn foreign exchange, helping increasing cash reserve into the country.

Generating employment and economic prosperity of workers and staff.

Skill Development Encouraging the skill development of employees and staff for a competitive workforce at world level.

Entrepreneurship In India

When it comes to entrepreneurship in India, for the longest time now, it seems that most of us have been rehashing, repeating and regurgitating the same things over and over again:

• Lack of funding

• No ecosystem

• Revamp Education system

• No product companies

• Indian mindset and culture

• Bureaucratic red - Tape and many other such reasons.

Its time we really took a deep, hard look at what is the current state of entrepreneurship in India, what is broken and how can we really fix it.In all fairness, she/he not on ground zero. And so it may seem as inappropriate to many that she/he speak of entrepreneurship in India while residing in the US.

Entrepreneurial Achievement

Achievement motivation is a psychological drive which motivates entrepreneurs to be creative, innovative and risk prone. Achievement-oriented people, by and large, have a high drive and activity level and they constantly struggle to achieve something which can be called their own accomplishment. They like to be different from others and strive to accomplish apparently difficult things, wanting to take on challenges which they are confident of achieving with their individual efforts and thus enjoying a sense of achievement.

Entrepreneurship is a pervasive activity in a dynamic economy. At various points over the life cycle, every person is an entrepreneur as it increases the value of human beings time over time. Every entrepreneurial action entails a risk. But, risk is not the unique attribute of a dynamic economy. Experience, education and health enhance entrepreneurial ability. The entrepreneur is a psychologically driven person.

Need for Achievement

McClelland believed that entrepreneurs and managers need not be two different individuals. An innovative manager who has decision-making responsibility is as much an entrepreneur as the owner of a business. An entrepreneur's psychology is characterized by a high need for achievement. It has the following attributes:

(i) Entrepreneurs prefer personal responsibility for decision making.

(ii) Entrepreneurs are moderate risk takers.

(iii) Entrepreneurs desire concrete knowledge of the results of their decisions.

1.1.2 Enterprise and Society

Entrepreneurship has a major contribution in the growth of national economy. So, it is very important to acknowledge the motivational features spurring people to become entrepreneurs and explaining why some are more successful than others.

An enterprise is nurtured by the society. Thus, we can say, it is a portion of society. In the social environment, each of them share a close bonding where they affect both other and share their profits and loss combined. In this *“affecting and being affected relationship”,* a proper balance should be maintained.

Entrepreneurs are not always motivated by profit but regard it as a standard for measuring achievement or success. An entrepreneur greatly values self-reliance and strives for distinction through excellence. They are highly optimistic and they always favor challenges of medium risk.

Some factors that contribute to the success of an entrepreneur.

• **Experience** − It’s not always necessary to be experienced for starting a business. but, having some experience will definitely help save time and effort.

• **Profit** − A business that has a demand in the market, is always a better choice. However, it is always good to think of a steady income rather than just profit.

• **Self-confidence** − Before convincing others to trust us, it is important to trust our self. The determination or the courage and belief one has on self to achieve the goal is called self-confidence.

• **Brand** − Everybody opts for or at least wishes to opt for branded products or services. The reason varies, some see it as a standard of living, for some it’s the quality. Keeping this in mind, it is very important to create a signature mark of our product.

• **Market share** − It adds to an individual’s, groups or firm’s contribution in the market when by contributing their company product in the market. A company designs a product with respect to the demand of the mass.

Some other factors like consumer relation and social support, government support also contribute as important factors in entrepreneurial achievement.

1.2 Why and how to start Business – Entrepreneurial traits and skills

Why Start a Business?

Running one’s own business has a drift to take up entire life, so it is very important to assess whether or not the reasons are logical and practically implementable.

We have heard a million reasons not to go into business for its too risky, it might lead to debts, there will be no social life and the list goes on. But, even with all these uncertainties, people are still allured to the start-up world. If not more reasons to take a stand and start our own business.

Some of the reasons to start a business are:

• An entrepreneur owns his/her business, hence is his/her own boss. It gives the liberty to make

decisions and implement them. It is a proven fact that most entrepreneurs never wish to go back to working for someone else.

• The thought of leaving behind a legacy, is a great motivator for many.

• It is a good option of taking over a family business and adding a new dimension to the same.

• The sense of achievement or being successful in doing something one's own way.

• To prove oneself as being self-competent, being in complete control and making an impact on the society.

How to Start a Business?

Starting a business includes planning, making key financial decisions and completing a series of legal exercises.

These 10 steps help to plan, prepare and manage one's own business:

1. Writing a business plan: Write all tools and resources required to create a business plan. This written guide will help in mapping out how to start and run a business successfully.

2. Getting business assistance: There are numerous programs available to assist startups, micro businesses and underserved or disadvantaged groups.

3. Selecting a business location: Take suggestions on how to select a customer-friendly location and comply with the zoning laws.

4. Financing our own business: Searching for government-backed loans, venture capital and research grants to help getting started.

5. Determining the legal structure of business: Decide which form of ownership is best - like sole proprietorship, partnership, S-corporation, limited liability Company (LLC), corporation, nonprofit or cooperative organization.

6. Registering a Business Name like "Doing Business As": Register the business name with the state government.

7. Getting a Tax Identification Number: Learn which tax identification number is needed to obtain from the IRS or state revenue agency.

8. Registering for State and local Taxes: Enroll with the State to obtain a tax identification number, workers' compensation, unemployment and disability insurance.

9. Obtaining business licenses and permits: Enlist for federal, state and local licenses and permits required for the business.

10. Understanding employee responsibilities: Learn the legal formalities that needs to be taken care of to hire employees.

Entrepreneurial Skills

Every entrepreneur should have the following necessary skills to run his/her business smoothly.

• Confidence to Delegate Tasks

An entrepreneur likely has a full plate and feels that he/she can take on any task. But in reality, they keep adding to the already-full plate and eventually it is going to collapse and create a mess. An entrepreneur should be confident to delegate tasks to an experienced member of the company, who has the ability to get tasks completed.

• Visualizing Aim and Success

Entrepreneurs need to visualize their goals and success in their mind first, if they wish to plan on making it a reality. Not only do they need to visualize the end result, but also every step that it is required to get there.

• Effective Time Management

Proper time management is necessary to differentiate between the extremely urgent tasks and those that can wait. An entrepreneur should use a notebook or whiteboard to prioritize tasks by writing them down.

Mobile devices and tablets have calendars and notepads, but nothing is more effective than actually making a “to-do” list. Concentrate on one task at a time and don’t let new “to-do’s” disrupt your focus. Check them out one at a time.

• Proper Listening and Communicating Well

Entrepreneurs need to be good at listening and communicating. If they lack this quality then this may result in miscommunication and wastage of time. Apart from this, extra work is required to correct the miscommunication.

Time is something that all entrepreneurs would like more of. How often we wished there were more hours in a day? Wasting priceless time repeating and redoing tasks due to poor communication should be avoided.

• Seeking Help When Needed

We often let our adamant nature to prevent us from asking for help. There were times when we were stumped and someone came along with the answer and we thought, “Why in the world did not I think of that?”

Sometimes clear mind and a different viewpoint can quickly solve a problem or provide a solution to a question. One should not be afraid to ask for help when needed, as it can also help to strengthen the communication within the organization.

• Understanding the Importance of Time

It is not possible to give everyone the time they want, as it would leave the entrepreneur with little to no time to complete the things that is to be done.

If a sales representative has a question, they should discuss it with the sales manager. If a customer has a question they should be speaking with the company’s customer care representative.

While people might demand time, it doesn’t mean that it is a must to grant them the time. Time is valuable, so it should not be wasted on disruptions that can be handled by other members of the organization.

• Giving Back

It is important to understand how blessed entrepreneurs are to do what they love to do. When we are appreciative of what we have achieved, we should just take a step back to see what we can do to give back, it gives a feeling like no other.

Nobody said being an entrepreneur is an easy task and while these qualities will not transform into automatic success, they sure can help in the journey to success.

Entrepreneurial Traits

Self-confidence: Others will trust ourselves only when we trust ourself. This is the most important trait of an entrepreneur, who should have the confidence to take one’s own decisions.

Decision-making ability: Entrepreneurs should have the willingness and capability to take decisions in favor of the organization all the time.

Risk-taking ability: Business is all about taking risks and experimenting. Entrepreneurs need to have a risk-taking ability.

Competitive: Entrepreneurs should always be ready to give and face competition.

Intelligent: Entrepreneurs always need to keep their mind active and increase their IQ and knowledge.

Patience: This is another virtue which is very important for entrepreneurship as the path to success is often very challenging and it requires a lot of patience for sustenance.

Visualization: Entrepreneurs should have the ability to see things from different point of views.

Leadership quality: Entrepreneurs should be able to lead, control and motivate the mass.

Technical skill: To be in stride with the recent times, entrepreneurs should at least have a basic knowledge about the technologies that are to be used.

Emotional tolerance: The ability to balance professional and personal life and not mixing the two is another important trait of an entrepreneur.

Managerial skill: Entrepreneurs should have the required skill to manage different people such as clients, co-workers, employees, competitors, etc.

Creative: They should be innovative and invite new creative ideas from others as well.

Organizing skill: They should be highly organized and should be able to maintain everything in a format and style.

Conflict resolution skill: Entrepreneurs should be able to resolve any type of dispute.

High motivation: Entrepreneurs should have high level of motivation. They should be able to encourage everyone to give their level best.

Reality-oriented: They should be practical and have rational thinking.

1.2.1 Mind Vs Money in Commencing New Ventures, Entrepreneurial success and failures

Entrepreneurial environment is full of challenges and the entire team is bound to face them. Now the question is, what is more important, mind or money, as each are vital elements for an entrepreneur.

For established entrepreneurs, mind is more important than money as they have already invested as well as earned and now they are in a stage of expansion. New entrepreneurs prefer money more over mind as they want to settle.

Money transforms ideas into reality. As we know ideas comes from the mind, without mind money may not be properly distributed and utilized. Money affects the economic activities whereas mind affects the activities of the firm.

Mind is the route of creating new idea, idea leads to innovation. An idea shows the mission and vision whereas money shows the way to achieve that mission and vision.

Determinants of Entrepreneurial Success and Failure

Being a successful entrepreneur means more than just starting a new business every other day. It means the right attitude towards the trade and the determination, along with the barriers to be faced to achieve success.

To an entrepreneur, failure is a positive experience which is considered as a challenge or opportunity for growth in the form of a prerequisite to success, a profound teacher, a future value-adder, a provider of new direction, an enhanced motivator, a path to achievement and even as a relieving liberator.

Failure and success of an enterprise is dependent on two factors:

- Internal factors
- External factors

- **Internal Factors for Success**

Factors that affect the organization internally and contribute to the success of the firm are known as internal factors of success. These factors include efficient management, good quality product, low cost production, quality goods and services, effective marketing, good reputation, proper financing, dedicated manpower, proper technology and proper time management.

- **Internal Factors for Failure**

Factors that affect the organization internally and contribute to the failure of the firm are known as internal factors of failure. These factors include ineffective management, ineffective marketing strategies, old technology, low quality of raw materials, poor financing, low human relations and poor leadership.

- **External Factors for Success**

Factors that affect the organization externally and contribute to the success of the firm are known as external factors of success. These factors include availability of appropriate raw material, government policy, quality manpower, high demand in the market, low competition and new market.

- **External Factors for Failure**

Factors that affect the organization externally and are responsible for failure of the firm are known as external factors of failure. These factors include shortage of raw material, shortage of manpower, shortage of power, change in technology, high competition,poor finance, negative government policies and increase in supply and availability of better substitute.

1.2.2 Environmental dynamics and change

The word 'environment' means the aggregate of physical surrounding, circumstances, conditions, etc., in which someone and something (i.e., a business) exists. In simple words, the environment includes all what exists around. Keith Davis (1960) has defined environment as, "the aggregate of all the conditions, events and influences that surround and affect it." The environment, thus, provides a context for undertaking any activity including the business activity and also affects the same in various forms and ways. Accordingly, the business environment means all what surrounds a business enterprise.

In other words, the business environment refers to all its surroundings in which it operates. Dynamics of business environment means continuously changing the surroundings in which a business operates. Then, it implies that the business needs to adapt to changing conditions and overcome uncertain and unpredictable problems and obstacles to survive and thrive in the market. The reason is: "The survival of the fittest." Environment or business environment can be better understood by looking at its following salient characteristics:

1. Environment is complex: As mentioned, the environment is the aggregate of various factors, conditions, events and influences arising from different sources. All these do not exist in isolation but the interact with each other to produce entirely new types of influences. It is difficult to comprehend what actually constitutes a given environment. Nonetheless, environment is a complex phenomenon relatively easier to understand in parts but difficult to understand in its totality.

2. Environment is dynamic: The change is the law of nature squarely applies to the environment also. The various influences operating on an unabated manner make the environment continuously changing. This, in turn, makes the environment dynamic in nature.

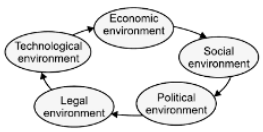
3. Environment is multi-faceted: The environment is perceived differently by different perceivers or observers. For example, the same new development like nuclear agreement between America and

India, is perceived as opportunity by some (Congress Party) while threat by others (Opposition Party).

4. Environment has far-reaching impact: Business enterprise operates within a given environment and gets affected by it. The growth and profitability of business depends critically on environment. Thus, the environment has a far- reaching impact on the business organizations.

Constituents or Dimensions of Business Environment

The key constituents or components also referred, dimensions of general environment of a business are depicted in the following figure:



Dimensions/ Constituents of Business Environment

A brief description about each of them is as follows:

1. Economic Environment: Economic environment consists of economic factors that influence the business in a country. These factors include gross national product, employment, corporate profits, inflation rate, balance of payments, interest rates, consumer income, etc.

2. Social Environment: It describes the characteristics of the society in which the organization exists and operates. Literacy rate, values, customs, beliefs, demographic features, lifestyle and mobility of population form the social environment of a business. It is important for entrepreneurs to notice the direction in which the society is moving and formulate progressive business policies according to the changing social scenario.

3. Political Environment: It comprises the political stability and the policies of the government. Ideological inclination of political parties, influence of the party forums, personal interests of politicians, etc. on business create political environment. For example: Bangalore established itself as the most important IT centre known as 'info city' of India mainly because of the political will and support. Just opposite is the case of West Bengal where the political will and support were against the 'Nano Car.'

4. Legal Environment: This consists of legislation that is passed by the parliament and state legislatures relating to the business enterprises. Examples of such legislation specifically aimed at business operations include the Trade Mark Act 1%9, Essential Commodities Act 1955, Standards of Weights and Measures Act 1969 and Consumer Protection Act 1986.

5. Technological Environment: It includes the level of technology available in a country. It also indicates the pace of research and development and progress made in introducing the modern technology in production. Technology provides capital-intensive but cost-effective alternatives to traditional labour-intensive methods. In the competitive business environment, technology serves as a competitive advantage and is considered as the key to industrial and economic development of a country. Hence, increasing emphasis has been given to research and development in every country.

Out of above five types of business environments, economic environment affects the business the most.

Impact of Environmental Dynamics on Changes for Business Enterprises

Running a business enterprise is highly contextual. The change in the business environment particularly in the government policy affects conducting business and industry in more ways than one. That the change in business enterprise and industry has become an essential condition with change in the business environment is illustrated as follows:

1. Increasing Competition: As a result of changes in the rules of industrial licensing and entry of foreign firms, competition for Indian firms has increased especially in service industries like telecommunications, banking, airlines, insurance, etc. which were earlier under the domain of the public sector in the country.

2. More Demanding Customers: Customers today have become more demanding because they are well-informed. Increased competition in the market gives the customers wider choices in purchasing better quality of goods and services at competitive prices.

3. Rapidly Changing Technological Environment: Increased competition forces the firms to develop new ways to survive and grow in the market. New technologies make it possible to improve machines, process, products and services. The rapidly changing technological environment creates tough challenges before smaller firms.

4. Necessity for Change: In a regulated business environment of pre-1991 era, the business enterprises could have relatively stable policies and practices. After 1991, the market forces have become turbulent as a result of which the enterprises have to continuously modify their operations.

5. Threat from MNCs: The massive entry of multi-national corporations (MNCs) in the Indian market poses new challenges. The Indian subsidiaries of multi-nationals, no doubt, gained strategic advantage. Many of these companies could get limited support in technology from their foreign partners due to restrictions in ownerships. Once these restrictions have been limited to reasonable levels, there is increased technology transfer from the foreign partners to their Indian counterparts.

Types of Business Environment

The business environment is broadly sub- divided into the following two types:

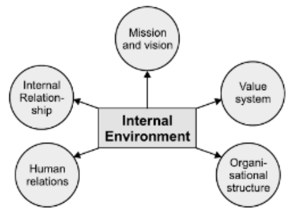
1. Internal Environment

2. External Environment

Internal and external environments are also called by some people as 'micro' and 'macro' environments respectively.

1. Internal Environment

Internal environment refers to all the factors which are within the organization. In other words, internal environment consists of the factors which are within the control of organization. These include organization's mission and vision, value system, organizational structure, human resources, and internal relationship. The internal factors of environment impart strengths and/or cause weaknesses of strategic nature for the organization. The major components of internal environment are shown in the following figure:



Components of internal environment

2. External Environment

External environment, also called 'general environment' consists of all those factors which are outside the organization and, hence, are beyond the control of organization. These factors provide opportunities and/or pose threats to an organization. The same underlines the need for and significance of understanding and analyzing of external environment to run business successfully.

