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ਪੰਜਾਬ ਸਟੇਟ ਓਪਨ ਯੂਨੀਵਰਸਿਟੀ
ਪਟਿਆਲਾ

The Motto of Our University
(SEWA)
SKILL ENHANCEMENT
EMPLOYABILITY
WISDOM
ACCESSIBILITY

JAGAT GURU NANAK DEV
PUNJAB STATE OPEN UNIVERSITY, PATIALA

(Established by Act No. 19 of 2019 of the Legislature of State of Punjab)

MASTER OF COMMERCE
(M.COM)

SEMESTER - III

MCMM22302T

ENTREPRENEURSHIP DEVELOPMENT

Head Quarter: C/28, The Lower Mall, Patiala-147001
Website: www.psou.ac.in

The Study Material has been prepared exclusively under the guidance of Jagat Guru Nanak Dev Punjab State Open University, Patiala, as per the syllabi prepared by Committee of Experts and approved by the Academic Council.

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JAGAT GURU NANAK DEV PUNJAB STATE OPEN UNIVERSITY,PATIALA

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PREFACE

Jagat Guru Nanak Dev Punjab State Open University, Patiala was established in December2019 by Act 19 of the Legislature of State of Punjab. It is the first and only Open Universityof the State, entrusted with the responsibility of making higher education accessible to all, especially to those sections of society who do not have the means, time or opportunity to pursue regular education.

In keeping with the nature of an Open University, this University provides a flexible education system to suit every need. The time given to complete a programme is double the duration of a regular mode programme. Well-designed study material has been prepared in consultation with experts in their respective fields.

The University offers programmes which have been designed to provide relevant, skill-basedand employability-enhancing education. The study material provided in this booklet is self- instructional, with self-assessment exercises, and recommendations for further readings. Thesyllabus has been divided in sections, and provided as units for simplification.

The University has a network of 110 Learner Support Centres /Study Centres, to enable students to make use of reading facilities, and for curriculum-based counseling andpractical's. We, at the University, welcome you to be a part of this institution of knowledge.

Prof. G.S. Batra
Dean Academic Affairs

MASTER OF COMMERCE (M.Com)
CORE COURSE (CC): ENTREPRENEURSHIP DEVELOPMENT
SEMESTER - III
(MCMM22302T): ENTREPRENEURSHIP DEVELOPMENT

MAX MARKS: 100
EXTERNAL: 70
INTERNAL: 30
PASS: 40%
Credits: 6

OBJECTIVE

The basic objective of this course is to help the learners understand various issues involved in setting up a private enterprise and develop required entrepreneurial skills in economic development. It also aims to motivate students to opt for entrepreneurship and self-employment as alternate career options.

INSTRUCTIONS FOR THE PAPER SETTER/EXAMINER:

1. The syllabus prescribed should be strictly adhered to.
2. The question paper will consist of three sections: A, B, and C. Sections A and B will have four questions from the respective sections of the syllabus and will carry 10 marks each. The candidates will attempt two questions from each section.
3. Section C will have fifteen short answer questions covering the entire syllabus. Each question will carry 3 marks. Candidates will attempt any ten questions from this section.
4. The examiner shall give a clear instruction to the candidates to attempt questions only at one place and only once. Second or subsequent attempts, unless the earlier ones have been crossed out, shall not be evaluated.
5. The duration of each paper will be three hours.

INSTRUCTIONS FOR THE CANDIDATES:

Candidates are required to attempt any two questions each from the sections A and B of the question paper and any ten short questions from Section C. They have to attempt questions only at one place and only once. Second or subsequent attempts, unless the earlier ones have been crossed out, shall not be evaluated.

SECTION-A

Introduction to Entrepreneurship
Concepts and Overview of Entrepreneurship
Evolution and Growth of Entrepreneurship in India
Role of Entrepreneurship in Economic Development
Framework of Entrepreneurship Theories

Dimensions of Entrepreneurship
Entrepreneurial Culture
Entrepreneurial Society
Rural Entrepreneurship
Emerging Trends and Models of Corporate Entrepreneurship

Development of Entrepreneurial Skills
Entrepreneurial Characteristics and Skills
Building New Identity
Goal Setting
Creativity and Problem Solving

SECTION B

Business Plan and Project
Business Plan Preparation and Project Financing
Market Feasibility, Technical Feasibility and Financial Viability
Project Report Preparation
Project Appraisal

Business Opportunities and Start-up Policy
Business Opportunities in the Contest of Punjab and Industrial Policy of the State
Business Incubation Centers
Start-up Policy Framework and Incentives
MSME Policy in India

Support System for Entrepreneurs
Sources of Finance
Venture Capital
Institutional Assistance and Support
Role of Commercial Banks
Marketing Support for Entrepreneurs

Suggested readings:

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Master of Commerce (M.Com.)
CORE COURSE (CC): ENTREPRENEURSHIP DEVELOPMENT
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SECTION A

Unit No.	Unit Name
UNIT 1	Concepts and Overview of Entrepreneurship Evolution and Growth of Entrepreneurship in India
UNIT 2	Role of Entrepreneurship in Economic Development Framework of Entrepreneurship Theories
UNIT 3	Entrepreneurial Culture and Entrepreneurial Society
UNIT 4	Rural Entrepreneurship Emerging Trends and Models of Corporate Entrepreneurship
UNIT 5	Entrepreneurial Characteristics and Skills, Building New Identity, Goal Setting, Creativity and Problem Solving

SECTION B

Unit No.	Unit Name
UNIT 6	Business Plan Preparation and Project Financing
UNIT 7	Market Feasibility, Technical Feasibility and Financial Viability Project Report Preparation, Project Appraisal
UNIT 8	Business Opportunities in the Contest of Punjab and Industrial Policy of the State. Business Incubation Centres
UNIT 9	Start-up Policy Framework and Incentives, MSME Policy in India
UNIT 10	Sources of Finance
UNIT 11	Venture Capital, Institutional Assistance and Support, Role of Commercial Banks
UNIT 12	Marketing Support for Entrepreneurs

Master of Commerce (M.Com)

CORE COURSE (CC): ENTREPRENEURSHIP DEVELOPMENT

SEMESTER - III

UNIT I: - CONCEPTS AND OVERVIEW OF ENTREPRENEURSHIP AND GROWTH OF ENTREPRENEURSHIP IN INDIA

STRUCTURE

1.1 Introduction

Entrepreneurship is the act of creating a business or businesses while building and scaling it to generate a profit. Entrepreneurship is the art of starting a business, or as a venture offering creative product, process or service. Entrepreneurship is used with different meanings such as innovation, risk bearing, adventurism, wealth creation etc.

Entrepreneurship is an evolving phenomenon. With the advancement of science and technology it has undergone metamorphosis change and emerged as a critical input for socioeconomic development. Entrepreneurship is the process of being an entrepreneur, of gathering and allocating the resources, financial, creative, managerial or technological, necessary for the success of new ventures. Entrepreneurship is characterized by creative solutions to problems and ingenuity and innovation are the forte of an entrepreneur. Economies have been characterized by innovations and new products that entrepreneurs have brought to the market. Further, entrepreneurship has acted as the catalyst to transfer a segment of new generation of people into self-employed business owners to provide jobs and motivation for the rest. Entrepreneurship is a phenomenon associated with entrepreneurial activity and entrepreneurs who seek to generate value by identifying and exploiting new products, processes, markets and creating or expanding economic activities.

1.2 Concepts and Overview of Entrepreneurship

Who is an entrepreneur?

Entrepreneur is regarded as one of the four major factors of production, the other three being land, labour and capital. The term entrepreneurship first appeared in the French dictionary in 1723 and is derived from a French word ‘Entreprendre’. This word means ‘to undertake’, ‘to pursue opportunities’, or ‘to fulfill needs. It also points towards innovation and starTing businesses. The term _entrepreneur was first introduced in economics by the early 18th century French economist Richard Cantillon. In his writings, he formally defined the entrepreneur as “an agent who assembles material/inputs for producing goods at a specific price and through coordination of those inputs produces goods whose sales price is uncertain in comparison with production cost”.

According to Oxford English dictionary, the word ‘entreprendre’ termed as “entrepreneur” in 1897 as “director or manager of a public musical institution; one who gets up entertainments, especially musical performance”. Whereas the same dictionary revised its meaning in 1933 and defined it as “a contractor acting as an intermediary between capital and labor”.

The entrepreneur initiates, organizes, manages, and controls the affairs of a business unit. He is in the centre of the industrial production system. He is the owner of the business unit and works with the profit motive. The maximization of profit depends on many factors, such as the capital output, quality of the product, demand of the product and the internal management.

To be a successful entrepreneur, it is desirable to have managerial skills and strong team building abilities along with Leadership attributes. As an entrepreneur a person perceives everything as a chance and takes decisions to exploit the favorable market opportunities.

Definition of Entrepreneurship

Entrepreneurship is defined differently by different authors. While some call entrepreneurship ‘risk-bearing’, for some it is innovation. To understand all about entrepreneurship let us discuss some of its definitions as follows: -

Entrepreneurship is any kind of innovative function that could have a bearing on the welfare of an entrepreneur.”-Joseph A. Schumpeter (1934).

“Entrepreneurship is the dynamic process of creating incremental wealth.”– Robert C. Ronstadt (1984)

“Entrepreneurship is 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.” - The Robert D. Hisrich and Michael P. Peters (1998)

Coleman emphasizes this view and entrusts entrepreneurs with the responsibility of continuously adopting to small changes in the market, both for factors and products. Small enterprise in India is defined in terms of initial investment limit in plant and machinery and the limit is Rs. 10 million (Planning Commission, 2001).

1.3 Evolution and Growth of Entrepreneurship in India

The growth and transformation of entrepreneurship in India began in the early times when the ‘barter system’ was a common means of exchange. However, before proceeding, let us understand what entrepreneurship is and who entrepreneurs are.

Entrepreneurs are those individuals or groups who create new businesses and job opportunities.
Entrepreneurship is the ability of an entrepreneur to run and operate a business with goal-oriented objectives.

In this article, we will focus on the following:

Evolution of entrepreneurship and their classification into different areas.

The importance of entrepreneurship in India

The need of entrepreneurship

Evolution of Entrepreneurship in India

Medieval Age

To discuss the growth or development of entrepreneurship in India, you must understand that India has one of the oldest and most civilized business histories. During the Harappan civilizations around 2700 BC, there was an internal and external trade culture. Also, due to this, most foreign countries recognize Indian entrepreneurial skills.

Moreover, the increase in trade occurred during the era of Mughal rule. The popularity of Indian products, arts, crafts, Vedic tools, foods, and much more attracted attention from different parts of the world. The Arab mainland, western colonial counties and African countries were the major parties involved in the trade.

At the same time, different countries like UK, France and Portugal expanded their colonies in different parts of the world. However, a significant entrepreneurial change occurred when the East India Company started its business from the Bay of Bengal and later occupied parts of Bengal. It indirectly linked the entire Indian state into one business ecosystem.

There were some major downsides to the colonial mindset of England. However, it also played some good aspects in developing entrepreneurship in India.

Modern and pre-independence

This was the era of industrialization in India, where some of India's best entrepreneurs rise. The major events changed the face of entrepreneurship in India.

The first cotton textile mill was revolutionized in 1854 by an Indian entrepreneur, Kawasji Dover. It was one of India's boldest steps in the modern development of entrepreneurship development.

Jamsetji Tata founded the company Tata Group in the year 1868. With the foundation of the Tata Group, he has created a bar for entrepreneurship development in India.

1874 Cotton Mill by JRD Tata, TISCO by Dorabji Tata, 1932 Tata Airlines, Tata Steel Plant, and more were high-rate businesses in India. At the same time, it has also played a major role in various independence initiatives.

Post-independence

Entrepreneurship in India, along with the national economy, was ground-breaking after independence. There was not much left in the Indian economy at that time. However, the government took major steps to support India's development which is as follows.

Prime Minister Nehru adopted the economic structure line of the Soviet Union. It gave a major push to the New Industrial Policy of 1956. Similarly, this policy liberalized the bar and standards set by the British government, which were the ultimate impediment to industrial development.

Economic reforms were carried out in the initial phase of governance. Also, prominent economists adopted the Mahalanobis model, which primarily aims to support entrepreneurs.

As all these influential policies were in operation, few major industries were established as opposed to the traditional textile and natural resource industries. Since independence, there was a huge growth in entrepreneurship in India.

However, it may seem that most of the top entrepreneurs were already in business. But the reality was different. Economic policies were not giving much support to the entrepreneurs, due to which there was rough growth. However, the transformation of entrepreneurship began in 1990.

Transformation of Entrepreneurship in India

The major transformation of entrepreneurship in India began with the 'Economic Policy Reform' in 1991. The policy was further expanded in 2022. So, you can easily categorize the major transformation of entrepreneurs in India by these two policies and events.

New Economic Policy

The New Economic Policy of 1991 was a huge turning point. This policy has included three major aspects, which are as follows.

Aspects	**Role**
Liberalization	Providing some provisions in different parts of the industry It boosts the private sector, including banks and the stock market
Privatization	Disinvestment of Public Firms to reduce the burden Promote the national entrepreneurs for good business
Globalization	Welcoming FDIs, and FPI Creating SEZ and Economic Corridor for foreign companies

Aftermath

The major objective was economic reform, which has also served in the transformation of entrepreneurship in India. Before the policy, India's entrepreneurship was based on the model of traditional industries and agro-industries.

However, after the implementation of the policy, major changes were seen in technology. The rise of Infosys, TCS, Wipro, HCL, and more. Also, in automobiles, Maruti, Tata, Mahindra, Bajaj, and more were emerging. But there is a limitation to this policy as it favors a lot of big companies and does not give a chance to a small and new startup to take off.

1.4 Growth of Startups

In 2016, startups started to grow. There are some key aspects of this startup initiative whose main objective is to provide and lend support for entrepreneurship development in India. By the year 2015, startups were rampant in India. Moreover, India is also known as the 'poster child of an emerging market'. Some of the key aspects of the 2016 Startup Initiative are as follows.

The MSME ministry swung into action by supporting small and micro startups and firms.

The Make in India initiative allows entrepreneurship to live in India and work on its growth.

The NITI Aayog scheme was also launched. Its objective is to develop skills and provide training to become a skilled resource.

New innovators and potential entrepreneurs are helping their businesses in the Indian market daily. If you consider the growth of entrepreneurship since 1990, you will see a sharp growth every year.

The current Indian entrepreneurship world is becoming a highly favorable market for any company to invest in. Also, most Indian companies have marked their potential in international trade and shown the growth of entrepreneurship in India. However, among all other top start-ups and companies, the IT sector of India is on the boom. It alone handles a large part of the development of the entrepreneur representing India.

1.5 Characteristics of Entrepreneur

To be successful, there are definite characteristics that entrepreneurship must possess.

A few of them are mentioned as follows: -

- **Risk Taker-** Starting any new venture involves a considerable amount of failure risk. An entrepreneur must be bold enough to take risks, which is an essential part of being an entrepreneur. An entrepreneur normally avoids the situation where risk is low.

- **Innovation-** Entrepreneurship should be highly innovative to generate new ideas and start a company. The entrepreneur brings a change for launching of a new product in the market. He may also develop a process that does the same thing in more efficient and economical manner.

- **Visionary and Leadership quality-** With their Leadership quality, leaders influence their employees towards the right path of success. Furthermore, the entrepreneur should have a clear vision of his new venture. However, to turn the idea into reality, he needs a lot of resources and employees. With Open-Mind, every circumstance as an opportunity can be used for the benefit of a company. For example, Repay, Google pay, and Pat etc. in the wake of demonetization acknowledged the need for online transactions.

- **Flexibility-** An entrepreneur should be flexible enough to change according to the situation. He should be equipped to embrace change in a product and service, according to the market needs.

- **Awareness-** An entrepreneur should know the product offerings and be aware of the latest trend in the market. For this, he must know of the available product or service on the parameters of the current market. Being able alter the product or service as needed is a vital part of entrepreneurship.

- **Resilient-** A successful entrepreneur must show resilience to all the difficulties. In times of failure or rejection they must keep pushing forward. To Start your business is a learning process and any learning process comes with a learning curve, which can be frustrating, especially when money is on the line. It's important never to give up through that's important never to give up through the difficult times if you want to succeed.

- **Focused-** A successful entrepreneur must stay focused and must be free from doubts that come in mind while running a business. By not believing in instincts and ideas, entrepreneurs may step forward to failure and lose the end goal. A successful entrepreneur must always remember the vision for starting the business and remain on course to see it through.

• **Business Smar**t- An entrepreneur should be smart enough to manage money and financial statements that are critical for running their own business. It is essential for him to check revenues, costs, and how to increase or decrease them. While implementing a sound business strategy, it is necessary to know target market, competitors, strengths, and weaknesses.

• **Communicators-** An entrepreneur must possess efficient communication skills. Successful communication is important in almost every walk of life. It is also of the utmost importance in running a business. Good communication also means conveying ideas and strategies to potential investors in an efficient manner.

1.6 Types of Entrepreneurs

The various types of entrepreneurs are classified on certain parameters. Some important classifications are described below:

I. According to the Type of Business: Depending on the type of business, entrepreneurs are found in different types of business crowns of different sizes. We can broadly classify them as follows.

- **Business Entrepreneur:** Business entrepreneurs are individuals who get an idea for a new product or service and then create a business to make their idea a reality. In search, they use both production and marketing resources to create a new business opportunity. They can set up a large establishment or a small business unit. They are called small entrepreneurs when they are in small business units such as a printing house, a textile processing house, an advertising agency, ready-made garments or confectionery. In most cases, entrepreneurs are found in small business and manufacturing businesses, and business thrives when the size of the business is small.
- **Industrial Entrepreneur:** An industrial entrepreneur is essentially a manufacturer who identifies potential customer needs and adapts a product or service to marketing needs. He is a product-oriented man who starts in an industrial unit because of the possibility of making some new product. An entrepreneur can transform economic resources and technology into a highly profitable enterprise. It is found in industrial units such as electronics industry, textile units, machine tools or video cassette factories and the like.
- **Corporate entrepreneur**: A corporate entrepreneur is a person who demonstrates his innovative abilities in the organization and management of corporate business. A corporate enterprise is a form of business organization that is registered under some law or statute that gives it a separate legal entity. A trust registered under the Trusts Act, or a company registered under the Companies Act are examples of corporate undertakings. A corporate entrepreneur is therefore a natural person who plans, develops, and manages a legal entity.
- **Agricultural Entrepreneur:** Agricultural entrepreneurs are those entrepreneurs who engage in agricultural activities such as cultivation and marketing of crops, fertilizers, and other agricultural inputs. They are motivated to develop agriculture through mechanization, irrigation, and the application of technologies for land-based agricultural products. They cover a wide spectrum of the agricultural sector and include its related occupations.

II. According to the use of technology: The application of new technologies in various areas of the national economy is essential for the future growth of business. We can broadly classify entrepreneurs based on the use of technology as follows:

- **Technical Entrepreneur**: A technical entrepreneur is basically likened to a "craftsman". Thanks to its craftsmanship, it develops better quality goods. It focuses more on production than marketing. Not much sales generation and not doing various sales promotion techniques. It demonstrates its innovative capabilities in the field of production of goods and provision of services. The greatest strength a technical entrepreneur has is his skill in manufacturing techniques.

- **Non-Technical Entrepreneur**: Non-Technical Entrepreneurs are those who are not concerned with the technical aspects of the product they are dealing with. They are only concerned with developing alternative marketing and distribution strategies to support their business.

- **Professional entrepreneur**: A professional entrepreneur is a person who is interested in starting a business but is not interested in managing or operating it once established. A professional entrepreneur sells a running business and starts another business with the proceeds of the sale. Such an entrepreneur is dynamic and comes up with new ideas for the development of alternative projects.

III. According to entrepreneur and motivation: Motivation is a force that affects the efforts of an entrepreneur to achieve his goals. An entrepreneur is motivated to achieve or demonstrate excellence in work performance. He is also motivated to influence others by demonstrating his business skills.

- **Pure Entrepreneur**: A pure entrepreneur is an individual who is motivated by psychological and economic rewards. He is in business for his personal satisfaction in work, ego, or status.

- **Induced Entrepreneur**: An entrepreneur who is induced to undertake entrepreneurial work because of government policies that provide support, incentives, concessions, and necessary overhead and equipment to start a business. Most of the induced entrepreneurs enter the business for a variety of financial, technical, and other benefits provided by governmental entrepreneurship promotion agencies. Now a day, import restrictions and the allocation of production quotas have led many to set up small-scale industries.

- **Motivated Entrepreneurs**: New entrepreneurs are motivated by a desire for self-actualization. They arise because of the opportunity to manufacture new products and sell them to consumers. Entrepreneurs are further motivated by profit-oriented rewards once the product is developed to the point where it is ready for sale.

- **Self-motivated entrepreneurs** These entrepreneurs start their businesses as entrepreneurs. They are individuals with initiative, courage and confidence in their ability to inspire entrepreneurship in underage people. Such entrepreneurs have strong beliefs and beliefs in their innate abilities.

IV. According to Growth and Entrepreneurship:

New business development is more likely to be successful. A new open business field for entrepreneurs. Customer approval of a new product brings psychological satisfaction and huge profits to the customer. Industrial units are identified as high, medium, and low-growth industrial units. So there are growth entrepreneurs and super-growth entrepreneurs.

- **Growth Entrepreneur**: Growth Entrepreneurs are those who are forced to enter high-growth

Industries with significant growth potential.

- **Super Growth Entrepreneurs**: Super Growth Entrepreneurs are people who have made phenomenal growth in their businesses. Growth performance is identified by liquidity, profitability, and leverage of funds.

V. According to entrepreneurs and stages of development:

Entrepreneurs can also be divided into first generation entrepreneurs, modern entrepreneurs, and classical entrepreneurs according to their stage of development.

- **First Generation Entrepreneurs**: First generation entrepreneurs are industrial units with innovative power. He is an innovator at heart, combining different technologies to create marketable products and services.
- **Modern Entrepreneurs**: Modern entrepreneurs are those who undertake ventures that successfully respond to changing market demands. They undertake ventures that meet current marketing needs.
- **Classic Entrepreneur**: A Classic Entrepreneur is someone who addresses customer and marketing needs through the development of an independent business. He is the quintessential entrepreneur whose goal is to maximize financial profit at a level consistent with the survival of the business, with or without a growth factor.

1.7 QUESTIONS FOR PRACTICE

LONG ANSWER QUESTIONS

1. Explain the various concepts of Entrepreneurship.
2. Explain Evolution and Growth of Entrepreneurship in India.
3. Give an overview of entrepreneurship.
4. What is the role of entrepreneurship in the economic development of the country?
5. Explain the various types of entrepreneurships according to Growth and stages of development of entrepreneurship.
6. Explain the various types of entrepreneurships according to the Type of Business.
7. Explain the Characteristics of Entrepreneur.
8. Explain the various types of entrepreneurships according to the use of technology and Innovation.
9. Explain the various types of entrepreneurs.
10. Explain the various types of entrepreneurships according to motivation.

SHORT ANSWER QUESTIONS

1. Define entrepreneurship.
2. Business Entrepreneur.
3. Growth Entrepreneur.
4. Technical Entrepreneur.

5. Pure Entrepreneur.

6. Industrial Entrepreneur.

7. Agricultural Entrepreneur.

8. First Generation Entrepreneurs

9. Super Growth Entrepreneurs.

10. Corporate entrepreneur.

Glossary

Entrepreneur a contractor acting as an intermediary between capital and labour:-

Entrepreneurship is 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.

First Generation Entrepreneurs: First generation entrepreneurs are industrial units with innovative power. He is an innovator at heart, combining different technologies to create marketable products and services.

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- Kevin Ashton, How to Fly a Horse: The Secret History of Creation, Invention, and Discovery, Anchor Austin Klein, Steal Like an Artist: 10 Things Nobody Told You About Being Creative.

UNIT 2: ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT, FRAMEWORK OF ENTREPRENEURSHIP THEORIES

Structure

2.0 Objectives

After studying the Unit, you would be able to:

- Understand the role of entrepreneurship in Economic Development
- Need of Entrepreneurship for Economic Growth
- Explore theories of Entrepreneurship

2.1 Introduction

Economic development is primarily a process of upward movement in which a nation's actual per capita income rises over time. Entrepreneurship is essential to the growth of the economy. In the process of industrialization and economic expansion, entrepreneurs act as catalysts. The entrepreneur is the one who organizes and employs labour, capital, and technological resources. The process of starting and operating a new business endeavour with the goal of making money is known as entrepreneurship. Both industrialized and developing nations depend on it to fuel economic growth and development. Entrepreneurial activity promotes innovation, stimulates market competition, and helps create new jobs, all of which eventually benefit consumers. In 2019–20, according to the Economic Survey, entrepreneurship is seen as "a strategy to fuel productivity growth and wealth creation." According to the World Bank, India ranks third worldwide for entrepreneurship.

Since 2014, the number of new firms has exploded. In comparison to 3.8% between 2006 and 2014, the total annual growth rate of new enterprises is 12.2% between 2014 and 2018.

2.2 Entrepreneurship's Contribution to Economic Development

An entrepreneur should have all the qualities that would enable him or her to succeed. Entrepreneurs must manage a wide range of jobs and responsibilities. The likelihood of a project succeeding increases with the amount of time and effort an entrepreneur invests in it. The following points emphasize an entrepreneur's role.

a) Founder of a business

An entrepreneur is a person who plans to turn their idea into a reality after starting a business with just one idea. In addition to developing a company plan, raising money, and managing all aspects of operations, they also seek to uncover current and emerging marketing opportunities. Entrepreneurs sell their goods and services to customers not only to make money but also to enjoy the satisfaction of successful outcomes. Their main duties include understanding the products and markets, developing client relationships, controlling finances, and assuring efficient operations. The entrepreneur yearns for chances to succeed. The entrepreneur is the one who takes on the most risk, oversees finding the money to support the idea and is primarily accountable for dealing with the fallout if it doesn't work. Successful entrepreneurs balance their personal and professional lives.

b) Select the best applicants

In addition to producing money, entrepreneurs play a crucial role in bringing about important economic reforms. Entrepreneurs need to increase their staff as their business needs expand. By hiring people who can work on the idea and contribute to growth, entrepreneurs play a critical role in reducing risk. These individuals may be stockholders or investors. They support commercial success as a result. The workforce is the organization's most important resource, which the entrepreneur distributes. They are crucial in selecting the best personnel for making wise decisions. To facilitate effective workflow, the organizational structure and divisions are also designed. An entrepreneur must first establish a strong team and cultivate trust. They must take important steps to promote effective communication between various departments. They must be able to evaluate candidates' abilities.

c) Develop a plan

A crucial responsibility of an entrepreneur is developing a business plan. It enables us to stay current with industry developments. A competent businessperson must be willing to take on difficulties, whether they involve raising money for a brand-new endeavor or changing an unsuitable corporate policy already in place. Finding the ideal clients and markets that start success and produce value for customers and staff is a solid strategy.

d) The pioneer

The position of a "visionary" is what most people think of when they think of entrepreneurship. Entrepreneurs are creative individuals who are constantly seeking opportunities to innovate and discover fresh approaches to recurrent problems. Once your company succeeds, this role remains. To help your business expand, you'll need to continually look for ways to enhance it and new paths to take it. A successful visionary plays the two essential crucial roles:

• A charismatic position that entails building consensus around a vision and course.

• He contributes architecturally to the creation of a functional organizational framework. He must take care of various managerial responsibilities and carry them out well.

e) Understand the subject

Entrepreneurs must be aware of the present market and comprehend tactics that differentiate their company from the competition. Participating in additional forums and events is one of the best ways to expand it.

f) Create marketing strategies

Business owners need to learn about sales and marketing if they want to stay competitive. Producing content that can be extensively shared on social networking sites and through other marketing channels requires an understanding of your audience. Various marketing strategies include advertising, content optimization, and branding. A sale is a result of later marketing efforts. From cold calling to contract closure, a strong team can manage it all.

g) Create a spending plan

The financial budget of an entrepreneur is the sum of money set aside to cover various costs, such as salary, rent, etc. Be transparent about how resources and money are allocated if you want your business to succeed. He needs to understand the flow of money. Depending on who else knows about the money activity, he might be betrayed.

h) The ability to overcome obstacles

Entrepreneurs bravely and boldly face challenges. Even under duress, he seeks to fix the issue because he believes in himself. He faces challenges in every unforeseen circumstance, which he successfully overcomes.

2.3 Importance of Entrepreneurship

a) Entrepreneurial Economic Development

In the best way imaginable, it demonstrates the significance of entrepreneurship. Entrepreneurial-produced new goods and services can support the growth of the respective businesses' economies. The same is true for regions that must accommodate new companies. Consider the 1990s IT industry surge as an illustration. Rapid industry growth benefited numerous other enterprises. Businesses in linked industries, like call centre operations, network repair companies, and hardware suppliers, have expanded.

b) The Entrepreneurs' Contribution to National Profit

Entrepreneurial endeavors aid in generating new wealth. Established businesses may limit themselves to their current markets until they reach a certain level of profitability. Businesses' improved products, services, or technology enable the growth of new markets and the generation of new income. New money is produced via entrepreneurial endeavours. Businesses' improved products, services, or technology enable the growth of new markets and the generation of new income. Better national income is also a result of higher income, which manifests itself in more jobs, higher tax receipts, and higher spending. So, the value of entrepreneurship contributes to a nation's national income. These funds will be invested in the nation by the government.

c) Entrepreneurial Social Change

By offering distinctive goods and services, entrepreneurship challenges convention and lessens reliance on antiquated systems. The quality of life will rise as a result. Technology entrepreneurship will have a significant, long-term impact on the world as the smartphone sector expands. Although their direct effects on the economy are more subtle, entrepreneurship has indirect repercussions that are just as significant.

d) Flow of Funds in the Market

The movement of money inside an economy is equally crucial. The economy is healthier the more it flows. Businesses contribute to the movement of money in the market by boosting production and consumption while also providing jobs.

e) Development of the Infrastructure

New businesses prosper in the ecosystem. There is an improvement in the infrastructure of the city or region when an ecosystem develops there. Startups, for instance, are expanding in Bangalore, Hyderabad, and Delhi. To assist start-ups and meet the demand for entrepreneurship, these cities were intentionally built.

f) Employment - indirect

The employment generated by entrepreneurship within the company is referred to as direct employment. However, it's not the only job available. Numerous indirect employments are also generated through entrepreneurship. For instance, the growth of the infrastructure produces a need for hotels, restaurants, transportation, etc. in a neighborhood like Poway in Mumbai.

g) Additional Related Services

Entrepreneurs need a wide range of services as they develop and expand their businesses. They might not be experts in these services. For instance, a start-up in the end-use technology industry would need a variety of services such as human resources, marketing, consulting, legal services, etc. Consequently, demand for related services rises as the number of entrepreneurs does.

2.4 Need of Entrepreneurship for Economic Growth

Entrepreneurship is a tool for fostering both social and economic transformation. Entrepreneurs are adamant that business will outperform the market and use cutting-edge technologies to transform it. The following points highlight why entrepreneurship is essential to economic growth.

a) Innovation

The main component of entrepreneurship is innovation. Modern business owners are enthusiastic about new developments in technology and business strategies. Examples of this include Airbnb, Innov8, Ola, Zinger, and others. These businesses develop original, previously unheard-of business models in addition to advancing technologies. It makes things a lot simpler for you. When laying out a plan for the economy of a nation, policymakers take innovation into account. Innovation facilitates the market, opens up new possibilities, and promotes consumption. Because it spurs innovation, entrepreneurship in India is crucial.

b) Employment

Employment plays a crucial role in the growth of any economy. A low employment rate is a sign of an unsound economy. To speed up growth, an economy must create more pay possibilities and jobs. It contributes significantly to the generation of jobs. The number of employment and wage options increases as the size of the business increases. As a result, entrepreneurship is necessary for India's economic progress.

c) Standard of Living

In a way, employment and living standards are directly correlated. People spend their money on the acquisition of products and services because employment compensates them. As a result, both the consumption rate and the output rate rise in an economy. As a result, the minimum wage eventually rises, and more individuals can afford higher-quality goods and services. Sector-neutral entrepreneurship will significantly improve the standard of living of the populace in an economy. As a result, entrepreneurship is necessary for India's overall economic development.

d) Social evolution

Modern entrepreneurs are encouraged to affect change in society through the practice of social entrepreneurship. For instance, crowdfunding businesses frequently engage in charitable endeavours like raising money for NGOs. Their enterprises alter society for the better. They promote social awareness in addition to providing aid to those in need. A rich society makes it easier for communities to grow. Since entrepreneurship combines social reform and economic development, it is crucial in India.

e) Studying and Developing

Research and development are how innovation advances. When an entrepreneur develops novel ideas and launches a firm based on them, they must continue to innovate to compete in the market and enhance user satisfaction. As the business expands, more money is spent on research and development, which advances technology. Technology advancement benefits the entire country as well as specific businesses. It supports the advancement of science and technology. These innovations are used by the economy to advance various industries. As a result, India's demand for entrepreneurship is essential for the advancement of science and technology.

2.5 Theories of Entrepreneurship

There are different types of entrepreneurs, and the term entrepreneurship has been defined differently by many authors. Thus, some of the theories of entrepreneurship evolved over a period, have been described as follows: -

a) Economic theories: Schumpeter's Theory of Innovation, Mark Casson Theory

According to this theory, an entrepreneur executes all activities due to economic incentives. The main aim of this theory is profit motive.

b) **Sociological theories**: **Max Weber's Theory of Social Change, E. E. Hagen's Theory**

Entrepreneurship is a sociological concept and process. According to this concept, sociological factors are the secondary source of entrepreneurship development. As such, social factors like social attitudes, values and institutions significantly influence the entrepreneurial supply in a society.

c) **Psychological theories: (Kunkel's Theory)**

Entrepreneurship is a psychological process and concept. According to this concept, psychological factors are the primary source of entrepreneurship development. When there are enough people having the same psychological characteristics in society, then there are bright chances of development of entrepreneurship.

Let us explain theories of entrepreneurship in detail: -

2.5.1 Economic Theory of Entrepreneurship

Economists such as Schumpeter and Mark Casson have contributed towards theories of entrepreneurship as follows: -

a) **Schumpeter's Theory of Innovation**:

Joseph Schumpeter originated the innovative theory of entrepreneurship. He takes the case of a capitalist closed economy which is in stationary equilibrium. He believed that entrepreneurs take the economy to a new level of development by introducing innovation and thereby, bring changes in the circular flow of the economy. According to Schumpeter the entrepreneur is not a man of ordinary managerial ability but having the ability to introduce something entirely new. Schumpeter also differentiated between invention and innovation. He described that invention refers to creation of new materials and by innovation means the application of new materials into practical use in industry. Similarly, between an innovator and an inventor, the inventor is the one who invents new materials and new methods, whereas the innovator is the one who utilizes these inventions and discoveries to make new combinations.