External environment of business encompasses a variety of factors. Researchers have identified and ranked the following eight factors of external environment based on the magnitude of their impact on a business organization:

1. Market

2. Suppliers

3. Technological

4. Economic

5. Regulatory

6. Political

7. Socio-cultural

8. Global.

1.3 Entrepreneurial Process: Step by step approach to entrepreneurial start up, Decision for Entrepreneurial start up

Creating an Entrepreneurial Environment

When economic developers talk about the positive environment, they are often talking about the business climate in the traditional sense. Are there sites in the industrial park? Is the community "business friendly,"? Are there roads and sewers for new factories? When we talk about an entrepreneurial environment.

There are three components of this environment that entrepreneurs need to address:

Culture: Awareness is the importance of entrepreneurs to the local economy, celebration of the value that entrepreneurs bring, openness to entrepreneurs who often march to the beat of a different drummer, acceptance that failure is part of the entrepreneurial process and willingness to encourage and support entrepreneurs when their first venture does not pan out.

Infrastructure: Moving beyond the typical notion of infrastructure is to include traditional and non-traditional leadership, educational institutions like community colleges and regional universities, cultural and recreational resources, quality schools, social organizations that are diverse and emphasize creativity.

Entrepreneurial support elements: Specific programs and initiatives are designed to provide a range of support to entrepreneurs of all types when and how they need it, including the service providers like the Chamber and Small Business.

Networking organizations and opportunities, financing programs, development Centers, business incubation services and youth entrepreneurship education in and outside the schools.

Understanding the components of an entrepreneurial environment is just the first step in helping our community become more entrepreneurial. we also have to consider our readiness for entrepreneurship. As part of the Energizing Entrepreneurship institute, we explored a readiness assessment tool that provides a useful way for us to think about whether our community is ready to embrace entrepreneurship as a development strategy.

This tool identifies six readiness factors to consider:

- Openness to entrepreneurship as a development strategy.

- Commitment to balancing business attraction and support for entrepreneurs.

- Availability of entrepreneurship programs and support services.

- Willingness to invest in entrepreneurship development strategies.

• A leadership team committed to entrepreneurship.

• Willingness to work beyond town borders to tap resources and achieve success.

Entrepreneurial process can be defined as the steps taken in order to establish a new enterprise. It is a step-by-step method, one has to follow to setup an enterprise.

There are mainly five steps one needs to follow. These steps are:

- **Preliminary steps**
- **Decision-making steps**
- **Planning steps**
- **Implementation steps**
- **Managerial steps**

Preliminary Steps

Preliminary steps are the initial steps one has to follow for establishing a firm. At this stage, an entrepreneur should be able to make a decision that is going to affect the company.

We can say that an entrepreneur is born at this stage. An entrepreneur searches for business opportunity and collects information and data from all sources available.

Decision - making Steps

Decision-making steps can be defined as those steps or say the lessons learnt by an entrepreneur to make decisions efficiently.

In this step, the entrepreneur is seen consulting with (District Industrial Centre) DIC and (Medium Small & Micro Enterprise) MSME . Some of the decisions to be taken are:

• Decision of acquiring fund from banks or financial institutions.

• Making of PPR (Preliminary Project Report).

• Acquisition of permission, application, recognition,.

• Decision regarding land, machinery, building, plant,labor, fuel, energy, filtration, raw material, water supply,etc.

In order to make effective decisions that is adaptable and comfortable for the company, the clients and all those who are directly or indirectly linked to the decision-making step play a very vital role.

Planning Steps

Planning is an assumption or prediction of business requirements and outcome in the future. It provides a space to review the best strategy to run the business by cutting expenses and maximizing profit.

Some of the planning steps include:

- Planning for infrastructure like plant and building.
- Getting permission and recognition from the government or any other reputed authority.
- Applying for environmental clearance.
- Purchasing of land and licensing of mines, if necessary.
- Applying for electric connection and water supply.
- Planning the final feasibility, technical feasibility and operational feasibility.
- Study of PPR and preparation of Detailed Project Report (DPR).
- Getting loan or capital investment.
- Acquisition of machineries and planning for installation.

Implementation Steps

Implementation is the execution of plan. It is the action taken to implement the plan so that something actual happens.

There are some steps that will help us get a clear picture of how actions in planning steps are groomed into implementation steps:

- Acquisition of land, setting up building and purchasing raw materials.
- Installation of plant and machineries and arranging human resource.
- Receiving permission and reorganization letter and receiving capital investment.
- Starting operation and production.
- Arranging fuel, electricity and water supply.
- Making infrastructural development, i.e. road, hospital, school, residence, etc.

Implementation is the most important and difficult step during implementation, something of real value is generated.

Roles and duties of an entrepreneur

Managerial duties are also very important for an entrepreneur as well as the organization. Some of the managerial duties to be taken care of are:

- Preparing market policy and strategy.
- Managing promotion of product or services.
- Formulating pricing policy.
- Managing the wholesalers and retailers.
- Deciding the profit margin.
- Managing marketing strategy, managing advertisement of product or service, managing distribution system for efficient distribution.
- Warehouse management.

Each step has its own importance and its own role in the development as well as deterioration of a company.

2

SETTING UP OF A SMALL BUSINESS ENTERPRISE

Setting up of a small Business Enterprise: Identifying the Business opportunity - Business opportunities in various sectors, formalities for setting up small enterprises in manufacturing and services, Environmental pollution and allied regulatory and non-regulatory clearances for new venture promotion in SME sector. Writing a Business plan, components of a B-Plan, determining Bankability of the project.

2.1 Identifying the Business opportunity

Business Environment

The emergence and development of entrepreneurship is not a spontaneous one, but a dependent phenomenon of social, economic, psychological and political factor often nomenclature as supporting condition to the entrepreneurship development. These factor may have both positive and negative influence on the emergence of entrepreneurship. Negative influence create inhabiting a person's social environment to the emergence of entrepreneurship.

Identifying The Business Opportunity

In general sense, the term opportunity implies a good chance or a favourable situation to do something offered by circumstances. In the same vein, business opportunity means a good or favourable change available to run a specific business in a given environment at a given point of time.

The term ‘opportunity’ also covers a product or project. Hence, the identification of an opportunity or a product or project is identical, therefore, all these three terms are used as synonyms. The Government of India’s *“Look East Policy”* through North East is an example of ‘opportunity’ to do business in items like handicrafts, tea, turmeric, herbals, etc.

Opportunity identification and selection are like corner stones of business enterprise. Better the former, better is the latter. In a sense, identification and selection of a suitable business opportunity serves as the trite saying ‘well begun is half done’. But, it is like better said than done. Because, if we ask any intending entrepreneur what project or product they will select and start as an enterprise, the obvious answer they would give is one that having a good market and is profitable.

But the question is:

How without knowing the product, could one know its market?

Whose market will one find out without actually having the product?

Whose profitability will one find out without actually selling the product?

There are other problems, besides. While trying to identify the suitable product or project, the intending entrepreneur passes through certain processes. The processes at times create a situation or dilemma resembling ‘Hen or Egg’ controversy. i.e., At one point, the intending entrepreneur may find one product or project as an opportunity and may enchant and like it. But at the other moment, the intending entrepreneur may dislike and turn down it and may think for and find other product or project as an opportunity for them. This process of dilemma goes on for some intending entrepreneurs rendering them into the problem of what product or project to start.

One way to overcome this dilemmatic situation is to know how the existing entrepreneurs identified the opportunity and set up their enterprises. An investigation into the historical experiences of Indian small enterprises in this regard reveals some interesting factors.

To mention the important ones, the entrepreneurs selected their products or projects based on:

• The Government’s promotional schemes and facilities offered to run some specific business enterprises.

• Their own or partners’ past experience in that business line.

• Which indicate increasing demand for them in the market?

• The high profitability of products.

• The expansion or diversification plans of their own or any other ongoing business known to them.

• The availability of inputs like raw materials, labour, etc. at cheaper rates.

• The products reserved for small-scale units or certain locations.

Now, having gained some idea on how the existing entrepreneurs selected products or projects, the intending entrepreneur can find a way out of the tangle of which opportunity or product or project to select to finally pursue as one’s business enterprise.

One of the ways employed by most of the intending entrepreneurs to select a suitable product or project is to generate ideas about a few products or projects.

Sources of Ideas

Opportunity identification and selection are akin to, what is termed in marketing terminology, ‘new product development.’ Thus, product or opportunity identification and selection process starts with the generation of ideas or ideas about some opportunities or products are generated in the first instance.

The ideas about opportunities or products that the entrepreneur can consider for selecting the most promising one to be pursued by him or her as an enterprise, can be generated or discovered from various sources which may be both internal and external.

These may include:

(i) Watching emerging trends in demands for certain products.

(ii) Knowledge of potential customer needs.

(iii) Going through certain professional magazines catering to specific interests like electronics, computers, etc.

(iv) Scope for producing substitute product.

(v) Making visits to trade fairs and exhibitions displaying new products and services.

(vi) Success stories of known entrepreneurs or friends or relatives.

(vii) Ideas given by the knowledgeable persons.

(viii) Meeting with the Government agencies.

(ix) A new product introduced by the competitor.

(x) Knowledge about the Government policy, concessions and incentives, list of items reserved for exclusive manufacture in small-scale sector.

(xi) One's market insights through observation.

In nutshell, a prospective entrepreneur can get ideas for establishing their enterprise from various sources. These may include existing products and services presently on offer, consumers, the government officials, the distribution channels and research and development.

• **Consumers**

No business enterprise can be thought of without consumers. Consumers demand for products and services to satisfy their wants. Also, consumers' wants in terms of preferences, tastes and liking keep on changing. Hence, an entrepreneur needs to know what the consumers actually want so that they can offer the product or service accordingly. Consumers' wants can be known through their feedback about the products and services, they have been using and would want to use in future.

• **Existing Products and Services**

One way to have an enterprise idea may be to monitor the existing products and services already available in the market and make a competitive analysis of them to identify their shortcomings and then, based on it, decide what and how a better product and service can be offered to the consumers. Many enterprises are established mainly to offer better products and services over the existing ones.

- **Distribution Channels**

Distribution channels called, market intermediaries, also serves as a very effective source for new ideas for entrepreneurs. The reason is that they ultimately deal with the ultimate consumers and hence, better know the consumer's wants. As such, the channel members such as wholesalers and retailers can provide ideas for new product development and modification in the existing product.

- **Government**

At times, the Government can also be a source of new product ideas in various ways. For example, government issues regulations on product production and consumption. Many a times, these regulations become excellent sources for new ideas for enterprise formation.

For example, government's regulations on ban on polythene bags have given new idea to manufacture jute bags for marketing convenience of the sellers and buyers. A prospective entrepreneur can also get enterprise idea from the publications of patents available for license or sale. Besides, there are some governmental agencies that assist entrepreneurs in obtaining specific product information. Such information can also become basis for enterprise formation.

- **Research and Development**

Last but not the least source of new ideas is research and development (R&D) activity. R&D can be carried out in-house or outside the organization. R&D activity suggests what and how a new or modified product can be produced to meet the customers' requirements.

Available evidences indicate that many new product development or new enterprise establishments have been the outcome of R&D activity. For example, one research scientist in a Fortune 500 company developed a new plastic resin that became the basis of a new product, a plastic molded modular cup pallet. Most of the product diversifications have stemmed from the organization's R&D activity.

Methods of Generating Ideas

There could be a variety of sources available to generate ideas for enterprise formation. But even after generating ideas, to convert these into enterprise is still a problem for the prospective entrepreneur. The reason is not difficult to seek. This involves a process including first generating the ideas and then scrutinizing of the ideas generated to come up with an idea to serve as the basis for a new enterprise formation.

The entrepreneur can use several methods to generate new ideas. However, the most commonly used methods of generating ideas are:

- Focus groups
- Brainstorming
- Problem inventory analysis

Focus Groups:

A group called 'focus group' consisting of 6-12 members belonging to various socio-economic backgrounds are formed to focus on some particular matter like new product idea. The focus group is facilitated by a moderator to have an open in-depth discussion. The mode of the discussion of the group can be in either a directive or a non-directive manner.

The comment from other members is supplied with an objective to stimulate the group discussion and conceptualize and develop new product idea to meet the market requirement. While focusing on particular matter, the focus group not only generates new ideas, but screens the ideas also to come up with the most excellent idea to be pursued as a venture.

Brainstorming

Brainstorming technique was originally adopted by Alex Osborn in 1938 in an American Company for encouraging creative thinking in groups of six to eight people. According to Osborn, brainstorming means using the brain to storm the issue. Brainstorming ultimately boils down to generate a number of ideas to be considered for the dealing with the issues.

However, brainstorming exercise to be effective needs to follow a modus operand involving four basic guidelines:

1. Generate as many ideas as possible.

2. Be creative, freewheeling and imaginative.

3. Build upon piggyback, extend or combine earlier ideas.

4. With-hold criticism of others ideas.

There are two principles that underlie brainstorming. One is differed judgment, by which all ideas are encouraged without criticism and evaluation. The second principle is that quantity breeds quality. The brainstorming session to be effective needs to work like a fun, free from any type of compulsions and pressures.

Each member needs to have willingness and capacity to listen to others thoughts, to use these thoughts as a stimulus to spark new ideas of their own and then feel free to express them. As such, efforts are made to keep the brainstorming session free from any sort of dominance and obstruction derailing and inhibiting discussion to proceed in a desired manner to serve its purpose.

A normal brainstorming session lasts from ten minutes to one hour and does not require much preparation. Here is an example of brainstorming used to generate ideas to make the organizations presence noticed.

A national level institute of the Government of India took its faculty to a resort in Himachal Pradesh for a brainstorming session for two days to generate ideas on what it can do to be known, noticed and recognized at the national and international arena.

The seven major ideas generated were to:

(i) Introduce new courses to meet the emerging market requirements.

(ii) Open courses like PGDM for the general public.

(iii) Sign Memorandum of Understanding (MOUs) with reputed national and international academic institutions.

(iv) Introduce research activity in terms of research projects and fellow programme.

(v) Nominate especially young faculty members to join the Faculty Development Programmes conducted by the Indian Institute of Management, Ahmedabad (IIMA).

(vi) Start courses in collaboration with the Government and industry.

(vii) Publish the Institute's research journal.

Problem Inventory Analysis:

Problem Inventory analysis though seems similar to focus the group method, yet it is somewhat different from the latter in the sense it not only generates the ideas, but also identifies the problems the product faces. The procedure involves two steps:

One, providing consumers a list of specific problems in a general product category.

Two identifying and discussing the products in the category that suffer from the specific problems. This method is found relatively more effective for the reason that it is easier to relate the known products to a set of suggested problems and then arrive at a new product idea.

However, experiences available suggest that the problem inventory analysis method should better be used for generating and identifying new ideas for screening and evaluation. The results derived from product inventory analysis need to be carefully screened and evaluated as they may not actually reflect a genuine business opportunity.

All of the above sources and methods may give a few ideas about the possible projects to be examined as the final project or product.

Following are some illustrative sources of generation of business ideas:

a. Realizing that especially service class people find it inconvenient to take milk pot with them to office that they need to buy milk while coming back from the office in the evening, to provide milk in sachets or tetra packs could be a new business idea.

b. Having faced difficulty in finding out accommodation and transport facility while on visits to a new/tourist place may give one an idea to start a travel agency providing a complete package of facilities to the visitors to a new / tourist place.

c. Knowing that many people have hobby or even develop passion for gardening may give rise to an idea of setting up one's own nursery.

d. Seeing that most of the people coming from outside to a particular place buy its unique items as souvenir like tea from Assam, the Model of Taj from Agra, etc. may give an idea to produce the local item as souvenir.

e. Recognizing the increasing application of computers in offices as well as in the business organizations, irrespective of its size, may give an idea to set-up a computer-training centre.

Once ideas have been generated following the above process, the next step comes is identification of above generated ideas as opportunities.

Opportunity/Product Identification:

After going through the above process, one might have been able to generate some ideas that can be considered to be pursued as one's business enterprise.

Imagine that someone have generated the five ideas as opportunities as a result of above analysis:

1. Nut and bolt manufacturing (industry)

2. Lakhani Shoes (industry)

3. Photocopying unit (service-based industry)

4. Electro-type writer servicing (service-based industry)

5. Polythene bags for textile industry (ancillary industry).

An entrepreneur cannot start all above five types of enterprises due to small in size in terms of capital, capability and other resources. Hence, he/she needs to finally select one idea which he/she thinks the most suitable to be pursued as an enterprise. How does an entrepreneur select the most suitable project out of the alternatives available? This is done through the selection process.

Having gone through the idea generation, also expressed as 'opportunity scanning' and opportunity identification, we can distinguish between an idea and opportunity. Given below are two situations that will help us to understand and draw the line of difference between an 'idea' and an 'opportunity'.

Situation I	**Situation II**
Having completed their Master of Business Administration (MBA), Mrinmoy and Chandan met after about six months. The two were conversing with each other about who is doing what. Mrinmoy is running his business of travel agency and Chandan is still searching for a job. Mrinmoy suggests Chandan to start some business. Observe and read the market scenario and produce what the consumers actually want.	On completion of his engineering degree, Tridip got a job in Assam State Transport Corporation. He was the in-charge of the purchase department. Having worked in the purchase department for over ten years, he had gained good idea about which components have more demand and who are the buyers of these parts in bulk. He, therefore, thought good prospects of manufacturing of some of the components having good demand in bulk.

Now, it is clear that, in the above mentioned two situations, situation I is at the 'idea stage' and situation II at the 'opportunity stage'. At idea stage, there is simply an idea about what to do. But at opportunity stage, idea has actually been germinated about what to start/do. The understanding of such a difference between an 'idea' and 'opportunity' is very important for the intending entrepreneurs who are seriously trying to identify the 'opportunity' to be pursued as an enterprise.