In practice, new combination theory covers five cases which are given below:

- The introduction of a new good which consumers are not yet familiar with—or of a new quality of a good.
- The introduction of a new method of production, that one not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new and can also exist in a new way of handling a commodity commercially.
- The opening of a new market, i.e., a market into which the branch of manufacture of the country in question has not previously entered, whether this market has existed before.
- The conquest of a new source of supply of raw materials or half manufactured goods, irrespective of whether this source already exists or whether it has first to be created.
- The carrying out of the new organization of any industry like the creation of a monopoly position or the breaking up of a monopoly position.

Criticism: Schumpeter's theory has been subjected to the criticism that it ignored the organizing aspects of entrepreneurship and over emphasized on innovative functions of the entrepreneur only.

However, Schumpeter's theory suffers from following limitations:

- It excludes individuals who merely operate an established business without performing innovative functions.
- An innovative entrepreneur represents the most vigorous type of enterprise. However, this type of entrepreneur is rarely available in developing countries like India.
- It laid too much emphasis on innovative functions. But it ignores the risk taking and organizing aspects of entrepreneurship.
- It assumes an entrepreneur as a large-scale businessman. He is a person who creates something new. But in practice, an entrepreneur cannot have large scale operations from the very beginning,
- It fails to provide a suitable answer to the question— why do some countries have more entrepreneurial talent than others?

b) **Mark Casson Theory**

According to Mark Casson's theory, there is no established economic theory of the entrepreneur. Entrepreneur can be a property developer or a small businessman. He provided a balanced view on the topic of entrepreneur. Mark Casson's book The Theoretical Reconstruction proceeds on two fronts. The first one describes that individuals differ not only in their tastes but in their access to information. Individuals with similar taste but with different information may take different decisions. The second one describes that the area of reconstruction stems from recognition of the difficulty that is inherent in organizing a market. Mark Casson suggested that transaction involves a significant resource cost, therefore, the entrepreneur's success depends on how he minimizes the transaction cost. Thus, according to Mark Casson, the entrepreneur is defined as someone who specializes in taking judgmental decisions about the coordination of scarce resources.

2.5.2 Sociological Theory of Entrepreneurship

Sociological theories: These theories are comprised of Max Weber's Theory of Social Change (Emphasis on Impact of Religion), E. E. Hagen's Theory (Emphasis on Withdrawal of Status Respect) discussed as follows: -

a) **Max Weber's Theory of Social Change**

According to Max Weber, religion had a profound influence on the growth of entrepreneurship. He felt that sociological explanation for the growth of entrepreneurship must also be considered. He opined that the entrepreneurial energies of a society generated and supplied by religious beliefs. According to some religions, it is the foremost duty to earn and acquire money. Whereas some religions put less emphasis on it. Max Weber claimed the spirit of capitalism as a fundamental concept. Capitalism means the economic system where market forces of demand and supply play freely. Therefore, the spirit of capitalism promotes entrepreneurs to engage in entrepreneurial pursuits and earn more and more profits. Weber felt that the belief systems of Hinduism didn't encourage entrepreneurship. Because Hinduism laid less emphasis on wealth accumulation and materialism. Weber believed the Protestant ethic provided the mental attitude in a society for capitalism and favors entrepreneurship. The Protestants advanced in establishing capitalism in Europe. Protestant ethic granted them the attitude of accumulating assets, and materialism.

Criticism: Max Weber's theory is based on unrealistic and invalid assumptions and has been found empirically invalid. He has been criticized by many sociologists for his assumptions about Hinduism and entrepreneurship. As in the post-independence period in India, the expansion of entrepreneurship disapproved his views about Hinduism. Also, the views on Protestant ethic were disapproved. Capitalism also flourished where Protestant ethic was not present.

Critical Evaluation:

The theory of social change propounded by Max Weber is based on invalid assumptions. So expected results are not valid in all cases.

b) **Hagen's Theory**

E. E. Hagen presumes a general model of society. His theory viewed the entrepreneur as a creative trouble shooter who contributes to economic development. The entrepreneur brings about social transformation and economic development. He didn't encourage the entrepreneurs to imitate western technology. According to Hagen, the social group that experiences the withdrawal of status respect turns into aggressive entrepreneurism. In such a situation the status losing group its members try to regain their status by an entrepreneurial drive.

Hagen described four possible reactions to the 'Withdrawal of status respect': -

- The retreats – An individual working in society but indifferent to work and position.
- The ritualist – An individual who works according to the manner approved by society but does no hope for improving his/her position.
- The reformist – A person who fights against injustice and tries to form a new society.
- The innovator – An individual who makes efforts to bring about new changes. This personality has bearing upon the personality of an entrepreneur.

Criticism: Hagen's Theory has been criticized on the grounds that social groups must behave in the manner proposed in the theory does not always hold true. This theory ignores other factors which can be accountable for the development of entrepreneurship.

Critical Evaluation: This theory acts as distinction between entrepreneurship and intrapreneurship. There are different factors within the organization which motivate the executives and professionals to do some innovative behavior leading to new products and services. They are not governed by status withdrawal. The theory only suggests that the people who had enjoyed social standing at some stage in their histories fall into a retreats phase with an urge to regain the lost status and emerge as an entrepreneurship personality.

2.5.3 Psychological Theory of Entrepreneurship

a) **Kunkel's Theory**

(Emphasis on Entrepreneurial Supply) John H. Kunkel advocated the theory on the edifice of entrepreneurship supply. He believed the sociological and psychological are the main determinants for the emergence of entrepreneurs. Supply of entrepreneurs has a functional relationship with the social, political, and economic structure. According to Kunkel, the supply of entrepreneurship depends on the following factors of the economy:

- **Demand Structure**: It means the demand situation prevailing in the economy. The demand structure of an economy can be enlarged by rewarding entrepreneurs with material rewards for their entrepreneurial activities. The demand structure is of an economic nature. This structure is changing day by day according to economic progress and govern-ment policies. The behavior of individual can be made enterprising by affect-ing the main elements of demand structure.
- **Limitation Structure** It means the entrepreneurs and other members of a society restrict specific activities. We can say that the limitation structure is social and cultural. This structure affects the development of an entrepreneur.
- **Opportunity Structure:** This structure includes the existing market structure, the available managerial and technical skills, information about production techniques, supply of labor and capital. The opportunity structure is formed by combination of supply of capital, managerial and technical skill production methods, labor and market, training opportunity establishment of an enterprise and conducting different activities.
- **Labor Structure**: This structure includes the availability of skilled labor willing to work. In Kunkel's theory, the behavior of the individuals is highly subjected to the conditioning procedure surrounding the environment of the individuals. The labor structure is directed by several factors such as source of livelihood, traditional outlook, and life ambitions. The quality of labor influences the emergence and growth of entrepreneurship. Rather than capital intensive, labor intensive will serve our interest in a better manner. The problem of labor immobility can be solved by providing infrastructural facilities including efficient transportation wherever entrepreneurship is promoted.

Criticism:

- Kunkel's theory is based on unrealistic postulates. The different structures that influence supply of entrepreneurship are not realistic. It also ignored ambiguous concepts like values, personality etc. social networks.

Assumptions of Kunkel Theory:

- The theory assumes the ideal structures for the supply of entrepreneur. But generally, there is discrepancy between objectives, structures, and the actual incidence of entrepreneurs. It is because there are inadequate or incorrect perceptions. In practice, entrepreneurship is also governed by the specific combination of circumstances which are generally not available in the environment.
- At last, but not the least, we conclude that all the authors i.e., J. A. Schumpeter, David C. McClelland, Everett E. Hagen and John H. Kunkel have given their own opinion on concept of psychological theory of entrepreneurship. This theory presents the certain psychological motives that are responsible for the evolution of entrepreneurship.
- Schumpeter’s theory is one of the most important concepts of entre-preneurship which is richer and relevant. He has laid emphasis on innovativeness or creativity of an individual which makes him an entrepreneur.
- McClelland theory has numerous practical implications. The person with high need achievement needs great concern for exercising influence and control.
- Hagen’s theory laid more stress on technological changes which is the result of individual’s creativity. His concept depended upon withdrawal of status.
- John H. Kunkel theory laid more stress on types of structure i.e., demand, opportunity, labor, and limitation. All the structure affects the development of an entrepreneur.
- The main point which is focused on all the theories is on the individual and his personality inference by environmental factors in general and internal values in particular.

2.5.4 Profit theory of Entrepreneurship:

The Uncertainty-Bearing Theory of Knight comes under its preview. Frank H. Knight (1957) in his book Risk, Uncertainty and Profit explains that the profit of the entrepreneur is the reward for bearing uncertainties and non-insurable risks. Entrepreneurship is genuinely associated with risk bearing.

Knight had distinguished risk into two types of risks: -

• Insurable Risks And

• Non-Insurable Risks

Insurable Risks means the risks that are measurable. The probability of such risk can be statistically estimated and hence such risks can be insured. For example; Theft of commodities, fire in the enterprise, accidental death etc.

Non-Insurable Risks on the other hand, cannot be calculated and the probability of their occurrence cannot be statistically ascertained. For example; Risks associated to changes in prices, demand and supply. These risks are non-insurable.

Prof. Knight opined that the profit is the reward for bearing the non-insurable risks and uncertainties. The entrepreneur bears the uncertainty involved in the enterprise.

Criticism: F.H. Knight's theory suffers from certain drawbacks that the role of an entrepreneur has not been elaborately provided by the theory. Furthermore, his theory discussed the concept of profit in a vague way, as a residual income of the entrepreneur. Also, uncertainty-bearing should not be treated like other factors of production such as land, labour and capital.

2.5.5 Cultural theory: Hoselitz's Theory (Emphasis on Marginal Groups)

Hoselitz's Theory (Emphasis on Marginal Groups) and Cochran's Theory:-

➢ **Hoselitz's Theory (Emphasis on Marginal Groups):** Hoselitz's theory portray that the cultural factors play a great role in entrepreneurial development. In his theory, Hoselitz proposed that the marginal groups are the minorities in society. To elevate their standard of living and in the process promote economic development, entrepreneurship is likely to emerge. The culturally marginal groups like Lebanese in West Africa; Jews in Europe, the Indians in East Africa towards the economic development of those regions prompted this theory. Hoselitz opined that the marginal men placed in an ambiguous position bring about genuine adaptations in their behavior. In this process, they become entrepreneurs and become the part of economic development.

➢ **Cochran's Theory:** Thomas Cochran discussed the supply of entrepreneurship from the cultural point of view. He had suggested that the cultural values of a society, social expectations and role expectations play an important role in determining the supply of entrepreneurs. Cochran also opined that the entrepreneurs represent role models of the society.

Criticism: Cochran's theory has been criticized on the ground that it doesn't provide a satisfactory explanation of the supply of entrepreneurs in an economy and it concentrates only on the social factors and their impact.

2.5.6 X-Efficiency theory: Leibenstein's Theory (Emphasis on X-Efficiency)

The concept of X-efficiency was propounded by Harvey Leibenstein in1966 in article entitled "Allocative efficiency vs. X-efficiency". According to Leibenstein, X-inefficiency means the difference between the optimal efficient behaviour of business in theory and the observed behaviour is practice as a result of different factors. X-inefficiency occurs when technical efficiency is not achieved. Whereas, X-efficiency according to Leibenstein means the effectiveness with which a given set of inputs are used to produce outputs. The particular firm is said to be technical-efficient if it produces the maximum output it can, given the resources and it employs with the best available technology. Harvey Leibenstein had mentioned that X-efficiency arises because of the wrong use of firm's resources or due to their wastage. The entrepreneur can play the role of a gap filler and as an input completer. The entrepreneur has been entrusted the job to fill the gaps in the market. For input completion, the entrepreneur has to mobilize all the available inputs to increase the efficiency of production methods available. According to Leibenstein, there are two types of entrepreneurship. Firstly, ‘Routine entrepreneurship’ that covers the important functions of management of business. Secondly, ‘New entrepreneurship’ that is innovative entrepreneurship.

Criticism: The Leibenstein’s theory has been criticized because the exact influence of X-efficiency on output of an organization cannot be determined. His theory is less predictable than normal theories.

2.5.7 Other theories: Theory of Frank Young (Emphasis on Changes in Group Level Pattern), M. Kirzner’s theory, Baumol’s theory, Peter Drucker’s theory on Entrepreneurship.

Frank Young emphasizes that the entrepreneurial initiatives are conditioned by group level pattern. Frank Young opined that the entrepreneurial characteristics are observed in clusters, ethnic groups, occupational groups and groups with political orientation and he disapproves the notion of an entrepreneur working individually. The Young’s theory includes the idea of reactive subgroups that play an important role in enterprise creation. Such groups crop up in case, when group experiences low status recognition and limited or no access to resources.

➢ **M. Kirzner’s View on Entrepreneurship**: Israel Meir Kirzner, an American economist contributed many books towards entrepreneurship. Spontaneous learning is the basic idea behind Kirzner’s entrepreneurship theory. The simplest situation in which spontaneous learning can occur is a Crusoe situation. Kirzner calls the situation in which spontaneous learning prompt the state of mind for alertness. According to Kirzner, the pure entrepreneur is “a decision-maker whose entire role arises out of his alertness to hitherto unnoticed opportunities.”

➢ **Baumol’s View on Entrepreneurship**: Baumol (1968) discussed role of entrepreneur as vital to economic growth. He stated that the total supply of entrepreneurs varies across the societies. Moreover, the productive contribution of the society into entrepreneurial activities depend on its division between productive and unproductive activities.

➢ **Peter Drucker’s View on Entrepreneurship**: Peter Drucker explained the entrepreneur as a unique agent of change and “the entrepreneur always searches for change, responds to it, and exploits it as an opportunity.”

2.6 Let Us Sum Up

Entrepreneurship is instrumental in bringing about changes in all aspects of society, encouraging growth and development. Entrepreneurship is the ability and quality of anentrepreneur to identify an investment opportunity and to organize an enterprise. Entrepreneurship helps to solve the various problems of the economy such as poverty,unemployment etc. There are different types of entrepreneurs, and the term entrepreneurship has been defined differently by many authors. Thus, some of the theories of entrepreneurship evolved over a period e.g., Economic theories, Sociological theories, Profit theory, psychological theories, Cultural theory, and other theories: Theory of Frank Young (Emphasis on Changes in Group Level Pattern), M. Kirzner's theory, Baumol's theory, Peter Drucker's theory on Entrepreneurship.

2.7 Check Your Progress

Long Answer Questions

a) How does growing entrepreneurship affect the economy of the country?

b) Write critically about the theories of entrepreneurship.

c) Explain Cultural theory of Entrepreneurship.

d) Explain Profit theory of entrepreneurship.

e) Explain Psychological theory of entrepreneurship.

f) Compare and contrast sociological and psychological theories of entrepreneurship. Write a short note on the theory of innovation.

g) Explain Max Weber's Theory of Social Change

h) Write a short note on Hagen's Sociological theory of entrepreneurship.

i) Write down the assumptions and criticisms of Kunkel's theory.

j) Explain Kunkel's Psychological Theory of entrepreneurship.

Short Answer Questions

a) Write down the criticisms of the theory of innovation.

b) What are the five points of innovation given by the theory of innovation?

c) Explain the concept of sociological theory of entrepreneurship.

d) Write a short note on Hagen's Theory

e) According to Kunkel, on which factors the supply of entrepreneurship depends.

f) What is the role of entrepreneurship in the economic development of a country?

g) Explain X-Efficiency theory.

h) Explain Cochran's theory of entrepreneurship.

i) Explain Peter Drucker's views on Entrepreneurship.

j) M. Kirzner's View on Entrepreneurship

Glossary:

a) Sociological theory of Entrepreneurship

Entrepreneurship is a sociological concept and process. According to this concept, sociological factors are the secondary source of entrepreneurship development. As such, social factors like social attitudes, values and institutions significantly influence the entrepreneurial supply in a society.

b) **Economic theory of Entrepreneurship:**

According to this theory, an entrepreneur executes all activities due to economic incentives. The main aim of this theory is profit motive.

c) **Psychological theory of Entrepreneurship:**

According to this concept, psychological factors are the primary source of entrepreneurship development. When there are enough people having the same psychological characteristics in society, then there are bright chances of development of entrepreneurship.

d) **Profit theory of Entrepreneurship:** Prof. Knight opined that the profit is the reward for bearing the non-insurable risks and uncertainties. The entrepreneur bears the uncertainty involved in the enterprise.

e) Cultural theory: This theory portrays that the cultural factors play a great role in entrepreneurial development. This theory suggests that the cultural values of a society, social expectations and role expectations play an important role in determining the supply of entrepreneurs.

f**) X-efficiency Theory:** Harvey Leibenstein had mentioned that X-efficiency arises because of the wrong use of firm's resources or due to their wastage. The entrepreneur can play the role of a gap filler and as an Input completer. The entrepreneur has been entrusted the job to fill the gaps in the market.

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Master of Commerce (M.Com)
CORE COURSE (CC): ENTREPRENEURSHIP DEVELOPMENT
SEMESTER - III

UNIT III ENTREPRENEURIAL CULTURE AND ENTREPRENEURIAL SOCIETY

STRUCTURES

3.1 ENTREPRENEURSHIP

MEANING

Entrepreneurship refers to the activity of identifying, creating, and pursuing opportunities to start and manage a business venture. An entrepreneur is an individual who takes on the role of organizing and operating a business, assuming the associated risks in order to achieve financial profitability and growth.

Entrepreneurship involves various aspects, including developing innovative ideas, conducting market research, creating a business plan, securing funding, assembling a team, managing resources, making strategic decisions, and navigating the challenges and uncertainties of the business environment. Entrepreneurs are often characterized by their willingness to take calculated risks, their ability to think creatively and solve problems, and their drive to bring about change and create value.

Entrepreneurship is not limited to starting new ventures; it can also involve the revitalization or expansion of existing businesses. It plays a crucial role in economic development by driving innovation, job creation, and economic growth. Entrepreneurs contribute to society by introducing new products or services, improving existing ones, and fostering competition in the marketplace.

Overall, entrepreneurship is a dynamic and multifaceted pursuit that encompasses the process of conceiving, launching, and managing a business venture with the aim of achieving success and creating value for both the entrepreneur and society at large.

CHARACTERISTICS

Entrepreneurship encompasses a wide range of characteristics and features that define the entrepreneurial mindset and approach. Here are some key features of entrepreneurship:

1. **Innovation:** Entrepreneurs are often driven by the desire to create something new or improve existing products, services, or processes. They have a knack for identifying opportunities and finding innovative solutions to problems.
2. **Risk-taking:** Entrepreneurship involves taking calculated risks, as entrepreneurs venture into new territories and embrace uncertainty. They are willing to invest their time, money, and resources in pursuit of their goals, even in the face of potential failure.
3. **Vision and Ambition**: Entrepreneurs possess a clear vision of what they want to achieve. They set ambitious goals and are committed to realizing their ideas, often with a long-term perspective. They are driven by a strong sense of purpose and are willing to work hard to make their vision a reality.
4. **Self-motivation and Passion**: Entrepreneurs are self-starters who are highly motivated and passionate about their endeavors. They are inspired by their ideas and have the drive to overcome obstacles and persist in the face of challenges.

5. **Adaptability and Resilience**: Entrepreneurship involves navigating through various uncertainties and setbacks. Entrepreneurs must be adaptable and willing to pivot their strategies or business models when necessary. They also demonstrate resilience in the face of failures or setbacks, learning from them and using them as stepping stones for growth.
6. **Networking and Relationship Building**: Entrepreneurs understand the value of building strong networks and relationships. They actively seek opportunities to connect with others, including potential investors, partners, mentors, and customers. Effective networking can open doors to new opportunities and provide valuable support and guidance.
7. **Resourcefulness and Creativity**: Entrepreneurs often face resource constraints and must find creative ways to maximize their limited resources. They are skilled at finding alternative solutions, leveraging their strengths, and making the most out of what they have.
8. **Leadership and Team Building**: Entrepreneurs must possess leadership skills to inspire and motivate others. They are adept at building and managing teams, recognizing and harnessing the strengths of their team members, and creating a positive and collaborative work environment.
9. **Market Awareness**: Successful entrepreneurs have a keen understanding of market dynamics, customer needs, and industry trends. They conduct thorough market research, gather insights, and use that knowledge to develop products or services that meet market demands.
10. **Continuous Learning**: Entrepreneurs are lifelong learners who embrace knowledge acquisition and personal growth. They actively seek opportunities to expand their skills, stay updated on industry trends, and adapt to changing market conditions.

Essential requisites of entrepreneurship

Entrepreneurship requires a specific set of requisites that are crucial for success in the entrepreneurial journey. Here are some essential requisites of entrepreneurship

1. **Vision and Clarity**: A clear vision of what the entrepreneur wants to achieve is essential. It provides a sense of direction and purpose, guiding the entrepreneur’s actions and decisions.
2. **Business Acumen:** Entrepreneurs need to possess a good understanding of business concepts, including finance, marketing, operations, and strategy. They should be able to analyze market trends, identify opportunities, and make informed business decisions.
3. **Market Research and Customer Focus**: Conducting thorough market research is crucial to understand customer needs, preferences, and market dynamics. Entrepreneurs must identify their target audience, analyze competitors, and develop products or services that address customer pain points effectively.
4. **Risk Management:** Entrepreneurs need to assess and manage risks associated with their ventures. This involves evaluating potential challenges, developing contingency plans, and making informed decisions to mitigate risks while embracing calculated risks to drive growth.

5. **Financial Management:** Sound financial management is essential for entrepreneurial success. Entrepreneurs should have basic financial literacy, understand cash flow management, budgeting, and financial forecasting. They must also be able to secure funding, allocate resources wisely, and manage financial risks

6. **Networking and Relationship Building**: Building a strong network of connections is vital for entrepreneurs. Networking helps in finding mentors, advisors, partners, and potential customers. Building and nurturing relationships with stakeholders can provide valuable support, guidance, and opportunities.

7. **Adaptability and Flexibility:** Entrepreneurs operate in a dynamic and ever-changing environment. They need to be adaptable and flexible, willing to adjust their strategies, business models, or products/services based on market feedback and evolving conditions.

8. **Persistence and Resilience:** Entrepreneurship is a challenging journey, often filled with obstacles and setbacks. Entrepreneurs need to possess a high level of persistence and resilience to persevere through tough times, learn from failures, and bounce back stronger.

9. **Effective Communication**: Strong communication skills are crucial for entrepreneurs. They need to articulate their vision, persuade stakeholders, negotiate deals, and effectively communicate with team members, customers, investors, and other key parties.

10. **Continuous Learning and Growth Mindset**: Entrepreneurs should have a thirst for knowledge and a willingness to continuously learn and grow. They must be open to feedback, seek opportunities for self-improvement, and adapt to new technologies, trends, and industry developments.

3.2 WHO IS AN ENTREPRENEUR

An entrepreneur Is an individual who takes initiative, organizes resources, and assumes the risks involved in starting and managing a business venture. Entrepreneurs are driven by a vision and possess the ability to identify opportunities and create innovative solutions to address market needs. They are the driving force behind the creation of new businesses, products, and services.

Here are some key characteristics and roles associated with entrepreneurs:

1. **Opportunity Seeker**: Entrepreneurs have a keen eye for identifying opportunities in the market. They constantly scan the environment, spot gaps or untapped needs, and envision how their ideas or solutions can address those opportunities

2. **Risk Taker:** Entrepreneurship involves taking calculated risks. Entrepreneurs are willing to invest their time, money, and resources into new ventures, recognizing that success is not guaranteed. They embrace uncertainty and are prepared to face and manage risks along the way.

3. **Innovator:** Entrepreneurs are often driven by a desire to innovate and create something new. They develop novel ideas, products, or services, or find better ways to deliver existing offerings. Innovation is a

key driver of entrepreneurial success and competitive advantage.

4. **Leader and Manager**: Entrepreneurs provide leadership and direction to their ventures. They set goals, develop strategies, and make critical decisions. As the business grows, entrepreneurs also manage resources, including people, finances, and operations, to ensure the smooth functioning of the organization.

5. **Network Builder:** Entrepreneurs understand the importance of building a strong network. They establish connections with stakeholders such as customers, suppliers, investors, and mentors. Networking helps them gain support, access resources, and expand their reach in the business ecosystem.

6. **Problem Solver**: Entrepreneurs excel at identifying problems or challenges and finding innovative solutions. They have a knack for thinking creatively, overcoming obstacles, and adapting to changing circumstances.

7 **Visionary**: Entrepreneurs have a clear vision of what they want to achieve with their ventures. They have a long-term perspective and a sense of purpose that guides their decisions and actions. Their vision inspires and motivates others, attracting talent and resources to support their entrepreneurial endeavors.

8. **Value Creator**: Entrepreneurs strive to create value for their customers, employees, and society at large. They aim to develop products or services that meet market needs, improve lives, and contribute to economic growth and development.

9. **Continuous Learner**: Successful entrepreneurs have a thirst for knowledge and personal growth. They actively seek opportunities to learn, stay updated on industry trends, and acquire new skills. Continuous learning enables them to adapt to evolving markets and technologies.

10. **Impact Maker:** Entrepreneurs have the potential to create significant impact and change. They can transform industries, create job opportunities, spur economic growth, and address social and environmental challenges through their ventures.

3.3 ENTREPRENEURIAL CULTURE

Entrepreneurial culture refers to the set of values, attitudes, beliefs, and behaviors that foster and support entrepreneurship within a society, organization, or community. It is the collective mindset and environment that encourages and enables individuals to think and act entrepreneurially. Entrepreneurial culture plays a crucial role in promoting innovation, creativity, and economic growth

Here are some key characteristics and elements of entrepreneurial culture:

1. **Risk-taking and Resilience**: An entrepreneurial culture embraces risk-taking as a necessary part of the entrepreneurial journey. It encourages individuals to step outside their comfort zones, pursue innovative ideas, and overcome obstacles and failures with resilience.

2. **Innovation and Creativity**: Entrepreneurial cultures value and nurture innovation and creativity. They provide an environment that encourages individuals to think differently, explore new ideas, challenge existing norms, and develop novel solutions to problems

3. **Opportunity Recognition**: Entrepreneurial cultures foster an awareness of opportunities. They encourage individuals to observe, analyze, and identify market gaps, customer needs, and emerging trends. This mindset helps to uncover potential entrepreneurial ventures.
4. **Empowerment and Autonomy**: Entrepreneurial cultures empower individuals by providing autonomy and the freedom to take initiative. They encourage individuals to be self-starters, take ownership of their work, and make decisions independently.
5. **Collaboration and Networking**: Entrepreneurial cultures promote collaboration and networking. They foster an environment where individuals can connect, share knowledge, seek advice, and collaborate with others to leverage complementary skills and resources.
6. **Learning and Growth Mindset**: Entrepreneurial cultures prioritize continuous learning and personal growth. They provide opportunities for skill development, mentorship, and access to knowledge resources. Individuals are encouraged to seek feedback, learn from failures, and adapt to changing market conditions.
7. **Supportive Ecosystem**: Entrepreneurial cultures thrive in supportive ecosystems that provide resources, infrastructure, and access to funding and markets. These ecosystems include incubators, accelerators, government initiatives, educational institutions, and networks that facilitate entrepreneurship.
8. **Celebrating Success and Failure**: Entrepreneurial cultures celebrate both success and failure as learning experiences. They recognize and reward entrepreneurial achievements and provide support and encouragement to individuals who take risks, even if they encounter setbacks.
9. **Flexibility and Adaptability**: Entrepreneurial cultures embrace flexibility and adaptability in response to changing circumstances. They encourage individuals to be agile, open to new ideas, and willing to pivot their strategies and business models when needed.
10. **Positive and Proactive Mindset:** Entrepreneurial cultures foster a positive and proactive mindset. They encourage individuals to have a can-do attitude, embrace challenges, persevere through obstacles, and see setbacks as opportunities for growth.

Developing and nurturing an entrepreneurial culture requires a collective effort from various stakeholders, including government, educational institutions, businesses, and community leaders. By fostering an entrepreneurial culture, societies and organizations can create an environment where entrepreneurship thrives, leading to economic prosperity, job creation, and societal development.

WHY IT IS IMPORTANT

Entrepreneurial culture plays a vital role in driving economic growth, fostering innovation, and creating a positive impact on society. Here are some key reasons why entrepreneurial culture is important:

1. **Economic Growth and Job Creation**: Entrepreneurial culture fuels economic growth by promoting the creation of new businesses, industries, and job opportunities. Entrepreneurs identify market gaps, develop

innovative solutions, and establish ventures that generate employment and contribute to the economy.

2. **Innovation and Creativity:** Entrepreneurial cultures encourage innovation and creativity. They provide an environment that nurtures new ideas, challenges the status quo, and supports the development of groundbreaking products, services, and technologies. Entrepreneurial innovation leads to increased competitiveness, productivity, and the advancement of societies.

3. **Entrepreneurial Mindset and Skills Development**: An entrepreneurial culture cultivates an entrepreneurial mindset and equips individuals with the necessary skills for success in a dynamic and evolving business landscape. It encourages individuals to take initiative, think critically, solve problems, and embrace a proactive and risk-taking approach.

4. **Value Creation and Market Disruption**: Entrepreneurial cultures foster an environment that encourages individuals to identify and create value for customers. By challenging traditional business models and introducing disruptive innovations, entrepreneurs drive market evolution, improving products, services, and overall customer experiences.

5. **Resilience and Adaptability**: Entrepreneurial cultures promote resilience and adaptability in the face of challenges and uncertainties. Entrepreneurs are encouraged to embrace failure as a learning opportunity, pivot their strategies, and quickly respond to changing market dynamics. This adaptability fosters a robust business ecosystem that can navigate and thrive in turbulent times.

6. **Social and Environmental Impact**: Entrepreneurial cultures can have a positive social and environmental impact. Social entrepreneurs, for example, address societal challenges by developing innovative solutions that tackle issues such as poverty, inequality, healthcare, education, and sustainability. Entrepreneurship can lead to the creation of ventures that prioritize social and environmental responsibility, contributing to a more inclusive and sustainable future.

7. **Regional Development and Community Empowerment:** Entrepreneurial cultures promote regional development by fostering local entrepreneurship and empowering communities. They encourage individuals to leverage local resources, talents, and culture, leading to the growth of regional economies, job opportunities, and improved living standards.

8. **Global Competitiveness**: Cultivating an entrepreneurial culture enhances a nation’s or organization’s global competitiveness. It encourages entrepreneurship and innovation-driven enterprises, positioning them at the forefront of global markets. Entrepreneurial cultures attract investment, foster collaboration, and enable the development of a vibrant entrepreneurial ecosystem.

9. **Inspiration and Role Models**: An entrepreneurial culture creates a supportive environment that inspires and encourages individuals to pursue their entrepreneurial aspirations. It showcases successful entrepreneurs as role models, providing inspiration, guidance, and mentorship to aspiring entrepreneurs.

10. **Knowledge and Technology Transfer**: Entrepreneurial cultures facilitate knowledge and technology transfer by encouraging collaboration, networking, and the exchange of ideas. They create

platforms for entrepreneurs, researchers, and experts to connect, share knowledge, and leverage each other's expertise for mutual growth.

Creating and structuring an entrepreneurial culture involves several key processes and strategies. While the exact approach may vary depending on the context, **here are some common processes that help shape an entrepreneurial culture:**

1. **Leadership and Vision**: Cultivating an entrepreneurial culture starts with leadership commitment and a clear vision. Leaders must articulate and communicate the importance of entrepreneurship and its alignment with the organization's goals and values. They set the tone for the entrepreneurial culture and act as role models for others.
2. **Education and Training**: Providing education and training programs that promote entrepreneurship is crucial. This can be done through entrepreneurship courses, workshops, mentorship programs, and experiential learning opportunities. By equipping individuals with entrepreneurial knowledge, skills, and mindset, organizations can foster a culture that encourages innovation and risk-taking.
3. **Resource Allocation**: Allocating resources to support entrepreneurial initiatives is essential. This includes financial resources, infrastructure, technology, and access to networks. Organizations should provide funding opportunities, incubation spaces, access to mentors, and connections to potential investors or partners. These resources empower entrepreneurs to develop and scale their ventures.
4. **Open Communication and Collaboration**: Encouraging open communication and collaboration is vital for an entrepreneurial culture to thrive. Organizations should create platforms for idea-sharing, brainstorming sessions, and cross-functional collaboration. This allows employees to contribute their insights, collaborate on projects, and foster a culture of innovation and teamwork.
5. **Recognition and Reward Systems**: Establishing recognition and reward systems that celebrate entrepreneurial achievements is important. Organizations should acknowledge and reward entrepreneurial efforts, whether they result in successful ventures, innovative ideas, or valuable contributions to the organization's growth. This recognition reinforces the entrepreneurial culture and encourages others to embrace entrepreneurial behaviors.
6. **Risk-Tolerant Environment:** Creating a risk-tolerant environment is crucial for entrepreneurial culture. Organizations should foster a culture where individuals are encouraged to take calculated risks, learn from failures, and experiment with new ideas. This requires leaders to support and provide psychological safety to employees, allowing them to take risks without fear of negative consequences.
7. **Continuous Learning and Adaptation**: Emphasizing continuous learning and adaptation is essential. Organizations should promote a culture of learning, where individuals are encouraged to seek feedback, reflect on experiences, and embrace a growth mindset. This helps entrepreneurs stay agile, adapt to changing market conditions, and continuously improve their entrepreneurial capabilities.

8. **Networking and External Engagement**: Encouraging networking and external engagement is important to foster an entrepreneurial culture. Organizations should facilitate opportunities for employees to connect with external stakeholders such as customers, industry experts, investors, and other entrepreneurs. Networking events, industry conferences, and partnerships with external organizations can help individuals expand their networks and gain insights from the broader entrepreneurial ecosystem.

9. **Performance Evaluation and Feedback**: Aligning performance evaluation and feedback processes with entrepreneurial behaviors is crucial. Organizations should incorporate entrepreneurial competencies into performance evaluation criteria and provide feedback that encourages entrepreneurial growth and development. This ensures that entrepreneurial behaviors are recognized and valued within the organization.

10 **Continuous Evaluation and Improvement**: Regularly evaluating and improving the entrepreneurial culture is essential. Organizations should gather feedback from employees, measure the impact of initiatives, and make necessary adjustments. This iterative process allows organizations to identify areas for improvement and adapt strategies to better support and foster entrepreneurship.

By implementing these processes, organizations can structure and nurture an entrepreneurial culture that encourages innovation, creativity, and entrepreneurial mindsets and behaviors among employees.

DIMENSIONS OF ENTREPRENEURIAL CULTURE

Dimensions of entrepreneurial culture refer to the different aspects or characteristics that define and shape the entrepreneurial culture within an organization or society. These dimensions provide a framework for understanding and assessing the key elements that contribute to an entrepreneurial culture. Here are some common dimensions of entrepreneurial culture:

1. **Risk-Taking Orientation**: This dimension reflects the organization's or society's attitude towards risk. It measures the willingness to take calculated risks, embrace uncertainty, and tolerate failures as part of the entrepreneurial process.

2. **Innovation and Creativity**: This dimension captures the emphasis on innovation and creativity within the entrepreneurial culture. It assesses the extent to which individuals are encouraged and empowered to think outside the box, challenge existing norms, and develop innovative solutions.

3. **Opportunity Recognition:** This dimension focuses on the organization's or society's ability to identify and capitalize on opportunities. It measures the extent to which individuals are trained and equipped to recognize market gaps, customer needs, and emerging trends that can be translated into entrepreneurial ventures.

4. **Supportive Infrastructure:** This dimension evaluates the availability and accessibility of resources, networks, and support systems that facilitate entrepreneurship. It encompasses factors such as funding opportunities, incubation centers, mentorship programs, and access to networks of investors, advisors, and other entrepreneurs.

5. **Entrepreneurial Education and Training**: This dimension assesses the emphasis on

entrepreneurial education and training programs. It measures the organization's or society's commitment to equipping individuals with the knowledge, skills, and mindset required for successful entrepreneurship.

6. **Collaboration and Networking**: This dimension reflects the emphasis on collaboration, networking, and knowledge-sharing within the entrepreneurial culture. It measures the extent to which individuals are encouraged and supported to collaborate with others, seek external partnerships, and leverage collective intelligence for entrepreneurial success.

7. **Recognition and Rewards**: This dimension assesses the recognition and rewards systems in place to acknowledge and incentivize entrepreneurial efforts. It measures whether entrepreneurial achievements are celebrated, and whether rewards, incentives, or career advancement opportunities are linked to entrepreneurial behaviors and outcomes.

8. **Leadership and Vision**: This dimension focuses on the role of leadership in shaping the entrepreneurial culture. It assesses the vision, commitment, and support demonstrated by leaders in fostering an entrepreneurial mindset, setting strategic direction, and creating an environment that nurtures entrepreneurship.

9. **External Engagement**: This dimension captures the extent to which the organization or society engages with external stakeholders and the broader entrepreneurial ecosystem. It measures the organization's or society's participation in industry events, partnerships with external organizations, and engagement with investors, customers, and experts

10. **Learning and Adaptation**: This dimension reflects the emphasis on continuous learning, adaptation, and growth within the entrepreneurial culture. It measures the organization's or society's commitment to a learning mindset, feedback mechanisms, and the ability to adapt to changing market conditions and emerging opportunities.

PROBLEMS FACED IN ENTREPRENEURIAL CULTURE

While entrepreneurial culture brings numerous benefits, there are also challenges and problems that can be encountered. Here are some common problems faced in entrepreneurial culture:

1. **Risk Aversion**: Despite the importance of taking risks in entrepreneurship, individuals and organizations may exhibit risk aversion. Fear of failure, financial insecurity, or lack of support systems can discourage people from pursuing entrepreneurial endeavors and hinder the development of an entrepreneurial culture.

2. **Lack of Resources:** Insufficient access to financial resources, infrastructure, and support systems can pose significant challenges. Limited funding opportunities, lack of mentorship programs, and inadequate physical or technological infrastructure can hinder the growth and success of entrepreneurial ventures.

3. **Resistance to Change**: Organizations or societies with traditional or bureaucratic structures may resist embracing entrepreneurial culture. Resistance to change, rigid hierarchies, and resistance to new ideas can impede entrepreneurial efforts and innovation.

4. **Lack of Entrepreneurial Education**: The absence of effective entrepreneurial education and training programs can be a barrier. Limited access to quality entrepreneurial education, lack of awareness about entrepreneurship as a career option, and inadequate development of entrepreneurial skills and mindset can hinder the growth of an entrepreneurial culture.
5. **Regulatory and Policy Barriers**: Entrepreneurial culture can be influenced by regulatory and policy barriers. Complex regulatory frameworks, bureaucratic processes, and restrictive policies can create barriers to entry, hinder business growth, and discourage entrepreneurial activities.
6. **Cultural and Social Norms**: Cultural and social norms can shape attitudes towards entrepreneurship. Societal pressures, fear of failure, and cultural biases against risk-taking or non-traditional career paths can impact the development of an entrepreneurial culture.
7. **Lack of Collaboration and Networking**: Limited opportunities for collaboration and networking can hamper entrepreneurial culture. Insufficient platforms for knowledge sharing, lack of networking events, and limited connections to potential partners or investors can impede the growth and expansion of entrepreneurial ventures.
8. **Lack of Role Models and Support Systems**: Absence of role models and support systems can be a challenge. Lack of successful entrepreneurial role models, limited access to mentors or advisors, and inadequate support networks can make it difficult for individuals to navigate the entrepreneurial journey and overcome obstacles
9. **Short-Term Focus and Pressure**: Entrepreneurial culture can face challenges related to short-term focus and pressure for immediate results. Pressure to generate quick profits, meet short-term financial targets, and the tendency to prioritize immediate gains over long-term sustainability can hinder the development of a thriving entrepreneurial culture.
10. **Lack of Diversity and Inclusion**: Entrepreneurial culture can suffer from a lack of diversity and inclusion. Limited representation of women, underrepresented groups, or individuals from different backgrounds can result in a narrow range of perspectives, limiting innovation and potential market reach.

HOW TO OVERCOME THE CHALLENGES

To overcome the challenges and problems faced in entrepreneurial culture, several strategies can be implemented. Here are some suggestions:

1. **Promote Entrepreneurial Education**: Enhance entrepreneurial education and training programs at all levels, including schools, universities, and vocational institutions. Integrate practical entrepreneurship courses, experiential learning opportunities, and mentorship programs to equip individuals with the necessary knowledge, skills, and mindset for entrepreneurship.
2. **Facilitate Access to Resources**: Improve access to financial resources, infrastructure, and support systems for entrepreneurs. This can involve establishing funding programs, creating incubation centers or co-working spaces, and providing mentorship and advisory services to assist entrepreneurs in developing and

scaling their ventures.

3. **Foster Collaboration and Networking**: Create platforms and events that facilitate collaboration and networking among entrepreneurs, investors, industry experts, and support organizations. Encourage the exchange of knowledge, ideas, and resources to foster innovation and create opportunities for partnerships and growth.

4. **Address Regulatory Barriers**: Work towards creating a supportive regulatory environment for entrepreneurship. Simplify regulatory processes, reduce bureaucratic hurdles, and introduce policies that encourage entrepreneurship, such as tax incentives for startups or streamlined business registration procedures.

5. **Promote a Risk-Tolerant Culture**: Foster a culture that embraces risk-taking and failure as learning opportunities. Encourage organizations and society to recognize and reward entrepreneurial efforts, even if they result in setbacks. Highlight success stories and share experiences that emphasize the importance of resilience and perseverance in the entrepreneurial journey.

6. **Cultivate Entrepreneurial Networks**: Establish networks and communities that bring together entrepreneurs, investors, mentors, and experts. Encourage knowledge sharing, collaboration, and peer support. Foster a culture of paying it forward, where successful entrepreneurs provide guidance and mentorship to aspiring entrepreneurs.

7. **Promote Diversity and Inclusion**: Actively promote diversity and inclusion within the entrepreneurial ecosystem. Encourage participation and representation of women, underrepresented groups, and individuals from diverse backgrounds. Support initiatives that provide resources and opportunities for underrepresented entrepreneurs.

8. **Government Support and Policies**: Governments should implement policies that support entrepreneurship, such as startup-friendly regulations, tax incentives, and access to government procurement opportunities. Establish entrepreneurial support programs, incubators, and accelerators to provide a nurturing environment for startups.

9. **Foster a Long-Term Perspective**: Encourage entrepreneurs and stakeholders to adopt a long-term perspective, focusing on sustainable growth rather than short-term gains. Promote the importance of building resilient and scalable businesses that create lasting impact.

10. **Raise Awareness and Change Mindsets**: Conduct awareness campaigns to promote the benefits and opportunities of entrepreneurship. Change societal attitudes towards risk-taking, failure, and non-traditional career paths. Educate individuals and organizations about the value of entrepreneurship in driving economic growth and social impact.

3.4 ENTREPRENEURIAL SOCIETY

An entrepreneurial society refers to a socio-economic environment or culture that promotes and supports entrepreneurship as a central driver of economic growth and innovation. In such a society, individuals are

encouraged to start and run businesses, take risks, and pursue opportunities for creating wealth and value.
Characteristics of an entrepreneurial society include:

1. **Emphasis on Innovation**: Innovation is highly valued, and entrepreneurs are encouraged to develop new ideas, products, and services that meet market needs or solve societal challenges. The society fosters an environment that supports experimentation and rewards creative thinking.
2. **Risk-taking and Resilience**: Entrepreneurial societies acknowledge and embrace the inherent risks associated with starting and running businesses. They provide a supportive infrastructure, including access to capital, mentorship programs, and legal frameworks that protect entrepreneurs and enable them to bounce back from failure.
3. **Entrepreneurial Education and Support**: The society places a strong emphasis on entrepreneurial education, starting from schools and universities. Entrepreneurial skills, such as critical thinking, problem-solving, and resource management, are taught and nurtured. Additionally, support networks and resources, such as incubators, accelerators, and business development programs, are available to assist entrepreneurs throughout their journey.
4. **Access to Capital:** An entrepreneurial society ensures that entrepreneurs have access to various sources of capital, such as venture capital, angel investors, crowdfunding platforms, and government grants or loans. Financial institutions and investment networks play an active role in supporting startup ventures and innovative projects.
5. **Collaboration and Networking**: Collaboration and networking are encouraged to foster knowledge sharing, mentorship, and the exchange of ideas. Entrepreneurs have opportunities to connect with industry experts, potential partners, and investors through events, conferences, and networking platforms.
6. **Supportive Regulatory Environment**: An entrepreneurial society promotes regulations and policies that enable business formation and growth. This includes streamlined bureaucracy, reduced barriers to entry, protection of intellectual property rights, and fair competition.
7. **Recognition and Celebration:** Entrepreneurial societies celebrate and recognize the achievements and contributions of entrepreneurs. Successful entrepreneurs are regarded as role models and inspire others to pursue their entrepreneurial ambitions.

Overall, an entrepreneurial society encourages and empowers individuals to become entrepreneurs, promotes a culture of innovation and risk-taking, and provides the necessary support systems and resources for entrepreneurial success. It fosters economic growth, job creation, and societal development by harnessing the entrepreneurial spirit of its citizens.

KEY PRINCIPLES OF ENTREPRENEURIAL SOCIETY

The principles of an entrepreneurial society outline the foundational beliefs and values that drive the culture and behavior within such a society. These principles provide a framework for fostering entrepreneurship, innovation, and economic growth. Here are some key principles commonly associated with an entrepreneurial society:

1. **Individual Empowerment**: An entrepreneurial society recognizes the potential of individuals and believes in empowering them to take control of their own economic destiny. It encourages self-reliance, autonomy, and personal responsibility for creating opportunities and pursuing entrepreneurial ventures.

2. **Economic Freedom**: The principle of economic freedom emphasizes the importance of free markets and limited government intervention. Entrepreneurs are given the freedom to start businesses, compete, and innovate without excessive regulations or barriers to entry.

3. **Risk-taking and Reward**: An entrepreneurial society values risk-taking as a necessary part of entrepreneurial endeavors. It recognizes that taking calculated risks can lead to innovation, growth, and economic rewards. The society promotes a culture that rewards and celebrates successful entrepreneurship while understanding that failure is a natural part of the entrepreneurial journey.

4. **Innovation and Creativity:** Innovation lies at the heart of an entrepreneurial society. It encourages and nurtures a culture of creativity, critical thinking, and problem-solving. The society recognizes the importance of fostering an environment that stimulates and supports the generation of new ideas, technologies, and business models.

5. **Collaboration and Networking**: Collaboration and networking are essential principles of an entrepreneurial society. It emphasizes the power of connecting with others, sharing knowledge, and building supportive networks. Entrepreneurs are encouraged to collaborate with like-minded individuals, experts, mentors, and potential partners to enhance their chances of success.

6. **Lifelong Learning and Adaptability**: An entrepreneurial society promotes a mindset of continuous learning and adaptability. It recognizes that entrepreneurs must continuously acquire new skills, stay updated with industry trends, and be willing to adapt their strategies in response to changing market dynamics. Lifelong learning is encouraged through educational programs, training initiatives, and access to resources.

7. **Social and Environmental Responsibility**: An entrepreneurial society acknowledges the importance of social and environmental responsibility. It encourages entrepreneurs to create businesses that contribute positively to society and the environment. The society promotes sustainable practices, ethical business conduct, and the consideration of societal impact alongside economic success.

8. **Inclusivity and Diversity**: An entrepreneurial society values inclusivity and diversity. It recognizes that diverse perspectives, experiences, and backgrounds foster innovation and drive economic growth. The society promotes equal opportunities for all individuals, regardless of gender, race, ethnicity, or socioeconomic status, to engage in entrepreneurship.

These principles provide a guiding framework for the development of policies, programs, and initiatives that support entrepreneurship and create an environment where entrepreneurs can thrive and contribute to economic and societal progress.

3.5 Entrepreneurial culture and entrepreneurial society are closely related concepts that share several similarities. Here are some of the key similarities between the two:

1. **Promotion of Entrepreneurship**: Both entrepreneurial culture and entrepreneurial society emphasize the importance of entrepreneurship as a driver of economic growth and innovation. They recognize and encourage individuals to start businesses, take risks, and pursue entrepreneurial opportunities.
2. **Innovation and Creativity**: Both entrepreneurial culture and entrepreneurial society foster a culture of innovation and creativity. They value and promote the generation of new ideas, technologies, and business models to address market needs and solve problems.
3. **Risk-taking and Resilience**: Both entrepreneurial culture and entrepreneurial society acknowledge the inherent risks associated with entrepreneurship. They promote a mindset of calculated risk-taking and resilience, understanding that failure is a natural part of the entrepreneurial journey.
4. **Supportive Networks and Resources**: Both entrepreneurial culture and entrepreneurial society provide support networks and resources to entrepreneurs. This includes access to mentorship, networking opportunities, funding sources, and business development programs aimed at assisting entrepreneurs in their endeavors.
5. **Emphasis on Learning and Adaptability**: Both entrepreneurial culture and entrepreneurial society recognize the importance of continuous learning and adaptability. They encourage individuals to acquire new skills, stay updated with industry trends, and be willing to adapt their strategies to changing market conditions.
6. **Recognition of Success**: Both entrepreneurial culture and entrepreneurial society celebrate and recognize the achievements and contributions of successful entrepreneurs. They regard successful entrepreneurs as role models and sources of inspiration for aspiring entrepreneurs.
7. **Economic and Job Creation:** Both entrepreneurial culture and entrepreneurial society

understand the positive impact of entrepreneurship on economic growth and job creation. They strive to create an environment that fosters entrepreneurship, as it can lead to the creation of new businesses, industries, and employment opportunities.

While entrepreneurial culture refers more to the shared values, norms, and practices within a specific group or organization, entrepreneurial society extends these principles to the broader socio-economic context. An entrepreneurial culture can contribute to the development of an entrepreneurial society by shaping the behaviors and attitudes of individuals within the society. Ultimately, both concepts aim to create an environment that supports and encourages entrepreneurial activities, leading to economic prosperity and societal progress.

3.6 LONG ANSWER TYPE QUESTIONS

1. Explain the concept entrepreneurial culture in detail.
2. Highlight the role of entrepreneur in promoting entrepreneurial culture.
3. “Entrepreneurs play an important role in developing society” Comment
4. Explain the process of making entrepreneurial culture.
5. Explain the challenges faced by entrepreneur in developing culture.
6. Suggest some remedies to overcome the challenges faced by entrepreneur in developing culture.
7. Highlight the relation between the entrepreneurial culture and society in detail.
8. Discuss principles of entrepreneurial society
9. Key features of society.
10. Stare the various dimensions of entrepreneurial culture

SHORT ANSWER TYPE QUESTIONS

1. Define entrepreneurship.
2. Define entrepreneur.
3. Features of Society.
4. Define entrepreneurial culture.
5. Why entrepreneurial culture is important.
6. Entrepreneurial society.
7. Relation between Entrepreneurial society and culture.
8. Principles of Entrepreneurial society

9. Give three remedies to overcome the challenges faced by entrepreneur
10. Dimensions of entrepreneurial culture

Glossary

Entrepreneurship refers to the activity of identifying, creating, and pursuing opportunities to start and manage a business venture.

Entrepreneur is an individual who takes on the role of organizing and operating a business, assuming the associated risks in order to achieve financial profitability and growth

Entrepreneurial society refers to a socio-economic environment or culture that promotes and supports entrepreneurship as a central driver of economic growth and innovation. In such a society, individuals are encouraged to start and run businesses, take risks, and pursue opportunities for creating wealth and value

Dimensions of entrepreneurial culture refer to the different aspects or characteristics that define and shape the entrepreneurial culture within an organization or society. These dimensions provide a framework for understanding and assessing the key elements that contribute to an entrepreneurial culture

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Master of Commerce (M.Com)

CORE COURSE (CC): ENTREPRENEURSHIP DEVELOPMENT

SEMESTER - III

UNIT- 4 RURAL ENTREPRENEURSHIP, EMERGING TRENDS AND MODELS OF CORPORATE ENTREPRENEURSHIP

STRUCTURES

4.1 Introduction

India is the country of villages; majority of the country's population is living in rural areas. People in rural area suffer with poverty, poor infrastructure facilities, unemployment which may be solved with the development of the rural entrepreneurs. An entrepreneur is a one not only plan and organize the ventures but also often takes risks in while doing so. Entrepreneurs are ambitious to achieve success in their undertaking along with the potential of leader, resource allocator, manager, innovator, risk taker, decision maker etc. Most significant is to enact all of these qualities into the venture.

Rural entrepreneur refers to those who carry out the business in rural areas with the utilization of local resources. Rural entrepreneurship is now-a-days a major opportunity for the people who migrates from semi-urban areas or rural areas to urban areas. Rural entrepreneurship can be considered one of the solutions to reduce poverty, migration, unemployment and to develop rural areas. Rural entrepreneur may increase the standard of living and purchasing power of rural people and bottom of pyramid by offering employment opportunity to the people in villages.

4.2 Rural Entrepreneurship

The word entrepreneur originates from the French word 'entrepreneur' and German word 'Uternehmen: which means "to undertake", i.e. the person who takes the risk of new enterprise. In a business language it means to start a business.

Entrepreneurship is an important engine for the growth of the economy. Entrepreneurship is the process of action taken by an entrepreneur for conducting business activities. It is a process of the planning, organizing, operating and controlling the risk of a business venture. It is a creative and innovative response towards the society.

Entrepreneurship = Entrepreneur + Entrepreneurial + Enterprise

(Process of Action) (Person) (Attitude, skill & behaviour) Object

According to Drucker," Entrepreneur is one who always searches to change responds to it and exploits it as opportunity." As per E.E. Hagen," An entrepreneur is an economic man who tries to maximize his profit by innovations. Entrepreneurship is the activity of an entrepreneur who starts a new venture by taking risk and initiative, creates useful assets for providing values to the customers.

Rural entrepreneurship can be regarded as an attempt to create the management for risk taking appropriate to opportunity as well as to mobilize human, material and financial resources in order to fulfill the projects in rural areas. Rural entrepreneur is someone who stays in rural areas and contributes to the establishment of rural wealth. Rural entrepreneurs refer to those who perform business activities in rural areas with the exploitation of local resources. Rural Entrepreneurs expands the purchasing power and standard of living of the people by offering employment opportunities to the people in rural areas.

In simple words entrepreneurship emerging in rural areas is called rural entrepreneurship emerging in rural area is called rural entrepreneurship. In other words, establishing industries in rural areas refers to rural entrepreneurship. This means rural entrepreneurship is synonymous to rural industrialization. According to the Khadi and Village Industries Commission (KVIC)," Village industry or rural industry means any industry located in rural area, population of which does not exceed 10,000 or such other figure which produces any goods or renders any services with or without use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed a thousand rupees.

The Government of India has recently modified the definition of village industry as anu industry located in rural area, village or town with a population of 20,000 and below an investment of Rs 3 crores in plant & machinery. With this wider definition of village industries, a total of 41 new village industries have been added to the category of village industries.

CHARACTERISTICS OF RURAL ENTREPRENEURSHIP

The main features of Rural Entrepreneurship are:

i. **Lack of focus:** Rural entrepreneurs typically focus on the business which serves the local needs and demands in rural areas. They deal with agriculture, agribusiness, food processing, handicrafts, tourism and services that directly satisfies the needs of local residents.

ii. **Resourcefulness and adaptable:** In rural areas entrepreneurs face problems related to limited resources for e.g., lack of infrastructure, not having access to finance and market. So entrepreneurs need to be resourceful and adaptable. The organizations must overcome these obstacles and adapt to changing conditions in novel ways.

iii. **Inclusive growth:** A rural entrepreneur can promote inclusive growth by creating employment opportunities for residents, including women and marginalized groups involving people and communities in the economic development.

iv. **Labour Intensive:** Rural entrepreneurship is labour intensive because they provide more employment to labour than machines. Rural entrepreneurs are generally labour intensive because they give much stress on human capital.

v. **Use of Traditional Skill:** Rural entrepreneur give much emphasis on use of traditional skill during the course of production. They have no capacity to apply modern skill and technology in their industry.

vi. **Less Capital:** Rural entrepreneurs usually invest less capital to produce goods and commodities in their industry. They emphasize on less capital investment as they have no capacity to afford much capital investment.

vii. **Decentralized Production :** Rural entrepreneurship encourages decentralized production as rural industries are scattered and operated in small scale.

TYPES OF RURAL ENTREPRENEURSHIP

Rural entrepreneur as per their objectives and social structures can be categorized into the following types:

1. **Farm Entrepreneurs:** Farm entrepreneurs are such persons whose main occupation is farming. The main source of their livelihood is agriculture. This type includes those persons who have no land of their own but they are willing to stay in the villages and aid agriculture. Therefore, people possessing large piece of land in the village but staying in the towns are excluded from this category.
2. **Artisan Entrepreneurs:** This type includes those people who possess some kind of skills the masonry, blacksmith, carpentry, repairs of pump-sets, art, board painting etc. Such skill can be inherited and refined or acquired through professional training.
3. **Merchants and Traders:** It includes businessmen who commercialize in various products mainly local population of the village and around. They may be producing the goods themselves or acting as middlemen.
4. **Tribal Entrepreneurs:** Tribal entrepreneurs belong to those who operate predominantly in tribal villages. This source of origin its tribal community.

ROLE AND IMPORTANCE OF RURAL ENTREPRENEURSHIP

Role and importance of rural entrepreneur can be described below:

i. **Provide Employment Opportunities:** Rural entrepreneurship is labour intensive and provide a clear solution to the growing problem of unemployment, Development of industrial units in rural areas through rural entrepreneurship has high potential for employment generation and income creation.

ii. **Check on Migration of Rural Population:** Rural entrepreneurship can fill gap and disparities of rural and urban people. Rural entrepreneurship will bring in or to develop infrastructural facilities like power, roads, bridges etc. It can help to check the migration of people from rural to urban areas in search of jobs.

iii. **Balanced Regional Growth:** Rural entrepreneurship can dispel the concentration of industrial units in urban areas and promote regional development in a balanced way.

iv. **Promotion of Artistic activities:** The age -old rich heritage of rural India is preserved by protecting and promoting art and handicrafts through rural entrepreneurship.

v. **Check on Social Evils:** The growth of rural entrepreneurship can reduce the social evils like poverty, growth of slums, pollution in cities etc.

vi. **Awaken the Rural Youth:** Rural entrepreneurship can awaken the rural youth and exposes them to various avenues to adopt entrepreneurship and promote it as a career.

vii. **Improved Standard of Living:** Rural entrepreneurship will also increase the literacy rates, rural population, their education and self-employment will prosper the community, thus increasing their standard of living.

PROBLEMS IN GROWTH OF RURAL ENTREPRENEURSHIP

Most of the rural entrepreneur face peculiar problems like illiteracy, fear of risk, lack of training and experience, limited power and competition from urban entrepreneurs.

i. **Inadequacy of Funds:** Most rural entrepreneurs fail to get external funds due to absence of tangible security and credit in the market. The procedure to avail the loan facility is too time consuming that is delay often disappoints rural entrepreneurs.
ii. **Competition:** Rural entrepreneurs face severe competition from large sized organizations and urban entrepreneurs. They incur high cost of production due to high input cost.
iii. **Middlemen:** Middlemen exploits rural entrepreneurs. The rural entrepreneurs are heavily dependent on middlemen for marketing of their products who pocket large amount of profit.
iv. **Legal Formalities:** Rural entrepreneurs find it extremely difficult in comply various legal formalities in obtaining licenses due to illiteracy and ignorance.
v. **Risk Element:** Rural Entrepreneur have less risk bearing capacity due to lack of financial resources and external support.
vi. **Procurement of Raw Materials:** Procurement of raw materials is really a tough task for rural entrepreneurs. They may end up with poor quality raw materials may also face the problem of storage and warehousing.
vii. **Lack of Technical Knowledge:** Rural entrepreneurs suffer a severe problem of lack of technical knowledge. Lack of training facilitates and extension services create a hurdle for the development of rural entrepreneurs.
viii. **Negative attitude:** Due to lack of awareness of and knowledge of entrepreneurial opportunities, rural people have negative attitude for rural entrepreneurship as a career.
ix. **Poor Quality of Products:** As rural entrepreneurial lack modern technology ,tools and equipment. The products produced by rural entrepreneur is of inferior quality.
x. **Lack of Infrastructural Facilities:** The growth of rural entrepreneur is not very heathy in spite of efforts made by government due to lack of proper and adequate infrastructural facilities.

REMEDIES FOR CHALLENGES FACED BY RURAL ENTREPRENEURS

In order to make the rural entrepreneurs to start business venture the following measures may be adopted:

i. **Creation of Finance cells:** The financial institutions and banks which provide finances to entrepreneurs must create special cells for providing easy fiancé to rural entrepreneurs.

ii. **Concessional Rates of Interest:** The rural entrepreneurs should be provided finance at concessional rates of interest and on an easy repayment basis. The complex formalities should be simplified in sanctioning the loans to rural entrepreneurs.

iii. **Proper Supply of raw materials:** Rural entrepreneurs should be ensured of proper supply of limited raw materials on priority basis. A subsidy may also be offered to make the products manufactured by rural entrepreneurs cost competitive and reasonable

iv. **Offering Training Facilities:** Training is essentials for the development of entrepreneurship. It enables the rural entrepreneurs to undertake the venture successfully as it imparts required skills to run the enterprise.

v. **Setting up Marketing Cooperatives:** Proper encouragement and assistance should be provided to rural entrepreneurs for setting up marketing co-operatives. These cooperatives shall help to get the inputs at a reasonable rate and they will be able to sell their products at attractive prices. Hence, middlemen can be avoided, and rural entrepreneurs derive their benefits of enterprise.

4.3 EMERGING TRENDS AND MODELS OF CORPORATE ENTREPRENEURSHIP

Corporate entrepreneurship is also known as entrepreneurship. It is the practice of entrepreneurship by an employee in an established organization to convert a lucrative idea into business opportunity. Intrapreneurs can be either. the employee or even leader in an organization riding high on self-motivation, creativity and innovation while assuming risk without being asked to do so. The term intrapreneur was first defined by Gifford Pinchot in 1984. He defines intrapreneur as “ dreamers who do. Those who takes hands on responsibility for creating innovation of any kind without being asked to do so.

According to American heritage Dictionary an intrapreneur/ corporate entrepreneur means a person within large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk taking and innovation.

Intrapreneurship is also known as corporate entrepreneurship, where formal structure for promoting corporate entrepreneurs lead to greater possibility and growth. Corporate entrepreneurs are usually employees who are assigned with a specific ideas or project with instruction to develop it in the same manner as an entrepreneur does.

Corporate entrepreneurs are capable individuals having the resources of the company at their disposal. The main job is to turn the specific project into a profitable venture. They can also be referred to as paid entrepreneurs or inside entrepreneurs.

So, it can be concluded that Corporate entrepreneurs is someone who has an entrepreneurial streak but chooses to align his or her talents with a large organization in place of creating his /her own organization. They are most successful when management empowers and supports them.

DEFINITION OF CORPROATE ENTREPRENERUSHIP

According to Michael T. Hannan and John Freeman: Corporate entrepreneurship is the pursuit of opportunities, the discovery and exploitation of new ideas and creation of new products ,services or markets by established organizations.

James B. Quinn: Corporate entrepreneurship is the process of launching enterprise inside well established corporation and is characterized by a high level of creativity, risk taking and entrepreneurial leadership.

CORPORATE ENTREPRENERUSHIP: A NECESSITY

Corporate Entrepreneurship is increasingly becoming a necessity in today's corporate world because of the below mentioned reasons:

i. **Growth:** Corporate entrepreneurship helps organizations to generate new business thereby leading to their growth by widening their scale of operations.

ii. **Innovation:** They provide an environment to support and sustain innovation over time.

iii. **Change:** They enable organization to effectively accelerate and manage change,

iv. **Engagement:** Corporate entrepreneurs provide a platform to engage employees in work that is challenging and meaningful. This helps in retaining employees in the organization and results in growth of the business.

FOUR MODELS OF CORPORATE ENTREPRENEURSHIP

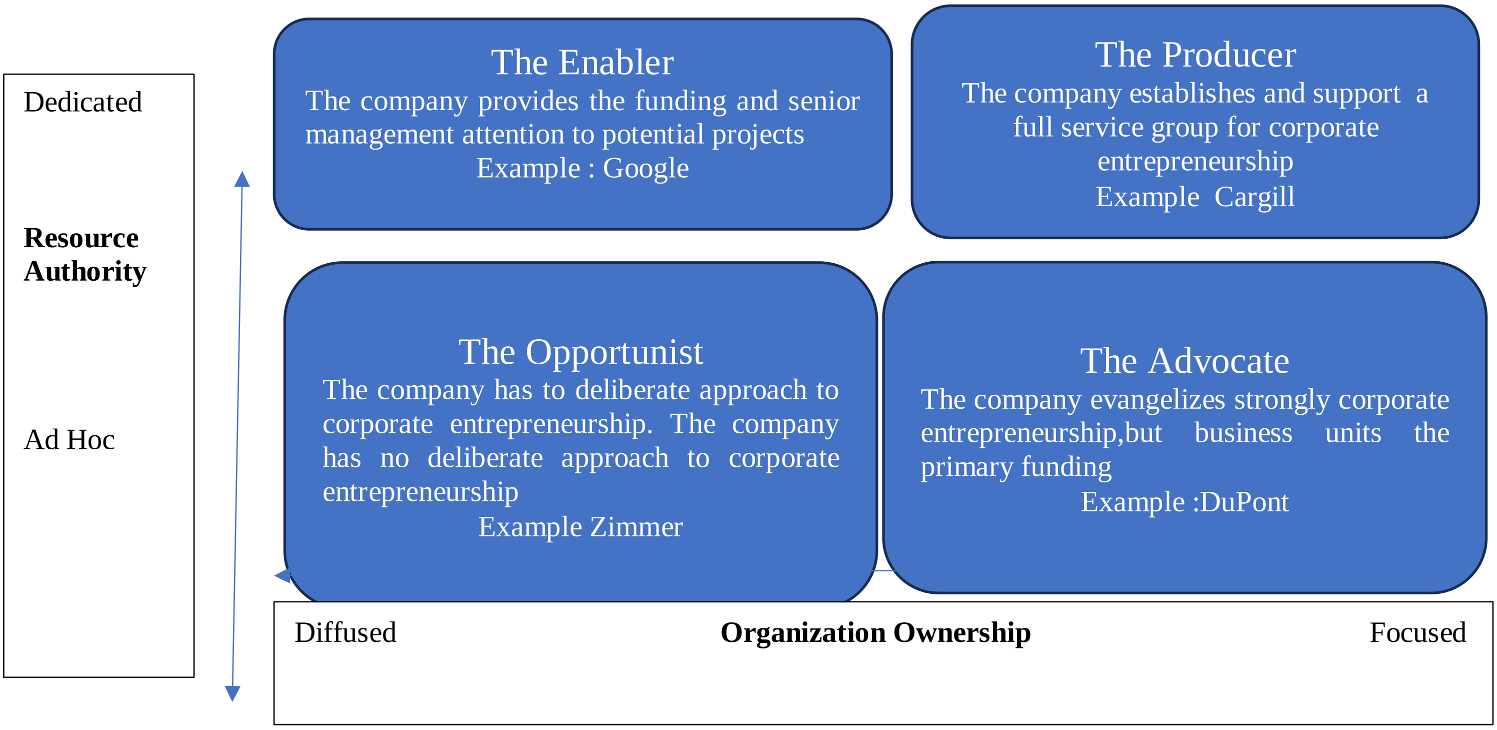
Two measurements under the direct control of management reliably differentiate how organization approach corporate entrepreneurship.

The first dimension is organization ownership. Who, if someone, withing the organization, has primary ownership for the formation of new business.

The second is resource authority: is there a committed pot of money allocated to corporate entrepreneurship or new business concepts funded in ad hoc manner or through divisional or corporate funds or slush funds?

Each model signifies a distinct way of fostering corporate entrepreneurship. A closer look at the model exemplifies how they help companies build corporate entrepreneurship in dissimilar ways.

Together the two dimensions produce a matrix with four dominant models: opportunist, enabler, advocate and producer.



1. The Opportunist Model in Corporate Entrepreneurship

All companies start as opportunist. Without any chosen organizational ownership or resource corporate entrepreneurship proceeds based on the determinations and attractiveness of the project. Champion person who toil against the odds, creating new business often in spite of the business. The opportunity model works fine only in trusting corporate culture that are open to testing and have varied social networks over due the official hierarchy. Consequently, the opportunist approach is unreliable for many firms.

2. The Enabler Model in Corporate Entrepreneurship

The basic premise of the enabler model is that workforce across a business will be willing to develop new concepts if they are assumed adequate support. In the greatest evolved styles of the enabler model, companies provide the following : Clear standards for selecting which opportunities to follow, application rules for funding, decision making clearness, both recruitment and retention of entrepreneurial minded employees and possibly above all active support from senior administration.

Through the Google Intrapreneruship program all the employees are empowered and encouraged to spend 20% of their time on projects that interest them and that they think will benefit Google and their customers. The Google ‘Innovation Time off ‘Intrapreneruship’ program has a formal process for the selection of entrepreneurial projects, for the formal evaluation process and the monitoring of each Google approved entrepreneurial project. For a Google employee to participate in the program he/she needs to submit a project proposal with a timeline. It is critical to note several of Google’s newest products and services such as G-mail, Google news, Orkut and AdSense have all originated through this program.

3 The Advocate Model in Corporate Entrepreneurship

In the third model-the advocate (with focused ownership and ad hoc resource allocation)-a company assigns organizational ownership for driving the creation of new businesses to a designed corporate level group but it intentionally provide the group with only a modest budget. Advocate organizations act as evangelists and innovative experts facilitating and innovative experts facilitating corporate entrepreneurship.

4 The Producer

The fourth model-the producer with focused ownership and dedicated resources aims to protect emerging projects from turf battles to encourage cross unit collaboration, to build potentially disruptive businesses and to create pathway for executive to pursue careers outside their business units.