2.1.1 Business opportunities in various sectors

While thinking about business opportunities, we are reminded of the statement of Douglas MacArthur given as opening quotation: "There is no security on this earth - only opportunity." Regarding the availability of (business) opportunities, the views of Thomas J. Watson also seem quite worth citing: "Opportunity never knocks on the door. We have to knock on opportunity's door and they are all around."

The fact remains that there are opportunities available everywhere in and around us. What is actually required is to have the lenses to see and recognize the same. There exist innumerable business opportunities in the environment for unleashing by the entrepreneurs. The various business opportunities, for example, available in the environment include but are not confined to the following only:

1. Tourism: By now, the tourism has emerged as number one largest smokeless and fast growing industry in the world due to its ample promises and prospects. Presently, it accounts for 8% of the world trade and around 20% of service sector in the world. Evidences indicate that many countries have progressed from backward due to tourism development.

For example, the tourism industry contributes to more than 70% of the national income of some of the countries like Malaysia and Singapore. However, its share to the national income of India is still dismally low at 2.5%. Though India shelters around 15% of the world population with its 2.5% of the world territory, it accounts for only 0.40% in the world tourism market. However, the prognostic picture of the Indian tourism is not because of the lack of tourism potential, but because of unleashing of the ample tourism potential she is endowed with.

In fact, India is also a treasure trove for tourism development. She possesses long, unspoiled beaches of golden sands and swaying coconut trees; from winding trails that take us gently up the snowy slopes of a great mountain range like the Himalayas unfurling images of quaint, timeless communities; from sprawling the forts and breathtaking places that hide in their bosoms so many tales of intrigue and ambitions, love and betrayal from the wildlife sanctuaries and sea worlds, Disney lands and shopping festivals.

They hardly appears to be a thing that is not worthy of tourist's attention and attraction. Recognizing the India's vast tourism potential, the World Travel and Tourism Council (WTTC) has predicted: "India has the potential to become number one tourist destination in the world with the demand growing at 10.1% per annum."

2. Automobile: India has made much headway in automobile industry and by now has emerged as a hot spot for automobiles and for the auto-components. A cost-effective hub for auto components sourcing for global auto makers, the automobile sector is by all indications a potential sector for entrepreneurs in India. This is confirmed by a record increase registered by automobile industry in India.

The automobile industry recorded a 26% growth in domestic sales in the year 2009-2010. It is India's strong sales that have made her the second fastest growing automobile market after China in the world. India has being one of the world's largest manufacturers of small cars with a strong engineering base and expertise, there are still many segments untapped and unserved which the entrepreneurs can focus on India's automobile and auto components sector in future.

3. Textiles: India is famous for its textiles since long time. What is worth mentioning that the style of apparel is unique from region to state, thus, offering a diversified market for apparel / textile products in the country. In this view, India holds good potential to grow as a preferred location for manufacturing the textiles taking into account the huge demand for garments. Places like Tirupur and Ludhiana, for example, now export hubs for textiles in the country. A better understanding of the textiles markets and the varied customer needs can greatly help unleash the potential this sector holds in our country.

4. Social Ventures: Like many other developmental activities, the entrepreneurship development is also context-specific. The recent social issues providing a different entrepreneurial context has given emergence to yet another breed of entrepreneurship is referred as 'social entrepreneurship'. We have already devoted a full-fledged on "Social Entrepreneurship". With a view to ameliorate the social fabric of the society, increasing number of entrepreneurs has started their social ventures. SEWA and Lizzat Pappad, for example, are such two social ventures hardly get missed while mentioning about the social entrepreneurship.

Muhammad Yunus's 'Gramin Bank' in Bangladesh is the worldwide known social venture of the recent times. There is myriad of social issues or problems in the countryside in India, thus, offering opportunity to the young entrepreneurs to plunge into this sector. However, the plunging into social ventures is as much useful as challenging also.

5. Software: India is known for its largest pool of world class software engineers world over. IT sector has contributed substantially to the Indian economy. Which is one of the largest pool of software engineers, Indian entrepreneurs can set higher targets in hardware and software development. With more overseas companies, the outsourcing contracts to India, business to business solutions and services emerge as potential activities for the knowledge-based entrepreneurs in future. Entrepreneurs can cash in the rise in demand for IT services with innovative and cost effective solutions.

6. Engineering Goods: India continues to be one of the fastest growing exporters of engineering goods, growing at a rate of 30.1%. The government has set a target of $110 billion by 2014 for total engineering exports. Entrepreneurs must capitalize on the booming demand for products from the engineering industry.

7. Franchising: As a boon of New Economic Policy 1991 of the Government of India, India is now well connected with the world economies. Hence, franchising with leading brands to spread across the country could also offer an ample opportunities for young entrepreneurs especially in the service sector like education and health. With many small towns developing at a fast pace in India, there is a vast scope for spreading franchising business in the countryside in future.

8. Education and Training: Knowledge being power, on one hand and Government's increasing emphasis on spreading education, there is a good demand for education and online tutorial services in the country. With good facilities at competitive rates, India can attract more students from abroad in the coming years signs of which have already started. Need-based educational programmes with innovative teaching methods can help in a big way make the education develop and flourish as an industry in the country.

9. Food Processing: Broadly, food processing industries include cannery, meat packing plant, slaughterhouse, vegetable packing plants, sugar industry, industrial rendering, etc. India's mainstay is agriculture. Entrepreneurs can explore many options in the food grain cultivation and marketing segments. Lack of infrastructure, inefficient management, improper storage facilities leads to huge losses of food grains and fresh produce in India. Unfortunately, very small portion of our food production is processed for manufacturing purposes as is evident from the following figures:

Food	**Production (million Tonnes)**	**India's rank in the World**	**India's Share (%)**	**India's Share in Exports (%)**
Wheat	65	2	12	0.02
Paddy	124	2	22	18
Coarse	29	3	4	-
Milk	98	1	16	Negligible
Friuts	41	2	10	Negligible

Likewise, the level of processing in perishable foods like fruits and vegetables (2.2%), milk and milk products (35%), meat (21%), poultry (6%) and marine products (8%) is also quite low compared to level of total production. Thus, it is evident from above that there remains a lot of scope for agri-business or agri-preneurship development in the country.

As such, entrepreneurs can add value to these produce with proper management and marketing initiatives. The processed food market opens a great potential for entrepreneurs be it fast food, packaged food or organic food. That there will be more and more demand for ready made or processed food in coming days is already indicated by the meteoritic growth of Mumbai's

Dabbawala. Thus, food processing industry offers yet more opportunities for entrepreneurship development to establish and run food-based industries.

10. Corporate Demands: There will be a good demand for formal attire with more companies opening their offices in India. People who can meet this demand in a cost-effective way can make a good business. Though, corporate gifting is getting very popular, this is also a unique business to explore in growing urban culture in India.

11. Ayurveda and Traditional Medicine: India is well known for its herbal and Ayurvedic products. With an increasing awareness about the ill-effects of allopathic medicines, there will be a huge demand for natural medicines, cosmetics and remedies in coming time.

12. Organic Farming: Organic farming has been in practice in India for a long time. The importance of organic farming will assume increasing importance in the country is evident by the fact that increasing number of consumers especially foreigners have been preferring to only organic products.

Therefore, prospective entrepreneurs can focus on business opportunities in promising sector of the country. Yes, many small-time farmers have already adopted organic farming but huge demand is still unmet which offers good opportunities for those agripreneurs who can promote organic farming on large-scale in the country.

13. Media: The media industry has also huge opportunities to offer to young entrepreneurs. With the huge growth of this segment, any business in this field will help the entrepreneurs reap huge benefits. Advertising, television, print and digital media have seen a boom in business in the recent times and are likely to grow more in coming times.

According to a report prepared by the Federation of Indian Chamber of Commerce and Industry (FICCI), digitisation, innovation, regionalisation, competition, process, marketing and distribution will drive the growth of India's media and entertainment sector furthermore in coming days.

14. Packaging: With China invading the markets with cheap plastic goods and packaging materials, there is a good opportunity to develop good packaging materials to meet domestic and foreign demand. There is a huge demand from various sectors like agriculture, automotive, consumer goods, healthcare infrastructure and packaging sectors for plastics.

15. Floriculture: India's floriculture segment is small and unorganized. There is a lot to be done in this lucrative sector. The global trade in floriculture products is worth $9.4 billion. With a 8 % growth, it is expected to grow to $16 billion by 2010. India's share in world trade is just 0.18%. This is a huge market to be tapped considering the rising demand for fresh flowers. More awareness and better farming and infrastructure can boost exports of flowers in coming times.

16. Toys: Another evergreen industry is toy manufacturing. India has potential to manufacture cost-effective and safe toys for the world. With Chinese toys being pulled up for toxins, the market for safe and good quality toys beckons Indian entrepreneurs.

17. Healthcare Sector: India's healthcare sector dismal till the other day has now good prospects to develop in future. The private sector, that is, individual entrepreneurs can play a vital role in developing this sector. With medical tourism also gaining momentum, the sector can attract foreigners who are looking for cost-effective treatment in countries like India.

18. Biotechnology: After the software sector, biotechnology opens a huge potential for entrepreneurs in India. Global evidences confirm that agricultural bio-technology has a major impact on agricultural productivity. That is why increasing emphasis has been given to research and development in the agro-biotech sector with an aim to produce crops with high level of tolerance against cold, heat and salinity.

A number of improved food products have also been developed. It is expected that with increase in investment in research and development in India, agro-bio technology will further develop and, in turn, Indian agriculture will develop. The future entrepreneurs can, therefore, look at a plethora of options available with the application of biotechnology in agriculture, horticulture, sericulture, poultry, dairy and production of fruits and vegetables.

19. Energy Solutions: In a power starved nation like ours, the need to develop cost-effective and power-saving devices is gaining ever increasing significance. There is a huge demand for low-cost sustainable energy saving devices as well.

The government has already unveiled the National Solar Mission which has set a target of 20,000 MW of solar generating capacity by the end of the 13th Five Year Plan. Prime Minister Manmohan Singh had urged the industry to see the huge business opportunity and set up 'Solar Valleys' on the lines of the Silicon Valleys. These solar valleys can become hubs for solar science, solar engineering and solar research, fabrication and manufacturing. So, there is a big opportunity for entrepreneurs in this sector as well in our country.

20. Recycling Business: E-waste will rise to alarming proportions in developing the world within a decade, with computer waste in India alone to grow by 500 per cent from 2007 levels by 2020, according to a UN study. Therefore, this sector also opens new vistas of viable business opportunity for entrepreneurs in terms of e-waste management and disposal activities in large size.

Recently, a national level conference on entrepreneurship called Entrepreneur India 2011 was held on July 15th and 16th at Hotel Claridges, New Delhi. The conference was built across the seven levels of entrepreneurship:

(i) Inspire

(ii) Ideate

(iii) Individual

(iv) Incubate

(v) Innovate

(vi) Invest and (via) Internationalize to discuss and deliberate on Innovation and Entrepreneurship for unleashing business opportunities available in the country.

Opportunity Selection

Opportunity or project selection starts from where project identification ends. After having generated and identified some project ideas, these are analyzed in the light of existing economic conditions, the government policy and so on. A tool generally used for this purpose is, what is called in the managerial jargon, SWOT analysis.

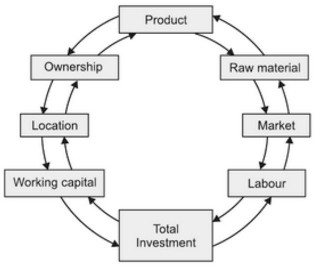
The intending entrepreneur analyses his/her strengths and weaknesses as well as opportunities/competitive advantage and threats/ challenges offered by each of the project ideas. On the basis of this analysis, the most suitable idea is finally selected to convert it into an enterprise. The process involved in selecting a project out of some projects is also described as the "zeroing in process."

What follows from above analysis is that there is a time interval involved in between project identification and project selection. But exceptions are always there. In some cases, there may be almost no time gap between project identification and project selection. The following anecdotes as illustrative ones, exemplify it.

In SWOT analysis, while S (Strength) and W (Weaknesses) relate to the entrepreneur concern, O (Opportunities) and T (Threats) relate to environment. The former is internal and latter is external to entrepreneur. Following is an illustration of SWOT analysis of a business opportunity or project, namely, Floriculture:

Entrepreneur (Internal)		**Environment (External)**	
Strengths	**Weaknesses**	**Opportunities**	**Threats**
Possesses the required knowledge, skills, competencies and financial resources.	Suffers from lack of motivation, laziness, inactiveness, poor in marketing knowledge, etc.	Changing requirements of the society, more demand at a particular time, etc.	Change in the Government policies, increasing the demand for substitutes, weather conditions, etc.

Project identification and selection is half done in the process of establishing an enterprise. The entrepreneur needs to analyze other related aspects also like raw material, potential market, labour, location, capital, forms of ownership, etc. It is necessary to mention that each of these aspects has to be evaluated independently and in relation to each other. This forms a continuous and "back and forth" process as shown in the following figure:



An interdependence process

2.1.2 Formalities for setting up small enterprises in manufacturing and services

Steps in setting up of a Small Business Enterprise

Broadly, there are two types of people who establish small enterprises. One, people who want to take the advantages of opportunities available. Two, people who have no option for making a livelihood. These two types of entrepreneurs are also termed as 'entrepreneurs by choice' and 'entrepreneurs by compulsions' respectively. We have already read so far that starting an enterprise is not so simple and cannot be set up just. In fact, there are several steps involved in setting up a small business enterprise. Following are the major ones:

(i) Information Collection

(ii) Information Organization

(iii) Acquiring Required/Vocational Skills

(iv) Financial Requirements

(v) Market Assessment

(vi) Provision for Crisis

Information Collection

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

Based on this information, they can weigh the pros and cons involved in entering into that business activity. For example, they can come to know that the medical transcription and call centers have been doing very well in the service sector enterprises in the country. This is because of high labour cost in high income countries; the multinational companies have gradually started shifting their labour-intensive manufacturing activities to the developing countries. In view of this, there is a great opportunity to tap those products which would be outsourced by the Multi-National Companies (MNCs) through quality vendors.

Similarly, the rapid increase in the tourist influx in Jammu & Kashmir due to improvement and restoration of peaceful law and order situation indicates very good prospects for service providing enterprises like travel, tour and hospitality industry in the region.

Information Organization

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

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

Acquiring Required/Vocational Skills

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

There is a need to build on one's strengths in order to gain and feel confident of implementing our project of setting an SEU. Awareness and training in required subject can remove structural barriers. We will feel sure of ourself in taking loans and as also taking risk. Risk is a part of setting up an SEU. Once our clients have set up their SEU, updating themselves on the latest developments in the field should be a continuous process. They can also hire skilled workers and staff to carry out the major tasks at their SEU.

Financial Requirements

The fourth step involved is ascertaining the financial requirements for setting up a small

business enterprise. This is particularly important because generally small entrepreneurs do not have their own funds. Hence, they depend upon borrowed funds from family members or relatives or friends or financial institutions. While planning for finance, the prospective entrepreneur needs to consider issues like sources, availability, estimation and management of working capital.

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

Market Assessment

No business enterprise can be thought of without market. Enterprise exists, survives and thrives because of market. Production has no value or meaning if it is not sold/marketed. Therefore, while planning for establishing a small business enterprise, the prospective entrepreneur needs to know who will buy his/her product. Here, the trite saying about the importance of market seems worth citing: "A manufacturer of iron nails must know before manufacturing who will buy his/her iron nails."

Provision for Crisis

The last but not the least step involved in setting up a business enterprise is the preparedness to manage crisis situations, if any. Yes, some may not consider it as a necessary step because foreseeing any crisis and its handling is simply an additional step. Even many may view why to think in a negative way for the worst which may not happen at all.

Admitting that optimism helps, there is no harm in being prepared for any eventuality, if it arises. It is always useful to remain prepared for something unexpected in terms of resources, policies, finances and natural calamities takes place. Seeking insurance cover is the best way to deal with these situations.

To establish a business unit many legal and other formalities are to be fulfilled which are as follows:

A) Form of organization

Sole Proprietorship: There is no legal formality necessary to set up a sole proprietorship business except in certain cases like chemists, restaurants.

Partnership: An agreement between the persons who want to form a partnership firm is necessary . As far as possible, it should be in writing and be registered with the Registrar of firms under the Indian Partnership Act 1932.

Joint Hindu Family Business: No legal formality is required. A Joint Hindu Family business is run as per Hindu Law. But it has to be registered with the Income tax department to avail certain tax concession.

Joint S tock Company: It must be registered under the Indian Companies Act 1956. It may be a Private Limited Company or a Public Limited Company.

Co-operative Society: If the business is organized as a cooperative society, it is required to be registered with the Registrar of Cooperative Societies of the state in which society’ s registered office is to be situated.

B) Other legal requirements and formalities, which are applicable to all forms of organizations

1. License is to be obtained from the Ministry of Industries if manufacturing activities are taken up. However industrial units employing less than 50 workers with power or less than 100 workers without power, have been given exemption.

2. Registration with the Registrar of Small Scale Industries of the State in which the unit is to be set up is compulsory.

3. Registration with the Labour Commissioner of the State in which the unit is set up is also compulsory. This is necessary so that there is compliance of various labour laws including the Factories Act.

4. Environmental clearance certificate has to be obtained from the state Pollution Control Board. The industrial units are to be registered with the excise department so that it can get concession under General Excise Duty Exemption scheme.

6. The firm has to be registered with Sales or Trade Tax Authority of the concerned State.

7. If it is a trading concern it is to be registered with the Shop and Establishment Authority of the place.

8. The activities of business may affect the health and safety of the employees as well as public. So business unit may be registered with the local authority.