TYPES OF CORPORATE ENTREPRENERUSHIP

1) **Corporate Venturing:** corporate venturing means a new business set up by established companies that zeros on new product or market opportunity. Here the objective is to enter into new markets with new or existing products. It emphasizes on launches on new products in the existing markets. It aims is to drive new venture and creates value for company’s shareholders.
2) **Intrapreneuring:** Intrapreneur is an inside entrepreneur in a firm who uses his skills without incurring the risk associated with those activities. They are usually employee within the organization who are assigned to work on special idea or project.
3) **Organizational Transformation**: It is also known as organizational renewal. It is a version of complete business that modifies the primary pattern towards improved and sustainable economic performance. Its objective is to rationalize the performance. Some examples of organizational transformation include cost reduction, downsizing and delayering.
4) **Industry Rule Bending:** It is a type of transformation that revises industry rules in which the organization is involved to identify and create new opportunities. Coined as frame breaking change, this aims to transform not only the enterprise but also the industry.

THE IMPORTANCE OF CORPORATE ENTREPRENEURSHIP

The importance of corporate entrepreneurship is described below:

1. **Promotes Revenue and Organizational Growth:** Corporate entrepreneurship helps to increase revenue and as it generates innovative ideas .launch of new products and services and explore new market opportunities. These in turn can help increase revenue and attains company growth.
2. **Boosting Employee Morale:** Corporate Entrepreneurship boosts the morale of employees. Employees morale goes up when workers know there is a corporate culture in which entrepreneur in which entrepreneurship is valued and rewarded.
3. **Innovation:** Companies that can innovate and bring their innovation to the market effectively and quickly are in position to expand their market effectively and to maximize the profits. Corporate entrepreneurships help a company to foster research and development and work on the next big product or service.
4. **Gaining Competitive Intelligence**: Many companies hedge their operational risks by making top rate staff sign confidentiality and non -compete agreements. Corporate entrepreneurship who has an entrepreneurial approach use their insight to the benefit of the sponsoring organization.
5. **Attracting External Talent:** A business firm with an intrapreneurial mindset attracts like-minded professionals.

DEVELOPING INDIVIDUAL MANAGERS FOR CORPORATE ENTREPRENEURSHIP

A corporate entrepreneurship or innovation training programme should be stated in the work atmosphere:

1. **Entrepreneurial Experience:** There should be an overview of entrepreneurial experience. In this programme, the participants are to be introduced to the entrepreneurial revolution that has taken place throughout the world. Participants should be motivated to think innovatively.
2. **Innovation Thinking:** Mangers engage in various exercises designed to facilitate their own innovative thinking. Misconceptions about thinking are reviewed.
3. **Idea Acceleration Process:** A set of specific ideas are generated by managers on which they would like to work. The process includes analysis of number of aspects of the corporation involving structural barriers and facilitators. Managers determine resources required to complete their projects.
4. **Barriers and Facilitators:** The most common hurdles to innovate thinking are reviewed, examined, and discussed. Managers conduct various exercise that will assist them to handle the barriers in the workplace.

5. **I-Teams:** I -Teams refers to innovation teams. Managers work together to build teams based on the idea that have been circulating among the whole group. The main though behind forming I-teams is to focus on particular innovations.
6. **Innovation Action Plan:** I teams are asked to start the process to complete the action plans after testing of different aspects of facilitators and barriers by managers to behave innovatively in their organization.

4.4 EMERGING TRENDS IN ENTREPRENEURSHIP

Once an entrepreneur identifies a specific trend then all their imagination and creative ability can go into generating products and services to satisfy the demand that trend creates. Due to dynamic nature of business environment entrepreneur are advised to scan the environment for any new trends. New marketing methods and technologies, for example, may emerge thus creating the need to be inculcated with in continuing business ventures.

Emerging trends in entrepreneurship can be classified in this manner:

1. **NET PRENERUSHIP**: Netpreneruship stands for electronic commerce and caters to exchange (buy or sell) of products, services, and information via internet. It is “doing business online”. It includes any commercial activity that takes place directly between a business, its partners or its customers through electronic communication and digital information technology.
2. **SOCIAL ENTREPRENERUSHIP:** Social entrepreneurship is the use of techniques by start-up companies and other budding entrepreneurs for the purpose of identifying, developing and funding and implementation solutions for various social, cultural, environmental and other social issues. The concept of social entrepreneurship may be applied to a number of organizations with different sizes, beliefs, goals and targets. Social entrepreneurship usually attempts to achieve broader, social, cultural, and environmental goals often associated with the voluntary sectors in areas like poverty alleviation, health care and community development.
3. **ECOPRENEURSHIP:** Ecopreneurship is often defined as managing that triple bottom line -a process by which enterprise manage their finances. Social and environmental risks, obligations, and opportunities. These three impacts are referred to as profits, people and planet. Hence entrepreneurship sustainability represents the entrepreneurial units that can survive shocks because they are intimately connected to healthy, economic, social environmental systems. These enterprises create economic value and contribute to healthy ecosystems and strong communities.
4. **TECHNOPRENEURSHIP:** The term technopreneurs means technology entrepreneurs which are basically the big, small and medium enterprise ICCT and multimedia companies. Focusing on these

various enterprise advancements in ICT and technological adoption will provide channels to accelerate and expand businesses as well as its people which bears vital importance to the growth and development of entrepreneurs in the knowledge-based economy. Hence technology based entrepreneurs is a process and formation of a new business that involves technology and these technopreneurs use technology into successful products or services.

5. **SCALABLE OR STARTUP ENTREPRENEURS:** People who fall into this category find a gap in the market and fill it, often with the intention of disrupting the norms. They are niche entrepreneurs that create scalable business capable of pivoting as business grows.

4.5 SUMMARY

Rural entrepreneur refers to those who carry out the business in rural areas with the utilization of local resources. Rural entrepreneurship is now-a-days a major opportunity for the people who migrates from semi-urban areas or rural areas to urban areas. Rural entrepreneurship can be considered one of the solutions to reduce poverty, migration, unemployment and to develop rural areas. Rural entrepreneur may increase the standard of living and purchasing power of rural people and bottom of pyramid by offering employment opportunity to the people in villages.

Corporate entrepreneurship is also known as intrapreneruship It is the practice of entrepreneurship by an employee in an established organization to convert a lucrative idea into business opportunity. Intrapreneurs can be either. the employee or even leader in an organization riding high on self-motivation, creativity and innovation while assuming risk without being asked to do so. The term intrapreneur was first defined by Gifford Pinchot in 1984. He defines intrapreneur as “dreamers who do. Those who takes hands on responsibility for creating innovation of any kind without being asked to do so.

Corporate Entrepreneurship is increasingly becoming a necessity in today’s corporate world because of the below mentioned reasons:

1) Growth
2) Innovation
3) Change
4) Engagement

4.6 EXERCISE

Discuss the emerging trends in entrepreneurship with special reference to Indian business environment.

4.7 Long Questions

1. What do you mean by Rural Entrepreneur? Write in brief the typical features of rural entrepreneurs.
2. Define Rural Entrepreneurs? State the role of rural entrepreneurs in the economic development of a country.
3. Who are Rural Entrepreneurs? State the role of rural entrepreneurs in economic development of a country.
4. Explain various major problems faced by rural entrepreneurs.
5. Discuss in brief the remedial measures adopted by government to remove the problems of rural entrepreneurs.
6. Define Corporate Entrepreneurship. Discuss the concept of corporate entrepreneurship.
7. Explain the various models of Corporate Entrepreneurship.
8. Explain the main advantages of Corporate Entrepreneurship.
9. Explain various emerging trends in entrepreneurship.
10. Discuss the need of corporate Entrepreneurship. How to develop individual managers for Corporate Entrepreneurship

Short Questions

1) Define the term entrepreneurship..
2) Explain concept of corporate entrepreneurship.
3) Explain the features of corporate entrepreneurship
4) Explain the need of corporate entrepreneurship.
5) What is the significance of corporate entrepreneurship?
6) Define Rural Entrepreneur.
7) Explain the features of rural entrepreneur.
8) Explain the role of rural entrepreneur.
9) Explain the problems of rural entrepreneurs.
10) Explain various types of corporate entrepreneurship.

Glossary

1. Aspirations: A strong desire/longing
2. Capabilities: The power or ability to do something

3. Challenges: Something new and difficult that forces one to make a lot of efforts
4. Conductive Climate: Providing the right conditions for something to happen or exist.
5. Development: The process in which someone or something grows or changes and becomes more advanced
6. Facilitator: A person or thing that males an action of process easy or easier
7. Motivation: Process of stimulating people to actions to accomplish the goals
8. Motive: A reason for doing something
9. Process: A process is a set of activities that interact to produce a result
10. Transformation: A dramatic change in form or appearance

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Master of Commerce (M.Com)
CORE COURSE (CC): ENTREPRENEURSHIP DEVELOPMENT
SEMESTER - III

UNIT- 5 DEVELOPMENTS OF ENTREPRENEURIAL SKILLS

STRUCTURES

5.1 INTRODUCTION

Entrepreneur is one of the most important segments of economic growth. Basically, he is a person responsible for setting up a business or an enterprise. An entrepreneur is a person who perceives a need and then brings together manpower, material and capital required to meet the need. The concept of entrepreneurship is an age-old phenomenon that relates to the vision of an entrepreneur as well as its implementation by him. Entrepreneurship is a creative and innovative response to the environment. It is also the process of setting up a new venture by entrepreneur. Entrepreneurship is a composite skill that is a mixture of many qualities and traits such as imagination, risk taking ability to harness factors of production i.e. land, labour, technology, and various intangible factors. Entrepreneurship culture implies a set of values, norms and treats that are conducive to the growth of entrepreneurship.

The entrepreneur is a visionary and an integrated man with outstanding leadership qualities. With a desire to excel, he gives up priority to Research and Development. He always works for the well-being of society. It is the ability and quality of an entrepreneur to identify an investment opportunity and to organize an enterprise in order to contribute for the real economic growth.

Entrepreneurship plays a dominant role in the growth and development of an economy. Entrepreneurship can solve problems like unemployment, concentration of economic power in the hands of very imbalanced regional development. Entrepreneurial competence makes all the difference in the rate of economic growth. In India, state and private entrepreneurship co-exist. The small scale industrial sector and business are left completely to private entrepreneurs. It is in this context that an increasingly important role has been assigned to the identification and promotion of entrepreneurs for this sector.

5.2 ENTREPREURIAL CHARACTERISTICS AND SKILLS

The word entrepreneur originates from the French word 'entreprendre' and German word Uternehmen: which means "to undertake", i.e. the person who takes the risk of new enterprise. In a business language it means to start a business.

Entrepreneurship is an important engine for the growth of the economy. Entrepreneurship is the process of action taken by an entrepreneur for conducting business activities. It is a process of planning, organizing, operating and controlling the risk of a business venture. It is a creative and innovative response towards the society.

Entrepreneurship = Entrepreneur + Entrepreneurial + Enterprise
(Process of Action) (Person) (Attitude, skill & behavior) Object

Four Core elements of entrepreneurship

a) **Creativity and Innovation** form the core of entrepreneurship that enables the entrepreneur to think entirely new ways of working. The entrepreneur does not live with 'status quo'. He /she works to change the environment. Entrepreneurs introduce something new in any branch of economic activity and try to exploit profit from it.

b) **Ability to apply creativity:** Besides the entrepreneur has an ability to apply creativity to business problems. They understand the people and the environment around them, it is not enough to think creatively, successful entrepreneurship demands thoughts be translated in to action and result. They need an ability to get things done.

c) **Change:** They have a sound belief in their ability to change the status quo the way things are being done presently. With their drive and passion to achieve success they change the way things the being performed.

d) **Creating Value:** Entrepreneurs focus on creating value by doing things in cheaper, better and faster manner.

CHARACTERISTICS OF ENTREPRENEURSHIP

The main features of Entrepreneurship are:

viii. **Economic Activity:** Entrepreneurship is basically an economic activity because it involves the creation and operation of a new enterprise. It is primarily concerned with satisfying the needs of customers with the help of production and distribution of goods and services to earn profit.

ix. **Innovation:** Entrepreneurship is an innovative and creative activity. It means an act of doing something new. As an innovator an entrepreneur can:

a) Introduce new things or goods which the customers is not yet familiar

b) Introduce new combinations of the means of production

c) Introduce a new market for an existing product

d) Identify a new source of raw material

An entrepreneur has to take innovative steps and decisions under uncertainty and risk situations.

x. **Decision-making:** Decision -making activity of entrepreneur is one of the important features of entrepreneurship. Entrepreneur takes decisions regarding activities of the enterprise. He decides about the type of business to be done and the ways of doing it. An entrepreneur must make decisions under uncertainty.

xi. **Function of High Achievement:** Entrepreneurship is a function of high achievement. People having a high need for achievement are more likely to succeed as entrepreneurs. The achievement motive is relatively stable because profit is merely as a measure of success.

xii. **Organization Building:** Entrepreneurship implies the skill to build an organization. Organization building is the most critical ability for entrepreneurial development. This skill means that one can build an organization effectively by delegating responsibility to others. Entrepreneurs need to be good leaders and excellent administrators to be successful organization builders.

xiii. **Managerial Skill:** Managerial skills and leadership are the important characteristics of entrepreneurship. Entrepreneurship requires tactful handling of various situations involving risk and uncertainties. The entrepreneur must have the ability and skills to lead and manage the affairs of an enterprise.

xiv. **Resource Mobilization:** Gap filling is the most significant feature of entrepreneurship. The job of entrepreneur is to fill the gap or make up the deficiency which always exist in the knowledge about production function. These deficiencies arise because all the inputs in the production function cannot be marketed. An entrepreneur must marshal all the inputs to realize final products. Thus, entrepreneurship is a function of input completing and gap filling.

Entrepreneurial Skills

To deal with entrepreneurial skills is to concern oneself with a wide coverage of aspects of setting up an enterprise and its management. It is not confined to visualization, planning, setting up and risk taking. The skills which an entrepreneur includes are:

1. Visualization
2. Planning
3. Risk taking
4. Ability to deal with situations
5. Organization
6. Elicit positive response from administrators, bankers, infrastructure institutions, clients and employees
7. Understanding of marketing, quality control, finance, banking, commercial laws, government regulations and procedures, taxation and human relations
8. Awareness of technology, tools, and equipment and machinery
9. Knowledge of the product, processes, packaging ,advertising and market potential
10. Communication skills

5.3 BUILDING NEW IDENTITY

Entrepreneurial identity refers to a person's set of meanings including attitudes and beliefs, attributes and subjective evaluation of behavior that define him or herself in an entrepreneurial role. Entrepreneurship is received as a set of mindsets and habits an entrepreneur is developing and performing rather than single characteristics that uniquely identify someone as entrepreneur. Still some characteristics indicate the degree of entrepreneurial thinking which depends on one's identity and development of self-awareness.

According to Maslow's hierarchy of need, self-esteem is the second highest need for self-actualization. Respect, status, recognition and strength are characteristics entrepreneurs seek and they identify themselves as being valued for these. There are different dimensions of entrepreneurial identity:

1. **Identity attributes:** The first dimension of entrepreneurial identity relates to personal characteristics that differentiate people occupying entrepreneurial role. For example as study of women making the transition from employment to self-employment described an entrepreneur by traits such as: innovation, perseverance, dynamism, autonomy, Individualism and risk taking. This contrasts with core features of a manger which are characterized as emotional stability, aggressiveness, and objectivity. These beliefs about characteristics are perceived traits that may be based on an individual's direct experience in the role, past work experience, relationship with entrepreneur or an ideal type propagated by the media and broader culture.
2. **Identity Content:** Another dimension of entrepreneurial identity focuses on the content or set of activities that are perceived to be associated with entrepreneurial role. As with attributes, there will likely to differences in content definition across individuals about what entrepreneur typically do and even the appropriate sequencing of those activities by new versus experienced role occupants (Delmar, Shane and George 2004) . Early definitions of entrepreneurship focused on elements of bearing risk and managing uncertainty (Brockhaus 1982) other have argued that opportunity identification and exploitation are the principal activities of entrepreneurs (Shane and Venkatraman, 2000: Schumpeter 1934). Other definitions have equated entrepreneurship with the phenomenon of new value creations (Gartner 1985) and organization building (Bird 1989). With the greater emphasis on execution, entrepreneurs thus may share the characteristics and activities with the managerial role. The content attributes are an important dimension along which the entrepreneurial role is evaluated to other current or possible roles and help to explain why some become entrepreneurs. Role content attributes help to explain variations across individuals in what entrepreneurial activities they undertake in the nascent stage.
3. **Role regard:** a third core feature of entrepreneurial identity focuses specifically on the positive to negative assessments that individuals have about the entrepreneurial role. Research has found that personal evaluative judgments can differ from what individuals believe are the broader society's view the role identity There is differentiation between public and private regard. Public regard refers to the evaluation the individual believes the broader society holds with respect to the entrepreneurial role. Private regards refer to the positive to negative evaluations that individual holds about entrepreneurs as a group. Dutton et al (1994) make a similar distinction between the individual's perceived organization identity and perceptions that individual hold the regards how other perceive the organization termed 'construed external image'. They highlight that belonging to an organization with a positive image can reinforce a member, s own identification with the

organization. But distinguishing between perceived public and private regard can also be valuable to the extent that there are behavioural consequences to holding private opinions of entrepreneurial people that may diverge from public opinion.

4. Identity Centrality: The dimension of identity centrality captures the subjective importance of an entrepreneurial identity with an individual's self-concept. Two theoretical perspectives within identity literature highlight different mechanisms for the development of identity centrality. The first focus on centrality based on identification with the role and its attributes such that similarity in attributes between person and role form the basis for role identification, defined as the perception of oneness of sense of belonging to a social group or role. Identification processes help explain why some individuals early in the nascent stage attach great subjective importance to an entrepreneurial role in the absence of activities or interaction that legitimate the new identity.

5.4 GOAL SETTING

Goal setting is a process many entrepreneurs undertake to help them close the gap between where they are and where that ultimately want to be by directing their time, energy and resources towards what is most important. Entrepreneurs set up organization to achieve some well-defined goals. The goals are stated in the organization's charter. When they are operationalized, specific goals are created for each of the organizational level. The goals at a lower level are the means of level above it. Setting goals for one's business is significant. It delivers a vibrant path to follow and the inspiration to reach a predetermined destination.

William F Glueck feels that goals serve three purposes:

1. They define the organization in its environment and justify its existence to various groups and to society at large
2. They provide for coordination and relate to diverse tasks performed in complex organization
3. They establish standards for evaluating the actual performance of individuals and groups.

Organizations which are set up by entrepreneurs may be viewed as entities with goals. The goals pursued by an entrepreneur depict a future state of affairs which it strives to realize. They set down guidelines for group activity. They constitute a source of legitimacy which justifies the activities of the organization and its very existence. Moreover, goals serve as a standard for assessing the success of the organization.

According to Etzioni," An organizational goal is something which its resources and efforts are directed." It is an image of the future, a destination an organization wants to reach, and an aspiration which the organization want to achieve. It depicts a future state of affairs which the organization strives to realize. An organizational goal is defined in the present but it exists in future. In this sense a goal never exist, it is a state which we seek, not one we have.

The goals influence the interaction with the environment. The efforts to achieve goals determine the ability of the organization to receive input from the environment and thus legitimize its existence.

Goal setting is the process of identifying something that you want to achieve and creating a plan to get it. A goal can be anything; it can be business related such as expanding one's network or attending more online events. Everybody has their own unique goals even if the end goal is the same the goal setting up process may be different for everybody. The timescale, the milestones, the action plan, and the end result may differ depending on the intention, lifestyle, vision and personality of the individual.

The majority of the goals will involve timescales—the endpoint is important in goal setting as it gives one something to work towards.

RATIONAL OF SETTING UP GOALS

i. **Legitimacy:** The goals set by entrepreneurs for an organization are the foundation for existence of the enterprise set up by the entrepreneur. All its resources and efforts are directed towards the achievement of goals. The legitimateness of various organizational activities can be judged by the looking at its goals which are influenced by the environment.

ii. **Direction:** Goals depict a future state of affairs which the organization strives to realize. They provide the direction towards which the organization will tend to move. All the organization's decision will be guided by the goals. All the organizational activities will be directed towards the achievement of these goals.

iii. **Standard of Performance:** A goal provides yardstick or benchmark with actual performance is to be compared. Thus, it acts as a standard of performance. Organizational performance is to be judged with reference to the goals. Thus, in order to examine the extent of organizational success, the goals or standard must be well defined.

iv. **Control and coordination:** Goals serve as guide for control and coordination. The function of control can be performed by comparing actual performance with the goals of the organization. Goals can also help the managers to coordinate the various activities as all activities are directed towards the achievement of the goals.

v. **Motivation:** Individuals join an organization to fulfill their personal needs and goals. If their personal needs are satisfied by the organization, they will feel motivated. They will contribute more if they know that their performance will lead to realization of their own and organization's goals.

ROLE OF GOAL SETTING

Setting of goes is very important. We could understand the role of goal setting up as described as below:

1. **Goals define the organization's relationship with the environment:** By stating its goals an entrepreneur commits to what is to be achieved for his or her organization.
2. **Goals help an organization to pursue its vision and mission:** By defining the long-term position that an organization wishes to attain and short-term targets to be achieved. Goals help an organization in pursuing its vision and mission.
3. **Goals provide the basis for strategic decision making:** By directing the attention of strategists to those areas where strategic decisions need to be taken, goals lead to desirable standard of behavior and in this manner help to coordinate strategic decision making.
4. **Goals provide the standards for performance appraisal:** By stating targets to be achieved in a given time period and measures to be adopted to achieve them. Goals lay down the standards an organization would have no clear and definite basis for evaluating their performance.

Characteristics of Goals setting

Goals, as measure of organizational behavior and performance should possess certain desirable characteristics to be effective. Given below are seven such characteristics.

i. **Goals should be understandable:** Goals setting plays a very important role in the success of organization. They should be understandable by those who have to achieve them.

ii. **Goals should be concrete and specific:** To say "our enterprise plans to achieve 15% increase in sales is certainly better that ' our enterprise seeks to increase its sales'. The first statement implies a concrete and specific goal and more likely to lead and motivate the manager.

iii. **Goals should be related to the time frame:** Our enterprise plans to increase its sale by 15 percent by the end of two years. It enhances the specificity of goals, if goals are related to time frame, then managers knows the duration within which they have to be achieved.

iv. **Goals should be measurable and controllable:** As far possible goals should be measurable in terms of money or unit, e.g. how many units should be produced in a month or how much profit a manager should make.

v. **Major and subordinate goals:** for achieving the purpose of an organization, both major as well as subsidiary objectives should support each other. These goals should be further translated in terms of divisions, departments, and units.

vi. **Multiple goals:** usually a number of goals are laid down. Even though the major objectives are multiple and a manager is always supposed to achieve more than one objective.

vii. **Long term and short terms goals:** objectives may be for the short, medium or long term.

<u>How are goals set?</u>

An enterprise needs to set goals at different levels, of various types and for different time periods. Such a goal should possess certain desirable characteristics and should resolve certain issues before used. The question that we now face is How are goals set?

Glueck identifies four factors that should be considered for goals setting. These factors as: the forces in the environment, realities of the enterprise's resources and internal power relationship, value system of top executive and awareness in management of the past goals of the firm. Here is a brief description of each of these factors:

1. The forces in the environment: these consider all the interests—sometimes coinciding but often conflicting ----of different stakeholders in an organization. Each group of stakeholders has claims or expectations which have to be considered while setting goals. Each group of stakeholders has claims or expectations which have to be considered while setting goals.
2. Realities of enterprise resources and internal power relationship: These mean that goals are dependent on the resource capability of a company as well as the relative decisional power that different groups of strategists wield with respect to each in sharing those resources. Resources – both material and human place restriction on the objective achieving capabilities of the organization. Internal power relationships too have an impact on goals in different ways.
3. The value system of the top executive: This has an impact on the corporate philosophy that organizations adopt regarding strategic management in general and objectives in particular. Values as an enduring set of beliefs, shape perception about what is good or bad, desirable or undesirable.
4. Awareness by the management: Awareness of the past goals may lead the organization to a choice of goals that has been emphasized in the past due to different reasons.

5.5 CREATIVITY AND PROBLEM SOLVING

<u>Creativity:</u>

Creativity is the ability of a person to conceive something unpredictable, original, and unique.

Creativity is to generate new ideas, alternatives, solutions, and possibilities in a unique and different way. It is the mirror of how beautifully a person can think in any given circumstances. Creativity is a brainstorming and mind blogging activity in which a person has to think beyond his imagination for brining something worthwhile. It is an activity unveiling something which was previously hidden or never creating something new that existed before.

Definition of creativity:

According to Oxford dictionary creativity means." the use of imagination or original ideas to create something."

Characteristics of a Creative Entrepreneur

A creative entrepreneur should possess following features:

1. An entrepreneur experiments with his ideas as the first step, later converting ideas into implementation.
2. An entrepreneur adheres to rules and principles only when they add value to the organization and have a potential to attract more customers.
3. An entrepreneur is less afraid to lose and is always keen to experiment in new ventures.
4. A creative thinker is interested in bringing totally opposite things together to create new products or services.
5. A creative thinker will take inspiration from new ideas in every area directly or indirectly related to enterprise.
6. An entrepreneur shares an idea and is open to feedback that improves and refines the idea.
7. An entrepreneur is not afraid to appreciate new ideas irrespective of who comes up with them.
8. A creative entrepreneur learns different things whether they are related to the industry or not.

Role of Creativity in Entrepreneurship:

Creative thinking is the must have 'skill' of an entrepreneur for the creation of new ideas. Creativity allows a person to devise interesting processes which gives numerous benefits to entrepreneurs. Creativity leads to success by:

i. Creative new ideas for competitive advantage: the whole process of entrepreneurship is rooted in creation and exploration of new ideas. When an entrepreneur can generate new idea that is feasible as well as efficient, it gives him a competitive edge over competitors.
ii. Developing new products and improving the business: Creativity helps develop new ways of improving an existing product or service and optimizing a business.
iii. Thinking and unthinkable: Creativity requires imagination to produce the most obscure ideas. Imagination is needed to cross the boundary of usual and normal or to have out of box thinking.

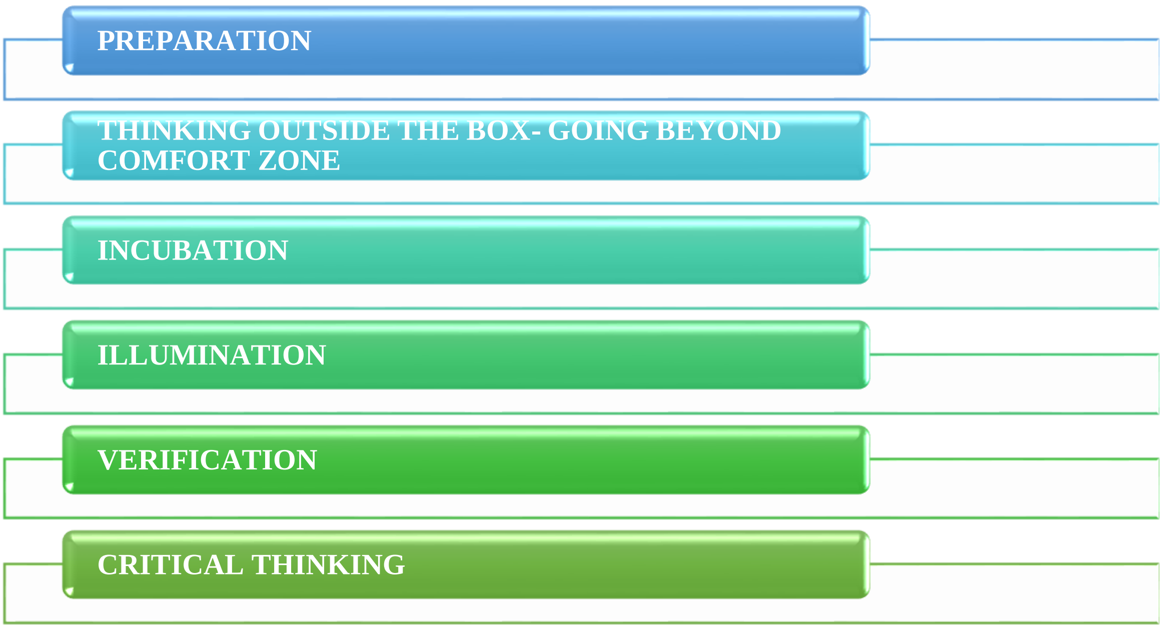
It enables the entrepreneur to think beyond the traditional solutions, come up with something new, interesting versatile and yet have success potential.

iv. Finding similar patterns in different areas: Sometimes due to following a routine or a habit the thinking process also goes along the line of those established processes. Creativity enables people to connect dissimilar and unrelated subjects and make successful entrepreneurial ideas. Merging different fields creates interesting intersections that develop new niches.

v. Developing new niches through creativity and entrepreneurship: In entrepreneurship, it is important that new aspects of traditional business are explored. This can be in the form of changing the method of manufacturing the product or delivering the service or mechanism through which they are supplied to the users. All these areas can create a niche that has great potential in business.

PROCESS OF CREATIVITY

A Typical process of creativity goes through the following steps



Step 1. Preparation: The first stage is the preparation of some basic ideas to hold onto. There must be some inspiration that forces or prepares the entrepreneur to move forward. The creative process starts with identifying a problem and then researching for related information. This is an effort to start looking for a feasible solution. An entrepreneur explores every direction to solve the problem, be inside the industry or outside the business domain.

Step 2. Thinking outside the box - going beyond the comfort zone: One has to leave the comfort arena, go beyond and take a risk. Rewards come with effort. "Thinking outside the box "is an expression that has been used in the area of marketing, business and psychology since 1970.It owes its origin to a “nine dot” game that was once used as a test of creativity. The puzzle was designed such that a person had to go beyond the dots to find the solution. However, psychologists say that this external factor is not external. It is simply the existing solution to the problem. External is only how our brain tends to perceive it as a problem and its solution.

Step 3: Incubation: During the incubation stage, ideas that have the potential to solve a problem tend to flourish. This stage is characterized by the unconscious thought process of refining an idea. Apparently, there are many activities at work during this stage but over all goal is find a solution. Evaluating existing projects can help to generate viable ideas.

Step 4. Illumination: incubation leads to clarity of ideas. This is the solution finding stage. Now the creativity process leads to the knowledge of some practical ideas that can be put to work. It is like a “light bulb moment”, hence it is called illumination. During this stage innovators picks up one possible solution capable of solving the problem.

Step 5. Verification: This stage determines whether the “found” solution even has the potential to work or not. This idea can either be accepted as such, modified with minor or major changes or rejected altogether requiring that the whole process to be done again.

Step 6. Critical thinking: Generating innovative ideas is a comprehensive task. The maker success of an entrepreneurial endeavor lies in critically examining the viability of an idea. Critical thinking enables an entrepreneur to self-judge in order to evaluate the idea. It is defined as a self-directed, self-disciplined, self-monitored and self -corrective process of evaluating an idea. The process of creative thinking starts with brainstorming “ends at the critical analysis of idea’s viability. The resulting potentially viable ideas can leads to the creation of entrepreneurial enterprises of improvement of the existing ones.

ENTREPRENEURSHIP AND CREATIVITY:

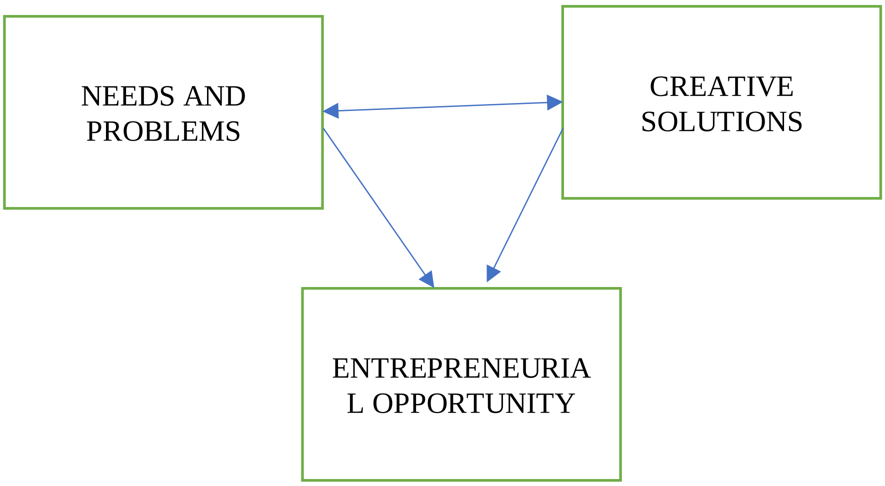
In today’s world, due to globalization and excessive industrialization products are manufactured and exported to international market. As a result, there is easier access to every product, everywhere. The consumer has access to various kinds of products differing in terms of type and quality. So, what does a businessperson do in a market flooded with products? How can someone think of manufacturing and supplying a product in markets where consumers already have their trusted preferences and so many choices to choose from? How can we make a product stand out from the rest?

A creative mind answers all these questions. Creativity helps us think of how to improve existing business practices. A creative mind is like an artist who creates new and exciting patterns on canvas; Creativity can come up with the most unthinkable ideas and bring innovation into existing practices. Creativity is simply the ability of imagination. Imagination leads someone to reach never explored areas. In business terms imagination alone what is known as “thinking outside the box”. However, a creative mind have entrepreneurial skills to bring those creative ideas to life in a business setting, An entrepreneur assesses the requirements of how to execute an idea by analyzing available required resources and think how to establish a new enterprise and how to manage it. An entrepreneur design business models that can support and execute innovation ideas in the first place. An entrepreneur provides the science aspect about how to bring artistic creativity to life. Therefore, entrepreneur bridge the gap between the creative genius and a traditional business approach.

ENTREPRENEURS AS PRBOLEM SOLVERS:

Entrepreneurs are gifted with the ability to identify problems and provide their solutions in an innovative way, leading to creation of utility and wealth. The word ‘entrepreneur’ is taken from French word ‘entreprendre’ which means ‘to undertake’. So , an entrepreneur is a person, who undertakes risk and tries to resolve the problems faced by the society and earn profit in this process.

Entrepreneurial actions are efforts to solve the problems of others. When one solves a problem, a new value is created which leads to the creation of new profitable enterprise.



Urban Company, Paytm, Delhivery, Cred, Ola etc. they all are Indian startups. Their success stories inspire entrepreneurs to hold on to their vision. The main reason these ventures succeeded considering many challenges faced by starts up in India is that they attacked a real need.

5.6 SUMMARY

INTRODUCTION AND MEANING: Entrepreneurship plays a dominant role in the growth and development of an economy. Entrepreneurship can solve the problem like unemployment, concentration of economic power in the hands of very imbalanced regional development. Entrepreneurial competence makes all the difference in the rate of economic growth. The word ‘entrepreneur’ is taken from French word ‘entreprendre’ which means ‘ to undertake’. So , an entrepreneur is a person, who undertakes risk and tries to resolve the problems faced by the society and earn profit in this process.