9. The business should always protect its own name and logo, along with any inventions, product designs or copyright. The others should not illegally use these things. So to avoid such practices the company/firm must go for patenting its intellectual properties like designs, copy rights, etc.

10. To cover the loss arising from unforeseen events, the businessman should go in for insurance of its plants and machinery, buildings, top executives, etc.

2.2 Environmental pollution and allied regulatory and non regulatory clearances for new venture promotion in SME sector

The quantification of environmental pollution originating from SME's is an important step in designing adequate environmental policies and compliance assurance strategies for SME's. Depending on the extent of the environmental impacts of SME's, several policy responses could be envisaged:

• When the contribution of SME's to pollution is substantial, authorities could help SME's to comply with environmental requirements, so as to protect both the environment effectively and ensure the development of SME's.

• When SME's create little pollution, the legislative and compliance monitoring pressure on them could be diminished.

• When pollution from SME's is only limited to a few sectors, authorities could target those sectors. In principle, SME's can pose serious environmental problems due to their high numbers and their cumulative effect. The impact of manufacturing SME's is largely acknowledged as they consume energy and natural resources and generate waste and pollution. At the same time, the role of agricultural and service sector SME's should not be neglected.

Evidence collected through several studies conducted in the OECD countries, shows that agriculture is one of the key sectors where the polluting SME's are active. Their activity is a major source for water pollution and land contamination.

As far as service sector SME's are concerned, in particular petrol stations and repair shops, they can pose a risk of significant routine pollution or accidental releases. SME's in all the sectors could have a negative impact on biodiversity due to changes of habitat they provoke, especially in the environmentally sensitive areas.

Statistical information on environmental impacts of SME's is quite scarce in both the OECD and non-OECD countries, with only few studies quantifying these impacts. For example, a report on SME's and the environment produced for the European Commission by ECOTEC Research and Consulting mentions that SME's are estimated to generate as much as 60% of commercial waste and 80% of pollution incidents in England and Wales.

Work by the Wales Environment Centre in rural Wales, where the SME's constitute 97% of businesses, indicates that they produce around 91% of waste in the area. Research conducted in the Netherlands by TNO concludes that smaller industrial installations significantly raise environmental pressures (around 50%) for a number of pollutants, in particular for nitrogen and phosphorus, heavy metals and some pesticides, ozone-depleting substances and volatile organic compounds (VOC).

They contribute to acidification and waste generation, both hazardous and non-hazardous. The study identifies a number of key sectors where polluting SME's are active, including:

• Agriculture, particularly for intensive livestock farming

• Food and drink industry

• Construction, waste treatment and recycling

• Building products industry

• Metal products industry and electro-technical production.

Another study, commissioned by the Dutch government and developed by KPMG Environmental Consulting, identified some other industrial sectors where the SME's have a particularly significant impact on the environment, such as textile, printing and leather manufacturing and some areas of the timber, woodworking and paper industry.

At the same time, SME's could make a positive contribution to the environmentally sustainable development as some of them provide environmental goods and services. Companies that provide consulting services (e.g. on environmental management, cleaner production, waste management, etc.) often belong to the SME sector.

Some SME's are also involved in landscape planning, analysis of contaminated sites and land reclamation and regeneration. SME's also often serve as focal points for the sale of cleaner technologies and pollution control equipment.

Regulatory and non regulatory clearance s for new venture promotion in SME sector:

In the Constitution of India it is clearly stated that it is the duty of the state to ‘protect and improve the environment and to safeguard the forests and wildlife of the country’. It imposes a duty on every citizen ‘to protect and improve the natural environment including forests, lakes, rivers, and wildlife’. Reference to the environment has also been made in the Directive Principles of State.

Policy as well as the Fundamental Rights. The Department of Environment was established in India in 1980 to ensure a healthy environment for the country. This later became the Ministry of Environment and Forests in 1985.

The constitutional provisions are backed by a number of laws – acts, rules, and notifications. The EPA (Environment Protection Act), 1986 came into force soon after the Bhopal Gas Tragedy and is considered an umbrella legislation as it fills many gaps in the existing laws. Thereafter a large number of laws came into existence as the problems began arising, for example, Handling and Management of Hazardous Waste Rules in 1989.

Following is a list of the environmental legislations that have come into effect:

General

Forest and wildlife

Water

Air

General

1986 - The Environment (Protection) Act authorizes the central government to protect and improve environmental quality, control and reduce pollution from all sources, and prohibit or restrict the setting and /or operation of any industrial facility on environmental grounds.

1986 - The Environment (Protection) Rules lay down procedures for setting standards of emission or discharge of environmental pollutants.

1989 - The objective of Hazardous Waste (Management and Handling) Rules is to control the generation, collection, treatment, import, storage, and handling of hazardous waste.

1989 - The Manufacture, Storage, and Import of Hazardous Rules define the terms used in this context, and sets up an authority to inspect, once a year, the industrial activity connected with hazardous chemicals and isolated storage facilities.

1989 - The Manufacture, Use, Import, Export, and Storage of hazardous Micro-organisms/ Genetically Engineered Organisms or Cells Rules were introduced with a view to protect the environment, nature, and health, in connection with the application of gene technology and microorganisms.

1991 - The Public Liability Insurance Act and Rules and Amendment, 1992 was drawn up to provide for public liability insurance for the purpose of providing immediate relief to the persons affected by accident while handling any hazardous substance.

1995 - The National Environmental Tribunal Act has been created to award compensation for damages to persons, property, and the environment arising from any activity involving hazardous substances.

1997 - The National Environment Appellate Authority Act has been created to hear appeals with respect to restrictions of areas in which classes of industries etc. are carried out or prescribed subject to certain safeguards under the EPA.

1998 - The Biomedical waste (Management and Handling) Rules is a legal binding on the health care institutions to streamline the process of proper handling of hospital waste such as segregation, disposal, collection, and treatment.

1999 - The Environment (Siting for Industrial Projects) Rules, 1999 lay down detailed provisions relating to areas to be avoided for siting of industries, precautionary measures to be taken for site selecting as also the aspects of environmental protection which should have been incorporated during the implementation of the industrial development projects.

2000 - The Municipal Solid Wastes (Management and Handling) Rules, 2000 apply to every municipal authority responsible for the collection, segregation, storage, transportation, processing, and disposal of municipal solid wastes.

2000 - The Ozone Depleting Substances (Regulation and Control) Rules have been laid down for the regulation of production and consumption of ozone depleting substances.

2001 - The Batteries (Management and Handling) Rules, 2001 rules shall apply to every manufacturer, importer, re-conditioner, assembler, dealer, auctioneer, consumer, and bulk consumer involved in the manufacture, processing, sale, purchase, and use of batteries or components so as to regulate and ensure the environmentally safe disposal of used batteries.

2002 - The Noise Pollution (Regulation and Control) (Amendment) Rules lay down such terms and conditions as are necessary to reduce noise pollution, permit use of loud speakers or public address systems during night hours (between 10:00 p.m. to 12:00 midnight) on or during any cultural or religious festive occasion.

2002 - The Biological Diversity Act is an act to provide for the conservation of biological diversity, sustainable use of its components, and fair and equitable sharing of the benefits arising out of the use of biological resources and knowledge associated with it.

Forest and wildlife

1927 - The Indian Forest Act and Amendment, 1984, is one of the many surviving colonial statutes. It was enacted to ‘consolidate the law related to forest, the transit of forest produce, and the duty leviable on timber and other forest produce’.

1972 - The Wildlife Protection Act, Rules 1973 and Amendment 1991 provides for the protection of birds and animals and for all matters that are connected to it whether it be their habitat or the waterhole or the forests that sustain them.

This act was amended in 1983, 1986 and 1991.

This act is aimed to protect and preserve wildlife. Wild life refers to all animals and plants that are not domesticated. India has rich wildlife heritage. It has 350 species of mammals, 1200 species of birds and about 20,000 known species of insects. Some of them are listed as 'endangered species' in the wildlife (Protection) act.

Wildlife is an integral part of our ecology and plays an essential role in its functioning. Wildlife is declining due to human actions, the wildlife products skins, furs, feathers, ivory, etc., have decimated the populations of many species.

Wildlife populations are regularly monitored and management strategies formulated to protect them.

Important features:

1) The Act covers the rights and non-rights of forest dwellers.

2) It provides restricted grazing in sanctuaries but prohibits in national park.

3) It also prohibits the collection of non timer forest.

4) The rights of forest dwellers recognized by the Forest Policy of 1988 are taken away by the Amended Wild life Act of 1991.

Drawbacks of wildlife protection act, 1972:

• Since this act has been enacted just as a fallout of Stockholm conference held in 1972, it has not included any locally evolved conservation measures.

• The ownership certificates for some animals often serve as a tool for illegal trading.

• Jammu and Kashmir have their own wildlife acts, therefore, trading and hunting of many endangered species and prohibited in other states are allowed in Jammu and Kashmir.

1980 - Forest Conservation Act

This act provides conservation of forests and related aspects. This act also covers all type of forests including reserved forests, protected forests and any forested land.

This Act is enacted in 1980. It aims at to arrest deforestation.

Important features of Forest Act:

(i) The reserved forests shall not be diverted or de reserved without the prior permission of the central government.

(ii) This land that has been notified or registered or forest land may not be caused for non forest purposes.

(iii) Any illegal non forest activity within a forest area can be immediately stopped under Act.

Important features of Amendment Act of 1988:

(i) Forest departments are forbidden to assign any forest land by way of lease or otherwise to any private person or non government body for reafforestation.

(ii) Clearance of any forest land of naturally grown trees for the purpose of reafforestation is forbidden.

(iii) The diversion of forest land for non-forest uses is cognizable offense and any one who violates the law is punishable.

Drawbacks of Forest (conservation) Act, 1980:

• This act only transfers the powers from state to centre to decide the conversion of reserve forests to non-forest areas.

• The power has been centralized at the top and local communities have been completely ignored from the decision making process regarding the nature of forest areas.

• Tribal people living in forests are totally dependent on forest resources. If they are stopped from an exploiting forests for their livelihood and they resort to the criminal activities like killing, smuggling, etc.

• This law is concentrated on protecting trees, birds and animals but not on protecting poor people.

• The forest dwelling tribal communities have a rich knowledge about forest resources, their conservation and importance. However, their role and contribution is not being acknowledged.

Water

1882 - The Easement Act allows private rights to use a resource that is, groundwater, by viewing it as an attachment to the land. It also states that all surface water belongs to the state and is a state property.

1897 - The Indian Fisheries Act establishes two sets of penal offences whereby the government can sue any person who uses dynamite or other explosive substance in any way (whether coastal or inland) with intent to catch or destroy any fish or poisonous fish in order to kill.

1956 - The River Boards Act enables the states to enroll the central government in setting up an Advisory River Board to resolve issues in inter-state cooperation.

1970 - The Merchant Shipping Act aims to deal with waste arising from ships along the coastal areas within a specified radius.

1974 - The Water (Prevention and Control of Pollution) Act establishes an institutional structure for preventing and abating water pollution. It establishes standards for water quality and effluent. Polluting industries must seek permission to discharge waste into effluent bodies.

The CPCB (Central Pollution Control Board) was constituted under this act.

The Water Act was enacted by Parliament Act, 1974 for the prevention and control of water pollution and maintaining or restoring of wholesomeness of water.

The relevant provisions of this act are given below:

Under section 21: Officials of pollution control board can take samples of water effluent from any industry, stream or well or sewage sample for the purpose of analysis.

Under section 23: Officials of the state boards can enter any premises for the purpose of examining any record, plant, register or any of the functions of the Board entrusted.

Under section 24: No person shall discharge any poisonous, noxious or any polluting matter into any stream or well or sewer or on land.

Under section 25: No person without the previous consent to:

A. Establish or take any step to establish any industry, operation or process or any treatment and disposal system for any extension or addition there to, which is likely to discharge sewage or trade effluent into a stream or well or sewer or on land.

B. Bring into use any new or altered outlet for the discharge of sewage.

C. Begin to make any new discharge of sewage.

Under this section, the state board may grant consent to industry after satisfying itself on the pollution control measures taken by a unit or refuse such consent for some reasons to be recorded in writing.

Under section 27: The state board may grant consent to the industry after satisfying itself on the pollution control measures taken by the unit or refuse such consent for reasons to be recorded in writing.

Under section 28: Any person aggrieved by the order made by the State Board may within 30 days from the date on which the order is communicated, prefer an appeal to such authority.

Under section 33: State Board can direct any person who is likely to cause or has cause the pollution of water in street or well to desist from taking such action as is likely to cause its pollution or to remove such matters as specified by Board through court.

Under section 33A: Pollution control board can issue any directions to any person, officer or authority and such person shall be bound to comply with such directions. The directions include the power to direct:

A. The closure, prohibition of any industry.

B. Stoppage or regulations of supply of electricity, water or any other services.

Under section 43: Whoever contravenes the provisions of Section 24 shall be punishable with imprisonment for a term which shall not be less than one year and six months but which may extend to six years with fine.

Under section 45: If any who has been convicted of any offense is again found guilty of an offense involving a contravention of the same provision shall be on the second and on every subsequent conviction be punishable with imprisonment for a term which shall not be less than two years but which may extend to seven years with fine.

Under section 45 A: Whoever contravenes any of the provisions of this act or fails to comply with any order or direction given under this act for which no penalty has been elsewhere provided in this act, shall be punishable with imprisonment which may extend to 3 months or with fine which may extend to 10,000 rupees or with both.

Drawbacks of pollution related acts:

• Power and authority has been given only to the central government with a little power to the state government. This hinders effective implementation of the act in the states.

• The penalties imposed by the above act are very small when comparing to the damage caused by big industries due to pollution.

• A person cannot directly file a petition in the court.

• Litigation, related to the environment is expensive, since it involves technical knowledge.

• For small industries, it is very expensive to install an individual custom made effluent treatment plant.

1977 - The Water (Prevention and Control of Pollution) Cess Act provides for the levy and collection of cess or fees on water consuming industries and local authorities.

1978 - The Water (Prevention and Control of Pollution) Cess Rules contains the standard definitions and indicate the kind of and location of meters that every consumer of water is required to affix.

1991 - The Coastal Regulation Zone Notification puts regulations on various activities, including construction, are regulated. It gives some protection to the backwaters and estuaries.

Air

1948 – The Factories Act and Amendment in 1987 was the first to express concern for the working environment of the workers. The amendment of 1987 has sharpened its environmental focus and expanded its application to hazardous processes.

1981 - The Air (Prevention and Control of Pollution) Act provides for the control and abatement of air pollution. It entrusts the power of enforcing this act to the CPCB .

This Act was enacted in the conference held at Stockholm in 1972. It deals with the problems relating to air pollution. It envisages the establishment of central and state control boards endowed with absolute powers to monitor air Quality.

Objectives of AIR act:

i) To prevent, control and abatement of air pollution.

ii) To maintain the Quality of air.

iii) To establish a board for the prevention and control of air pollution.

Important features of AIR Act:

a) The central board may lay down the standards.

b) The central board co-ordinates and settle disputes between state boards, in addition to providing technical assistance.

c) The state boards are empowered to lay down the standards for emissions of air pollutants from industrial units (or) automobiles.

d) The state boards are to collect and disseminate information related to air pollution.

e) The state boards are to examine the manufacturing orders.

f) The state board can adhesive the state government to declare certain heavily polluted areas as pollution control areas.

g) The directions of the central board are mandatory on state boards.

h) The operation of an industrial unit is prohibited in a heavily polluted areas.

i) Violation of law is punishable with imprisonment for a term which may extend to 3 months.

1982 - The Air (Prevention and Control of Pollution) Rules defines the procedures of the meetings of the Boards and the powers entrusted to them.

1982 - The Atomic Energy Act deals with the radioactive waste.

1987 - The Air (Prevention and Control of Pollution) Amendment Act empowers the central and state pollution control boards to meet with grave emergencies of air pollution.

1988 - The Motor Vehicles Act states that all hazardous waste is to be properly packaged, labelled, and transported.

2.3 Writing a Business plan, components of a Business-Plan

A business plan is actually a compilation of several sub-plans. A simplified business plan can be prepared within the municipality to consist of:

• Title page and table of contents

• Executive summary and business profile

• Marketing plan

• Operations plan

• Human resources plan

• Financial plan

Preparing a business plan means developing a comprehensive set of operational activities arising from the strategic plans. It is an essential step in the preparation for PPP's to ensure that municipalities know:

• What the objectives are;

• How the PPP option will be managed; and

• How the PPP goals will be attained.

A. Title page and table of contents

The title page should include the name of the partnership, the period of time that the plan covers, the date that the plan was prepared as well as a contact person, phone number and address. The title page should look professional: it is the first page a reader sees and first impressions are important.

The table of contents lists the topics covered by the plan. As a road map, it allows the reader to jump immediately to those sections that are of most interest.

B. Executive summary and business profile

The purpose of the executive summary is to capture the highlights of the business plan and serve as a quick reference. The summary is usually completed after the remainder of the plan has been written and should preferably be about 1 or 2 pages long. It should include:

• A brief description of the service, potential customers and markets;

• Purpose and concept of the partnership (or why the marketplace needs the services of the partnership);

• Business targets (projections in terms of units and monetary volumes during the time period that the plan covers) and how it can be attained;

• Required financing and sources, how the funds will be used and how the funds will be repaid; and

• Linkages to the partnership's strategic plan.

Along with this, a brief description of the partnership organization and ownership should be provided. Other useful information includes management, previous financing (by whom), the proposed start-up date of operations, important details of the partnership's current market area, customers and trends that the proposed business can build upon.

C. Marketing plan

The marketing plan describes, in general terms: the industry in which the partnership intends to operate and the strategy to penetrate or develop the target market; how much is planned to be sold; who the customers are; how the services will be priced; and how the services will be promoted. A full marketing plan and strategy need not be included in the business plan but a number of alternatives need to be considered and evaluated in the planning process before the marketing plan is finalized.