CHARACTERISTICS OF ENTREPRENEURSHIP

The main features of Entrepreneurship are :

1. Economic Activity
2. Innovation
3. Decision-making
4. Function of High Achievement
5. Organisation Building
6. Managerial Skill: Resource Mobilization

Entrepreneurial Skills

i. Visualization
ii. Planning
iii. Risk taking
iv. Ability to deal with situations
v. Organization
vi. Elicit positive response from administrators, bankers, infrastructure institutions, clients and employees
vii. Understanding of marketing, quality control, finance, banking, commercial laws, government regulations and procedures, taxation, and human relations
viii. Awareness of technology, tools, and equipment and machinery
ix. Knowledge of the product, processes, packaging, advertising, and market potential
x. Communication skills

BUILDING NEW IDENTITY

Entrepreneurial identity refers to a person’s set of meanings including attitudes and beliefs, attributes and subjective evaluation of behavior that define him or herself in an entrepreneurial role. Entrepreneurship is received as a set of mindsets and habits an entrepreneur is developing and performing rather than single characteristics that uniquely identify someone as entrepreneur. Still some characteristics indicate the degree of entrepreneurial thinking which depend on one's identity and development of self-awareness.

GOAL SETTING

Goal setting is a process many entrepreneurs undertake to help them close the gap between where they are and where that ultimately want to be by directing their time, energy and resources towards what is most important. Entrepreneurs set up organization to achieve some well-defined goals. The goals are stated in the organization's charter. When they are operationalized, specific goals are created for each of the organizational level.

CREATIVITY AND PROBLEM SOLVING

Creativity is the ability of a person to conceive something unpredictable, original and unique. Creativity is to generate new ideas, alternatives, solutions and possibilities in a unique and different way. It is the mirror of how a beautifully a person can think in any given circumstances. Creativity is a brainstorming and mind blogging activity in which a person has to think beyond his imagination for brining something worthwhile. It is an activity unveiling something which was previously hidden or never creating something new that existed before.

Entrepreneurial actions are efforts to solve problem of others. When one solve a problem, a new value is created which leads to the creation of new profitable enterprise.

Exercise

Discuss the future of entrepreneurship in India in global context.

Long Questions

1. Briefly discuss the concept of entrepreneur and also highlight the characteristics of entrepreneur.
2. Explain the core elements of entrepreneurship.
3. Elaborate the skills required to be an entrepreneur.
4. Discuss various features of entrepreneurship.
5. Explain the steps involved in creative process.
6. Explain the role and need of goals setting.
7. Explain the process of building identity.
8. How entrepreneurs do helps in solving problems?

9. What do you mean by creativity? How entrepreneurs and creativity are linked with each other.
10. Define goal setting. Explain the features of goal setting up.

Short Questions

1) Define creativity.
2) What do you understand by innovation?
3) What is the concept of goal setting?
4) What are the steps of goals setting.
5) What do you mean by incubation?
6) What do you mean by building new identity?
7) Explain any three features of creative entrepreneurs.
8) Write down two basic skills in entrepreneurs.
9) Explain the features of entrepreneurship.

Explain the role of creativity in entrepreneurship

Glossary

1. Aspirations: A strong desire/longing
2. Capabilities: The power or ability to do something
3. Challenges: Something new and difficult that forces one to make e a lot of efforts
4. Competencies: Competencies are the knowledge, skill and other requirement that are needed for someone to perform a job successfully.
5. Conductive Climate: Providing the right conditions for something to happen or exist.
6. Development: The process in which someone or something grows or changes and becomes more advanced
7. Incubation: A process of development
8. Motivation: Process of stimulating people to actions to accomplish the goals
9. Motive: A reason for doing something
10. Process: A process is a set of activities that interact to produce a result
11. Training: The process of learning the skill for doing a particular activity or job

Suggested Reading

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Master of Commerce (M. COM)
CORE COURSE: ENTREPRENEURSHIP DEVELOPMENT
SEMESTER - III

UNIT 6: BUSINESS PLAN AND PROJECT FINANCING

STRUCTURE

6.0 OBJECTIVES

After studying the Unit, you would be able to understand: -

- How to Develop a business proposal
- Contents of a Business Plan/Project report
- Project appraisal
- Project Financing

6.1 INTRODUCTION

All business projects must be well planned out before beginning operations. The process of business planning is essential for successful entrepreneurship because it determines how much money and personnel will be needed to carry out the strategy. It also requires a carefully thought-out company proposal because one that is created following a thorough evaluation tends to produce favorable outcomes.

Before writing, a business proposal requires careful consideration and concentration. Writing requires a correct format so that there is no danger of it being rejected. Following the completion of a business proposal, a thorough evaluation that is carried out by a third party who was not involved in the project report's authoring is required. There are several ways to evaluate a project, and only the proposal that offers the greatest value at the lowest cost is accepted after a thorough study. The project report is a crucial tool that aids management in identifying issues and determining the best course of action.

6.1.1 Developing a Business Proposal

A formal document made by a firm and delivered to the potential for securing a business deal is known as a business proposal. It requires careful examination because a plan created via careful evaluation not only produces favorable outcomes but also increases the credibility of a leader's position. A business proposal must be properly formatted and written to pass muster. Businesses have previously demonstrated that they can decide whether to accept or reject a proposal in less than 24 hours just by giving it a quick glance.

Therefore, it is crucial to conduct a critical analysis while creating a business proposal to draw readers in and make it appear worthwhile enough to be accepted at first glance. In the following sections, it will be explained how to construct business proposals, what essential components should be included, and what makes business proposals more powerful: -

6.1.2 Basics of writing a Business Proposal

There are two main types of writing a business proposal: -

1. Solicited
2. Unsolicited

- **Solicited Business Proposal: -** This proposal was requested by the client and requires less investigation because the client has already provided nearly all the additional information that is required and significant. This client's needs are included in the REP (request for proposal), which makes producing this kind of proposal simple.
- **Unsolicited Business Proposal: -** Like cold emails, these business proposals are uninvited. These are the proposals that were submitted to prospective clients, investors, and customers with the hope that they would read it and request additional details. This sort of proposal does not have a REP document at the beginning; therefore, you must conduct extensive independent research on your intended audience before writing it.

6.2 Business Proposal Format

Let's have a thorough understanding of each point that must be addressed in the business proposal as follows: -

a) **Title page:** The title page should be unambiguous and include all relevant information, including the entrepreneur's name, audience name, and proposal topic. When submitting a proposal to a third party: It is vital to provide the full name of the business, one's own name, and any pertinent contact information when a proposal is given to an external audience. When submitting a proposal to a group within the company: It is more crucial to concentrate on the proposal for this kind of proposal. The title should express in plain terms the issues that the entrepreneur plans to address as well as the best ways to address those issues. For instance, "proposal to increase marketing budget" is a proposal. Then it should be made very clear why and how the marketing budget needs to be increased.

This page should not be confusing or contain extraneous information; it should be straightforward and tidy in terms of text, layout, and content. It is not advisable to incorporate excessive graphs or mathematical data because this makes reading tedious and dull.

b) **Table of contents:** The table of contents is a thorough outline of the subjects an entrepreneur plans to cover in their proposal. It is essential, especially when the proposal is very long. It aids in subject navigation by assisting the reader in discovering the topic.

Following are two crucial considerations: - If an entrepreneur is submitting a business proposal electronically, then link each title with the relevant part, a hyperlink can be provided for this. - If an entrepreneur is presenting a proposal physically, which means in paper form, then add page number with title as well.

c) Executive summary: As implied by the name, an executive summary is a condensed version of the information that will be included in your proposal.

• If an entrepreneur writes a proposal to an outside party, it is their first opportunity to introduce themselves, their brand, their company, the needs that the proposal will address, and how they plan to address those requirements.

• If an entrepreneur uses a business proposal for internal purposes, only the rationale for submitting the plan and its benefits to the organization are highlighted. Exaggeration of points makes the text monotonous at this point, therefore everything should be straightforward and brief.

d) Problem: An entrepreneur must describe the issue for which he is looking for answers in detail in this part. In this area of the proposal, he can demonstrate that he comprehends the nature of the issue at hand as well as the steps that must be taken to address it. It is imperative to establish the reasons for why this issue must be resolved. The essential rule to remember in this section is that the material should be as relevant and detailed as possible.

e) Solution: In this section of the proposal, the solution is described in explicit detail. Furthermore, advantages will also be covered. The following are some guidelines to remember:

•Be clear with your audience about the issues that they are truly encountering and the solutions they may use to go around those issues.

•Explain to your audience why your solution is superior to all others and what will happen or benefit from following your solution.

•To make this section more persuasive, pay close attention to your reader while you write.

f) Qualification: An entrepreneur must convince the audience in this section of their proposal that they have the necessary experience in problem-solving. This section is significant for several reasons, including the following:

- Not only for external proposals, but also for internal proposals, this section is useful because there may be colleagues with whom you have had little prior communication.

- There is no need to add this section in solicited proposals because REF document makes it clear that your audience knows you and has prior knowledge about your business.
- The writing style in this section is important because the topic is worthwhile. To pique your reader's interest and for them to take it seriously, you must use a strong, confident voice.

g) **Cost summary:** A cost summary ought to be included in a business proposal for an entrepreneur. He will detail the financial costs of his business idea in this part. In addition, other expenses like time and the cost of gathering materials should be considered. The following guidelines must be followed:

•Ensure that each cost is written differently so that your audience may understand what and how much you are charging for.

•Attempt to distinguish between costs that are necessary and costs that can be cut back or eliminated. It is necessary to include a price table if you are presenting your proposal electronically so that your client understands the costs involved.

h) **Terms and conditions:** This clipart is expanded with legal requirements such the "terms and conditions" of an entrepreneur's agreement. If an internal proposal is already written, this section is not necessary, but it must be included in an external proposal. Here, you must use plain language to avoid confusing the client with legalese.

i) **Agreement:** When a client of an entrepreneur accepts a proposition, both parties sign it. Both parties' full names and signatures are required. Additionally, contact details should be included so that clients can get in touch with you if they have any questions. This part must also be straightforward.

6.2.1 Effective Business Proposal

There are many factors that should be considered to improve the clarity and potency of the business proposal. The most important aspect of preparing a business proposal is making sure it has the proper format and accurate content so that it can look good and be read quickly. The following is an explanation of these points: -

Pay attention to your audience's needs: When creating a business proposal, pay attention to your audience's wants and consider possible solutions so that your audience's demands can be met by taking the right actions.

The format of a business proposal should be straightforward and simple to follow. The proposal should be easy to read and understand. To ensure that everyone can understand the proposal without problem, the information should be clear and devoid of jargon and hyperbole.

The tone of the proposal should be assured: The proposal must be written in an assured tone. It should be written in a way that can persuade the reader since, if an entrepreneur isn't self-assured while crafting a proposal, how would the reader be?

A business proposal should look professional: Errors should not be present in a company proposal. A casual appearance or material riddled with faults could divert the reader or make it boring to read.

6.3 Contents of a Business Plan/Project Report

6.3.1 What is a Project Report

The project report contains all the specific details regarding the planned project. It is a documented record of all the actions and procedures that will be taken to produce the desired outcomes. The company plan, aims, and objectives are clarified in the project report, which also transforms the business concept into useful work. In order to maximize benefits, this report carefully considers all relevant factors, including technical issues, management and production aspects, economic and financial aspects. The project report is a crucial tool that aids management in identifying issues and determining the best course of action. In addition, a project report outlines the costs of operations if carried out and the projected revenue a project would generate for a firm or corporation.

Contents of project report

a) Title: The project title and author's name are described on the first page. This will make obvious the name and specifics of the industry for which the project report is created. Project scope should be included in the title as well.

b) Abstract: This section of the report, which is a concise overview of its many sections, is added to give the client a general concept about the project report. It is written in the shortest amount of time possible, and the main reason for included it is so that anyone may determine from the abstract whether they are interested in the proposal, without having to read the entire project report.

c) Acknowledgement: This section of the project documents worries regarding those who helped during project completion. We really appreciate everyone who has given their time and energy to the development of your proposal.

d) Content page: The addition of a content page clears the way for the project report. It explains which major chapters and subsections have been included to the project report, the page number from which each chapter begins or ends, and which major subheadings there are. The main goal of this section is to make it simple for the reader to comprehend all of the points and to navigate through any chapter, subsection, or subheading.

e) Introduction: The most important section of the report should be thoroughly handled. This section of the report elaborately explains the purpose and nature of the report, the project's history, all its key components, and the technical information.

f) Background: The most important section of the report should be thoroughly handled. This section of the report elaborately explains the purpose and nature of the report, the project's history, all its key components, and the technical information.

g) Body of report: This is the most important section of the report, so pay close attention. The scope, nature, history of the project, key components of the report, and technical information are all thoroughly described in this section.

h) Conclusion and future work: Pay great attention because this is the most crucial part of the report. This section goes into detail about the project's scope, nature, history, major report elements, and technical data.

i) Bibliography: This portion of the project report should list all the books, websites, articles, journals, manuals, research papers, and other resources that were used while working on the project. All resources should be described completely and accurately, including their title, page number, and internet address.

j) Appendix: This section of the report includes some essential elements, such as tables, charts, and graphs, which have been used and are required to provide a clear view of the project report.

k) User guide: The user guide is the last section of the project report, and it helps the user comprehend. For instance, if you are producing a project report on the creation of a new piece of software or the improvement of a certain mode of an existing product, you should instruct your customer on how to utilize the software or product. Flow charts can be included in various process diagrams to appropriately illustrate how to use a particular tool. To avoid confusing the reader, this section of the report should be kept straightforward and succinct.

6.4 Financing of Project

6.4.1 Basic Concept of Project Financing

Project financing aids in the creation of crucial industries like communications, oil and gas power, water supply management, mining, etc., which are crucial for a nation's economic development. Project finance is a crucial component of the funding options for large and expensive infrastructure projects in both developed and developing economies.

The idea of project financing is not new. It was first employed throughout the Roman and Greek eras to finance the import and export of products via maritime channels and to share the risk associated with them from storms and pirates. Project financing was used to build railroads in the middle of the eighteenth century, and in the 1930s it was utilized to explore American oil resources and drill wells. Project financing started to become available in European markets in the late eighteenth century. Using project financing from the private sector, the railways, electricity, water, gas, oil fields and telephone sectors were established globally in the 19th century.

Project financing is a long-term, zero or restricted recourse financing choice available to borrowers secured by the relevant project's rights, assets, and interests. Project financing can be the solution if you need money to start an industrial, infrastructural, or public services project. The loan can be repaid using the cash flow created once the project is finished rather than the sponsors' balance sheets. The lender has the right to take over the project if the borrower doesn't follow the loan terms. Financial institutions might earn better profits if a firm employs this method while partially shifting the associated project risks. As a result, sponsors, companies, and lenders all favor this type of funding arrangement.

Sponsors and lenders are brought together via a middleman called a Special Purpose Vehicle (SPV). The SPV's main duty is to supervise finance procurement and management to make sure that project assets do not perish due to project failure's impacts. To prevent future issues, it is essential that all project risks are recognized and assigned before a lender decides to finance the project.

6.4.2 Key Features of Project Financing

It is crucial that you understand this organized financial system because a project entails significant financial investments. The essential elements of project funding are as follows:

- **Capital-Intensive Financing Scheme:**

Project finance is suitable for businesses that need a significant amount of stock and debt, and it is frequently applied in emerging nations to encourage economic growth. Compared to corporate loans, this financing option is more expensive and increases costs while reducing liquidity. Additionally, this strategy's projects usually contain political risk and emerging market risk. The project also needs to pay for pricey insurance to protect against these hazards.

- **Risk Transfer:** As part of this financial arrangement, some project-related risks are transferred to the lender. Because it enables them to share some of the risk, sponsors prefer to use this funding strategy. On the other hand, project financing might offer lenders a higher credit margin.
- **Relevant to multiple participants:**

It is possible to designate numerous parties to take care of the project's various components because project financing typically comprises a large-scale undertaking. This helps the process as a whole run more efficiently.

- **After the Project is Completed, Asset Ownership is Assigned:** The Special Purpose Vehicle oversees managing the project's procedures and assets. When the project is finished, ownership of the project is passed to the organization mentioned in the loan terms.
- **Approach to No-Recourse or Limited-Recourse Financing:** Since the borrower does not acquire ownership of the project until it is finished, lenders are spared the effort and expense of investigating the borrower's assets and reputation. The lender can instead focus on how feasible the project is. The financial services provider may ask the sponsors for limited recourse if it thinks the project won't create enough cash flow to repay the loan when it's finished.
- **Loan Repayment Using Project Cash Flow:** As per the terms of the loan in Project Financing, any additional cash flow produced by the project must be applied to the borrower's outstanding debt. The financial services company's risk exposure lessens as the debt is gradually repaid.
- **Better Tax Treatment:** Project Financing may give the project and/or the sponsors favorable tax treatment. Sponsors prefer this structured financing option as a result to get money for lengthy projects.
- **Sponsorship has no Impact on the Project:** While maximizing a project's leverage, this long-term financing strategy also makes sure that the sponsor's credit standing has no adverse effects on the project. As a result, the credit risk of the project is typically greater than the credit risk of the sponsor.

6.4.3 Various Project Financing Stages

a) Stage of Pre-Financing

- **Project Plan Identification –** This step entails identifying the strategic plan for the project and assessing its viability. To ensure that the project plan is in line with the objectives of the financial services organization, it is imperative for the lender to complete this stage.
- **Recognizing and Reducing Risk -** Risk management is one of the most crucial steps to do before starting the project financing venture. The lender has the right to investigate whether the project has enough resources on hand to reduce potential risks before investing.
- **Analyzing the Project's Technical and Financial Feasibility -** Before a lender decides to fund a project, it is essential to ascertain the project's technical and financial viability.

b) Stage of Financing

This step, as the most important aspect of Project Financing, is further subdivided into the following:

- **Financial Arrangement -** To handle the project's finances, the sponsor is required to get equity or a loan from a financial services company whose interests align with those of the initiative.
- **Negotiating a Loan or Equity -** The borrower and the lender will negotiate the loan amount and come to an agreement on it at this step.
- **Verification and documentation -** The loan terms are verified and recorded in this step while keeping in mind the project's policies.
- **Payment –** Following the completion of the loan papers, the borrower receives the agreed-upon funds to carry out the project's activities.

c) Stage of Post-Financing

- **Project Monitoring on Time –** The project manager oversees keeping an eye on the project as it progresses.
- **Project Completion –** This is the project's last step.
- Monitoring the cash flow created by the project's operations after it is finished is crucial since this money will be used to pay back the loan that was used to fund the project.

6.4.4 Project Finance Markets

a) Business banks

Commercial banks and bond holders are the two primary sources of debt for private sector projects. Large infrastructure projects require a lot of capital, hence numerous lenders are required to finance them. A multinational project will have financing from a number of different nations. Syndicates of lenders are frequently created. The largest project financing lenders are commercial banks. They give the project firms long-term loans. The commercial banks perform a variety of other tasks in addition to their traditional function of providing financing, including construction financing, working capital financing, advisory services, intermediation to permanent long-term fixed rate financing, risk management services related to commodities, interest rates, currencies, etc., foreign tax absorption, and others. The project loan is arranged by a small group of arranging banks from the project's host nation, which occasionally underwrites all or part of the loan. As the loan agreement's original signatories in many cases, they assume the risk that they will eventually be able to sell the loan. They are also known as Mandated Lead Arrangers (MLAs), and they facilitate significant project financing by leading a group of investors in a syndicated loan.

b) Debt Issues

To raise money, the project business offers bonds. Regarding these bonds, which are tradable debt securities, the project businesses commit to paying the bond holder the full bond value plus interest. These bonds have a set term, and the bondholder receives a certain rate of interest on the amount he invested in them. These bonds are a solid option for investors who desire a long-term fixed-rate return with no risk. The largest holders of these bonds are insurance and pension fund corporations. These bonds are tradable securities in financial markets. They are often sold by private placement to institutional investors who hold them in their portfolio till maturity. Although the worldwide project finance bond market is much smaller than the loan industry overall, it has grown significantly in recent years. Bond issuance is concentrated in specific geographic regions. The biggest markets for project financing bond issuance are in Western Europe, the United States, and Asia.

c) Subordinated debt

Mezzanine debt or mezzanine finance are other names for subordinated debt. It is an unsecured loan with a set rate and a lengthy term. To bridge the funding gap between equity and senior debt (secured loans from banks and other financial institutions), subordinated debt is used. In terms of claims on assets or earnings in the capital stack, it is ranked lower than other senior securities or loans. Capital stack is a rating of investors, loans, and debt based on their ability to repay. Junior debt, also known as subordinated debt, is classed beneath all other unsubordinated obligations and equity. This means that if a borrower company defaults or files for bankruptcy, the subordinated debt holders will only be reimbursed after the senior loan holders have received full payment from all their creditors. It is therefore more dangerous than the other debts. Its interest rate is higher than that of unsubordinated or senior debts because to the higher risk involved. Junior debt is another name for it. For the purposes of calculating debt to equity ratios, it counts as equity.

d) Lease Finance

Large infrastructure projects occasionally result in the corporation choosing not to purchase the necessary heavy machinery or equipment. Instead, it leases them from the owner. The person who owns the machinery or equipment and provides financing is referred to as a lessor. It is leased by the lessor to the lessee. The project firm that is the lessee pays a rental fee to use the machinery or equipment. By doing this, the project firm avoids having to spend a hefty price to get these items. Not full ownership, but complete control, is given to the project firm.

e) Vendor Financing

The borrowing corporation may occasionally lack money or be turned down for credit or a loan by financial institutions. In this case, the supplier of the project's machinery, equipment, or services gives the borrowing firm a loan so that it can purchase the machinery, equipment, or services from the supplier. Vendor financing is what is meant by this. Vendor finance is a type of loan provided to the borrowing company by the supplier firm of the machinery, inventory, equipment, or services required for the project. The supply business is known as vendor. These loans typically have higher interest rates than those offered by conventional financial institutions. Vendors receive greater borrowing rates and build a business for their inventory despite the increased risk of default.

f) Finance for Public-Private Partnerships

Government works with private corporations to finance, construct/develop, or operate public infrastructure projects including airports, trains, highways, water and sewage systems, power generation, etc. The public-private partnership model is the name given to this kind of long-term relationship between the public and commercial sectors. Following are some PPP definitions: Using a capital asset to deliver and finance public services while sharing the risks involved, a private partner and the government enter into a long-term contractual agreement known as a "public-private partnership." The OECD is an organization for economic cooperation and development. "Public-Private Partnership" is defined as a partnership between a public sector entity (sponsoring authority) and a private sector entity (a legal entity in which 51% or more of equity is with the private partner/s) for the creation and/or management of infrastructure for public purpose for a set period of time (concession period) on commercial terms and in which the private partner has been procured through a transparent and open procurement system.- The Indian government.

6.5 Summary

A business proposal serves as a link between a business owner and his customers. This document outlines a project that requires careful consideration and focus prior to writing. When preparing a business proposal, the proper structure must be used; else, it risked being rejected. A third party that was not engaged in the project report's preparation must perform a proper appraisal once the business proposal has been written. There are several ways to evaluate a project, and only the proposal that offers the greatest benefit at the lowest cost is selected after a thorough review. Additionally, effective project report writing aids in project evaluation and feasibility testing. The project report includes data on management, financial, and other sectors of the economy. Lastly, successful business takes into consideration the organizational goals, policies, and strategic programs to ensure its compliance. Any nation's infrastructure, including its roads, airports, train system, hospitals, educational system, and electricity and energy producing industry, must be built for the country to advance. Both developed and developing nations make significant investments in these fields. These projects require a lot of capital. It takes a lot of money to cover that. Equity and loans are used to raise this money. Both public and private financing is used to fund these capital-intensive projects. Commercial banks and bond holders are the main sources of project financing in the private sector. Vendor financing, lease financing, and subordinated debt are the additional sources. The public-private partnership model gained popularity in the 20th century. The financing of significant infrastructure projects takes place in a PPP model, where public utilities and services are developed through an agreement between the public and private sectors.

6.6 To Check the Progress

6.6.1 Long answer questions

1. How effective business proposals can be written and what is the structure of business proposal?
2. What is a project report and what are the main contents of a business report?
3. What is project appraisal? Explain its meaning and objectives?
4. Write an hypothetical business plan to set up an Organic Farm.

5. How does the public-private partnership model create a win-win situation for both the public as well as private sector?
6. Explain lease project finance.
7. Why bond investors are important for project finance?
8. Explain subordinated debt.
9. Discuss the various stages of project financing.
10. Elaborate the key features of project financing.

6.6.2 Short answer questions and answers

i. Which question about the project should be answered in the problem statement section?

a) What

b) Who

c) Why

d) When

e) All of the above

ANSWER: c

ii. Which section of the project proposal should explain how the project will be delivered?

a) Problem statement

b) Objectives

c) Technical approach

d) Project team

ANSWER: b

iii. Project appraisal enables.

a) To know cost benefits

b) Technical feasibility

c) Economic & Environmental viability

d) All the above

ANSWER: d

iv. As a result of poor project appraisal

a) We may end up with no demand for the project

b) We may incur losses

c) We will save money

d) a & b

ANSWER: b

v. Project appraisal gives an indication about the

a) Total viability of the project

b) Financial, Economic & Social benefits only

c) Only technical viability

d) None of the above

ANSWER: a

GLOSSARY

- **Solicited Business Proposal: -** This proposal was requested by the client and requires less investigation because the client has already provided nearly all the additional information that is required and significant.
- **Unsolicited Business Proposal: -** These are the proposals that were submitted to prospective clients, investors, and customers with the hope that they would read it and request additional details. This sort of proposal does not have a REP document at the beginning; therefore, you must conduct extensive independent research on your intended audience before writing it.
- **Executive summary:** As implied by the name, an executive summary is a condensed version of the information that will be included in your proposal.
- **Cost summary:** A cost summary ought to be included in a business proposal for an entrepreneur. He will detail the financial costs of his business idea in this part. In addition, other expenses like time and the cost of gathering materials should be considered.
- **Bibliography:** This portion of the project report should list all the books, websites, articles, journals, manuals, research papers, and other resources that were used while working on the project. All resources should be described completely and accurately, including their title, page number, and internet address.
- **Lease Finance:** Large infrastructure projects occasionally result in the corporation choosing not

to purchase the necessary heavy machinery or equipment. Instead, it leases them from the owner. The person who owns the machinery or equipment and provides financing is referred to as a lessor. It is leased by the lessor to the lessee.

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Master of Commerce (M. COM)
CORE COURSE: ENTREPRENEURSHIP DEVELOPMENT
SEMESTER - III

UNIT VII MARKET FEASIBILITY, TECHNICAL FEASIBILITY AND FINANCIAL VIABILITY PROJECT REPORT PREPARATION, PROJECT APPRAISAL

STRUCTURES

7.1 Market Feasibility

Market feasibility refers to the analysis and evaluation of a business idea or concept to determine its potential success in the marketplace. It involves assessing the demand for a product or service, understanding the target market, analyzing competition, and considering various factors that could impact the business's ability to thrive.

KEY ASPECTS

When evaluating market feasibility, entrepreneurs **typically consider the following key aspects:**

1. **Market demand**: Is there a sufficient and sustainable demand for the product or service? Entrepreneurs need to identify their target customers and understand their needs, preferences, and purchasing behavior. Conducting market research, surveys, and analyzing industry trends can help determine market demand.
2. **Target market size and growth**: How large is the potential market and what is its growth potential? Entrepreneurs need to assess the size of the target market and evaluate whether it is expanding, stable, or shrinking. A larger market with growth potential may offer more opportunities for a new business.
3. **Competition:** Who are the existing competitors and what is their market position? Understanding the competitive landscape is crucial for assessing the feasibility of entering a market. Entrepreneurs should identify direct and indirect competitors, analyze their strengths and weaknesses, and determine how their product or service will differentiate and compete effectively.
4. **Unique value proposition**: What makes the business idea unique and compelling to customers? A strong value proposition is essential for gaining a competitive advantage. Entrepreneurs should identify their unique selling points, such as innovative features, superior quality, lower prices, or exceptional customer service.
5. **Regulatory and legal considerations**: Are there any legal or regulatory barriers that could affect the business? Entrepreneurs need to consider industry-specific regulations, licensing requirements, permits, and other legal considerations that could impact their ability to operate or introduce a new product or service.
6. **Financial feasibility:** Can the business idea generate sufficient revenue and profit? Entrepreneurs should conduct a financial analysis to estimate revenue potential, pricing strategy, costs, and profitability. This analysis includes assessing the required investment, expected return on

investment, and determining whether the business can achieve sustainability.

7. **Market trends and future outlook**: What are the current market trends and future projections? Evaluating market trends and forecasts helps entrepreneurs assess the long-term viability and potential risks associated with their business idea. This analysis considers technological advancements, demographic shifts, economic factors, and other relevant trends.

By carefully evaluating these aspects, entrepreneurs can determine the market feasibility of their business idea and make informed decisions about starting or modifying their venture. Conducting thorough market research and seeking expert advice can further enhance the accuracy and reliability of the feasibility analysis.

STEPS

Checking market feasibility involves conducting research and analysis to evaluate the potential success of a business idea in the marketplace. **Here are the steps to check market feasibility**:

1. **Define your business concept**: Clearly articulate your business idea, product, or service. Understand the problem your business solves, the target market it serves, and the value proposition it offers.

2. **Identify your target market**: Define your target customers and understand their characteristics, preferences, needs, and purchasing behavior. Identify the size of your target market and determine if it is large enough to support your business.

3. **Conduct market research**: Gather data and information about the market and industry you intend to enter. This can include primary research (surveys, interviews, focus groups) and secondary research (existing market reports, industry publications, online sources).

4**. Analyze market demand**: Assess the demand for your product or service by considering factors such as current market size, growth potential, trends, and customer preferences. Look for any gaps or unmet needs in the market that your business can address.

5. **Evaluate competition**: Identify and analyze your competitors. Understand their strengths, weaknesses, market share, pricing, distribution channels, and marketing strategies. Determine how you can differentiate your business from competitors and gain a competitive advantage.

6. **Conduct a SWOT analysis**: Assess the strengths, weaknesses, opportunities, and threats related to your business idea. Identify internal factors that can contribute to your business's success and external factors that may pose challenges or risks.

7. **Assess regulatory and legal factors**: Determine if there are any legal or regulatory requirements specific to your industry or product. Consider the impact of compliance costs, licensing, permits,

and any potential barriers to entry.

8. **Analyze financial feasibility**: Evaluate the financial aspects of your business idea. Determine the projected revenue, costs, and profitability. Consider factors such as pricing strategy, sales volume, production costs, operating expenses, and expected return on investment.

9**. Validate your idea**: Test your business concept by gathering feedback from potential customers, industry experts, and advisors. Seek their opinions and insights to validate your assumptions and refine your business idea if necessary.

10. **Consider future market trends**: Anticipate future market trends, technological advancements, and changes in customer behavior. Assess how these trends may impact the demand for your product or service in the long term.

11. **Make informed decisions**: Based on the research and analysis conducted, evaluate the feasibility of your business idea. Consider the risks, challenges, and opportunities. Determine whether to proceed with the business idea as planned, modify it, or consider alternative options.

Remember, market feasibility is an ongoing process, and market conditions can change over time. Continuously monitor and adapt to market dynamics to ensure the long-term viability of your business.

FACTORS AFFECTING MARKET FEASIBILITY

Several factors can influence the market feasibility of a business idea. Understanding these factors is crucial for assessing the viability and potential success of a venture. Here are some key factors that can affect market feasibility:

1. **Market demand:** The level of demand for the product or service you plan to offer is a critical factor. A strong and sustainable demand indicates market feasibility, while limited or declining demand may pose challenges. Factors influencing demand include changing consumer preferences, market trends, economic conditions, and the relevance of your offering to target customers.

2**. Target market size and growth**: The size and growth potential of your target market impact the feasibility of your business. A large and growing market provides more opportunities for revenue generation and expansion. Assess the current size of the market and consider factors like population growth, demographic trends, and market projections to evaluate its future potential.

3. **Competitive landscape**: The level of competition in your target market affects market feasibility. Analyze the existing competitors, their market share, strengths, weaknesses, and differentiation strategies. High competition may require a unique value proposition or strong competitive advantages to succeed, while a less competitive market may offer easier entry and growth opportunities.

4. **Consumer behavior and preferences**: Understanding your target customers' behavior, preferences, and buying habits is crucial. Consider factors like their preferences, needs, willingness to pay, and purchasing patterns. Analyze consumer trends, lifestyle changes, and evolving preferences to ensure your business aligns with customer expectations and demands.
5. **Technological advancements**: Technological developments can significantly impact market feasibility. Evaluate how technological advancements can disrupt or enhance your business idea. Consider whether your business can leverage emerging technologies, adapt to industry changes, or create a competitive edge through innovation.
6. **Regulatory and legal factors**: Compliance with industry-specific regulations and legal requirements is essential for market feasibility. Research and understand the regulatory landscape relevant to your business, including licensing, permits, safety standards, intellectual property rights, and other legal considerations. Non-compliance or excessive regulatory burden can hinder market entry or expansion.
7. **Economic conditions:** The overall economic conditions, both local and global, can influence market feasibility. Factors such as GDP growth, inflation rates, interest rates, employment levels, and consumer spending power can impact demand for products and services. Assess the stability and outlook of the economy to gauge the feasibility of your business idea.
8. **Industry trends and market dynamics**: Stay informed about the trends, innovations, and dynamics within your industry. Monitor changes in consumer preferences, market behavior, emerging markets, and new business models. Consider factors like industry growth rates, seasonality, technological disruptions, and potential barriers to entry.
9. **Social and cultural factors**: Cultural, social, and demographic factors can influence market feasibility. Evaluate how cultural norms, social trends, and demographic shifts may impact your target market's demand and acceptance of your product or service. Consider factors such as age groups, income levels, education, and cultural preferences.
10. **Environmental and sustainability considerations**: Increasingly, consumers are concerned about environmental sustainability. Assess how environmental factors and sustainability practices affect your business idea and the market's reception. Consider the impact of your business on the environment, potential sustainability initiatives, and consumer attitudes towards eco-friendly practices.
It's important to conduct thorough research, gather data, and analyze these factors to make informed decisions about the market feasibility of your business idea. Regularly reassess market conditions to adapt and refine your strategies as needed.

Market feasibility report

A market feasibility report is a comprehensive document that assesses the viability and potential success of a business idea or concept in a specific market. It provides an in-depth analysis of the market dynamics, demand, competition, and other factors that could impact the feasibility of the business.

While the specific structure and content of a market feasibility report may vary depending on the industry and business concept, here are some key components commonly included in such a report:

1. **Executive Summary**: A brief overview of the report, summarizing the key findings, conclusions, and recommendations.

2. **Introduction**: An introduction to the business idea or concept being evaluated and the purpose of the market feasibility report.

3. **Methodology**: Explanation of the research methods and techniques used to gather data and conduct the analysis, including details of primary and secondary research methods, data sources, and sampling techniques.

4. **Market Overview:** A description of the target market, its size, growth potential, and relevant industry trends. This section may also include information about the market's segmentation, customer demographics, and psychographics.

5. **Market Analysis**: A detailed analysis of the market demand, including an assessment of the existing and potential customer base, their needs, preferences, and buying behavior. This section may also cover factors influencing demand, such as economic conditions, cultural factors, and technological advancements.

6**. Competition Analysis**: An evaluation of the competitive landscape, identifying and analyzing direct and indirect competitors. This includes an assessment of their market share, strengths, weaknesses, pricing strategies, distribution channels, and any unique selling propositions. It may also include a competitive positioning matrix or SWOT analysis.

7. **Regulatory and Legal Considerations**: An examination of the regulatory and legal factors that could impact the business. This includes an overview of industry-specific regulations, licensing requirements, permits, and any potential barriers to entry or compliance costs.

8. **Financial Analysis**: A financial evaluation of the business concept, including revenue projections, cost analysis, profitability assessment, and return on investment calculations. This section may also cover pricing strategies, sales forecasts, and budget considerations.

9. **Risk Analysis**: Identification and evaluation of potential risks and challenges that could affect the feasibility of the business idea. This includes an analysis of market risks, competition risks,

regulatory risks, and any other relevant risks specific to the industry or concept.

10. **Recommendations and Conclusion**: Based on the analysis conducted, a summary of the findings, conclusions, and recommendations regarding the market feasibility of the business idea. This section may also outline suggested strategies for market entry, growth, or modification.

11. **Appendices:** Supporting documents and additional data, such as market research surveys, detailed financial projections, industry reports, and references.

STRUCTURE OF REPORT

A well-structured market feasibility report provides entrepreneurs, investors, and stakeholders with valuable insights to make informed decisions about the viability and potential success of a business idea. It helps assess market opportunities, understand the competitive landscape, identify potential risks, and develop effective strategies for market entry and growth.

[Your Company Name]

Market Feasibility Report

[Date]

Table of Contents

1. Executive Summary

The executive summary provides an overview of the market feasibility report, summarizing the key findings, conclusions, and recommendations. It highlights the market potential, competitive landscape, financial projections, and potential risks identified during the analysis.

2. Introduction

This section introduces the business idea or concept being evaluated in the market feasibility report. It provides background information on the business and its objectives, along with an overview of the purpose and scope of the report.

3. Methodology

The methodology section outlines the research methods and techniques used to gather data and conduct the analysis. It includes details of primary and secondary research methods, data sources, sample size, and analysis techniques employed to derive insights and conclusions.

4. Market Overview

This section provides a comprehensive overview of the target market, including its size, growth potential, and relevant industry trends. It covers market segmentation, customer demographics, and psychographics to provide a clear understanding of the market landscape.

5**. Market Analysis**

The market analysis section delves deeper into market demand, customer needs, and buying behavior. It includes a detailed analysis of market potential, growth projections, and factors influencing demand, such as economic conditions, cultural factors, and technological advancements.

6. Competition Analysis

The competition analysis section assesses the competitive landscape, identifying and analyzing direct and indirect competitors. It evaluates their market share, strengths, weaknesses, pricing strategies, and unique selling propositions. Competitive positioning matrices or SWOT analyses may be included to illustrate the competitive landscape.

7**. Regulatory and Legal Considerations**

This section examines the regulatory and legal factors that could impact the business. It provides an overview of industry-specific regulations, licensing requirements, permits, and potential barriers to entry or compliance costs. It highlights any legal considerations that need to be addressed for successful market entry.

8. **Financial Analysis**

The financial analysis section evaluates the financial aspects of the business concept. It includes revenue projections, cost analysis, profitability assessment, and return on investment calculations. Pricing strategies, sales forecasts, and budget considerations are also covered to determine the financial feasibility of the business idea.

9**. Risk Analysis**

The risk analysis section identifies and evaluates potential risks and challenges that could affect the feasibility of the business idea. It examines market risks, competition risks, regulatory risks, and any other relevant risks specific to the industry or concept. Risk mitigation strategies may be suggested.

10. **Recommendations and Conclusion**

Based on the analysis conducted, this section provides a summary of the findings, conclusions, and recommendations regarding the market feasibility of the business idea. It outlines suggested strategies for market entry, growth, or modification based on the identified opportunities and challenges.

11. **Appendices**

The appendices include supporting documents and additional data that were used during the analysis. This may include market research surveys, detailed financial projections, industry reports,and references. The appendices provide supplemental information for readers who want to delve deeper into the research and analysis conducted.

7.2 TECHNICAL FEASIBILITY

Technical feasibility refers to the assessment of whether a proposed business idea or project can be implemented successfully from a technological perspective. It involves evaluating the technical requirements, capabilities, and constraints associated with the idea to determine if it can be effectively developed and deployed. **Here are key factors to consider when assessing technical feasibility**:

1. **Technical Requirements**: Identify the specific technical requirements needed to develop and implement the business idea. This may include hardware, software, infrastructure, equipment, and other technological components. Determine if the necessary resources are available and if they can be acquired within the project's constraints.

2. **Technological Capability**: Evaluate whether the required technology and expertise exist to

support the implementation of the business idea. Assess if the necessary skills, knowledge, and experience are available either internally or through partnerships or outsourcing. Consider if the team has the technical competence to handle the development and maintenance of the required technology.

3. **Infrastructure:** Evaluate the existing infrastructure and determine if it can support the proposed business idea. Assess factors such as internet connectivity, power supply, telecommunications networks, and other essential infrastructure requirements. Identify any gaps or limitations that may hinder the implementation or scalability of the idea.

4. **Scalability and Capacity**: Consider whether the proposed technology can handle increasing user demand and accommodate future growth. Assess if the system architecture, software, and hardware can scale effectively as the business expands. Ensure that the infrastructure and technology have the capacity to handle anticipated increases in data, users, and transactions.

5. **Integration and Compatibility**: Determine if the proposed technology can integrate with existing systems, platforms, or third-party services that are critical for the business's operations. Consider compatibility issues, data interoperability, and the need for data exchange or integration with external systems.

6. **Development Timeframe**: Evaluate the time required to develop, test, and deploy the technological components of the business idea. Consider factors such as development resources, complexity, and potential dependencies. Assess if the required technology can be developed and implemented within the desired timeframe.

7. **Cost Considerations**: Assess the financial implications associated with the technological aspects of the business idea. Consider the costs of acquiring hardware, software, licenses, development resources, and ongoing maintenance. Evaluate if the technology-related expenses align with the overall budget and financial projections of the project.

8. **Risk Assessment:** Identify potential technical risks and challenges that may arise during the implementation process. This may include issues such as system failures, security vulnerabilities, compatibility problems, or limitations in the technology stack. Develop strategies to mitigate these risks and ensure the project's technical feasibility.

9. **Future Technological Advancements**: Consider potential technological advancements or emerging trends that may impact the business idea in the future. Assess if the proposed technology may become outdated quickly or if it has the flexibility to adapt to future changes in the technological landscape.

By conducting a thorough assessment of technical feasibility, entrepreneurs can determine if their business idea can be effectively implemented using available technology and resources. This evaluation helps identify any technical limitations, risks, or areas that may require further development or adjustment before moving forward with the project.

[**Your Company Name]**

Technical Feasibility Report

[Date]

Table of Contents

1. **Executive Summary**

The executive summary provides a concise overview of the technical feasibility report, summarizing the key findings, conclusions, and recommendations. It highlights the technical requirements, resource assessment, risks and challenges, and the overall feasibility of the proposed technology.

2. **Introduction**

This section introduces the purpose and scope of the technical feasibility report. It provides background information on the project, including the business idea, objectives, and the need for a technical evaluation.

3. **Project Overview**

The project overview section provides a brief description of the business objectives and the specific scope of the project. It outlines the desired outcomes and deliverables to provide context for the technical feasibility assessment.

4. **Methodology**

The methodology section outlines the approach used to assess the technical feasibility. It describes the research methods, data collection techniques, and analysis processes employed to evaluate the proposed technology.

5. **Technical Requirements**

This section identifies the specific technical requirements needed for the project. It includes a detailed analysis of hardware, software, infrastructure, and development tools required for the implementation of the proposed technology.

6. **Resource Assessment**

The resource assessment section evaluates the availability and accessibility of the required resources for the project. It assesses the availability of skilled personnel and technology infrastructure necessary to support the development and maintenance of the technology.

7. **Technological Complexity**

This section examines the level of complexity associated with the proposed technology. It assesses the technology's architecture, integration requirements, customization needs, and potential challenges that may arise during development and implementation.

8. **Infrastructure Compatibility**

The infrastructure compatibility section evaluates whether the proposed technology can integrate with the existing infrastructure and systems. It assesses compatibility with databases, software, networks, and other essential components of the organization's IT environment.

9. **Scalability and Performance**

This section assesses whether the proposed technology can scale and perform effectively as the business grows. It evaluates the system's ability to handle increased workload, user interactions, data volumes, and transactions without significant performance degradation.

10. **Security and Data Privacy**

The security and data privacy section evaluates the technology's ability to ensure the confidentiality, integrity, and availability of data. It assesses security measures, access controls, encryption methods, and compliance with relevant data protection regulations.

11. **Technical Risks and Challenges**

This section identifies potential technical risks and challenges associated with the implementation of the proposed technology. It assesses risks such as system failures, software bugs, compatibility issues, scalability limitations, and other technical obstacles that may impact the project's feasibility.

12. **Time and Cost Considerations**

The time and cost considerations section evaluates the time required for development, testing, deployment, and ongoing maintenance of the technology. It assesses the associated costs, budget constraints, and the alignment of the project timeline with business objectives.

13. **Technological Trends and Obsolescence**

This section examines technological trends and potential obsolescence risks related to the proposed technology. It assesses the technology's longevity, flexibility 14. Regulatory and Compliance Requirements

The regulatory and compliance requirements section evaluates whether the proposed technology meets the necessary regulations and standards. It assesses compliance with data protection, privacy regulations, industry-specific requirements, and any legal considerations that may impact the feasibility of the technology.

15. Recommendations and Conclusion

Based on the analysis conducted, this section provides a summary of the findings, conclusions, and recommendations regarding the technical feasibility of the proposed technology. It outlines suggested strategies, mitigations, or adjustments based on the identified strengths, weaknesses, and potential risks.

16. Appendices

The appendices include supporting documents and additional data that were used during the analysis. This may include technical specifications, diagrams, system architecture, resource requirements, and any other relevant information that provides further details on the technical feasibility assessment.

7.3 FINANCIAL VIABILITY

Financial viability refers to the assessment of whether a business idea or project is financially feasible and sustainable. It involves evaluating the financial aspects and potential outcomes of the project to determine its profitability, return on investment, and overall financial health. Here are key factors to consider when assessing financial viability:

1. **Cost Structure**: Analyze the costs associated with the project, including startup costs, operating expenses, production costs, marketing expenses, and any other relevant expenditures. Identify fixed costs (e.g., rent, salaries) and variable costs (e.g., raw materials, utilities) to determine the overall cost structure.
2. **Revenue Generation:** Evaluate the revenue potential of the business idea or project. Identify the sources of revenue, such as product sales, service fees, licensing, subscriptions, or advertising revenue. Estimate the sales volume, pricing strategy, and market demand to project the potential revenue generation.
3. **Profitability Analysis**: Assess the profitability of the project by analyzing the projected revenues and deducting the associated costs. Calculate the gross profit margin and net profit margin to understand the project's profitability potential. Consider factors such as pricing, competition, and cost efficiencies to optimize profitability.
4. **Cash Flow Analysis**: Evaluate the cash flow projections for the project. Analyze the timing and magnitude of cash inflows and outflows to ensure adequate cash flow to meet operational needs. Assess the impact of factors such as payment terms, inventory turnover, and seasonality on cash flow.
5. **Return on Investment (ROI):** Calculate the projected return on investment to assess the financial viability of the project. Compare the expected financial returns with the initial investment to determine the ROI. Consider the payback period and the desired rate of return to evaluate the project's attractiveness from an investment perspective.

6. **Break-Even Analysis:** Conduct a break-even analysis to determine the level of sales or revenue needed to cover all costs and reach the break-even point. This analysis helps determine the minimum sales volume required for the project to become financially sustainable.
7. **Financing and Capital Requirements**: Evaluate the financing needs of the project. Assess the capital requirements for startup costs, equipment, inventory, marketing, and working capital. Identify potential sources of financing, such as equity investment, loans, or crowd funding, and determine the cost and availability of capital.
8. **Risk Assessment**: Identify and evaluate the financial risks associated with the project. Assess factors such as market risks, competition risks, regulatory risks, cost overruns, and potential

fluctuations in revenue or costs. Develop risk mitigation strategies to minimize the impact of these risks on the financial viability of the project.

9. **Financial Projections**: Develop financial projections, including income statements, balance sheets, and cash flow statements. Use historical data, market research, and industry benchmarks to project revenues, costs, and financial performance over a specific time period (e.g., three to five years). Update and refine the projections as the project progresses.

10. **Sensitivity Analysis**: Conduct a sensitivity analysis to evaluate the impact of changes in key assumptions and variables on the financial viability of the project. Assess how variations in factors such as sales volume, pricing, costs, or market conditions affect the project's financial performance.

11. **Exit Strategy**: Consider the potential exit strategy for the project. Evaluate options such as selling the business, mergers, acquisitions, or initial public offerings (IPOs). Assess the potential financial returns and timeline associated with each exit strategy.

By conducting a thorough assessment of financial viability, entrepreneurs and project managers can determine the economic feasibility and sustainability of their business idea. This evaluation helps identify potential financial challenges, risks, and opportunities, allowing for informed decision-making and strategic planning.

KEY ADVANTAGES

Assessing the financial viability of a project offers several benefits for entrepreneurs, investors, and stakeholders involved. **Here are some key advantages of conducting a thorough financial viability assessment:**

1. **Investment Decision Making**: Evaluating the financial viability helps entrepreneurs and investors make informed investment decisions. It provides a clear understanding of the potential profitability, return on investment, and overall financial attractiveness of the project. This assessment enables stakeholders to allocate their resources effectively and invest in projects that have a higher likelihood of success.

2. **Risk Identification and Mitigation**: Assessing the financial viability helps identify potential financial risks and challenges associated with the project. By understanding the potential pitfalls and uncertainties, stakeholders can develop risk mitigation strategies and contingency plans. This proactive approach reduces the likelihood of financial losses and improves the overall project's resilience.

3. **Resource Allocation**: Financial viability assessment allows for effective resource allocation. By understanding the projected costs, revenue streams, and profitability, stakeholders can allocate resources, such as capital, personnel, and time, in a strategic manner. It helps optimize resource

allocation and ensures that resources are allocated to projects that have a higher potential for financial success.

4. **Cash Flow Management**: A financial viability assessment includes cash flow projections, which help in effective cash flow management. By understanding the timing and magnitude of cash inflows and outflows, stakeholders can plan and manage their cash flow requirements. This ensures that there is sufficient cash available to cover operational expenses, debt obligations, and investment needs.

5. **Strategic Planning**: Assessing the financial viability of a project contributes to strategic planning. It provides insights into the financial goals, milestones, and targets that need to be achieved. Stakeholders can align their strategic plans with the financial projections and make informed decisions regarding market entry, expansion, product pricing, and other strategic initiatives.

6. **Stakeholder Communication**: A financial viability assessment provides a comprehensive understanding of the project's financial health. This information can be effectively communicated to stakeholders, including investors, lenders, partners, and employees. Clear and transparent communication regarding the financial viability instills confidence and trust among stakeholders and facilitates collaboration and support.

7. **Long-Term Sustainability**: Conducting a financial viability assessment helps ensure the long-term sustainability of the project. By identifying potential financial challenges, risks, and opportunities, stakeholders can develop strategies to enhance the project's financial performance and sustainability. It enables proactive decision-making and adjustments to ensure that the project remains financially viable in the long run.

8. **Compliance and Regulatory Considerations**: Financial viability assessment helps identify compliance and regulatory requirements that may impact the project's financial aspects. By considering these requirements from the early stages, stakeholders can ensure that the project remains compliant with relevant laws, regulations, and financial reporting standards. This minimizes legal and financial risks associated with non-compliance.

Overall, assessing the financial viability of a project is crucial for effective decision-making, risk management, resource allocation, and long-term sustainability. It provides stakeholders with a comprehensive understanding of the project's financial prospects, enabling them to make informed choices and take actions to maximize the project's success.

CHALLENGES

While assessing the financial viability of a project, several hurdles or challenges may arise. These challenges can impact the accuracy and reliability of the assessment. Here are some common hurdles that individuals may face:

1. **Availability and Reliability of Data**: Obtaining accurate and reliable data is essential for conducting a thorough financial viability assessment. However, gathering relevant data can be challenging, especially for new or innovative projects where historical data may not be readily available. In such cases, assumptions and estimations may need to be made, introducing a level of uncertainty into the assessment.
2. **Market Volatility and Uncertainty**: Financial viability assessments heavily depend on market conditions, including demand, competition, and pricing dynamics. Market volatility and uncertainty can make it challenging to accurately predict future revenue streams and market trends. Economic fluctuations, changes in consumer behavior, or industry disruptions can impact the financial viability assessment.
3. **Assumptions and Projections**: Financial viability assessments require making assumptions and projections about various factors, such as sales growth rates, pricing, costs, and market share. The accuracy of these assumptions directly affects the reliability of the assessment. Inaccurate assumptions can lead to significant deviations between projected and actual financial performance.
4. **Complex Financial Models**: Financial viability assessments often involve the use of complex financial models and calculations. Developing and managing these models can be challenging, especially for individuals without a strong background in financial analysis. Errors or inaccuracies in the models can lead to faulty conclusions and unreliable financial projections.
5. **Sensitivity to External Factors**: Financial viability assessments are sensitive to external factors such as interest rates, inflation, exchange rates, and regulatory changes. These factors can significantly impact the project's financial performance and may be difficult to predict or control. Assessments must consider the potential impact of these external factors and incorporate appropriate sensitivity analysis.
6. **Lack of Expertise or Resources:** Assessing financial viability requires expertise in financial analysis, accounting principles, and forecasting techniques. Limited knowledge or lack of resources can hinder the accuracy and quality of the assessment. It is essential to have access to skilled professionals or seek external expertise to overcome these limitations.
7. **Unrealistic Optimism or Biases:** Entrepreneurs or project proponents may be overly optimistic about the financial prospects of their project, leading to biased assessments. Confirmation bias, where individuals tend to seek information that supports their preconceived notions, can impact the objectivity of the assessment. It is crucial to approach the assessment with objectivity and critically

evaluate all relevant factors.

8. **Complex Cost Structures**: Some projects may have complex cost structures, involving various fixed and variable costs, economies of scale, or cost allocations. Accurately capturing and analyzing these costs can be challenging. Failure to consider all cost components can lead to inaccurate financial viability assessments.

To mitigate these hurdles, it is important to conduct a comprehensive analysis, gather as much relevant data as possible, seek external expertise when needed, and critically evaluate assumptions and projections. Regular monitoring and updates to the financial viability assessment can help adjust for changing market conditions and improve the accuracy of projections.

Relationship between Market feasibility, technical feasibility, and financial viability

Market feasibility, technical feasibility, and financial viability are interconnected aspects that collectively determine the success and sustainability of a business or project. Here's the relationship between these three factors:

1. Market Feasibility:

Market feasibility refers to the assessment of whether there is a viable market for a product or service. It involves analyzing the target market, customer needs, competition, and demand for the proposed offering. Market feasibility determines the potential market size, customer acceptance, and revenue generation prospects.

Relationship:

Market feasibility provides critical inputs for both technical feasibility and financial viability assessments. The market analysis helps identify customer requirements, market trends, and competitive landscape, which are essential for designing and developing a technically feasible product or service. Additionally, market demand and revenue projections are crucial inputs for assessing the financial viability of the project.

2. Technical Feasibility:

Technical feasibility evaluates whether the proposed project or business idea can be successfully implemented from a technical standpoint. It assesses the availability of technology, infrastructure, and resources required for the project. Technical feasibility determines whether the proposed solution can be developed, operated, and maintained effectively.

Relationship:

Technical feasibility directly impacts both market feasibility and financial viability. A technically feasible solution enables the development of a product or service that meets customer needs and aligns with market demand. It ensures that the project can be executed efficiently and delivers the expected performance. Technical considerations, such as product features, quality, reliability, and scalability, influence customer satisfaction, market acceptance, and overall financial performance.

3. Financial Viability:

Financial viability assesses the financial potential and sustainability of a project or business idea. It involves analyzing the projected costs, revenues, profitability, cash flow, return on investment, and other financial indicators. Financial viability determines whether the project is financially feasible and can generate sufficient returns to cover costs and achieve profitability.

Relationship:

Financial viability relies on inputs from both market feasibility and technical feasibility assessments. The market analysis provides insights into the potential revenue streams, market demand, and pricing strategies, which are essential for financial projections and estimating future cash flows. Technical feasibility influences the cost structure, production efficiency, and scalability, all of which impact the

7.4 PROJECT REPORT

A project report is a comprehensive document that provides an in-depth analysis and description of a specific project. It serves as a written record that outlines the objectives, scope, execution plan, and outcomes of the project. A project report typically includes detailed information about the project's background, methodology, findings, and recommendations. It acts as a formal communication tool that allows stakeholders, such as project sponsors, investors, management, and other interested parties, to understand the project's progress, achievements, challenges, and future prospects.

The purpose of a project report is to document and present relevant information about the project in a structured and organized manner. It helps stakeholders evaluate the project's feasibility, effectiveness, and impact. A well-prepared project report provides transparency, accountability, and a basis for decision-making, ensuring that all stakeholders are informed about the project's status and can make informed judgments.

In addition to its informational value, a project report also serves as a historical record that can be referred to in the future for learning, analysis, and improvement purposes. It helps identify lessons learned, best practices, and areas for improvement in similar future projects. A project report is often required as part of project management and reporting processes, providing a comprehensive overview of the project's objectives, activities, outcomes, and financial aspects.

Overall, a project report is a critical document that captures the essence of a project, its progress, and its outcomes. It serves as a tool for communication, evaluation, decision-making, and future reference, ensuring that the project's objectives are met and stakeholders are well-informed about the project's activities and results.

A project report typically includes several key features that provide a comprehensive overview of the project and its outcomes. **Here are some common features found in a project report:**

1. **Executive Summary: A** brief summary that provides an overview of the project, its objectives, key findings, and recommendations. It highlights the most important aspects of the project report and is usually presented at the beginning of the document.
2. **Introduction**: Provides background information about the project, including its purpose, rationale, and context. It outlines the project's objectives, scope, and significance.
3. **Methodology:** Describes the research or investigative methods employed in the project. This section explains how data was collected, analyzed, and interpreted. It includes details about the research design, sampling techniques, data sources, and any tools or software used.
4. **Project Description**: Provides a detailed description of the project, including its goals, activities, and deliverables. It outlines the project timeline, milestones, and dependencies. This section also discusses the resources allocated to the project, such as human resources, equipment, and budget.
5. **Findings and Analysis**: Presents the results of the project, highlighting key findings and insights. It includes a thorough analysis of the collected data, supported by appropriate charts, graphs, tables, or other visual aids. This section often compares the actual outcomes with the project's objectives or expected results.
6. **Recommendations**: Offers suggestions or recommendations based on the project's findings and analysis. This section outlines actionable steps or strategies to address any identified issues, improve project performance, or capitalize on opportunities. Recommendations should be specific, measurable, achievable, relevant, and time-bound (SMART).
7. **Conclusion**: Summarizes the main points discussed in the project report and provides a concise recap of the project's outcomes. It may include a reflection on the project's successes, challenges, and lessons learned.
8. **Appendice**s: Supplementary materials that support and provide additional information for the report. This may include raw data, surveys, questionnaires, technical specifications, financial statements, or other relevant documents.
9. R**eferences**: Citations and sources used in the project report, including academic references,

industry reports, or other relevant literature.

10. **Visual Aids**: Effective use of visual aids, such as charts, graphs, diagrams, or images, to enhance the presentation and understanding of data, trends, or project-related information.

11. **Formatting and Presentation**: The project report should be well-structured and organized, with clear headings, subheadings, and sections. It should be written in a concise and professional manner, using appropriate language and tone. The report should also adhere to any specific formatting or style guidelines provided by the organization or academic institution.

GUIDELINES

Preparing a project report involves several steps to ensure that the report effectively communicates the project's objectives, progress, and outcomes. Here is a general guideline on how to prepare a project report:

1. **Understand the Purpose and Requirements:** Clarify the purpose of the project report and the specific requirements set by the intended audience or organization. Determine the scope, objectives, and desired outcomes of the report.
2. **Collect and Analyze Relevant Information**: Gather all the necessary information related to the project, such as project plans, research data, financial statements, and any other supporting documents. Analyze the data and identify key findings, trends, and insights that should be included in the report.
3. **Define the Structure and Outline**: Establish a clear structure and outline for the project report. This includes determining the sections and subsections that will be included and the logical flow of information. Consider including sections such as executive summary, introduction, methodology, findings, recommendations, conclusion, and appendices.
4. **Write the Report**: Start writing the report based on the defined structure and outline. Begin with the executive summary, providing a concise overview of the entire report. Then proceed with the remaining sections, ensuring that the content is organized, clear, and concise. Use headings, subheadings, and bullet points to enhance readability.
5. **Include Supporting Visuals**: Incorporate relevant visual aids such as charts, graphs, tables, or diagrams to present data, trends, or project-related information in a visually appealing and understandable manner. Ensure that the visuals are properly labeled and referenced in the text.
6. **Provide Analysis and Interpretation**: In the findings and analysis section, present the project's results and provide a detailed analysis of the collected data. Interpret the findings, highlighting key

insights and trends. Relate the analysis to the project's objectives and discuss any significant deviations or discoveries.

7. **Make Recommendations**: Based on the project's findings and analysis, provide actionable recommendations. These recommendations should address any identified issues or challenges, suggest improvements, and capitalize on opportunities. Ensure that the recommendations are specific, realistic, and aligned with the project's objectives.

8. **Conclude the Report**: Summarize the main points discussed in the report and restate the key findings and recommendations. Reflect on the project's successes, challenges, and lessons learned.

9. **Revise and Proofread**: Review the project report for clarity, coherence, and accuracy. Ensure that the report is well-structured, free of grammatical errors, and follows the appropriate formatting guidelines. Revise and make necessary edits to enhance the overall quality of the report.

10. **Include Appendices and References**: Attach relevant appendices, such as raw data, surveys, questionnaires, or additional supporting documents. Include a list of references and citations used in the report, following the appropriate citation style.

11. **Seek Feedback and Review**: Share the project report with relevant stakeholders or colleagues for feedback and review. Incorporate their suggestions and make any necessary revisions to improve the report's quality and accuracy.

12. **Finalize and Submit**: Make the final adjustments and ensure that the project report is complete and meets all the required criteria. Submit the report to the intended audience or organization within the specified deadline.

7.5 PROJECT APPRAISAL

Project appraisal, also known as project evaluation or project assessment, is a systematic process of evaluating the feasibility, effectiveness, and potential impact of a proposed project. It involves analyzing various aspects of the project, such as its objectives, scope, risks, benefits, costs, and potential outcomes. The goal of project appraisal is to assess the viability and value of the project, helping stakeholders make informed decisions about whether to proceed with the project, modify its design, or abandon it.

Project appraisal typically involves the following steps:

1. **Project Identification**: Clearly define the project's objectives, scope, and expected outcomes. Identify the key stakeholders and their interests in the project.

2. **Market Analysis:** Assess the market conditions and dynamics relevant to the project. Analyze the target market, customer needs, demand trends, and competition. Determine if there is a viable

market for the proposed product or service.

3. **Technical Feasibility Assessment**: Evaluate the technical feasibility of the project. Consider factors such as technology requirements, availability of resources, expertise, infrastructure, and any potential technical challenges. Determine if the project can be implemented effectively from a technical standpoint.

4. **Financial Viability Analysis**: Conduct a financial assessment to determine the project's economic viability. Analyze the projected costs, revenues, profitability, cash flow, and return on investment. Assess the financial risks and potential sources of funding.

5. **Risk Assessment**: Identify and assess potential risks associated with the project. This includes market risks, operational risks, financial risks, regulatory risks, and any other relevant risks. Develop risk mitigation strategies and contingency plans.

6. **Environmental and Social Impact Assessment**: Evaluate the potential environmental and social impacts of the project. Consider factors such as sustainability, community engagement, social responsibility, and adherence to regulatory requirements. Identify any potential negative impacts and propose measures to mitigate them.

7. **Stakeholder Analysis:** Identify and analyze the key stakeholders involved in or affected by the project. Assess their interests, influence, and potential impacts on the project's success. Develop strategies to engage and manage stakeholders effectively.

8. **Cost-Benefit Analysis**: Compare the costs of the project with its expected benefits and outcomes. Quantify both the tangible and intangible benefits and assess if the benefits outweigh the costs. Consider the time value of money and discount future benefits and costs to present value.

9. **Sensitivity Analysis**: Perform sensitivity analysis to evaluate the project's sensitivity to changes in key assumptions or variables. Assess how variations in factors such as costs, revenues, market conditions, or project timelines may impact the project's outcomes.

10**. Decision Making**: Based on the findings of the appraisal, make an informed decision about whether to proceed with the project, modify its design, or abandon it. Consider the overall feasibility, risks, benefits, and alignment with organizational goals and strategies.

Project appraisal provides a systematic and objective evaluation of a proposed project, enabling stakeholders to make informed decisions. It helps identify potential issues, risks, and opportunities associated with the project and guides resource allocation, planning, and implementation. Effective project appraisal contributes to the success and sustainability of projects by ensuring that resources are allocated to viable and value-generating initiatives.

KEY BENEFITS

Project appraisal offers several benefits to organizations and stakeholders involved in project decision-making. Here are some key benefits of conducting project appraisal:

1. **Feasibility Assessment**: Project appraisal helps assess the feasibility of a proposed project. It enables stakeholders to evaluate the viability and potential success of the project before committing resources. By analyzing factors such as market conditions, technical requirements, and financial viability, project appraisal helps identify any potential challenges or barriers early on.

2. **Informed Decision-Making**: Project appraisal provides stakeholders with comprehensive information and analysis, enabling them to make informed decisions. It presents a clear understanding of the project's objectives, risks, benefits, and potential outcomes. Decision-makers can weigh the pros and cons, evaluate alternatives, and choose the most suitable course of action based on the appraisal findings.

3. **Risk Identification and Mitigation**: Through project appraisal, potential risks and challenges are identified and assessed. This allows for the development of risk mitigation strategies and contingency plans. By understanding the potential risks associated with the project, stakeholders can take proactive measures to minimize their impact and increase the chances of project success.

4. **Resource Allocation**: Project appraisal helps optimize resource allocation by determining the financial requirements, costs, and expected returns of the project. It assists in allocating resources effectively and efficiently, ensuring that resources are allocated to projects that have the highest potential for success and deliver the desired outcomes.

5. **Stakeholder Engagement:** Project appraisal involves analyzing and engaging key stakeholders throughout the process. This fosters transparency, collaboration, and buy-in from stakeholders, increasing the chances of project success. By considering stakeholder interests, concerns, and impacts, project appraisal helps build stronger relationships and ensures that stakeholder needs are addressed.

6. **Alignment with Organizational Objectives**: Project appraisal ensures that proposed projects align with the organization's goals, strategies, and values. It helps assess if the project is in line with the organization's mission, vision, and long-term plans. This alignment ensures that resources are directed towards projects that contribute to the overall strategic direction of the organization.

7. **Improved Project Planning**: Project appraisal provides a solid foundation for project planning and execution. It helps identify key milestones, deliverables, and success criteria. By understanding the project's scope, requirements, and potential challenges upfront, project planners can develop more realistic timelines, budgets, and action plans.

8. **Evaluation and Learning:** Project appraisal contributes to the evaluation and learning process.

It establishes a baseline for monitoring and evaluating the project's progress and outcomes. By comparing the actual project performance against the initial appraisal findings, organizations can identify areas of success and areas for improvement. Lessons learned from project appraisal contribute to organizational learning and can be applied to future projects.

In summary, project appraisal offers several benefits, including informed decision-making, risk mitigation, resource optimization, stakeholder engagement, and alignment with organizational objectives. By conducting a thorough appraisal, organizations can increase the chances of project success and achieve their desired outcomes.

7.6 SHORT ANSWER TYPE QUESTIONS

1. Define market feasibility.
2. Define technical feasibility.
3. Define financial viability.
4. Why project appraisal is important.
5. Project report.
6. Specimen of a report.
7. Define Project Appraisal.
8. Key benefits of a project appraisal.
9. Steps of Project Appraisal.
10. Determinants that affect market feasibility.

LONG ANSWER TYPE QUESTIONS

1. Explain the concept market feasibility in detail.
2. Highlight the role of entrepreneur in assessing market feasibility.
3. Explain the determinants that affect market feasibility.
4. Draw a specimen of a market feasibility report.
5. Explain the challenges faced by entrepreneur in evaluating technical feasibility.
6. Suggest some remedies to overcome the challenges faced while assessing technical feasibility.
7. Highlight the relation between the market feasibility, technical feasibility and financial viability in detail.
8. “Finance plays an important role in project formation” highlight the importance and challenges faced while ascertaining financial viability of a project.

9. How a project can be determined feasible? Explain.
10. Define project Report. Highlight the features and general outline of a project report.

GLOSSARY

Market feasibility refers to the analysis and evaluation of a business idea or concept to determine its potential success in the marketplace. It involves assessing the demand for a product or service, understanding the target market, analyzing competition, and considering various factors that could impact the business's ability to thrive.

Project appraisal is a systematic process of evaluating the feasibility, effectiveness, and potential impact of a proposed project. It involves analyzing various aspects of the project, such as its objectives, scope, risks, benefits, costs, and potential outcomes

Project report is a comprehensive document that provides an in-depth analysis and description of a specific project

Market feasibility refers to the assessment of whether there is a viable market for a product or service. It involves analyzing the target market, customer needs, competition, and demand for the proposed offering. Market feasibility determines the potential market size, customer acceptance, and revenue generation prospects

Financial viability refers to the assessment of whether a business idea or project is financially feasible and sustainable. It involves evaluating the financial aspects and potential outcomes of the project to determine its profitability, return on investment, and overall financial health

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MASTER OF COMMERCE(M.COM)
SEMESTER- III
CORE COURSE: ENTREPRENEURSHIP DEVELOPMENT

UNIT VIII – BUSINESS OPPORTUNITIES IN THE CONTEST OF PUNJAB AND INDUSTRIAL POLICY

STRUCTURE

8.0 OBJECTIVES:

After studying the Unit, students will be able to understand:

- Strength of Punjab to Start the Business
- Opportunities to invest in Punjab
- Availability of resources with Punjab to start business
- Business Incubation Centres in Punjab
- Categories of Business Incubator
- Services offered by various Incubation centres
- Punjab Government policies for startups

8.1 INTRODUCTION:

Innovation and entrepreneurship are crucial for a state's economy to grow. The State of Punjab is known for making quick advancements in overall prosperity and growth. The State has achieved success in a wide range of fields, including business, agriculture, education, health care, literature, sports, and the arts and humanities. Punjab has been endowed with excellent infrastructure, human resources, and energetic, forward-thinking citizens who work hard to turn any chance into a roaring success. Additionally, the State has recognized start up and entrepreneurship as the fundamental pillar for economic expansion, job development, competitiveness, and wealth generation.