There are various exercises that can be helpful in the planning process:

• SWOT analysis – strengths, weaknesses, opportunities and threats.

• PEST analysis – political, economic, social and technological.

• Balanced scorecard – analysis of the impact of achieving objectives from a financial perspective, a customer perspective and an internal perspective and of innovation and learning, together with identification of critical success factors and performance measures.

• Brainstorming – for alternative scenarios, opportunities and strategies.

The marketing plan must cover/include:

• Evidence that the partnership is aware of market conditions (size and structure), the general economy and competition.

• The implications of change (or trends), new technologies, new products, different lifestyles, ability of customers to afford the service.

• The implications of legal or political constraints on how the services are produced and delivered.

• The competitive advantage of the particular service to be provided or if it fills a particular niche in the marketplace.

• The basis for pricing the service based on costs, the competition or what the market will bear.

• The geographic location in which the partnership will concentrate its promotions.

• The best way to distribute the service to customers.

In formal terms, the marketing plan should address the four “P's” of marketing: product, price, promotion and place (distribution). It should also identify strategically where the partnership is at, where it wants to go and how it will get there. A critical component will be a projection of sales where it is required to make forecasts, at least three sets of projections should be considered: "optimistic", "pessimistic" and "most likely" scenarios.

D. Operations plan

The operations plan is a brief outline of the basic operation of the PPP option. This may be obvious to some people, but not necessarily to every stakeholder. The following points should be taken into consideration:

• How the service is to be provided.

• Where the supplies and materials will be purchased and how the service is to be delivered.

• What after-sales service is required (repairs and so on.

• What land, buildings, facilities and equipment are required, including costs and financing (for lease or ownership), renovations, local taxes and utility costs.

• What employee and management plans are required, including how skilled labour can be accessed if required.

• The business location that is chosen and an explanation of why it should serve the partnership’s needs, proximity to customers, suppliers, transportation costs and location of competitors.

• The production capacity, turnover rates or services that can be achieved realistically with the existing or proposed plan and staff.

E. Human resources plan

Management is critically important to the success of any PPP option. Investors or lenders are looking for a balanced team of people to cover the important areas of management, marketing, accounting and the technical skills to deliver on the business plan. Human resource management requires thinking about how the partnership will recruit, screen, motivate, train and discipline the staff needed to work. The human resources plan should cover/include the points below:

• It should name the key people operating the PPP option and outline the education or experience each of them brings to it.

• It should explain how key areas of the operation are handled and by whom. An organizational chart may be useful in this regard. Contingency plans should be indicated if a key person cannot work for an extended period of time.

• It should indicate any weaknesses in the management team and the strategy to overcome them and in what time frame. Training existing staff, recruiting new employees or hiring outside advisors are some of the possibilities.

• It should indicate whether salary and compensation of managers and employees are competitive within the industry and whether incentives such as commissions, bonuses or profit sharing are being offered.

• It should name the board of directors or professional advisors and indicate how management will use their experience and guidance. The timing and frequency of board meetings should also be indicated.

Recognition of the contribution made by employees to an organization is one key to the growth and success of a partnership. The plan should outline how the municipal management intends to identify, recruit or promote key people and maintain a strong sense of collective achievement with all employees.

F. Financial plan

The financial plan is a key component of the business plan. This is because the process of creating financial projections for the PPP option revenue and expenses, cash flow and financial position will force the team preparing the business plan to examine all of the other key components of the plan.

In doing this, they will be able to describe their plan in monetary terms and detect any discrepancies, gaps or unrealistic assumptions made earlier. The financial plan is also a valuable tool for creditors or government agencies when evaluating the partnership's needs and use of funds.

The financial plan consists of: an income statement; a cash flow summary; the balance sheet; capital sales and purchases; and a financing schedule.

Income statement

The purpose of the income statement is to disclose the annual revenues and expenses of a business over the period of time that the plan covers. For an existing business, information for at least the last one or two years is necessary.

Cash flow summary

Of all the supporting documents, the cash flow projection is one of the most difficult to prepare. Basically, it is an educated guess about when and how much money will be coming into and going out of partnership option. The cash flow forecast enables managers to decide what can be afforded, when it can be afforded and how the partnership will be kept operating on a month-to-month basis.

This information is useful to indicate the projected increases or decreases of a bank loan that may be required during the year. Quarterly summaries are often adequate, but occasionally monthly summaries are required for the first year of operation.

The balance sheet

The balance sheet describes the assets, the liabilities and the equity of the partnership at a particular point in time. It is a widely used accounting statement that indicates the economic resources of the organization and the claim on those resources by creditors. This information is useful in that it allows management and creditors to compare the partnership's estimates, as well as its past performance, against industry averages.

Capital sales and purchases

Investors and lenders will require detailed information on the capital purchases that are anticipated during the planning period, as well as information on how these assets are to be financed and the expected useful life of the assets. Capital assets include land, buildings and equipment.

Financing schedule

The financing schedule or loan summary should provide the reader with a snapshot view of existing and new loans that will be held by the partnership. Information should outline the interest rate being paid, frequency of payments, security given, type of loan (amortised versus non-amortised) and the expected term of the loan. For existing loans, the name of the financial institution should be indicated.

No one expects a new partnership to make a profit in the first month, quarter or in some cases year. However, there should be light at the end of the tunnel. Interest on loans is repayable from the first day of operation and the partnership must show a return on the investment, in terms of both time and money, within a realistic time frame if it is to be viable.

2.3.1 Determining Bankability of the project

Bankable Projects

The term 'bankable project' is widely used, but not precisely defined. Here we will define 'a bankable project' as 'a project which itself has a positive net present value at the discount rate of the financier and where the cash flow of the project owner after implementation of the project is that, it can meet its debt service obligations.'

This definition makes it clear that the bankability of a project is related to both the project and to the project owner implementing the project. Whether a project is bankable or not it is determined by financial analysis of both the project and the project owner.

Financial analysis of the project

Financial analysis of a project involves assessing all cash flows associated with the project, excluding those that relate to the financing of the project. Positive cash flow will come from the revenue of the project while negative cash flows comes from the investment expenditure as well as the operations and maintenance expenditures. Each cash flow is allocated to the period in which it occurs.

This sounds very simple, in fact this sounds simpler than it is. The difficulty is to define what constitutes 'the project'. This can only be done by defining the alternative "without the project-development”. In other words, the cash flows, which are to be associated with the project can only be determined, by calculating the cash flows related to the future without the project. Thus it is necessary to describe a future without the project (sometimes referred as 'zero' alternative). This description necessarily involves making a number of assumptions about the future.

It is important that these assumptions are discussed with and agreed with the project owner and the institution for which the analysis is carried out. If it is a green-field investment, it may be acceptable to assume that the alternative to the project is no project. But if the project involves rehabilitation of an existing system, it is not a good assumption that the alternative to the project is that the existing system continues as it is.

Typically, the rehabilitation needs have occurred because of the insufficient maintenance in the past. An argued assessment of the future will have to be made. Will the system continue to deteriorate? What services will the system provide? How much water will be provided in the future by deteriorated system? How much will be spent on the future operation and maintenance without the project?

Having established the “zero” alternative, the next task is to establish the best alternative(s) to the proposed project. Many feasibility studies failed because they do not adequately consider the alternative options. For example, if a water supply project for a city involves a major new source development, e.g. building a dam and transporting water to the city via the water treatment plant, it is essential to consider the water savings alternative.

What can be saved by reducing the network water losses? What can be obtained by increasing the water tariffs, thus decreasing the water demand? Considering the proper alternatives is the most important part of any feasibility study.

Having established all the cash flows, the net present value and the internal rate of return of the project can be calculated. If the IRR is higher than the discount rate required or equivalent hereto the NPV is positive at the chosen discount rate, the project has fulfilled one of the conditions for being bankable. The other condition relates to the financial analysis of the project owner.

Financial analysis of the project owner

A project can have a positive NPV or an IRR that is higher than the discount rate and still not be a financially feasible project. Projects do not exist in isolation; they have a sponsor or a 'project owner'. For example an urban sanitation project may be sponsored by a municipality or by a water and wastewater utility.

In these cases it is necessary to analyze the cash flow and balance sheet of the project owner. If the cash flow of the project owner after implementing the project is such that the project owner cannot afford to operate the project, the project is not financially viable.

For example, the case where the project involves large financial outlays in the early years and revenues later and where the project owner in question cannot achieve loans or other finance to bridge the gap in time between the expenditure and revenues.

It may also be the case, where the financial situation of the project owner is very poor before the project. In this case, even if the cash flow of the project is positive year by year, it may not be financially viable if there is a risk that the projects revenues are being siphoned off to cover the project owner's expenditure elsewhere.

While this sounds absurd, such a situation has been seen in many municipalities where water supply projects, which in themselves are profitable, become infeasible as the revenue that should be used to operate and maintain the water system is used elsewhere. For this reason, a simple accounting analysis is needed.

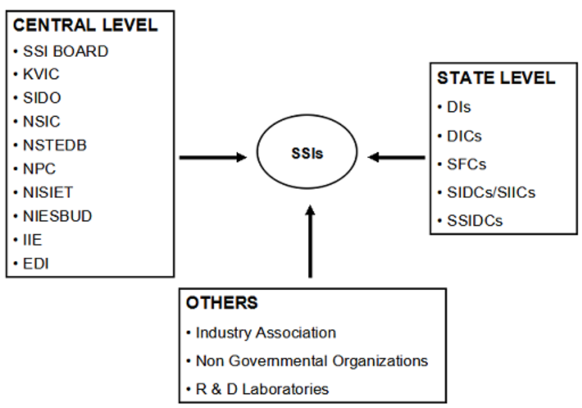
3

INSTITUTIONAL SUPPORT FOR SME

Institutional Support for SME: Central / State level Institution promoting SME. Financial Management in small business. Marketing Management, problems & strategies, Problems of HRM – Relevant Labour – laws.

Sickness in Small Enterprises: Causes and symptoms of sickness – cures of sickness. Govt. policies on revival of sickness and remedial measures.

3.1 Central/state level Institution promoting SME



Institutions Supporting Small-scale Industries

3.1.1 Central level Institution promoting SME

SMALL SCALE INDUSTRIES BOARD (SSIB)

The government of India constituted a board, namely, Small Scale Industries Board(SSIB) in 1954 to advice on development of small scale industries in the country. The SSIB is also known as central small industries board. The range of development working small scale industries involves several departments or ministries and several organs of the central or state governments. Hence, to facilitate co-ordination and inter-institutional linkages, the small scale industries board has been constituted.

It is an apex advisory body constituted to render advice to the government on all issues pertaining to the development of small-scale industries.The industries minister of the government of India is the chairman of the SSIB.The SSIB comprises of 50 members including state industry minister, some members of parliament and secretaries of various departments of government of India, financial institutions. public sector undertakings, industry associations and eminent experts in the field.

Khadi and Village Industries Commission (KVIC)

• Statutory body created by an act of Parliament

• It is charged with planning, organization, promotion and implementation of the program for the development of Khadi and other village industries in the rural areas in coordination with other agencies engaged in rural development.

• KVIC's functions also comprise building up a reserve of raw materials and implements for supply to producers, creation of common service facilities for processing of raw materials and provision of marketing of KVIC products.

• KVIC is entrusted with the task of providing financial assistance to institutions or persons engaged in the development and operation of Khadi and village industries and guide them through supply of designs, prototypes and other technical information.

National Small Industries Corporation Ltd. (NSIC)

Established in 1955 by GOI with the main objectives to promote, aid and foster the growth of SSIs in the country.

Over four decades of transition and growth in the SSI sector, NSIC has provided strength through a progressive attitude of modernization, upgradation of technology, quality consciousness, strengthening linkages with large and medium-scale enterprise and boosting exports of products from small enterprises. Main services provided by NSIC are:

• Machinery and Equipment (Hire Purchase / Lease scheme)

• Government Store Purchase Program

• Financial Assistance Scheme

• Technology Transfer Centre (TTC)

• Assistance for Procurement of Raw Material

• Marketing Assistance

NATIONAL SMALL INDUSTRIES CORPORATION (NSIC)

The National Small Industries Corporation (NSIC), an enterprise under the union ministry of industries was set up in 1955 in New Delhi to promote, aid and facilitate the growth of small scale industries in the country.

NSIC offers a package of assistance for the benefit of small scale enterprises.

1. Single point registration: Registration under this scheme for participating in government and public sector undertaking tenders.

2. Information service: NSIC continuously gets updated with the latest specific information on business leads, technology and policy issues.

3. Raw material assistance: NSIC fulfills raw material requirements of small-scale industries and provides raw material on convenient and flexible terms.

4. Meeting credit needs of SSI: NSIC facilitate sanctions of term loan and working capital credit limit of small enterprise from banks.

5. Performance and credit rating: NSIC gives credit rating by international agencies subsidized for small enterprises up to 75% to get better credit terms from banks and export orders from foreign buyers.

SMALL INDUSTRIES DEVELOPMENT ORGANIZATION (SIDO)

SIDO is created for development of various small scale units in different areas. SIDO is a subordinate office of department of 551 and ARI. It is a nodal agency for identifying the needs of SSI units coordinating and monitoring the policies and programmes for promotion of the small industries.

It undertakes various programmes of training, consultancy, evaluation for needs of SSI and development of industrial estates. All these functions are taken care with 27 offices, 31 SISI (Small Industries Service Institute) 31 extension centres of SISI and 7 centres related to production and process development.

The activities of SIDO are divided into three categories as follows:

• Coordination activities of SIDO.

• Industrial development activities of SIDO.

• Management activities of SIDO.

National Institute for Small Industry Extension and Training (NISIET)

• Set up in early 1950s, NISIET acts an important resource and information centre for small units and undertakes research and consultancy for small industry development.

• In 1984, UNIDO has recognized NISIET as an institute of meritorious performance under its Centre of Excellence Scheme to extend aid.

• An autonomous arm of the Ministry of Small Scale Industries, the institute achieves its objectives through training, Consultancy, research and education, to extension and information services.

National Institute for Entrepreneurship and Small Business Development (NIESBUD)

• NIESBUD is an autonomous body under the administrative control of the Office of the DC(SSI).

• NIESBUD established in 1983 by the Ministry of Industry, GOI, as an apex body for coordinating and overseeing the activities of various institutions or agencies engaged in Entrepreneurship Development particularly in the area of small industry and business.

• The policy, direction and guidance to the institute is provided by its Governing Council whose chairman is the Minister of SSI.

• Besides conducting national and international training programs, the institute undertakes research studies, consultancy assignments, development of training aids, etc.

National Science and Technology Entrepreneurship Development Board (NSTEDB)

• Established in 1982 by GOI, is an institutional mechanism to help promote knowledge-driven and technology-intensive enterprises.

Major objectives are:

Promote and develop high-end entrepreneurship for S&T manpower as well as self-employment by utilizing S&T infrastructure and by using S&T methods facilitate and conduct various informational services relating to promotion of entrepreneurship.

Network agencies of support system, academic institutions and R&D organizations to foster self-employment using S&T with special focus on backward areas act as a policy advisory body with regard to entrepreneurship.

National Productivity Council (NPC)

• Autonomous institution functioning under the overall supervision of the Ministry of Industry. GOI.

• Administered by a tripartite Governing Council (GC) which has equal representation from the government. industry and trade unions.

• Primary objective is to act as a catalyst in enhancing the productivity of all sectors of the economy, including industry and agriculture.

• Active in the field of consultancy and training and has a number of specialized divisions to provide tailor-made solutions to agriculture and industry. These divisions, manned by trained consultants, deal with issues related to industrial engineering, plant engineering, energy management, HRD, informal sector, agriculture.

• NPC is a member of the Asian Productivity Organization (APO), Tokyo, an umbrella body of all productivity councils in Asian region.

• To channelize expertise of NPC to small-scale and informal sector, SIDBI has tied-up with NPC for enhancing technology in small units.

3.1.2 State level Institution promoting SME

Directorate of Industries (DIs) :

At the State level, the Commissioner or Director of Industries implements policies for the promotion and development of small-scale, cottage,medium and large scale industries. The Central policies for the SSI sector serve as guidelines but each State evolves its own policy and package of incentives.

The Commissioner or Director of Industries in all the States/UTs, oversee the activities of field offices, that is, the District Industries Centers (DICs) at the district level.

District Industries Centers (DICs) :

In order to extend promotion of small-scale and cottage industries beyond big cities and state capitals to district headquarters, DIC program was initiated in May, 1978, as a centrally sponsored scheme. DIC was established with the aim of generating greater employment opportunities especially in rural and backward areas in the country. At present DICs operate under respective Sate budgetary provisions.

DICs extend services of the following nature:

(i) Economic investigation of local resources

(ii) Supply of machinery and equipment

(iii) Provision of raw materials

(iv) Arrangement of credit facilities

(v) Marketing

(vi) Quality inputs

(vii) Consultancy.

State Financial Corporation’s (SFCs) :

Main objectives are to finance and promote small and medium enterprises in their respective states for achieving balanced regional growth, catalyze investment, generate employment and widen ownership base of industry.

Financial assistance is provided by way of term loans, direct subscription to equity or debentures, guarantees, discounting of bills of exchange and seed capital assistance. SFCs operate a number of schemes of refinance of IDBI and SIDBI and also extend equity type assistance.

SFCs have tailor-made schemes for artisans and special target groups such as women, ex-servicemen, physically challenged and also provide financial assistance for small road transport operators, tourism-related activities, hotels and hospitals. Under Single Window Scheme of SIDBI, SFCs have also been extending working capital along with the term loans to mitigate the difficulties faced by SSIs in obtaining working capital limits on time.