The Punjab state is well known for its diversified culture, yummy cuisine, beautiful places etc. The main focus of the state is to provide the great importance for the ease of doing business in Punjab. According to the report, the Punjab state rank sixteen in 2015, ease of doing business ranking by the department of industrial policy. But in 2016, Punjab jump into 12th rank to implement the progressive reforms. Apart from this according to the BRAP 2020 business reforms action plan Punjab state is consider as a best achiever for the ease of doing business among the other states.

8.2 RESOURCES IN PUNJAB TO START THE BUSINESS

The State of Punjab is renowned for taking the lead in the nation and making quick progress towards overall growth and prosperity. In a wide range of fields, including agriculture, industry, health, education, sports, the arts, literature, and culture, the State has achieved remarkable success. The State possesses first-rate human capital, infrastructure, and progressive and business-minded citizens who can seize any opportunity that may present itself. The diaspora of Punjabis is widespread and has established itself as a distinct group. The Punjab state has number of resources to start the business, have been discussed below:

- **Argo-Based:** Agriculture is main resource in Punjab, plantation of plant or agricultural is famous in Punjab. Punjab play important role in agriculture because of their specialization in agricultural activities. In 2023, Punjab will still maintain its status in economy related with their agricultural activities or for best crops. Punjab is also known by "Breadbasket of India" because it has more than 17% share in total wheat production of economy. The fertile, nutrient-rich alluvial soil of Punjab's northern plains is renowned for supporting the cultivation of pulses, cotton, sugarcane, wheat, maize, paddy, and potatoes. Mostly in Punjab people belong to farmers but, they have the following option for earning as Punjab is rich in Agro. Here are some of them:

- **Food Processing:** Punjab have a large potential for the food processing industry because agriculture is main resource for business in Punjab. Packaging is mainly done by large industry and they process everything from grains to food.
- **Dairy Products:** In Punjab where animals like cows, goats, and sheep are there the dairy industry, is the greatest idea to start a diary business. Since meals produced with milk or milk is served in all celebrations, programs and festivals, occasions, therefore, small diary business in Punjab have high potential to earn high profit. Dairy farming is one of the best business ideas in the state of Punjab and economical in nature. The size of the Punjab dairy market reportedly reached INR 422.5 billion in 2021 and estimated this market is reach by INR 976.3 billion in 2027, growing at a rate of 14.96% between 2022 and 2027.
- **Flour Production:** Wheat is main crop of Punjab and Punjab have 19.5% share in wheat production. Wheat is a mainly used for making food product in Punjab. Wheat is Punjab's most important crop the state might produce more flour with a fixed investment in equipment. In Punjab wheat is best resource for start a flour mill.
- **Live-stock Feed Production:** Animals play important role in practice of agriculture. Like other agricultural essentials, they also need to be maintained and care of them. Rich farmers spend a lot of money on feed for their cattle. Punjab is a potential site for a production or for retail live-stock feed business with small investment.

- **Automobile business:** One of the industries with the fastest growth rates in worldwide and currently in India is automobile industry, nowadays it's on peak. Along with other connected businesses like repair and maintenance, automobile manufacturing is only one of Punjab's attractive economic options.

- **Automotive Sale:** One of the linked operations of the car industry that has taken on a great deal in Punjab is the sale of automobile parts.

- **Car Washing:** For a vehicle to remain clean, regular car cleaning is necessary. With a small investment, this service is one of best service in Punjab.
- **Servicing Centers:** People are worried about the health and for their movable assets, and their routine vehicle maintenance includes vehicle servicing as a crucial component. Servicing centers is best idea for start a small business in Punjab.

❖ **Textiles, Garment Manufacture and Apparel Business:** One of Punjab's main agricultural products is cotton, which automatically creates new opportunities for the state's textile and apparel manufacturing and retail industries. The ideal business to start in Punjab may be the production of clothing, designer clothing, and customized apparel. With the most recent fashion trends, organizations can also operate designer boutiques. The garment industry is a bests business with modest startup costs when well promoted. Additionally, as fashion trends have grown, the importance of draping as a component of clothes design has greatly increased in the apparel market. People are willing to buy accessories in addition to clothing, which broadens the market even more.

❖ **Organic Farming:** One of the newest business concepts in Punjab is organic farming, which is also in new trend nowadays, even an enterprise have been receiving assistance from the government as well. Punjab's rich soil makes it possible to engage in profitable greenhouse farming. Additionally, farming methods that use no chemicals and are natural are becoming more and more important because of modern-day health concerns. The best way to protect the soil without significant deterioration is through organic farming.

Punjab's economy is still mostly agrarian and has a sizable area of land that is farmed. Organic farming has gained popularity even though the majority of farmers invest in conventional agriculture. To raise organic grains, fruits, vegetables, and legumes, farmers are implementing certified techniques. Businessmen can grow organic food on their own land and promote product in local, national, and international marketplaces. By having a physical location or an online store, they can sell organic goods without the use of intermediaries or middlemen.

❖ **Micronutrients:** The agricultural industry depends heavily on micronutrients. Farmers never risk utilizing subpar micronutrients since they put in such a significant amount of work to ensure the growth of their crops. This may therefore be among the best business concepts in Punjab. Additionally, organizations can work in the product'' manufacturing, development, or retail sales. Due to the expanding internet market, it has been very simple to inform people about the importance of high-quality micronutrients, including organic nutrients, insecticides, and fertilizers, for the best growth and quality of product.

- **Seed Production:** Every crop starts with seeds. In agriculture, poor quality seeds can result in losses or in bad quality crops. When growing crops, special care is made to use the best seeds and micronutrients available. It may be necessary to conduct extensive study, make significant equipment investments, and obtain a government license in order to produce high-quality seeds. In an agro-state like Punjab, this is one of the important projects to manage for best crops.
- **Home Tutors/Coaching:** People can establish a home tutoring and coaching business with small amount. It is one of Punjab's tiny business concepts. Since there are not enough tutors in Punjab, this is the perfect opportunity to start a small business. Over time, skill development has become very important in today's time. People now spend a lot of money on things like yoga, meditation, job counselling, and hobbies like painting, dancing, sculpture, and music.
- **Event Management and Photography:** Punjab serves as a major event and wedding destination. Many people choose Punjab as their ideal wedding location due to its geographical beauty and cultural flair. Additionally, Punjabis are more inclined to hold large-scale festivities and events with large crowds. Thus, some of the best businesses to start in Punjab are those related to event management and photography. Due to the fact that event management services may make or break an effort, people prefer to spend money carefully. With the necessary credentials, organistions can successfully run an event management service if they have the necessary skills to manage events and complete tasks quickly.
- **Open a Meat and Poultry Store:** A meat and poultry store is another best type of business that can best in Punjab by working with nearby farmers. Building a meat processing facility or investing in own animal husbandry setup might prove to be quite capital-intensive endeavors. It will take a while before they become profitable, and they can also require a lot of technical know-how. Instead, organizations can break into this market by opening a store that sells processed meat and poultry and doing great online sales. Purchase several meat and egg variations from nearby poultry breeders. To brand and sell them through internet business, either package them or purchase pre-packaged goods.
- **Offer Farm Equipment Lease:** Invest in the majority of secondhand farm machinery, such as tractors, sprayers, threshers, etc., and rent them to small farmers. Businessmen can rent out equipment on an hourly or daily basis and get maximum profit.
- **Open a Bakery:** People from Punjab are renowned for their love of food. In Punjab, the food business is one sector that is essentially recession-proof. So, if you want to start a business but

not related with agriculture you can start your own bakery. Enterprises can sell gourmet baking ideas like gluten-free cakes, vegan cookies, keto cakes, and other baked products in addition to conventional baked goods like pastries, cookies, and cakes. Don’t forget to open an internet store for bakery so that it can sell to the entire city rather than just immediate neighbourhood. In Punjab, there are many of people who appreciate healthy cuisine, making it possible for bakery to prosper. In addition, an internet bakery would be the simplest way for emigrant Punjabis to send sweet treats home.

- **Offer Catering Services:** Entrepreneur can start a catering business for social and business functions and meet clients’ demands for large orders. Simply make an investment in a cook-and-serve setup, and then launch company by setting up an internet catering business. Entrepreneur handle the meal preparation by themselves if they are a skilled cook. In the alternative, they can employ a chef and servers while handling the catering service and start catering business. Opening a cloud kitchen is an alternative method. In a cloud kitchen, entrepreneur can take orders over the phone, using a mobile app, or online, prepare the food at home, and then deliver it to the clients' doors.
- **Open a Full-Service Sports Store:** Punjab is a center for the production and trade of sporting products. Therefore, it is best option for start a full-service sports store. Customers can visit to look at sporting products and interact with highly trained personnel to choose which gear will suit their demands the best. Even the entire sports store can be put online and sold to the general public together with athleisure and sporting goods.
- **Open Warehouses & Cold Storages:** Farmers and other businesses in Punjab require storage facilities that are specifically created to keep the items secure and fresh due to the volume of agricultural produce there. On entrepreneur site, they have the option of developing a primary storage facility, a full-service warehouse, or a specialized section with cold storage.
- **Sell Home Decor Products:** Everyone likes to decorate their homes, but today’s time it’s difficult to find product for decor their home according themselves. People now like to decorate their homes with decor that matches a theme they have chosen for the interior design. By purchasing high-quality decorative items and either working with clients directly or selling to interior design firms, entrepreneur may turn this into a successful business for themselves. They can sell goods like wall hangings, antiques, decals, candles, and other aesthetically pleasing items through an offline or internet business.
- **Phulkari business:** Phulkari, which means "flower work," is a popular craft in Punjab. Phulkari is hand embroidery on clothing, and around 200,000 women labor in Punjab at Phulkari

establishments. This occurs locally, they are underpaid, underexposed, and entrepreneur has a fantastic online business potential because of it.

- **Transport:** To transport raw materials and finished goods into and out of the state, we need a lot of trucks and tractors. Transport enterprises continue to be a good bet for success despite their extensive history. Entrepreneur can establish a network of transportation and offer services across India or just in own state.

8.3 BUSINESS INCUBATION CENTRE

Business Incubation Centre (BIC) are places where startups and small businesses can receive expedited support. It offers a tool for technology transmission as well as small business development, technological innovation and application, and the encouragement of growth from inside local economies. The incubation Centre is a unique strategy for getting a new business or startup in top shape before reaching out to the world and continuing forward on the proper road. The institution known as a “Incubation Centre” aids entrepreneurs in growing their businesses and resolving issues that arise, especially in the early stages, by offering a variety of business and technical services, initial seed money, lab facilities, consulting services, and other resources. The sole purpose is to help create and grow young businesses through some of the ways:

- Acquiring manufacturing space at below-market prices.
- Their personnel offer guidance and knowledge when creating company and marketing strategy.
- They help finance startup companies.

According to IIMA’s Centre for Innovation Incubation and Entrepreneurship's (CIIE) handbook for non-profit incubator managers, “incubation should be understood as the process of de-risking an idea or a startup and helping them improve the odds of success”.

It serves as a platform for young people and new-age entrepreneurs to develop their creative ideas into workable business proposals for implementation, where job creators consciously transform into job seekers. “A business incubator is an organization aiming to accelerate the growth and success of entrepreneurial enterprises through a range of business support resources and services”.

8.4 CLASSIFICATION OF BUSINESS INCUBATOR

❖ **On the Basis of type of sponsorship**

- Government Sponsored: Organized by government organizations or departments.
- Non- Profit Organization Sponsored: These incubators are sponsored and managed through associations; chambers of commerce etc. Area development is the major objective of non-profit organization sponsored incubators.
- University Or Academic Institutions Sponsored: The major role of university related incubators is to transit the findings of research and development into new products technologies. Academics institutions like IIMS also as business incubators.
- Privately Sponsored: These incubators are organized and management private forms or companies or corporations. The major goal is to make profit.

❖ **On the Basis of Objective**

- General Purpose Incubators: General purpose incubators are to create employment.
- Technology Incubators: They seek to commercialize new product or services.
- Special Incubators: They focus on specific industry areas for example, art and craft business agriculture & green technologies.

8.4 SERVICES PROVIDED BY BUSINESS INCUBATORS

❖ Aids in the creation of project reports

❖ Give access to more details and other forms of financial and technical aid.

❖ Offer the following pieces of business counsel:

- Creating a business concept.
- Strategic and business planning.
- Legal and financial counsel.
- Management.
- Sales and marketing.

❖ Offer the following commercial service:

- Word processing and bookkeeping.
- Postage, fax, and photocopier services.
- rooms for conferences and meetings.
- Telephone answering and reception.
- Secretarial assistance.

❖ Offer the following commercial support:

- Hard Service (saving in capital

- Mentoring.
- Networking.

8.6 BENEFITS PROVIDED BY BUSINESS INCUBATION CENTRE

A business incubator's main objective is to create successful companies that can run independently and are profitable. It promotes employment possibilities and aids in a nation's economic growth. It promotes innovative technology and strengthens regional economies. Business incubation helps in:

- Creating jobs & wealth
- Community new life
- Identifying potential opportunities
- Encouraging women or minority entrepreneurship
- Business creation and retention.
- Accelerating growth of local industry
- Diversifying local Economies
- Technology Commercialization
- Fostering a community's entrepreneurial

8.7 TYPE OF BUSINESS INCUBATORS

Academic institutions and venture capital firms both provide different business incubation programmes. Since its establishment, incubators have fostered growth for businesses at all stages of development.

- ❖ **Venture Capital Incubators:** Venture capital businesses appear to be the newest buzzword in business. They see incubators as a means of generating income. They make investments in new businesses or stock in existing ones. As part of their incubation package, venture capital firms may also connect management teams with angel investors and financial management.
- ❖ **Startup Studio:** The goal of a startup studio, often referred to as a startup foundry or factory, is to launch several businesses simultaneously. It works with companies in their infancy (imagine an idea on a napkin) and offers mentoring and strategy to help the ideas take off. Additionally, startup studios assemble CEOs or specialists to help lead and manage the firm from the very beginning. Additionally, there are many types of startups, such as investor studios and builder studios.

❖ **Seed Accelerators:** An incubator is comparable to a seed accelerator, or startup accelerator, but there are some key differences. The primary one is that participants are part of a fast-track programme with a set timeframe that ends with a pitch day. Although anybody can apply, invitations are extremely competitive and may be publicly or privately supported. They welcome businesses of all stripes, including those involved in commercial finance as well as research and technology.

- **Corporate Incubators:** A type of seed accelerator is a corporate incubator. additionally known as corporate accelerators. Large corporations establish internal innovation-focused accelerators as subsidiaries or programmes. For startups, they offer office space, cash, mentorship, and cooperation.
- **Kitchen Incubators:** Kitchen incubators give business owners, restaurateurs, and chefs the chance to explore ideas in a secure environment, as the name suggests. They provide a kitchen where customers can experiment with unique cuisine, develop a ghost kitchen concept, or launch a new eatery. Kitchen incubators nurture and grow "Kitchens" from the beginning to full launch, just like other company incubators. They provide guidance, funding access, and educational opportunities along the road. Through its ghost kitchen incubators programme called Fast Kitchen, Labs, a leader in kitchen incubators, ushers in the talent. Restaurant owners from all backgrounds present their ideas to the incubator and, if chosen, go through a series of focused challenges to develop their concepts.
- **Virtual Business Incubators:** So far, we have talked about incubators that frequently assemble at a single physical location. Imagine a chicken sitting on its hatching eggs. The same principles of mentoring and business development apply to a virtual business incubator, but instead of working together in a physical space like a henhouse, the collaboration takes place online.
- **Academic Incubators:** This kind of incubation is frequently created by colleges and universities. They foster entrepreneurship while students are still in school by drawing on the student body. The theory behind it is that it encourages innovation across numerous industries and job development for its graduates. Consider this to be a more established incubator design that has been around since the 1950, when incubators first became popular.
- **Social Incubators:** Candidates with business ideas that can alter the world are fostered in a social incubator. This could be a non-profit group or business that seeks to develop a product to help the environment or bring about societal change.
- **Medical Incubator:** This kind of incubator seeks out businesses in the healthcare sector that are mostly focused on medical technology. Incubators offer the support and guidance required to make this happen because bringing medical equipment or ideas to market can be extremely difficult. The course could potentially be an acceleration course with a time limit.

8.8 INCUBATORS AND CO-WORKING SPACES

The government would assist by enabling the development of suitable infrastructure to strengthen the innovation ecosystem. The following would be part of the infrastructure plans that would be developed across several sectors in each district of Punjab.

- Easily accessible office space
- Hardware and software options
- Test and research labs

- Services like accounting, HR, IPR, and others
- Amenities include access to the internet, electricity, water, security, etc.

8.8.1 STPI Mohali: The Software Technology Park of India (STPI), renowned for encouraging IT growth in the nation, is one of the well-known brands in the state's enabling community. The same objective is pursued by STPI Mohali, which offers co-working spaces and government assistance to Punjab's tech firms.

To assist companies across the nation in gaining access to not only infrastructure but also state backing, it recently launched the Startup Punjab Hub project. It has already enlisted well-known organizations as partners in the programme, including the Punjab government, the Indian School of Business, Punjab Technical University, and the Ministry of Electronics and Information Technology.

Along with the ability to network and share ideas, STPI will give startups access to money, incubator facilities, and any other help they need to launch their products.

Entrepreneurs are encouraged to use AI, data analytics, and IoT to address real-world issues in certain domains through STPI's "Open Challenge Programme." The open Challenge programme will be managed and coordinated by TiE Chandigarh, and winners will get cash prizes of up to INR 1 lakh.

8.8.2 Punjab Agricultural University, Ludhiana: In March 2019, the Ministry of Agriculture and Farmers Welfare, Government of India, presented the Punjab Agricultural University, Ludhiana, with an incubator, known as the Punjab Agricultural Business Incubator, as part of the RKVY-RAFTAAR Agricultural Business Incubator programme. Under the umbrella of the incubator, two programmes known as Uddam (Idea stage- grant-in-aid up to 5 lakh) and Udaan are now operating (Expansion Stage-grant-in-aid upto 25 lakh). Applications from agricultural startup companies are being sought under this programme. Startups chosen by RIC for a two-month training programme and rigorous mentoring are meeting with RIC-I. The incubators have access to every part of business startup, marketing, financing, communication skills, public policy, and training programme. RIC-II After training, evaluate candidates' development and shortlist those who will move on to the next phase. Functional Health & Convenient Food, Food Processing, Honey Processing, Waste to Wealth, and Agriculture Supply Chain are the main key areas that have been covered under this approach.

The first cohort of both programmes was introduced in 2019, and a total of 14 startups—11 from Udaan and 3 from Uddam—were chosen to receive grants totaling Rs 186 lakh. Following the first group's success, a second group was established in 2020, and a total of 16 startups—12 from Uddan and 4 from Uddam—were chosen to receive grants totaling Rs 222 lakh. Applications from other states were also accepted for the third batch

8.8.3 Chitkara Innovation Incubator Foundation, Chandigarh: Our goal at Chitkara Innovation

Incubator is to make it easier to match people with the relevant opportunities in order to boost the productivity of our ecosystem. In general, we think that value creation should start with ecosystem partners, mentors, investors, and startups. With a cutting-edge incubator space of more than 15000 square feet, positioned just one kilometer from startups, incubators, and mentors, to improve your company's prospects. There is no right or wrong age to develop an idea, so you can start young. The goal is to promote innovation and creativity. The primary emphasis is on Industry Networks. The student startup is seeking seed funding to support the firm and its concept. We help your startup to create, develop and design by providing an office space, where you and your team can brainstorm and work together as one unit. we help the growth and development of entrepreneurial talent in youth.

8.8.4 TBI- IISER Mohali: By giving them access to the ecosystem, the Technology Business Incubator at the IISER (Indian Institute of Science Education and Research) Mohali assists entrepreneurs and SMEs in their research. It assists startups, business owners, and SMEs in the state through three programmes:

- ❖ Program for Entrepreneurs in Residence: This programme gives aspiring and established startups and SMEs the ability to develop their products and services in a residence format with accommodations and other facilities provided, with the goal of boosting entrepreneurship in emerging technology fields.
- ❖ Lab Access Program: This initiative enables companies to utilize labs for testing, research, and preparation of their Proof of Concepts (PoCs) for any market testing.
- ❖ Mentor Access Programme: This programme provides access to the faculty mentors at IISER Mohali to help startups gain subject matter expertise, guidance on research, tech development and more.

8.8.5 IIT- Ropar Incubator: The Technology Incubation and Development of Entrepreneurs (TIDE) scheme, which provides financial assistance to institutions with TBIs with the aim of helping them enable young entrepreneurs develop and set up successful startups, is a programme that focuses on information and communications technology (ICT) and helps startups obtain financial support from the Department of Information Technology.

8.9 SET UP INCUBATORS/ACCELERATORS

- ❖ **College and School Incubators:** The State would advance the setting up of Brooding Focuses in schools and colleges around the state. These focuses are significant for the advancement of enterprising society among Students. It teaches the idea of business in the personalities of Students rather than simply securing positions subsequent to finishing their examinations. This would help Students/entrepreneurs to partake in an imaginative, drawing in and creative climate alongside the information on the standards and practices of sound business proprietorship that the hatchery projects would give. Endeavors are being put towards building a powerful scholarly world industry linkage and organization through hatching communities. The hatching offices would be available to non-occupants or non-Students to carry critical advantages and information to all partners. In addition, the students would be furnished with data and backing concerning the accessible plans, impetuses and awards started by the Middle and the State.

- **IKG Punjab Technical University:** For offering some assistance to the young people of the State and to shape them into business visionaries, IKG Punjab Specialized College has set up a Startup Asset of INR 100 Crores in organization with the State Government. This asset would be utilized for the advancement of brooding focuses, introductory financing for new businesses, increase subsidizing and to offer other help to the start-up units. A fourth of the assets would be committed to advancing new companies by Planned Stations and Ladies Business visionaries.
- **Incubation Centers:** The Province of Punjab would likewise empower brooding focuses, and gas pedals lead by the confidential areas and proposition them suitable help. Different monetary and non-financial motivating forces would be given to advance the improvement of hatching focuses in the confidential area.
- **Sector Specific Incubators:** With the plan to offer stimulus to business in the centre areas with the end goal of improvement, the State energizes the setting up of area explicit hatcheries like Advanced Assembling, Biotechnology and Life sciences, Data Innovation and Agro and Food Handling. These hatcheries would be set up in and around the current business bunches inside the State.

8.10 BUSINESS POLICIES OF PUNJAB GOVERNMENT FOR STARTUPS

Punjab is known for happiness and growth. The area of Punjab is top structured, small business and hardworking people who work in an effective manner for their development and success. The people of Punjab start their business and their business are the key pillar of Punjab’s economics growth, job opportunities, competency and wealth creation.

As the most important aim of every state is to grow and developed their economy with the help of innovation and entrepreneurship. Similarly, the Punjab state is associated with the early development and growth of the economy. The state plays an important role in various sectors such as, agriculture, education, sports arts and business.

In 1978, 1982, 1989, 1992, and 1996, the state government had created industrial plans; the most recent one for Punjab was announced in March 2003. The previous policy aimed to make the small-scale sector competitive and to foster an environment that was favorable for investment through the development of infrastructure. However, the state administration made the decision to create a new, well-focused Industrial Policy to support the State's economy in light of the rapidly shifting global economic landscape. It was agreed to use UNIDO's experience and knowledge to offer strategies for luring new investments and reviving/expanding the present industry. The Department of Industrial

Policy & Promotion of the Government of India also backed this initiative of the State Government by funding UNIDO for this task.

So, here are important policies of state government for the business startups:

- **Business Development policy:** This policy is established by Punjab government. The main motive of government to establish this policy is to reorganized institutions and facilitates a better growth and development of the state's economy. Ease of doing business in Punjab is the important factor for which this policy is established. The skills, monetary and non-monetary activities plus shareholders involvement all these are supported by sectors growth and development.
- **Startups Punjab:** The other policy introduced by the Punjab government is startup policy. Basically, the strategy of every state is largely depending upon its business strategies and wage rate systems. As we discuss earlier Punjab achieved success in various sectors such as education, arts, agriculture, and business etc. Punjab state has various human resources, business minded peoples and these peoples are intelligent to make their own ways for the success of their business. Similarly, the Punjab identify business organizations and new business creations the important step for the development and growth of the economy, creations of jobs opportunities and income generations.

Aim of startup policy:

- To provide the solutions for the problems of business enterprises, market and culture with the aim of creating a friendly ecosystem.
- It is formulated with the aim of creating a strong connection with important states.
- It is used to promote various business development centers in various educational institutes.
- The main aim of startup policy is to create a friendly environment for the startups to establish their business.
- It regulates the laws and order with the aim of established a strong environment for startups.

Operations of startup Punjab policy:

- **Business and startups:** The people of the Punjab are known for their business mentality. They play an important role for the growth and development of the economy. The state looks for creating a strong ecosystem for fasting an innovation and startups. Punjab government always make sure that the various central and state policies or initiatives that support startups, innovating thinking and minds and entrepreneurship have the required convenience and synergy.
- **Educational institutes incubators:** The foundation of the incubator's centers in educational institutes around the state is purposefully motivate the students to start their own business. This kind of facilities are important for encouraging business mindset among the students. Incubator centers are highly beneficial for students and business entrepreneurs to understand the environment and techniques of the business. It is further used to create an affective relationship between educational institutes and industries.

- **Developmental centers:** Number of incubation centers are had been developed by a number of the federal and state government agencies, including biotech incubators with the necessary links to corporate and state government efforts these centers would be properly and effectively marked.
- **Industrial incubators:** In order to promote entrepreneurship in the priority areas for the purpose of development the state encourages the establishment of the sector- specific incubators for technologies such as digital manufacturing, information technology and food processing. The state's current industrial clusters would be near and within these incubators.

Funds available for ease of doing business in Punjab:

- **Capital subsidy funds:** Capital subsidy funds are important funds for business startups. This can be divided into two categories public funds and private funds, in public funds the state Government sponsored institutions will get the grant of 100% of the FCI up to a maximum capital of INR 1 cr. for the development of the business and on the other hand in private funds the private sector institutions would get a grant of the establishment of the incubator equal to 50% of the FCI up to a maximum of the INR 50 lakh.
- **Startup competition funds:** These funds are originated for establishing business culture in educational institutes such as institutes of National importance, state universities and central universities based in the state shall be supported by the state government to organize such startup competition fests every year. In this funds state shall provide assistance up to the limit of INR5 lakh per event. So, these institutes have established incubators in their premises
- **Seed Funding:** Seed funding is_the major source of financial income for all the business entrepreneurs. This funding system is totally debt free and very flexible in nature, so businessman don't' need to worry about the loans and binding contracts etc. For idea validation, creation, help in travel expenses, doing fields/markets research, skill training and marketing etc. for all these operations startups will get a seed grant of up to INR 3 lakh. All the business startups receive seed investment through center or state recognized agencies.
- **Angel Investors:** The angel investors are the people with extra money who are interested in funding start-up businesses. So as compared to loans provided by other financial institutions, the risk associated with this investment by angel investor is higher because the reward on their investments is expected to be larger. In that case the business owners make a direct contract with these kinds of investors.

❖ **Business Blaster Young Entrepreneur Scheme:** The business young blaster entrepreneur scheme was launched by Punjab government in an effort to realize the entrepreneurial goals of the kids attending the state's public schools. Harjot Singh Bains, the state minister of the school education, introduced the programme by stating that the Government is working to make Punjab's educational system the best in the world and the kids who have attended Punjab government schools shouldn't worry about their futures. The main motive of Punjab government behind this scheme is" children of Government schools will become "job-givers" and not "job- seekers".

In order to accomplish this goal, according to Education minister Harjot Singh Bains, the Punjab government has decided to launch the business blaster young entrepreneur scheme, which will give the seed money of 2000 to the students to launch their own business. The programme main aims are to foster the development of young entrepreneurs at the school levels.

8.11 LETS US SUM-UP

The State of Punjab is known for making quick advancements in overall prosperity and growth. The State has achieved success in a wide range of fields, including business, agriculture, education, health care, literature, sports, and the arts and humanities. The Punjab state is well known for its diversified culture, yummy cuisine, beautiful places etc. The main focus of the state is to provide the great importance for the ease of doing business in Punjab. The State possesses first-rate human capital, infrastructure, and progressive and business-minded citizens who can seize any opportunity that may present itself. The diaspora of Punjabis is widespread and has established itself as a distinct group. The Punjab state has number of resources to start the business. The incubation Centre is a unique strategy for getting a new business or startup in top shape before reaching out to the world and continuing forward on the proper road. In the Punjab, various institutions have been setup known as a “Incubation Centre” aids entrepreneurs in growing their businesses and resolving issues that arise, especially in the early stages, by offering a variety of business and technical services, initial seed money, lab facilities, consulting services, and other resources. The government would assist by enabling the development of suitable infrastructure to strengthen the innovation ecosystem. The people of Punjab start their business and their business are the key pillar of Punjab’s economics growth, job opportunities, competency and wealth creation. As the most important aim of every state is to grow and developed their economy with the help of innovation and entrepreneurship. Similarly, the Punjab state is associated with the early development and growth of the economy. From the above discussion we found that Punjab is the best state for easily starting a new business. The state is famous for its culture, food and lovely destinations which make it more populated market. So, it can be incredibly profitable and enjoyable to do a business in Punjab. The people can do a different type of business in Punjab like bakery business, travel agency business etc. Punjab is a historical place so the people from different states love to visit Punjab so there is a scope for tourist guide to earn profit in Punjab.

8.12 REVIEW QUESTIONS

- How the available resources of Punjab would contribute for the growth of entrepreneurship?
- What are the various opportunities to start business in Punjab?
- How would you describe the incubation Centre? What are the responsibilities of incubation Centre?
- Discuss the role of incubation Centre for the entrepreneurship.

- ❖ Comment on the Punjab governments' startup policy and how the funds are raised under this scheme?
- ❖ Describe the Industrial policy of State and what are the schemes of indentureship development?
- ❖ What is the classification of incubation Centres and what role they are playing for indentureship?

QUESTIONS & ANSWERS OF SHORT QUESTIONS

I. According to the BRAP 2020 business reforms action plan Punjab state is consider as a best achiever for the ease of doing business among the other states. (True/False)

II. Mostly in Punjab people do not belong to farmers. (True/False)

III. Dairy farming is one of the best business ideas in the state of Punjab and economical in nature. (True/False)

IV. Ease of doing business in Punjab is the important factor for which …………. policy is established.

V. In Punjab, the ……….. business is one sector that is essentially recession-proof.

VI. …………. businesses appear to be the newest buzzword in business.

VII. ………… incubator seeks out businesses in the healthcare sector that are mostly focused on medical technology.

A. Social
B. Kitchen
C. Academic
D. Medical

VIII. One of the newest business concepts in Punjab is ………………

A. Automobile industry
B. Organic farming
C. Textile business
D. None of them

IX. The motive of ……………….. is to create employment.

A. Technology Incubators
B. Special Incubators
C. General purpose incubators
D. None of them

X. ………………. as the fundamental pillar for economic expansion, job development, competitiveness, and wealth generation.

A. Marketing
B. Entrepreneurship
C. People
D. None of them

XI. ………….. is main resource in Punjab.

A. Agriculture

B. Minerals

C. Electricity

D. All three

Hints for Shorts Questions:

I. True
II. False
III. True
IV. Business Development
V. Food
VI. Venture capital
VII. D
VIII. B
IX. C
X. B
XI. A

KEY TERMS

- **Argo-Based:** Agriculture is main resource
- **Dairy Products:** Products made from milk
- **Organic Farming:** Farming methods without chemicals
- **Business Incubation Centre:** Places where startups and small businesses can receive expedited support
- **General Incubators:** Incubators to create employment.
- **Technology Incubators:** To commercialize new product or services.
- **Special Incubators:** Focus on specific industry areas
- **Venture Capital Incubators:** Incubators as a means of generating income
- **Academic Incubators:** Incubation created by colleges and universities

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MASTER OF COMMERCE (M. COM)
CORE COURSE: ENTREPRENEURSHIP DEVELOPMENT
SEMESTER - III

UNIT 9: START-UP POLICY FRAMEWORK AND INCENTIVES, MSME POLICY IN INDIA

STRUCTURE

9.0 Objectives

After studying the Unit, you would be able to understand: -

- Introduction and definition of Start up
- Registration process of a startup
- Types of Financial support to start ups by Government of India
- Tax Benefits for Startups
- Basic concept of MSME policy
- Various features of new MSMEs
- Legal difference between MSME and startup
- Various MSME schemes launched by the Government of India

9.1 Introduction

India's startup community is thriving and expanding quickly. India is well recognized for its thriving startup scene, which is influenced by several factors, including Startup Ecosystem Diversity, wherein, India has a wide spectrum of startups in a variety of industries, including technology, e-commerce, healthcare, Fintech, Edtech, agricultural technology, and more. The Startup India programme is only one of the many initiatives the Indian government has started to help companies. These programmes sought to give entrepreneurs access to capital, tax advantages, and simplified company procedures. Venture capitalists, private equity firms, and angel investors from both domestic and foreign sources are making large investments in India. The number of investment rounds and unicorn startups (startups valued at over $1 billion) are rising across the nation. Another reason for thriving startup scene is pool of talented and knowledgeable businesspeople who are creating new businesses and going global.

Technology and Innovation is also an important factor for conducive environment for Startups. Indian companies are renowned for their inventiveness, particularly in industries like AI, block chain, and IoT. These firms are tackling a range of issues that the nation and the world are facing. Another factor is E-commerce Boom: Companies like Flipkart, Amazon India, and others are leading the way in India's quickly expanding e-commerce industry. Moreover, as the importance of online education and healthcare services has grown, the creation of Edtech and Healthtech firms has also fueled up. Despite government backing, businesses continued to face regulatory obstacles, notably in fields like fintech and e-commerce. It was nevertheless important to deal with these regulatory restrictions. Growing number of unicorn businesses are created in India, including companies like Flipkart, Ola, Paytm, Zomato, and Byju's. Furthermore, the nation has a robust ecosystem of incubators and accelerators that offered resources, cash, and guidance to companies.

9.2 Startup Definition

According to the Startup India initiative, a company that satisfies the following requirements is considered a startup in India:

- It is incorporated as a private limited company, a partnership firm, or a limited liability partnership (LLP).
- It has been in operation for up to ten years as of the date of formation, and in none of the prior fiscal years, its annual turnover has exceeded Rs. 100 crore (about $13.3 million).
- Meeting these requirements enables a business to be recognized as a startup and gain access to various benefits and incentives offered by the government.
- It is working towards innovation, development, deployment, or commercialization of new products, processes, or services driven by technology or intellectual property.