State Industrial Development or Investment Corporation (SIDC/SIIC):

Set up under the Companies Act, 1956, as wholly owned undertakings of the State governments, act as catalysts in respective states. SIDC helps in developing the land providing developed plots together with facilities like water supply, roads, power, drainage and other amenities.

They also extend assistance to the small-scale sector by way of term loans, subscription to equity and promotional services. 11 out of 28 SIDCs in the country also function as SFCs which are termed as Twin-function IDCs.

State Small Industrial Development Corporations (SSIDC):

Established under Companies Act, 1956, as State government undertaking, caters to small, tiny and village industries in respective states. Being operationally flexible undertakes the activities such as:

(i) Procure and distribution of scarce raw materials

(ii) Product marketing assistance

(iii) Supply of machinery to SSI units on hire-purchase basis

(iv) Construction of industrial estates, allied infrastructure facilities and their maintenance

(v) Extending seed capital assistance on behalf of State government

(vi) Providing management assistance to production units.

3.2 Financial Management in small business

Financial Management is the process of managing the financial resources, including accounting and financial reporting, budgeting, collecting accounts receivable, risk management and insurance for a business.

The financial management system for a small business includes both how we are financing it as well as how we manage the money in the business.

In setting up a financial management system our first decision is whether we will manage our financial records ourself or whether we will have someone else do it for us. There are a number of alternative ways we can handle this.

We can manage everything ourself; hire an employee who manages it for us; keep our records in house, but have an accountant prepare specialized reporting such as tax returns; or have an external bookkeeping service that manages financial transactions and an accountant that handles formal reporting functions. Some accounting firms also handle bookkeeping functions. Software packages are also available for handling bookkeeping and accounting.

Bookkeeping refers to the daily operation of an accounting system, recording the routine transactions within the appropriate accounts. An accounting system defines the process of identifying, recording, measuring and communicating the financial information about the business. So, in a sense, the bookkeeping function is a subset of the accounting system. A bookkeeper compiles the information that goes into the system.

An accountant takes the data and analyzes it in ways that give us the useful information about our business. They can advise us on the systems needed for our particular business and prepare accurate reports certified by their credentials. While the software packages are readily available to meet almost any accounting need, having an accountant at least review our records can lend credibility to our business, especially when dealing with the lending institutions and government agencies.

Setting up an accounting system, paying employees, collecting bills, suppliers and taxes correctly and on time are all part of running a small business. And, unless accounting is our small business, it is often the bane for the small business owner. Setting up a system that does what we need with the minimum of maintenance can make running a small business not only more pleasant, but it can save us from the problems down the road.

The basis for every accounting system is a good Bookkeeping system. What is the difference between that and an accounting system? Think of accounting as the big picture of how our business runs - income, assets, expenses, liabilities - an organized system for keeping track of how the money flows through our business, keeping track that it goes where it is supposed to go.

A good bookkeeping system keeps track of the nuts and bolts - the actual transactions that take place. The bookkeeping system provides the numbers for the accounting system. Both accounting and bookkeeping can be contracted out to external firms if we are not comfortable with managing them ourself.

Even if we outsource the accounting functions, however, we will need some type of Record keeping Systems to manage the day-to-day operations of our business - in addition to a financial plan and a budget to make certain we have thought through where we are headed in our business finances. And, our accounting system should be producing Financial Statements. Learning to read them is an important skill to acquire.

Another area that our financial management system needs to address is risk. Any good system should minimize the risks in our business. Consider to implement some of these risk management strategies in our business. Certainly, insurance needs to be considered not only for our property, equipment, office and employees, but also for loss of critical employees.

Even in businesses that have a well set up system, cash flow can be a problem. There are some tried and true methods for Managing the Cash Shortages that can help prevent cash flow problems and deal with them if they come up. In the worst case we may have difficulties meeting all our debt obligations.

It is possible we may even know at what point and where we want to sell the business or simply close it and liquidate assets. There are financial issues involved for these circumstances too. So, be certain that we know what steps we need to take in order to protect ourself financially in the the long run.

Clearly, the financial management encompasses a number of crucial areas of our business. Take time to set them up right. It will make a significant difference in our stress levels and in the bottom line for our business.

Benefits of Financial Management

Quality financial management offers many benefits to us as a business owner. Financial management includes bookkeeping, projections, financial statements and financing, which forms the foundation for reaching our goals through sound business decisions. Financial management is one of our main avenues to success as a business owner.

Financial management is the way we know if we are making a profit. Financial management helps us decide what we can afford in terms of store or office location, inventory purchases, employees and equipment. We need sound financial information to set our prices and select our vendors. Financial management gives the tools to plan for overall business growth, for diversification of our product lines or for reaching new markets.

Financial management helps us decide which products, services and markets are profitable. Effective financial management gives us tools to chart our course into the future, adjust our direction when needed and help us find our way through challenging times.

If our business growth requires financing (loans), financial management provides the information to know how much we can afford for our business. Financial management gives us not only the documentation needed for a loan application, but also helps us discuss our business circumstances with a lender in terms that improve our ability to qualify for the loan.

3.3 Marketing Management, problems & strategies

Marketing management facilitates the activities and functions which are involved in the distribution of goods and services. According to Philip Kotler, “Marketing management is the analysis, planning, implementation and control of programmes designed to bring about desired exchanges with target markets for the purpose of achieving organizational objectives.

It relies heavily on designing the organizations offering in terms of targeting the markets needs and desires and using effective pricing, communication and distribution to inform, motivate and service the market.”

Marketing management is concerned with chalking out of a definite programme, after careful analysis and forecasting of the market situations and the ultimate execution of these plans to achieve the objectives of the organization.

Further, their sales plans to a greater extent rest upon the requirements and motives of the consumers in the market. To achieve this objective, the organization has to pay heed to the right pricing, effective advertising and sales promotion, distribution and stimulating the consumers through the best services.

To sum up, marketing management may be defined as the process of managing the marketing programmes for accomplishing organizational goals and objectives. It involves planning, implementation and control of marketing programmes or campaigns.

Importance of Marketing Management:

Marketing management has gained importance to meet increasing competition and the need for improved methods of distribution to reduce the cost and to increase the profits. Marketing management today is the most important function in a commercial and business enterprise.

The following are the other factors showing importance of the marketing management:

(i) Introduction of new products in the market.

(ii) Increasing the production of existing products.

(iii) Reducing cost of sales and distribution.

(iv) Export market.

(v) Development in terms of communication and modes of transportation within and outside the country.

(vi) Rise in per capita income and demand for more goods by the consumers.

Problems Of Marketing

As the marketing field continues to change and develop, keeping up with the times can be a difficult task. Marketing managers are faced with the challenge of managing and organizing their marketing teams and strategies to perform successfully on every available marketing front and there are a lot.

With so many facets to think about and so many steps involved, there is an ever increasing number of areas in which things begin to crumble and marketing strategies go from potential success to obvious failure.

Here are five Common Problems that Marketing Managers Face, along with five solutions to combat these nagging issues.

1. Inexperience or Understaffed

As the marketing field grows and becomes more complex, there is more to know, more to do and more to track. While we may start out with what looks like the perfect marketing team, holes can begin to appear where there is a lack of knowledge or capability. This results in sub-par marketing strategies and poor performance. Thoroughly consider the possibility that our team may need to see some changes before valuable marketing results can start to appear.

Solution:

Take a close look at our current team and see what improvements can be made. A general lack of understanding regarding inbound marketing practices might be indicative of a need to partner with an inbound marketing agency. There are specialized teams that partner with marketing managers to create the content, track results and generate traffic, leads and sales.

2. New Marketing Trends

As new trends appear on the market, it can be difficult for marketing managers to keep track of the changes and implement them in their own strategies. While embracing these changes would be to their benefit, keeping up with all things new regarding web design, social media, user interface and much more, can be quite overwhelming.

Solution:

Inbound marketing agencies exist to do the research and detailed work involved in deciding which new inbound marketing trends to embrace, as well as how to implementing them into business marketing. The process of figuring out which target audience matches the social media, we should focus on the inbound marketing agency's hands. They will produce the information for us, saving us lot of energy and time.

3. Interpreting marketing report data

Some marketing managers lack the knowledge necessary to interpret marketing report data. Without this information, they will not be able to know which marketing strategies to pursue. This can decrease their ROI as they continue to utilize too many strategies, not knowing which one is performing best or can drastically damage their campaign, if they are not using the correct strategies to their full potential.

Solution:

An inbound marketing agency's role is to help interpret and translate the data received back from marketing happenings for marketing managers. Utilizing the analytic software, they are able to configure reports and provide advice to managers on how to modify their marketing strategies to get the best results.

4. Lack of Communication

While there is a swirl of things going on, it is important that all the results and happenings are communicated to the rest of the team. Marketing managers that do not have a working system for collecting, organizing, interpreting and communicating their campaign data to the rest of the team are ill equipped to analyze and improve their marketing strategy.

In addition to this, poorly collected data or a lack of data can cause poor and uncomfortable communication between marketing managers and their superiors.

Solution:

When searching for better communication between team members, many have found that the best results have been achieved by looking at 3 specific areas of a marketing strategy. First, consider how our marketing strategy is driving traffic and if it is working. Second, see how well our strategy is converting that traffic into leads and finally, analyze how effective our sales funnel is at turning leads into customers and generating sales revenue.

To have better communication with management, work to gather and translate site data, implement the call tracking software, report on successful content and provide reports on the marketing results. Don't be afraid to show where problems are most likely occurring and build a strategy to solve those problems.

5. Closing the Sales Loop

Putting in the effort without seeing results can be one of the most discouraging things a marketing team will experience. We could have laid out a strategy that seems to be working well and our traffic has gone up, but our customer count will not budge. Here are two possible areas where things are slipping through.

Disconnect in Handing Leads to Sales Team

It could be that our marketing team and sales team are not quite in synchronizing our sales team may not have access to the leads of the marketing team is creating or they may not have an understanding as to how to best approach the leads they are getting.

Inadequate Handling

It may be that there is no system in place for approaching the potential customers or the system that our sales team has for contacting and encouraging leads isn't working.

Solution:

Some investigation into these possibilities can help managers know whether to increase more communication between the teams, seek advice on approaching leads or restructure their entire sales strategy. This will help us to close the sales loop and enjoy the increased revenue we have been working for.

Challenges In Marketing Management

Small business owners wear many hats, including being in charge of operations, product development and managing the finance function. But in business a pivotal role of the owner is marketing management, planning and carrying out the strategies and tactics that will bring the customers through the door.

1. Keeping Abreast of Competitors' Actions

The marketing management function in a small business can be compared to a series of ongoing chess matches between us and our major competitors. To give ourself the best chance of winning these matches, the first step is to know what our opponents are doing and are likely to do.

Every business owner needs to make gathering information about competitors a high priority. If a competitor has historically slashed prices in the summer, we need to have our own response to this tactic planned out so we don't lose the customers.

2. Scarcity of Resources

Most small businesses have more ideas for marketing their products or services than they have funds available to execute these strategies. Prioritizing expenditures becomes paramount importance. We must allocate these resources where they will have the strongest positive impact on sales.

The challenge in this allocation process is that the business owner may not be certain about the likely effectiveness of a new marketing tactic. Experimentation takes place ,even guesswork in some cases, we may guess wrong and the sales results from the tactic are disappointing.

3. Dealing with Competitive Disadvantages

Businesses have both competitive advantages aspects of their products and service level that make it easier to attract new customers and disadvantage areas where competitors' products or services are better suited to meet the customers' needs.

In the long run, a small business owner seeks to upgrade the company's market offering to narrow the gap between a company and its competitors. In the short run, our challenge is to create a marketing message that emphasizes our own company's strengths.

4. Listening to the Customer

Small business owners are close to their customers or customer prospects, they may speak or interact with them on daily basis. It is important to use these interactions as an opportunity to learn about what customers really want or need.

Every conversation provides chances to gather information that can help us tailor our business operation to be closely aligned with these customer preferences. We have to make an effort to ask them what we can do, to better serve their needs as well as finding out their opinions of our competitors.

An additional challenge is that customer tastes are constantly changing and we must adapt our products or services to meet these changes.

5. Getting the Message Out

Small business owners have to use a variety of means to spread the word about a company and what it offers. Possible choices include print, direct mail, radio or television advertising, social networking and traditional in-person networking. A major challenge is time.

Given businesses' operational management responsibilities overseeing all aspects of how the business runs may neglect setting aside time for planning and executing a marketing campaign. The effect of not spending enough time getting the word out will lower the potential sales. We cannot afford to just hope that customers find our business.

Strategies for marketing in SME

1. Plan and coordinate what you do: The different strands of marketing need to work in harmony and we will only manage that if can plan carefully and keep it simple. What we say on social media will impact on our PR; our PR should support our SEO and social media can make a huge difference to our SEO. A creative idea has to be judged by whether it delivers our business plan and fits our brand values.

2. Know your customers: We need to have a clear idea about what they read, what websites they visit and even the words and phrases they use to describe things. When do they buy our product or service? What influences them to do so? All this will tell us where to focus our efforts, whether a creative idea will work and how to make sure we are found online.

3. Know your numbers: How much profit do we make on each sale? If we don't know that we won't know how much it's worth spending on marketing or on things like PPC (pay per click).

4. Review your website: Our website is our shop window and where most digital marketing will direct new customers. Get that wrong and the rest is a waste of time. Some websites are the equivalent of having a locked shop door with the blinds down. Set up analytics (ask our web designer if we are not sure how to do this) and study them carefully. The analytics will tell us lot about how our customers use our website and why users leave without buying. People are busy, the easier we make it for our customers the more likely they are to buy our product or service. Where is our phone number and other contact details (they should be at the top of our home page)? Is our site optimized for mobiles? Most searches are done on smart phones, but around half of websites are still difficult to use in that format (it is not expensive to put right).

5. Focus: Do one or two things really well, rather than try to ensure that we are on every platform. Different types of social media work better for different types of business.Once we have made our choice, keep up to date. Social media is changing very quickly. No-one is an expert for long without continually researching what's new.

6. Give people a reason to engage with us: "Please follow me" is the most common tactic for getting followers on social media, but will only work with very good friends. Our customers and potential customers will only follow us if there is something in it for them. That can be advice, exclusive offers/competitions, useful information or the chance to feel important. Good social media strategies will include a mix of these.

7. Learn from your most successful competitors: Work out how and why their digital strategy is successful, follow them on social media, have a really good look at their website and then offer something that they don't. How long is their check out process? Is it shorter or simpler than ours? Do they upsell? Is it annoying or helpful? Have they done anything that was really creative? What impact did it have and why? If they're a service, how do they illustrate that they're effective to potential new clients? Written case studies with customer quotes are the most obvious method but many companies now take a more creative approach.

8. Mind your manners: Talking to people on social media is not that different from talking face to face. We would not march up to a random stranger at a party and start the conversation by trying to sell our product or service, so don't do it on social media. Conversations should be two-way exchanges. Talk about yourself all the time and we will find ourself very lonely. If someone does post a message to you, then reply as soon as you can, particularly if it's a customer. If we are to show customer care and publicly put right any complaints, our reputation will be enhanced, not damaged. The reverse is true if we delete, ignore or belittle complainers. Don't talk down to our customers, there is a whole page on Facebook dedicated to ‘Condescending Brands’, make sure we don’t feature there.

9. Be creative: 5 to 10% of any budget should be used to challenge the normal safe market activities, otherwise how will we will learn if anything else could work more effectively? Some of the best digital marketing ideas are clever but very simple and have come from very small companies. Like all marketing, the key is to test the idea by thinking like our customers do, put ourself in their shoes. Why, as a potential customer, would we pay attention to this when there are so many brands fighting for my attention?

10. Don’t be afraid of using expert help: Employing a good agency is like employing a good accountant; it we can save far more money than it costs, particularly if we decide to enter the world of PPC. Accept expert advice and make use of the free help available online, on social media and at events such the Digital Marketing Show.

3.4 Problems of HRM

Human Resource Management:

The human resources planning are the process that identifies current and future human resources needs for an organization to achieve its goals.

It should serve as a link between human resources management and overall strategic plan of an organization.Aging worker population in most western countries and growing demands for qualified workers in developing economies have underscored the importance of effective Human Resources Planning.

HR Planning:

The ongoing process of systematic planning to achieve optimum use of an organizations is the most valuable asset in human resources. The objective of human resource (HR) planning is to ensure the best fit between employees and jobs while avoiding the manpower shortages or surpluses.

The three key elements of the HR planning process are forecasting labor demand, analyzing present labor supply and balancing projected labor demand and supply.

Recruitment:

It is the process of finding and attempting to attract candidates who are capable of effectively filling job vacancies. The recruitment process consists of the following steps.

Steps involved in recruitment process:

- Identification of vacancy.
- Preparation of job description and job specification.
- Selection of sources.
- Advertising the vacancy.
- Managing the response.

Recruitment is one of the challenging activities of personnel managers. Recruitment means securing human resources for organization. The principle purpose of recruitment activities is to attract sufficient and suitable potential employees.

Recruitment is defined as the process of searching for prospective employees and stimulating them to apply for jobs in a concern.

Sources of Recruitment:

(a) Internal Recruitment within the organization:

• Promotion

• Transfer

(b) External Recruitment:

When large vacancies are to be filled, external sources of manpower supply are preferred. The principle sources of external recruitment are mentioned below.

• Employment agencies

• Advertisements

• Campus recruitment

• Trade unions

• Intermediaries

Selection Process

Selecting a suitable candidate can be the biggest challenge for any organization. The success of an organization largely depends on its staff. Selection of the right candidate builds the foundation of any organization's success and helps in reducing turnovers.

Though there is no fool proof selection procedure that will ensure low turnover and high profits, the following steps generally make up the selection process.

Steps in Selection Process

a) Initial Screening:

This is generally the starting point of any employee selection process. It eliminates unqualified applicants and helps save time.The applications received from various sources are scrutinized and irrelevant ones are discarded.

b) Preliminary Interview:

It is used to eliminate those candidates who do not meet the minimum eligibility criteria laid down by the organization.

The skills, academic and family background, competencies and interests of the candidate are examined during preliminary interview. Preliminary interviews are less formalized and planned than the final interviews.

The candidates are given a brief up about the company and the job profile and it is also examined how much the candidate knows about the company. Preliminary interviews are also called as screening interviews.

c) Filling Application Form:

An candidate who passes the preliminary interview and is found to be eligible for the job is asked to fill in a formal application form. Such a form is designed in a way that it records the personal as well as professional details of the candidates such as age, qualifications, reason for leaving previous job, experience, etc.

d) Personal Interview:

Most employers believe that the personal interview is very important. It helps them in obtaining more information about the prospective employee.

It also helps them in interacting with the candidate and judging his communication abilities, his ease of handling pressure etc. In some companies, the selection process comprises only of the Interview.

e) References check:

Most application forms include a section that requires prospective candidates to put down names of a few references. The references can be classified into former employer, business references, former customers, reputable persons. Such references are contacted to get a feedback on the person in question including his behaviour, skills, conduct, etc.

f) Background Verification:

It is a review of a persons commercial, criminal and financial records. Employers often perform background checks on candidates for employment to confirm information given in a job application, verify a persons identity or ensure that the individual does not have a history of criminal activity etc., that could be an issue upon employment.

g) Final Interview:

It is a process in which a potential employee is evaluated by an employer for prospective employment in their organization. During this process, the employer determine whether or not the applicant is suitable for the job.

Different types of tests are conducted to evaluate the capabilities of an applicant, his behaviour, special qualities etc. Separate tests are conducted for various types of jobs.

h) Physical Examination:

If all goes well, then at this stage, a physical examination is conducted to make sure that the candidate has sound health and does not suffer from any serious ailment.

i) Job Offer:

A candidate who clears all the steps is finally considered right for a particular job and is presented with the job offer. An applicant can be dropped at any given stage if considered unfit for the job.

Training And Development, Performance Management

Training is a process of learning a sequence of programmed behaviour. It improves the employee's performance on the current job and prepares them for an intended job.

Purpose of Training:

1) To improve Productivity: It leads to increased operational productivity and increased company profit.

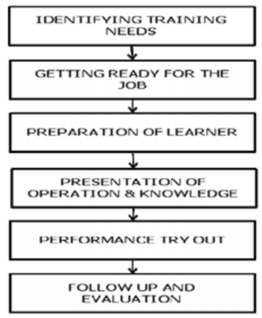
2) To improve Quality: Better trained workers are less likely to make operational mistakes.

3) To improve Organizational Climate: Training leads to improved production and the product quality which enhances financial incentives. This in turn increases the overall morale of the organization.

4) To increase Health and Safety: The proper training prevents industrial accidents.

5) Personal Growth: It gives employees a wider awareness, an enlarged skill base and that leads to enhanced personal growth.

Steps in Training Process



Steps in Training Process

1) Identifying Training needs: A training program is designed to assist in providing solutions for specific operational problems or to improve performance of a trainee.

• Organizational determination and Analysis: The allocation of resources that relate to the organizational goal.

• Operational Analysis: Determination of a specific employee behaviour required for a particular task.

• Man Analysis: Knowledge, attitude and skill one must possess for attainment of organizational objectives.

2) Getting ready for the job: The trainer has to be prepared for the job and also who needs to be trained - the new comer or the existing employee or the supervisory staff.

3) Preparation of the learner:

• Putting the learner at ease.

• Stating the importance and ingredients of the job.

• Creating interest.

• Placing the learner as close to his normal working position.

• Familiarizing him with the equipment, materials and trade terms.

4) Presentation of Operation and Knowledge: The trainer should clearly tell, show, illustrate and question in order to convey the new knowledge and operations. The trainee should be encouraged to ask questions in order to indicate that he really knows and understands the job.

5) Performance Try out: The trainee is asked to go through the job several times. This moderately builds up his skill, speed and confidence.

6) Follow-up: This evaluates the effectiveness of the entire training effort.It can be broadly classified as on-the-job training and off-the-job training.

a) On-the-job training:

On the job training occurs when workers pick up the skills while working along side experienced workers at their place of work. For example this could be the actual assembly line or offices where the employee works.

New workers may simply "shadow" or observe fellow employees to begin with and are often given instruction manuals or interactive training programs to work through.

b) Off-the-job training:

Off-the-job training occurs when workers are taken away from their place of work to be trained. This may take place at training agency or local college, however many larger firms also have their own training centres. Training can take the form of lectures or self-study and can be used to develop more general skills and knowledge that can be used in a variety of situations.

The various types of off-the-job training are:

(i) Instructor presentation: The trainer orally presents new information to the trainees generally through lecture. Instructor presentation may include classroom seminar, lecture, workshop and the like.

(ii) Group discussion: The trainer leads the group of trainees in discussing a topic.

(iii) Demonstration: The trainer shows the correct steps for completing a task or shows an example of a correctly completed task.

(iv) Assigned reading: The trainer gives the trainees, the assignments that provide new information.

(v) Exercise: The trainer assigns problems to be solved either on paper or in real situations related to the topic of the training activity.

(vi) Case study: The trainer gives the trainees information about a situation and directs them to come to a decision or solve a problem concerning the situation.

(vii) Role play: Trainees act out a real-life situation in an instructional setting.

(viii) Field visit and study tour: Trainees are given the opportunity to observe and interact with the problem being solved or skill being learned.

Career Planning And Management

It not only improves job performance but also brings about the growth of the personality.

Purpose of development management attempts to improve managerial performance by imparting the following:

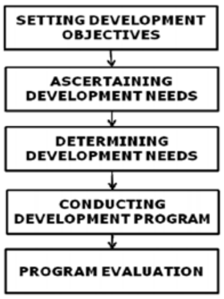
• Knowledge.

• Changing attitudes.

• Increasing skills.

The major objective of development is managerial effectiveness through a planned and a deliberate process of learning. This provides for a planned growth of managers to meet the future organizational needs.

Development Process:



Steps in Development Process

The development process consists of the following steps:

1. Setting Development Objectives:

It develops a framework from which executive needs can be determined.

2. Ascertaining Development Needs:

It aims at organizational planning & forecast the present and future growth.

3. Determining Development Needs:

This consists of appraisal of present management talent, management Manpower Inventory .The above two processes will determine the skill deficiencies that are relative to the future needs of the organization.

4. Conducting Development Programs:

It is carried out on the basis of needs of different individuals, differences in their attitudes and behavior, also their physical, intellectual and emotional qualities. Thus a comprehensive and well conceived program is prepared depending on the organizational needs and the time & cost involved.

5. Program Evaluation:

It is an attempt to assess the value of training in order to achieve the organizational objectives.

Problems of HRM

The success of small and medium-sized enterprises is often considered an indicator of economic health, and while companies with fewer than 250 employees may be less complicated than multinationals, matters of scale present a different blend of challenges. Those tasked with implementing human resources systems and policies in an SME may face challenges not seen in larger HR departments.

Many SMEs have no budget for dedicated HR staff. Payroll and record-keeping may be performed by a bookkeeper or accountant who incorporates those functions into other financial duties. In such a case, managers and supervisors have a greater responsibility to define and communicate HR policy, as well as completing evaluations and discipline procedures typical of supervisory levels. With the job elements of the HR department shared and dispersed through the company, maintaining strategic HR focus may be difficult.

• Recruiting and Hiring

Public awareness of smaller businesses may be limited, compared with high-profile, well-respected international companies. This may put an SME at a disadvantage when recruiting, even if the SME has HR staff dedicated to hiring functions. Responses to job postings may not get response at the level a "name brand" company might, simply through lack of name recognition. Those SMEs without formal HR departments may experience inconsistency with recruiting success, if hiring decisions are spread among managers with different values.

• Training and Retention

Economy of scale is again a challenge for SMEs when new recruits are trained. When a business looks to key staff to perform training, yet still requires productivity from the trainers, a new hire may receive less instruction before being thrown into production, expected to learn as he works. Creating training materials and orientation manuals may likewise strain the resources of an SME that relies on work culture to orient its staff.

• SME Perception of Human Resources

It is common to find small-business owners handling HR systems intuitively, without a theoretical grasp of terms and concepts. SMEs tend to see HR practices in comparatively simple ways, according to a 2004 study by Cornell University. Study participants were familiar with HR practices but did not identify them as such and felt little understanding at how these practices affected their employees. These instinctive attitudes may offer resistance to the introduction of more-formal HR practices.

3.4.1 Relevant Labour – Laws

Laws and Regulations

Laws and regulations at the federal, state and local levels regulate how the companies conduct staffing. Title VII of the 1964 Civil Rights Act banned most discriminatory hiring practices.

Three sensitive areas of legal concern that managers must comply with are equal opportunity, affirmative action and sexual harassment. These areas, as well as other laws, impact all the human resource practices.

Equal Employment Opportunity

Individuals covered under Equal Employment Opportunity (EEO) laws are protected from illegal discrimination, which occurs when people who share a certain characteristic, such as race, age or gender, are discriminated against because of that characteristic.

People who have the designated characteristics are called the protected class. Federal laws have identified the following characteristics for protection:

• Race, ethnic origin, color (for example, Hispanic, African American, Native American, Asian)

• Age (individuals over 40)

• Gender (women, including those who are pregnant)

• Individuals with disabilities (physical and mental)

• Military experience (Vietnam-era veterans)

• Religion

The main purpose of the EEO laws is to ensure that everyone has an equal opportunity of getting a job or being promoted at work.

Affirmative action

While EEO laws aim to ensure equal treatment at work, affirmative action requires the employer to make an extra effort to hire and promote people who belong to a protected group. Affirmative action includes taking specific actions designed to eliminate the present effects of past discriminations.

Employees are also protected by the Equal Employment Opportunity Commission (EEOC), which was established through the 1964 Civil Rights Act, Title VII. The scope of authority of the EEOC has been expanded so that it carries the major enforcement authority for the following laws:

• **Civil Rights Act of 1964:** Prohibits discrimination on the basis of color, race, religion, national origin or sex.

• **Civil Rights Act of 1991:** Reaffirms and tightens prohibition of discrimination. Permits the individuals to sue for punitive damages in cases of intentional discrimination and shifts the burden of proof to the employer.

• **Equal Pay Act of 1963:** Prohibits pay differences based on sex for equal work.

• **Pregnancy Discrimination Act of 1978:** Prohibits discrimination or dismissal of women because of pregnancy alone and protects job security during maternity leaves.

• **American with Disabilities Act:** Prohibits discrimination against the individuals with physical or mental disabilities or the chronically ill and requires that "reasonable accommodations" be provided for the disabled.

• **Vocational Rehabilitation Act:** Prohibits discrimination on the basis of physical or mental disabilities and requires that employees be informed about affirmative action plans.

Most employers in the United States must comply with the provisions of Title VII. Compliance is required from all private employers of 15 or more persons, all educational institutions, state and local governments, public and private employment agencies, labor unions with 15 or more members and joint committees for apprenticeship and training.

Sexual harassment

Few workplace topics have received more attention in recent years than that of the sexual harassment. Since professor Anita Hill confronted Supreme Court nominee Clarence Thomas on national television over a decade ago, the number of sexual harassment claims filed annually in the United States has more than doubled.

Since 1980, U.S. courts generally have used guidelines from the Equal Employment Opportunity Commission to define the sexual harassment. Sexual harassment is defined as "unwelcome sexual advances for sexual favors and other verbal or physical conduct of a sexual nature." Sexual harassment may include unwanted touching, sexually suggestive remarks, sexual advances, requests for sexual favors and other verbal and physical conduct of a sexual nature.

In a 1993 ruling, Supreme Court widened the test for sexual harassment under the civil rights law to whether comments or behavior in a work environment "would reasonably be perceived and is perceived as hostile or abusive." As a result, employees don't need to demonstrate that they have been psychologically damaged to prove the sexual harassment in workplace; they simply must prove that they are working in a hostile or abusive environment.

Sexual harassment is not just a woman's problem. Recently, a decision handed down by the U.S. Supreme Court broadened the definition of sexual harassment to include same-sex harassment as well as harassment of males by female coworkers. In the suit that prompted the Court's decision, a male oil-rig worker claimed he was singled out by other members of the all-male crew for crude sex play, unwanted touching and threats.

From management's standpoint, sexual harassment is a growing concern because it intimidates employees, interferes with the job performance and exposes the organization to liability. Organizations must respond to sexual harassment complaints very quickly because employers are held responsible for sexual harassment if appropriate action is not taken.

The cost of inaction can be high. The Civil Rights Act of 1991 permits victims of sexual harassment to have jury trials and to collect the compensatory damages in cases where the employer acted with "malice or reckless indifference" to the individual's rights.

Employers can take the following steps to help minimize liability for sexual harassment suits:

1. Offer a sexual harassment policy statement: This statement should address where employees can assure confidentiality, report complaints and promise that disciplinary action will be taken against the sexual harassers.

2. Provide communication and training programs for supervisors and managers: These programs should emphasize that sexual harassment will not be tolerated.

3. Conduct fair, impartial investigations and base actions on objectively gathered facts: The complainant must be insulated from the kinds of behavior that prompted the complaint.

Other employment laws

Several other laws impact staffing practices as well. The Fair Labor Standards Act specifies the minimum wage, overtime pay rules and child labor regulations. The Employee Polygraph Protection Act outlaws almost all uses of the polygraph machine for employment purposes.

Privacy laws provide legal rights regarding who has access to information about work history and job performance for employees in certain jurisdictions. Under the Whistleblower Protection Act, some employees who publicize dangerous employer practices are entitled to legal protection. Table lists additional federal laws that shape the HRM practices.

Table: Some Federal Laws Shaping HRM Practices

Law	**Date**	**Description**
National Labor Relations Act	1935	Requires employers to recognize a union chosen by the majority of the employees and to establish procedures governing collective bargaining.
Age Discrimination In	1967, amended	Prohibits age discrimination against employees

Employment Act	in 1978 and 1986	between 40 and 65 years of age and restricts mandatory retirement.
Occupational Safety and Health Act	1970	Establishes mandatory safety and health standards in organizations.
Vietnam-Era Veteran's Readjustment Assistance Act	1974	Prohibits discrimination against disabled veterans and Vietnam-era veterans.
Mandatory Retirement Act	1978	Prohibits the forced retirement of most employees before the age of 70.
Immigration Reform and Control Act	1986	Prohibits employers from knowingly hiring Illegal aliens and prohibits employment on the basis of national origin of citizenship.
Worker Adjustment and Retraining Notification Act	1988	Requires employees to provide 60 days' notice before a facility closing or mass layoff.
Employee Polygraph Protection Act	1988	Limits an employer's ability to use lie detector tests.
Family and Medical Leave Act	1993	Permits employees in organizations with 50 or more workers to take up to 12 weeks of unpaid leave for family or medical reasons for each year.

3.5 Sickness in Small Enterprises-Causes and symptoms of sickness - Cures of sickness

The Micro, Small and Medium Enterprises (MSME’s) sector constitutes a significant segment of the Indian economy in terms of its contribution to the country’s industrial production, exports, employment and creation of an entrepreneurial base.

MSME’s have the advantages of generating the gainful employment with low investment, diversifying the industrial base, reducing the regional disparities through dispersal of industries into rural, semi – urban and backward areas.

The government established the Ministry of Small Scale Industries and Agro and Rural Industries (SSI & ART) in October, 1999 as the nodal ministry for formulation of policies and programmes / schemes, their implementation and related coordination, to supplement the efforts of the states for promotion and development of this category of industries in India.

The Ministry of SSI & ART was bifurcated into two separate ministries, namely, Ministry of Small Scale Industries and Ministry of Agro and Rural Industries, in September 2001.

The role of the Ministry of Small Scale Industries is mainly to assist the states in their efforts to promote the growth and development of SSI's to enhance their competitiveness and to generate additional employment opportunities.

In addition, the Ministry attempts to address the issues of country-wide common concerns and also undertakes advocacy on behalf of the SSI. The output of the Small-Scale Industry Sector contributes almost 40 per cent to the gross industrial value-added and 45 per cent of the total exports from India and is the second largest employer of human resources after agriculture.

As per the quick estimates of 4^{th} All India Census of MSME's, the number of enterprises is estimated to be about 26 million and these provide employment to an estimated 60 million persons of 26 million MSME's, only 1.5 million are in the registered segment while the remaining 24.5 million (94%) are in the unregistered segment.

MSMED Act 2006: According to Micro, Small and Medium Enterprises Act, the enterprises are broadly classified in terms of activity such as enterprises engaged in the manufacturing/production and enterprises engaged in services.

While the manufacturing enterprises are defined in terms of investments in plant and machinery, the service enterprises are defined in terms of investment in equipments. The Act has also defined medium scale enterprises for the first time. The enterprises are further classified into Micro, Small and Medium categories.

Manufacturing Enterprises:

Micro Enterprises – investment up to Rs. 25 lakh.

Small Enterprises – investment above Rs. 25 lakh and up to Rs. 5 crore.

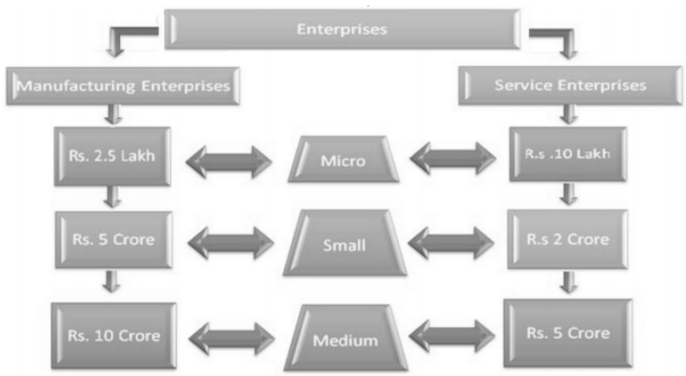
Medium Enterprises – investment above Rs. 5 crore and up to Rs. 10 crore.

Service Enterprises:

Micro Enterprises – investment up to Rs. 10 lakh.

Small Enterprises – investment above Rs. 10 lakh and up to Rs. 2 crore.

Medium Enterprises – investment above Rs. 2 crore and up to Rs. 5 crore.



Classifications of Micro, Small and Medium Enterprise

Sickness

In common parlance, a sick industry is one which is not healthy. A healthy unit is one which earns a reasonable return on capital employed and which builds up reserves after providing a reasonable depreciation.

Signals and Symptoms of Sickness

Sickness is a gradual process with distinct stages taking from 5 to 7 years to corrode the health of a unit beyond cure. It starts with the downturn in the industry whose continuation leads to setting in of industrial sickness. The process of industrial sickness can be presented in the table 1.

Table 1: Process of Industrial Sickness

Process of Industrial Sickness	
Normal Units	• Functional areas, viz., marketing, production, finance and personnel are normal and efficient. Generating profits, Current ratio is more than one. • Net worth is positive and Debt-equity ratio is satisfactory.
Tending towards sickness	• Initial aberration are some of the functional areas. Decline in profit during last year and losses anticipated in current year.
Incipient Sickness	• Deterioration in the above functional areas continues.

	• Cash losses incurred last year are expected in the current year. • Deterioration anticipated during current year. • Although the current ratio is more than one during last year. • Deterioration anticipated in debt-equity ratio during current year.
Sickness	• Unit's functional areas have become inefficient, cash losses were incurred last year, expected in the current year and also in next year. • Current ratio is less than one and debt- equity ratio has worsened.

Symptoms of Sickness

The persistence of various signals over a long period of time becomes the symptoms of sickness. The various symptoms ultimately reflect on plant performance, financial ratios, capacity utilization, share market price and practices in the diverse areas of finance, production, marketing and labour relations in the industry.

Some of the important symptoms which characterize the industrial sickness are given below: deteriorating financial ratios, persisting shortage of cash, widespread use of creative accounting, continuous tumble in the prices of the shares, delay and default in the payment of statutory dues, frequent request to banks and financial institutions for loans, delay in the audit of annual accounts and demoralization of employees and desperation among the top and middle management level.

The financial ratios, in all cases, cannot be considered as true symptoms of industrial sickness mainly due to two reasons. First, the sickness prone units, in order to present a better and sound image, does a lot of window dressing. Second, the financial data is available after a gap of one year.

However, an early identification of signals and symptoms of industrial sickness makes the task of detecting the sickness easier. The details of sickness relating to MSME's sector in India are presented in below Table 2.

Table 2: Sickness in MSMES sector of India during 1998 to 2008 in India

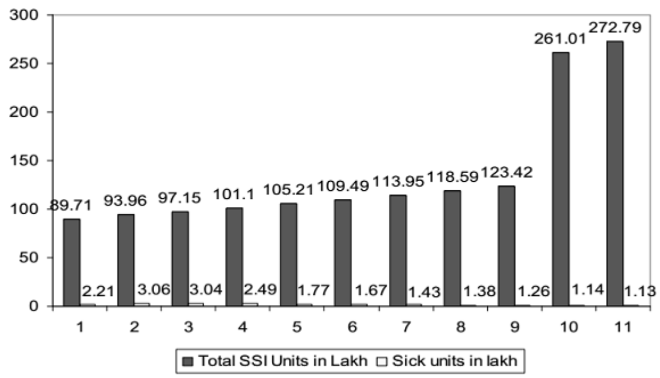
Year	**Total SSI units in Lakh**	**Sick units in lakh**	**Percentage**	**Total investment in crores**	**Sick units investment**	**Percentage**
1998	89.71	2.21	2.46	133242	3857	2.89

1999	93.96	3.06	3.26	135482	4313.48	3.18
2000	97.15	3.04	3.13	139982	4608.43	3.29
2001	101.1	2.49	2.46	146845	4505.54	3.07
2002	105.21	1.77	1.68	154349	4818.95	3.12
2003	109.49	1.67	1.53	162317	5706.35	3.52
2004	113.95	1.43	1.25	170219	5772.64	3.39
2005	118.59	1.38	1.16	178699	5380.13	3.01
2006	123.42	1.26	1.02	188113	4981.13	3.64
2007	261.01	1.14	0.43	500758	5266.65	1.05
2008	272.79	0.85	0.31	558190	13849	2.48

Source: Government of India, Ministry of Micro, Small and Medium Enterprises, Annual Report 2009–2010. It may be noticed from the Table 2 that there were 89.76 lakh MSME's units in 1988 and their number has steadily increased year by year to 272.79 lakh units in 2008.

The percentage of sick units among the MSME's was 2.46 per cent in 1998 and it gradually went up to 3.13 in 2000 and declined to a level of 0.31 per cent in 2008. The total investments in MSME's units was reported at Rs. 1,33,242 crore in 1998, of which the investment incurred on sick units has been worked out to 2.89 per cent.

The percentage of investment of sick units was revolving in the range of 3.52 per cent to 0.248 percent. The maximum percentage of 3.52 per cent was observed during the year 2003. The investment in sick units increased year after year as there was increase in investment in MSME's units. The sickness among MSME's units during 1998-2008 is presented in the graph.



Sickness in MSMES during 1998 to 2008

Viability of Sickness Small Enterprises

A unit may be regarded as potentially viable if it would be in a position, after implementing a relief package spread over a period not exceeding five years from the commencement of the package from banks, financial institutions, Government and other concerned agencies.

The repayment period for restructured debts should not exceed seven years from the date of implementation of the package. In case of tiny/decentralized sector units, the period of reliefs/concessions and repayment period of restructured debts is not to exceed five and seven years respectively. Based on the norms specified above, the banks/financial institutions have to decide whether a sick Small Enterprise is potentially viable or not.

Viability of a unit identified as sick should be decided quickly and made known to the unit and others concerned at the earliest. The rehabilitation package should be fully implemented within six months from the date the unit is declared as 'potentially viable'/viable'. While identifying and implementing the rehabilitation package, banks/FI's are advised to do the 'holding operation' for a period of six months.

This will allow the small-scale units to draw funds from the cash credit account at least to the extent of their deposit of sale proceeds during the period of such 'holding operation'. The details of potentially sick in MSME's sector in India are presented in above Table 2.

As per the data compiled by the RBI from the scheduled commercial banks, sickness in the MSME's has decreased in the recent years. The number of sick units at the end of March, 1998 to 2008 is presented in table 3.

Table 3: Potentially viable units of MSMES sector in India during 1998 – 2008

Year	**Total MSME's**	**Potentially viable**

	Units (in lakhs)	**Amount (in crore)**	**Units (in lakhs)**	**Amount (in crore)**	**Units (in lakhs)**	**Amount (in crore)**
1998	221586	3857	18686	456	8.43	11.82
1999	306221	4313.46	18692	376.96	6.10	8.74
2000	304235	4608.43	14373	369.45	4.72	8.02
2001	269630	4505.54	13076	399.45	4.85	8.87
2002	177336	4818.92	4493	416.41	2.53	8.64
2003	167980	5706.35	3626	624.71	2.16	10.95
2004	143366	5772.64	3245	576.24	2.26	9.98
2005	138041	5380.13	3720	498.56	2.69	9.27
2006	126824	4981.13	4594	498.16	3.62	10.00
2007	114132	5266.65	4287	427.46	3.76	8.12
2008	85187	13849	410	821.29	4.88	16.85

Table 3 presents the details of potentially viable units among the sick units in the MSME's sector. From the table, it can be observed that among 221536 micro, small medium units which were sick in 1998, 8.43 percent were rehabilitated since they were potentially viable.

The absolute number of sick units declined gradually from 167980 units to 85187 units in 2008. The total investment incurred on the sick units was on the increase barring a few years in which the investment on sick units was marginally less than the previous year. It is striking to note that sickness in the MSME units had been declining gradually in absolute numbers, but the investment was on the increase. The percentage of sick units that can be rehabilitated was marginal.

Causes and Consequences of sickness in MSMES

The causes of sickness are basically related to the disorder in any one or more of the functional systems within the unit, viz., Production, Finance, Marketing and Personnel. The various causes of industrial sickness are classified into both internal and external.

The internal causes are concerned with choice of location under estimation of cost of capital, overestimation of demand,mismanagement and failure to introduce proper control techniques and tools, poor maintenance of machinery and equipment and poor public relations.

External factors relate to the environment in which the industry works and over which the industry has no control, for example, government policies regarding production, prices and distribution, inadequate supply of essential inputs like raw material ,power and transport etc., Sickens cannot be attributed to a single factor alone.

In fact, it is the ultimate result of the cumulative effect of many factors/causes working simultaneously which may be closely inter-related or even independent of each other. In view of the origin of the causes of industrial sickness, these are broadly classified into two categories:

1. External or Exogenous Causes

2. Internal or Endogenous Causes

(1) External Causes

The external or exogenous causes which are beyond the control of the industry usually affect the industry-group as a whole. There may be several external factors causing a unit sick and which may vary from time to time for industry to industry and even from one point of time to another for the same industry. The important external factors causing industrial sickness include the following points:

1. Changes in the industrial policies of the Government from time to time

2. Inadequate and untimely availability of necessary inputs like raw materials, power, transport and the skilled labour

3. Recessionary trends hovering in the economy

4. Lack and shrinkage of demand for the product

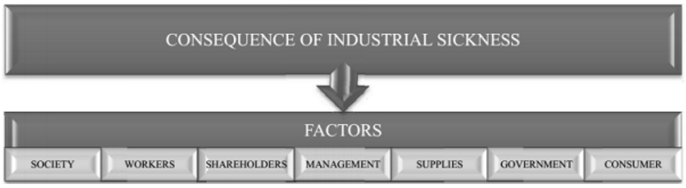
5. Shortage of financial resources especially working capital and

6. Frequent industrial strikes and labour unrest

7. Natural calamities like drought, floods, etc.

(2) Internal Causes

Internal or endogenous causes are those which are within the control of the unit. These causes arise due to some internal deficiencies in various factors like finance, production, marketing and personnel. The figure shows factors of industrial sickness.



Factors of Industrial Sickness

Five Basic Typologies of Industrial Sickness:

a) Operating: Arising from managerial inability to conduct current operations efficiently or from managerial corruption.

b) Strategic: Arising from the lack of adaptability to long-term environmental changes.

c) Staying-power deficiency: Due to defective financial structure.

d) Still-born: Initially misconceived project.

e) Catastrophic: Caused by sheer bad luck.

Reasons for Sickness/Incipient Sickness in MSMES

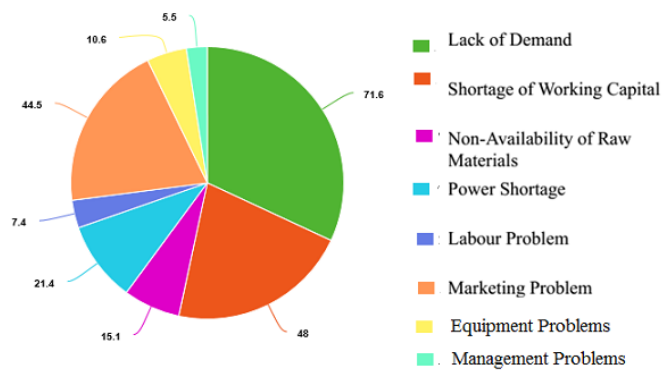
The following table 4 indicates the reasons given by the units suffering from sickness/incipient sickness. 'Lack of demand and shortages of working capital were the main reasons for sickness/incipient sickness in the MSME Sector.

Table 4: Reasons for sickness MSMES in India

Reasons for sickness/incipient sickness	**Proportion of sick/incipient sick units**
1. Lack of demand	71.6%
2. Shortage of working capital	48.0%

3. Non -availability of raw material	15.1%
4. Power shortage	21.4%
5. Labour problems	7.4%
6. Marketing problems	44.5%
7. Equipment problems	10.6%
8. Management problems	5.5%

The total will exceed 100%, as some units have reported more than one reason.



Reasons for sickness MSMEs in India in %

The above graph shows 'marketing problems' accumulated for 44.5 percentages. 'Power shortage' and 'non availability of raw material' shared 21.4 percentages and 15.1 percentages respectively. Other reasons such as labour problems, equipment problems and management problems were found the minimal.

Corrective Measures

The growing incidence of sickness by size, region and industry followed by its far reaching socio-economic evil affects lends a strong realization of urgency to the solution of the sick industry problem in India. Therefore, the remedial measures to detect the fast spreading disease of sickness in industries are explained below:

1. Industrial sickness is not an overnight occurrence but it is a gradual process taking from 5 to 7 years corroding the health of a unit beyond cure. Therefore, identification and detection of sickness at the incipient stage is the first and foremost measure to detect and reduce the industrial sickness.

It is not wrong to argue that delayed identification of sickness could have been mainly responsible for such high proportion of non-viable units among the identified sick units. For identifying sickness at an early stage, appropriate yardsticks need to be evolved and developed.

2. It is a happy augury that now sick small-scale industries also fall within the purview of Board for Industrial and Financial Reconstruction (BIFR). It is better to open a separate division in BIFR to deal with the sickness in small-scale industries because the small-scale industries are characterized by different sets of problems and prospects as compared to the medium and large scale industries.

3. In order to arrest sickness, at the incipient stage, banks and financial institutions should periodically review the accounts of small scale industries borrowers to identify units which are becoming sick or prone to sickness. The Government of India and the Reserve Bank of India should be requested to direct the commercial banks and financial institutions to provide information on sickness to the agencies like BIFR implementing the rehabilitation programmed to facilitate them to take appropriate action.

4. The past experiences indicate that many industrial units fall sick because of the improper opportunity scanning made by the entrepreneurs themselves. They start an industrial unit mainly to avail of subsidies, concessions and incentives from the Government.

We know that a small scale industry entrepreneur is like a one-man band. He/she may possess one or two or three ingredients/requisites but not the all. To quote, an entrepreneur may have building, land, machinery, etc., but has no experience in functional areas like production and marketing. Therefore, the necessity of the situation is to impart necessary knowledge to the entrepreneurs in various functional areas through Entrepreneurship Development Programme (EDP).

3.6 Government policies on revival of sickness and remedial measures

(i) A policy framework regarding the measures to deal with the problem of industrial sickness was laid down in the guidelines announced in October 1981 (later modified in February 1982) for guidance of administrative ministries of Central Government, State Government and financial institutions.

(ii) Government taking over the management of number of industrial units under the provisions of the industries (i.e., Development and Regulation) Act, in 1951, with the aim of reviving them by providing them management of support and financial support through banks and financial institutions has not so far proved as an effective measure for revival of sick units. The present policy does not favor management take over, except as a stop-gap arrangement for the units to be nationalized.

(iii) Government has announced the following concessions:

(a) Amended the Income-Tax Act in 1977 by addition of section 72A, such that tax benefit can be given to healthy units when they take over sick units by amalgamation with a view to reviving them.

(b) Introduced a scheme on January 1, 1982 for provision of margin money to sick units in the small scale sector which is to obtain necessary fund from banks and financial institutions to implement their revival scheme.

(iv) For reducing the sickness in small scale sector a liberalized margin money schemes (LMMS) was introduced in June 1987. Under this scheme the State Governments are to make a matching contribution on 50-50 basis in providing assistance to sick small scale units in their rehabilitation. The maximum amount to be sanctioned has been enhanced from Rs. 20,000 to Rs. 50,000 per sick unit.

(v) The Industrial Reconstruction Corporation of India (IRCI), established by the Government to revive and rehabilitate sick units, was in 1985 converted into a statutory corporation now known as Industrial Reconstruction Bank of India (IRBI) with the aim of overcoming the inherent difficulties which had been faced by the (IRCI).

(vi) In 1983, RBI advised financing banks to evolve methods to diagnose the sickness in industrial units at the incipient stage itself.

(vii) In 1985, the Sick Industrial Companies [Special Provisions] Act (SICA) was passed.

(viii) A scheme for the grant of excise loan to sick/weak Industrial units, introduced in 1989 has been further liberalized in the year 1990. Under this scheme, selected sick units will be eligible for excise loan not exceeding 50 percent of the excise duty actually paid for 5 years.

(ix) Board for Industrial and Financial Reconstruction (BIFR) set up under SICA 1985 for determining the ameliorative, preventive, remedial and other measures in respect of sick industrial units and for expenditure enforcement of the measures determined.

Steps Taken for Revival of Sick Industrial Units

The Government of India has taken a number of steps for the revival of sick industrial units. Important among these are:

1. Setting up of Industrial Reconstruction Bank of India (IRBI) for rehabilitating sick units.

2. Introduction of margin money scheme for sick units.

3. Instructing banks and financial institutions to detect sickness in the incipient stage and to take corrective measures in time.

4. Close monitoring of sick units by the Reserve Bank of India.

5. Setting up of BIFR under SICA for determining preventive ameliorative and remedial measures.

6. Introduction of the scheme of excise loan to sick units.

7. Instruct banks to actively participate in rehabilitating the units which have turned sick to whom they had earlier given the finance under consortium agreement.