9.3 Registration Process

- The following stages are normally involved in registering a startup in India:
- Start by forming your company as a private limited company, partnership, or limited liability partnership (LLP). Pick a legal framework that supports your company's objectives.
- **Obtain a Unique Entity Number (UEN):** To receive government benefits, you must obtain a Unique Entity Number (UEN), which is typically available within one working day, via the government's specialized portal.
- After receiving your UEN, you must self-certify that your company satisfies the requirements outlined in the startup definition. On the Startup India website, this is possible.
- Create a Startup India Portal account: Register for an account on the Startup India website (www.startupindia.gov.in) and fill out the necessary information about your company.
- **Receive Recognition:** The Department for Promotion of Industry and Internal Trade (DPIIT) will formally recognize your startup after reviewing and approving your application.
- Benefits are available if your business is recognized as a startup, including tax breaks, access to funding opportunities, and involvement in government procurement initiatives.

9.4 Financial Support to Startups in India

The Indian government offers funding assistance to startups through several programmes and initiatives.

- **Startup India Fund:** The government has established a fund to give companies financial support. This is one of the main financial support vehicles. This fund provides qualifying entrepreneurs with seed money and venture capital.
- **Tax Benefits:** The Startup India initiative offers tax advantages to startups in India. For the first three years in a row, they are eligible for income tax exemptions, and then they pay lower taxes moving forward.
- **Subsidized Patent Filing:** Startups can take advantage of an 80% discount on patent filing costs and accelerated patent review through the Startup Intellectual Property Protection (SIPP) programme, which aims to promote innovation.
- The **Credit Guarantee Fund for companies (CGFS)** assists companies in obtaining loans devoid of collateral. A portion of the default risk faced by banks and other financial institutions is covered by this fund.
- **Fund of Funds for Startups (FFS):** Venture capital funds receive funding from the FFS, and these funds then invest in new businesses. This makes it easier for businesses to get access to more money. The Indian government has launched several initiatives to support businesses financially. These initiatives are intended to promote entrepreneurship, innovation, and the expansion of startups in a variety of industries.
- **Seed Funding for Startups in India:** As part of the new India initiative, the government established a Fund of Funds with a $10,000 crore (about $1.3 billion) corpus to offer new companies with seed money. Through particular venture capital firms, startups can get access to this money.
- **Loans for Women and SC/ST Entrepreneurs** through Stand-Up India Stand-Up India can help startups even though its main audience is SC/ST and female entrepreneurs. The programme offers qualified entrepreneurs bank loans between 10 lakh and 1 crore to help them launch or grow their businesses.
- Startups and small businesses are eligible to apply for **MUDRA loans**, which are offered by the Micro-Units Development and Refinance Agency (MUDRA). MUDRA loans are intended to promote micro and small enterprises by providing financing options at various phases of their growth.
- The **SIDBI Funds of Funds (SFF)** are managed by the Small Industries Development Bank of India (SIDBI), which also invests in several venture capital funds, which in turn invest in start-up businesses. This method of indirect financing enables entrepreneurs to draw from a larger pool of funds.

- **Grants for research and development:** Several government departments and organizations provide grants and other financial assistance to startups working on projects related to research and development, particularly those that are of national relevance.
- **Technology Business Incubators (TBIs):** TBIs are frequently found inside academic institutions and offer funding, networking opportunities, mentorship, and infrastructure to companies, frequently in technology-intensive industries.
- **State-Specific Initiatives:** To encourage local entrepreneurship, several Indian states have also introduced their own startup regulations and incentive schemes. These initiatives come in the form of grants, subsidies, and financial incentives.
- **Export Promotion Capital Goods (EPCG) Scheme:** Under this programme, entrepreneurs can import capital equipment at no additional cost for use in pre-, during-, and after-production.
- **Competitions and challenges:** Both the public and private sectors often hold startup competitions and challenges with cash awards, grants, and other financial incentives for original concepts and solutions.

9.5 Tax Benefits for Startups

These are intended to promote innovation, entrepreneurship, and corporate expansion. With the help of these tax benefits, companies' initial operating costs get lessened. The government of India offered a number of tax perks under the Startup India initiative for recognized entrepreneurs. Here are a few typical tax advantages for new businesses in India:

- **A tax exemption from income**

For the first ten years of their existence, startups who qualify might take advantage of an income tax exemption for three consecutive assessment years.

Exemption from Capital Gains Tax

If startups invest their capital profits into certain funds or assets, they are free from long-term capital gains tax. The purpose of this exception to promote startup investment.

- **Losses are carried forward and offset**

For a specific number of years, startups may carry forward and set off their losses. With the help of this clause, they are able to lower their tax obligation by offsetting losses against future profits.

- **Compliance Advantages**

Startups are given the option to verify their own compliance with specific labour and environmental standards, which reduces their financial and administrative obligations.

- **Angel Investment Tax**

According to Section 56(2)(vii)(b) of the Income Tax Act, angel investors who made investments in qualified businesses are eligible to get tax benefits. The receipt of compensation for the issuance of shares by qualified startups is free from income tax under this regulation.

- **Tax deduction for investments**

Under Section 80-IAC of the Income Tax Act, investors in qualifying startups may deduct 50% of their investment from their taxes.

- **Lower Tax Rates**

A reduced corporate tax rate that is implemented as part of more comprehensive tax reforms is advantageous for startups with a turnover of up to 50 crore rupees. This tax rate cut is intended to help small firms.

- **Fast-Track Patent Review**

Startups may profit from a quicker patent examination procedure that cuts down on the time and expense needed to secure patents for their inventions.

- **GST Advantages**

Startups are exempted from GST registration if their yearly revenue is less than 20 lakhs ($10 lakh for special category states), which lessened their compliance burden**.**

- **Benefits of Public Procurement**

Participation in government procurement initiatives is encouraged for startups. To make it possible for startups to compete for government contracts, specific criteria and relaxations are developed. These tax breaks are created with the goal of fostering a supportive environment for new businesses, encouraging innovation, and promoting economic expansion. To ensure compliance with tax regulations and to make the most of the benefits available to them, startups must contact tax or legal specialists since qualifying requirements and specific circumstances may apply.

9.6 Micro Small and Medium Enterprises (MSME)

MSMEs play a significant role in the Indian economy and have made significant contributions to the socioeconomic growth of the nation. In addition to creating employment opportunities, it collaborates to advance the advancement of the nation's rural and underdeveloped regions. There are approximately 6,08,41,245 MSMEs in India, according to the government's annual report for 2018–19.

Micro, Small, and Medium Enterprises is what MSME stands for. The businesses are divided into two categories in accordance with the Micro, Small, and Medium Enterprises Development (MSMED) Act of 2006.

a) A manufacturing enterprise is one that produces or manufactures things for any industry.

b) Service businesses - companies that offer or perform services.

In accordance with the Micro, Small & Medium Enterprises Development (MSMED) Act of 2006, the Government of India introduced the term MSME (Micro, Small and Medium Enterprise). The Ministry of MSME (MoMSME) is responsible for the development and management of MSME, which consists of organisations that produce, manufacture, process, or preserve goods and commodities.

The MSME sector, which makes up almost 27% of India's GDP, is regarded as the foundation of the Indian economy. It largely aids in the development of residents of rural and underdeveloped areas. According to government statistics as of April 30, 2022, there are currently more than 6.33 crore MSMEs across the country, which employ roughly 11.10 persons.

9.7 MSME-Concept and Definition

- **New MSME Classification - MSMEs Redefined**

By having identical investment amounts and yearly turnover for businesses operating in both sectors, the distinction between manufacturing and service organizations has been eliminated. The Micro, Small and Medium Enterprises Development (Amendment) Bill, 2018, made a proposal to redefine MSMEs and categorize them as manufacturing or service-providing enterprises depending on their yearly turnover.

Classification of enterprises into micro, small and medium enterprises (in Rs)

Kind enterprise	**Act of 2006**		**As per Latest Notification of 2020**	
	Manufacturing	**Services**	**All Enterprises**	
	Investment Towar Plant & Machinery	**Investment Towar Equipment**	**Investment Towards Pla & Machine and Equipme**	**Annual Turnover**

Micro	25 lacs	10 lacs	Does not exceed 1 cr.	Does not exceed 5 Cr
Small	25 lacs to 5 Cr	10 lacs to 2 Cr	Does not exceed10 cr.	Does not exceed 50 Cr
Medium	5 Cr to 10 Cr	2 Cr to 5 Cr	Does not exceed 50 cr.	Does not exceed 250 Cr

Factsheet of MSME Registration (2021-22)

Total MSME Registration – 9,11,5082		
Micro	Small	Medium
8,70,4675	3,73,456	36,951

Estimated numbers of MSMEs in India – 2021-2022

Activity Category/Sector	**Estimated Number of Enterprises (in lakh)**	**Share**
Manufacturing	196.65	31%
Trade	230.35	36%
Services	206.85	33%
All	633.88	100%

- **Benefits of the above-proposed reclassification**

Frequent inspections to verify the investment in plants and machines would not be required in accordance with the proposed reclassification or the new classification. Additionally, MSMEs would conduct their business in a transparent, inclusive, and objective manner.

- **MSME definition – why the change**

Nirmala Sitharaman, the minister of finance, explained the change's motivations as she made the announcement. According to her, the new definition would have several advantages that will help MSMEs develop. This was created as part of the Atmanirbhar Bharat Abhiyaan Economic Package to ease India's financial hardship during the pandemic. The relief package's entire cost, including all prior economic stimulation measures, is a staggering Rs. 20 lakh crores.

Highlights of new MSMEs

'Atma Nirbhar Bharat Abhiyan' or the Self-Reliant India Scheme of 2020 by the Government of India has given a new definition for MSMEs.

Here are a few standout qualities of new MSMEs:

- A guarantee of collateral-free loans to MSMEs
- A plan for loans to MSMEs totaling Rs. 3 lac crores
- A proposal for MSMEs to be granted a 12-month moratorium.
- MSME is given a 48-month repayment period because manufacturing and service MSMEs are treated as the same companies.
- A 100% credit guarantee is provided for MSMEs, and
- reclassification of MSMEs will help almost 45 lac units.

9.9 Features of MSMEs

The following are a few of the fundamental components of MSMEs:

- MSMEs seek to improve the lives of workers and craftsmen. They assist them by offering loans, employment, and other services.
- MSMEs offer banks capital assistance or credit limits.
- By opening specialized training facilities for the purpose, they encourage the growth of entrepreneurship as well as skill upgrades.
- They encourage the improvement of infrastructure, the creation of developmental technologies, and the modernization of the industry.
- MSMEs are renowned for offering fair support for increased access to both domestic and international markets.
- They also provide high-quality certification services and contemporary testing facilities.
- MSMEs currently support product development, design innovation, intervention, and packaging in line with current trends.

9.10 The Legal Difference Between MSME and Start-Up

The MSMED Act and the most recent DPIIT only permit partnership firms, LLPs, and corporations to have the statuses of "MSME" and "start-up," respectively. If they meet the investment thresholds outlined in the MSMED Act's definitions of MSME, they will be classified as MSMEs. MSME is defined by the MSMED Act. The DPIIT's Start-up Notification No. from 19.02.2019 governs startup. The following summarizes the differences between start-ups and MSMEs:

Sr. No.	MSME	Start-up
1.	As described by the MSMED Act	The Department for the Promotion of Industry and Internal Trade's definition
2.	To qualify as an MSMEs, an organization must meet both the investment and turnover requirements.	The definition of a start-up only applies to businesses with annual revenues up to Rs. 100 crores.
3.	The threshold for MSME designation is measured in terms of net turnover, or turnover less exports.	Gross turnover without limiting exports is the limit for DPIIT purposes.
4.	If the investment and turnover thresholds are not exceeded, MSME status will be granted.	Start-up status shall remain for ten years from the completion of incorporation or until annual revenue exceeds Rs. 100 crores, whichever comes first.
5.	The net turnover threshold for MSME Status is Rs. 250 crores.	The maximum gross turnover for Start-up Status is Rs. 100 crores.
6.	The maximum investment for MSME status is 50 crores rupees. If it is, the business is no longer considered an MSME.	No maximum investment amount to qualify as a start-up
7.	As long as an organization's investment in plant, machinery, or equipment does not exceed Rs. 50 crores and its annual revenue does not exceed Rs. 250 crores, it is eligible to receive MSME status for as long as it has been in existence.	Only 10 years after the date of incorporation is the start-up status valid.
8.	The business needs to submit Udyam Registration in order to be recognized as an MSME.	The business must submit a DPIIT Recognition application to be recognized as a start-up.
9.	The business will be an MSME but not a start-up if the investment cap of 50 crores and turnover cap of 100 crores are not surpassed and ten years have passed after incorporation.	The firm will not be classified as an MSME but rather as a start-up if the investment cap of Rs. 50 crores are exceeded but the turnover cap of Rs. 100 crores are not exceeded, and ten years have not passed from the date of incorporation.
10.	MSME businesses may be structured legally in any way.	Only LLPs, private limited corporations, and partnership businesses will be qualified for start-up status.
11.	Any business model that an organization uses can qualify it as an MSME.	The business model must focus on product or service innovation, development, or improvement for it to be considered a start-up. Scalable company models with

		significant employment or wealth creation potential are required.
12.	Even if a company is created by dissolving or reassembling an already existing business, it will still qualify as an MSME.	An organization cannot be a start-up if it was created by dissolving or reorganizing an already existing company.
13.	If the issue price exceeds Fair Market Value, MSME private limited firms that are not considered start-ups are subject to angel tax on the shares they issue at a premium.	If total contributions, including those from family and friends, do not exceed Rs. 25 crores, startup private limited firms are excluded from angel tax.
14.	An MSME will not be eligible for a tax vacation unless it is a start-up, a private business or LLP, and satisfies the requirements of section 80-IAC.	A startup that is an LLP or private limited company is eligible for a tax holiday under section 80-IAC of the Income-tax Act.
15.	If the promoter's residential property is sold and the proceeds are invested in a private limited business that is an MSME but does not meet the criteria for a start-up, there is no tax exemption for the capital gains.	If the promoter's capital gains from the sale of their residential property are invested in a start-up private limited business, they are free from taxation under Section 54GB1.
16.	MSMEs are eligible for benefits under the MSMED Act. Benefits from the Startup India Scheme, however, won't be given out until the company meets the criteria for being a "startup" and receives DPIIT registration.	Start-ups are not eligible for benefits under the MSME Act until they meet the investment requirements for MSMEs and submit Udyam Registration forms.

9.11 MSME Schemes Launched by the Government

- **Udyog Aadhaar Memorandum/ Udyam Registration**

The government assigns a 12-digit number called an Aadhaar card to every person. The Aadhaar card is a must for this. The benefit of signing up for this programme is the simplicity of obtaining government credit, loans, and subsidies. Both online and offline methods of registration are available. On July 1, 2020, the Udyog Aadhaar Memorandum (UAM) is replaced by the Udyam Registration (UR) which has streamlined the registration procedure for MSMEs. UR is free, open, hassle-free, online, and based on self-declaration. It is completely paperless and seamlessly integrates with GSTIN and ITR.

- **Zero Defect Zero Effect**

According to this paradigm, manufactured items for export must meet specific requirements in order to avoid rejection and being returned to India. The government has started this programme to achieve this. If the items are exported, they may be eligible for discounts and other benefits.

- **Quality Management Standards & Quality Technology Tools**

Participating in this programme will assist micro, small, and medium-sized businesses in understanding and implementing the quality standards that must be upheld in conjunction with new technologies. Through numerous seminars, campaigns, activities, etc., this plan conducts initiatives to educate businesses about the new technologies accessible.

- **System for Grievance Monitoring**

It is advantageous to register under this programme in order to address the grievances of business owners. The owners of the businesses can use this to check the status of their complaints and to open new ones if they are not happy with the resolution.

- **Incubation**

This programme aids innovators in putting their fresh designs, concepts, or goods into practise. Under this, the government may fund up to 80% of the project's costs. This programme supports innovative concepts, styles, and goods.

- **Credit Linked Capital Subsidy Scheme**

In accordance with this plan, business owners are given access to modern technology to replace their outdated equipment. Businesses receive capital subsidies to help them modernise and acquire more effective tools for conducting business. These small, micro, and medium-sized businesses can apply for these incentives directly with the banks.

- **Women Entrepreneurship**

This programme was created specifically for women who aspire to launch their own businesses. The government helps these women manage and grow their businesses by giving them funding, counselling, training, and delivery methods. For these businesses, the government has introduced additional programmes and support infrastructure.

In addition to the different MSME initiatives, a number of announcements have been made as part of the Atmanirbhar Bharat Package to provide urgent help to the MSME sector. The most significant ones also included:

a) INR 3 lakh crore in automatic loans without collateral that MSMEs could use to purchase raw materials, pay for operational obligations, and restart enterprises.

b) Refusing international bids for purchases up to INR 200 crores to generate lucrative chances for domestic players. Clearing of MSME dues by the Government and Public Sector Units (PSUs) within 45 days.

c) MSMEs can take advantage of programmes like the Prime Minister's Employment Generation Programme (PMEGP), the Rural Employment Generation Programme (REGP), the Micro Units Development & Refinance Agency (MUDRA), and the announcements made to help MSMEs with the issues brought on by the COVID-19 pandemic.

d) Including Karnataka, Maharashtra, and Tamil Nadu, the Ministry of Micro, Small, and Medium Enterprises (MSME) does not establish any MSME in any state. The MSME sector is made up of private actors, and the business owners themselves make the investments. Enterprise growth and promotion fall under the purview of the state. However, the Central Government supports the State/UT Governments' endeavors through a variety of programmes, policies, and programmes aimed at promoting, growing, and improving the competitiveness of MSMEs across the nation.

e) The Prime Minister's Employment Generation Programme (PMEGP), the Credit Linked Capital Subsidy for Technology Upgradation Scheme (CLCS-TUS), the Schemes for Khadi & Village Industries and Coir, the International Cooperation Scheme, the Procurement and Marketing Support Scheme, the Scheme for Credit Guarantee Fund for Micro and Small Enterprises, the National SC/ST Hub, and other programmes are being implemented by the Ministry of MSME for MSMEs. All qualifying MSMEs, including those from the SC and ST groups, are eligible to receive benefits under these programmes. According to the Public Procurement Policy for Micro and Small Enterprises Order 2012, 4% of purchases must be made from MSEs owned by SC/STs and 3% from MSEs owned by women.

f) The "Make in India" initiative and the "Atmanirbhar Bharat Abhiyaan" (Self Reliant India Campaign) have been instrumental in promoting commerce and domestic manufacturing in the nation, particularly MSMEs, also known as the "backbone of the Indian economy."

g) In addition to these actions, the Ministry of Micro, Small, and Medium Enterprises (M/o MSMEs), the country's principal regulatory agency for MSMEs, has various programmes in place to assist the nation's emerging manufacturing facility.

9.12 Let Us Sum Up

India had a diverse range of startups, spanning various sectors such as technology, e-commerce, healthcare, fintech, edtech, agriinaltech, and more. The Indian government provides financial support to startups through various schemes and initiatives viz. Startup India fund, tax benefits, subsidized patent filing, credit guarantee fund, various grants, and subsidies, seed funding, MUDRA loans, Loans for Women and SC/ST Entrepreneurs, R & D grants, TBIs and FFS. Tax benefits are provided to Startups with an aim to reduce the financial burden on startups during their initial years of operation viz. Income tax exemption, Capital gains tax exemption, Carry Forward and Set-Off of Losses, Compliance Benefits, Tax on Angel investments, Investment tax deduction, Reduced tax rates and GST benefits. There is a provision of INR 3 lakh crore collateral-free automatic loans for MSMEs to buy raw material, meet operational liabilities and restart businesses. The Government of India has simplified the process of registration of MSMEs by replacing the Udyog Aadhaar Memorandum (UAM) with Udyam Registration (UR). MSME sector is considered the backbone of the Indian economy and contributes nearly accounts for 27% of the country's GDP. It primarily works for the development of people from backward and rural areas. As per the official data as of 31st April 2022, there are presently more than 6.33 crore MSMEs that employ approx. 11.10 people across the nation. Various schemes for the development of MSMEs are launched by the Government of India viz. Udyam Registration (UR), Zero Defect Zero Effect, Grievance Monitoring System, Incubation, Credit Linked Capital Subsidy Scheme, Women Entrepreneurship.

9.13 To Check the Progress

Long Answer Questions

a) Define the term "Startup".
b) Explain the term MSME under MSME Development Act 2006
c) Distinguish between MSME and start up.
d) Elaborate the steps for the registration of a Startup.
e) Investigate the different financial support mechanisms of Government of India to Startups.
f) List the various common tax benefits for startups in India.
g) Give the underlying concept and definition of MSME.
h) Discuss in detail Start up policy framework in India and underlying reasons for thriving start up milieu.
i) Discuss the Legal Difference Between MSME and Start-Up
j) Explain the various MSME Schemes Launched by the Government of India

Short Answer Questions

a) Enlist the essential elements of MSMEs.
b) Give a few highlighting features of new MSMEs.
c) What do you understand by Unicorn Company?
d) Give the main feature of Prime Minister's Employment Generation Programme
e) Define the term "Incubation".
f) Give the full form of "MUDRA".
g) What do you understand by Seed Funding for Startups in India?
h) Give the full form of "SIDBI".
i) State the concept of Angel Investment Tax
j) What is Fast track Patent Review?

Glossary

a) **Startup:** The Startup should be incorporated as a private limited company or registered as a partnership firm or a limited liability partnership. Turnover should be less than INR 100 Crores in any of the previous financial years. An entity shall be considered as a startup up to 10 years from the date of its incorporation
b) **Micro Enterprise:** where the turnover are no more than five crore rupees and the investment in plant, machinery, or equipment is no more than one crore rupees.
c) **Small Enterprise**: Where the turnover is no greater than fifty crore rupees and the investment in plant, machinery, or equipment is no greater than ten crore rupees.
d) **Medium Enterprises:** where the turnover is no more than 250 crore rupees and the investment in plant, machinery, or equipment is no more than 50 crore rupees.
e) **Credit Guarantee Fund for companies (CGFS):** It assists companies in obtaining loans devoid of collateral. A portion of the default risk faced by banks and other financial institutions is covered by this fund.
f) **Seed Money:** An investor contributes money to a new company in exchange for an equity stake or convertible note stake in the business. This is a type of securities offering. The term "seed" implies that this is an extremely early investment made to support the company until it can produce its own revenue or until it is ready to receive additional funding.

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MASTER OF COMMERCE (M. COM)

CORE COURSE: ENTREPRENEURSHIP DEVELOPMENT

SEMESTER - III

UNIT 10: SOURCES OF FINANCE

STRUCTURE

10.0 OBJECTIVE

After studying the Unit, students will be able to understand:

- Importance of support systems for entrepreneurs
- Financing as an important resource for businesses
- Classification of source of Finance
- Sources of Long-Term Financing
- Sources of Medium-Term Financing
- Sources of Short-Term Financing
- Some Popular and trending methods of short-term Financing

10.1 INTRODUCTION

Entrepreneurship is an important driver of economic growth and development. It involves the creation and management of a new business venture, often characterized by innovation, risk-taking, and a desire to solve a problem or to meet a need in the market. However, starting and growing a successful business can be a challenging journey, and entrepreneurs need access to support systems to help them overcome obstacles and achieve their goals.

This chapter will explore the different types of support systems available to entrepreneurs and provide guidance on how to leverage them effectively. An overview of the different types of support systems available to entrepreneurs, including sources of finance, venture capital, institutional assistance and support, the role of commercial banks, and marketing support is discussed in this entire unit. This chapter will focus more on sources of finance.

Throughout the chapter, we will provide practical tips and real-life examples to help illustrate the concepts and provide guidance on how entrepreneurs can utilize these support systems to build successful businesses. Whether you are a new entrepreneur just starting out or an experienced business owner looking to expand, this chapter will provide valuable insights into the various support systems available.

10.2 Importance of support systems for entrepreneurs

Support systems are critical for entrepreneurs as they provide a range of benefits that help entrepreneurs succeed. Some of the reasons why support systems are important for entrepreneurs include:

- **Networking**: Support systems provide entrepreneurs with the opportunity to meet and network with other entrepreneurs, industry professionals, and potential investors. This can help them to build valuable relationships that can help them to grow their business.
- **Mentorship**: Support systems often include experienced entrepreneurs who can provide mentorship to new entrepreneurs. This mentorship can help new entrepreneurs navigate the challenges of starting and growing a business.
- **Resources**: Support systems can provide entrepreneurs with access to resources that they may not have otherwise. This can include funding opportunities, business coaching, legal and accounting advice, and other financial resources that can help them to succeed.
- **Emotional Support**: Starting and running a business can be challenging and stressful. Support systems can provide entrepreneurs with emotional support and encouragement, which can help them to stay motivated and focused on their goals.
- **Learning Opportunities**: Support systems often provide educational and training opportunities for entrepreneurs. This can include workshops, seminars, and other events that can help entrepreneurs to develop new skills and knowledge.

Overall, support systems are critical for entrepreneurs as they provide a range of benefits that can help entrepreneurs to succeed. Whether you are just starting out or are an experienced entrepreneur, being a part of a support system can provide you with the resources, networking opportunities, and emotional support that you need to achieve your goals. Finance is a crucial resource that any business needs. The eventual success of a business depends on the availability of adequate funding. In other words, having enough money is necessary before an enterprise can mobilise its resources.

Depending on the time-period, which can be short term or long term, an enterprise raises money for various goals. At every step of its development, a firm needs financial support. For instance, financing is required in the first stages to build up a plant and buy fixed assets, also known as fixed capital, including machines and equipment. However, for businesses to survive and expand in today's cutthroat economic environment, financing is necessary for continual mobilisation and upgrading of operations, also known as working capital. The nature and size of the firm determine the entire number of financial requirements for an enterprise. On the other hand, the purpose of raising money is determined by the enterprise's goals.

10.3 Sources of Finance

An enterprise can opt for various sources of financing, which are mainly two types of viz. Internal source, also called ownership capital or equity whereas external finance is known as borrowed capital or debt. Depending on the term, which might be short, medium, or long, a business raises money for a variety of goals. The nature and size of the firm determine the entire number of financial requirements for an enterprise. However, the purpose of generating money depends on the business's goals.

10.4 Sources of Long-Term Financing

Long term business funding can be defined as any finance model that is paid off over a good enough repayment time. On a more specific level, it is usually a financing option where the business must pay off the amount in more than five years' time. Usually, because there is a higher amount of risks involved with long-term funding, lenders tend to ask for greater substantial assets and a higher cash flow before giving money to the businesses. Under Long term financing following options are available for entrepreneurs.

- Equity Financing
- Debt Financing
- Term Loans
- Government Grants

10.4.1 Equity Financing

Equity financing refers to a method of raising long term funds by selling the common and preferred stock of the enterprise to the investors. The investors get ownership interests in the enterprise in return of amount paid by them for purchasing the common and preferred stock of the enterprise. It can be raised through shares. Shares are easily transferable and involve limited liability of shareholders to the face value of the shares. The shares are basically of two types' of viz. equity shares and preference shares. Equity financing is also an internal source of finance which involves selling shares of ownership in the business in exchange for funding. This source of finance is often used by start-ups and early-stage businesses that do not have access to other sources of finance.

Pros of Equity Financing

- **No Repayment Obligations**: Equity financing does not require the entrepreneur to make interest or principal payments, which can be beneficial for businesses with limited cash flow.

- **Access to Expertise**: Equity investors may provide valuable guidance and expertise to the business, which can help the business grow and succeed.
- **Increased Credibility**: Equity financing can increase the credibility of the business and demonstrate to potential customers and suppliers that the business is well-funded.

Cons of Equity Financing

- **Loss of Control**: Equity financing often involves giving up a portion of ownership in the business, which can result in a loss of control for the entrepreneur.
- **Dilution**: Equity financing can dilute the value of existing shares, which can reduce the value of the entrepreneur's stake in the business.
- **Expensive**: Equity financing can be expensive, as the entrepreneur must give up a portion of ownership in the business in exchange for funding.

10.4.2 Debt Financing

Debt financing is a form of financial instrument that provides long term debt to an enterprise. Debt financing involves borrowing money from lenders, such as banks or investors, and making interest and principal payments over a specified period. This source of finance is often used by established businesses with a strong credit history. It can be raised through debenture capital, a source to raise debt capital. Debt financing is an agreement between the enterprise and a debenture holder. It clearly indicates that the enterprise would repay the debt at a specified date to debenture holders. If an enterprise raises funds through issuing debentures, it needs to pay a fixed rate of interest at regular intervals. Debenture holders of an enterprise are known as creditors.

Pros of Debt Financing:

- **Retain Ownership:** Debt financing allows the entrepreneur to retain complete ownership of the business, as lenders do not take ownership in exchange for funding.
- **Predictable Payments**: Debt financing involves predictable interest and principal payments, which can be helpful for businesses with a stable cash flow.
- **Tax Deductible**: Interest payments on debt financing are tax-deductible, which can reduce the cost of borrowing.

Cons of Debt Financing:

- **Limited Flexibility**: Debt financing involves strict repayment terms and conditions, which can limit the entrepreneur's flexibility in managing the business.
- **Risk of Default**: Debt financing involves the risk of default if the business is unable to make interest and principal payments.

- **Interest Payments:** Debt financing requires the entrepreneur to make interest payments, which can be a significant cost for businesses that rely on debt financing.

10.4.3 Term Loans: Term loans are a class of long-term loans that are obtained from banks and other financial organisations for periods of three to ten years. Term loans have a predetermined maturity duration and a fluctuating interest rate. These loans are primarily obtained through IDBI, ICICI, Commercial Banks, and IFCI, among others. Term loans are used by businesses to finance long-gestating projects and the acquisition of fixed assets.

Pros of Term Loans:

- **An Expected Payment Schedule**

A term loan is one that, by definition, has a set loan amount and repayment terms. So, barring a fluctuating interest rate, you are certain of the amount and timing of your payments. With a floating interest rate, both the rate and the payment on your company loan could move (upward or downward).

The possibility of Early Loan Repayment

To be sure one may repay one's loan early without incurring penalties, check your loan agreement, but in many circumstances, it is possible. Early loan repayment can lower one's interest costs and make it simpler to take on new debt.

Decreased Interest Rates

Long-term loans typically have lower interest rates than other forms of borrowing, however they aren't always the lowest. This is because a business loan's term length affects how long it must accrue interest.

The Cons of Term Loans:

- **Flexible Repayment Plans**

The repayment plan for a term loan is rigid but predictable. particularly if the loan has a tight early payback condition. Term loans are essentially set in stone, unlike invoice factoring, which releases your commitment when your customer pays their balance. You are required to make payments on or before the due date whether you have the money or not

Strict Qualifications Needed

The most crucial aspect to consider for any small business lender granting a loan is the borrower's credit risk. Term loans often have higher loan amounts, thus there is also a sizable drawback.

Potentially Lengthy Funding Period

Weeks may pass before the term loan application process for a company loan is complete. The business lender must then finish several additional internal tasks that could delay the funding of a term loan. It may take a few business days in some circumstances, but some funding lenders have a more drawn-out qualification process. As a result, depending on the lender you choose, this form of loan may frequently take a lengthy time to fund.

Government Grants

Government grants are a form of funding provided by government organizations to support businesses that meet specific criteria. These grants are typically offered to businesses that are engaged in research and development or are focused on environmentally friendly practices. Government grants can be a valuable source of funding for entrepreneurs, as they do not require repayment or equity in the business.

Pros of Government Grants:

- **No Repayment Obligations**: Government grants do not require the entrepreneur to make interest or principal payments, as the funding does not need to be repaid.
- **No Equity Requirements**: Government grants do not require the entrepreneur to give up ownership in the business in exchange for funding.
- **Validation:** Government grants can provide validation for the business idea or technology, which can be helpful in attracting other sources of funding or customers.

Cons of Government Grants:

- **Strict Criteria**: Government grants often have strict criteria that must be met to qualify for funding, which can be difficult for some businesses to meet.
- **Limited Availability**: Government grants may only be available to businesses in certain industries or locations, which can limit their accessibility.
- **Time-Consuming**: Applying for government grants can be a time-consuming process, as the application process can be lengthy and require significant documentation.

10.5 Sources of Medium-Term Financing

For a variety of tasks, including building renovation, advertising costs, and machinery upgrading, medium-term finance is needed. This capital may be obtained in a variety of ways, including the issuance of shares and debentures, as well as the reinvestment of past gains. Two to five years are needed for the medium-term capital. An organisation can obtain medium-term financing from several sources, including lease and hire-purchase financing, venture capital financing, public deposits, and retained earnings. The sources of medium-term financing are as follows.

10.5.1 Lease Finance

A lease is a contract between the lessee, who uses the assets, and the lessor, who owns the assets. In lease financing, the lessor retains title to the asset and only the right of possession is given to the lessee. After a predetermined amount of time, the lessee pays the lessor for the use of the asset. Lease rent is the name given to this regular payment.

10.5.2 Hire Purchase

A hiree, who is the property's owner, and a hirer, who is the asset's user, enters into an agreement in hire purchase. According to this arrangement, the hiree gives the asset to the hirer while retaining title ownership and giving the hirer control of the asset. In a hire purchase, the beneficiary is paid periodically by the hirer. Interest and capital repayment comprise the two components of the payment provided to the hiree.

10.5.3 Public Deposits

Raising medium-term capital through public deposits is important. It can be characterized as money and loans obtained from regular people, workers, and other depositors of a like nature. Since the public is constantly willing to invest in the successful projects of various businesses, these are considered one of the simplest ways to raise money during a credit crisis.

10.5.4 Retained Earnings

In retained earnings, the company utilizes its accumulated profits for long- or short-term investments in the future. Some of the undistributed profits are left with the company at the end of each fiscal year. Each year, these profits are moved to retained earnings funds, which are reserve funds.

10.5.5 Venture Capital Financing

It is one of the widely used sources of medium-term finance. It is also called risky capital, as it requires to be paid even in case of loss. Venture capital is a form of quasi equity and is generally required by newly established enterprises. Venture Capitalists (VCs) come in at a later stage of business growth. They provide capital to firms exhibiting high growth potential in exchange of stake in the company. To get a VC interested in your business is not an easy task. You will need to have:

- A strong and sustainable business model,
- Proven sales records
- Loyal customers
- They also look for a strong management team before they invest.

Ensure you partner with a VC who understands your business and is aligned with your growth, as you will be giving them a say in your business. While for most businesses, getting VC funding is the goal, the focus should be on partnering with the right VC firm.

10.6 Sources of Short-Term Financing

Short term business funding can be defined as any finance model that is paid off over a very short repayment time. On a more specific level, it is usually a financing option that a business must pay off in 12-18 months of time. Short term funding for business comes with some specific characteristics like quick funding, easy qualification process, lower cost of capital, etc.

Short term financing is business financing that one can obtain generally for a term of one year or less. The term is usually six to twenty-four months. Sometimes one's business may require a short-term financing to use as working capital. A working capital is the business money that one may need for the day-to-day operations of the business. There may be a need to pay suppliers, buy some equipment or just to pay the utilities. The cash flow is not always sufficient at the time one needs it most so one may have to seek funding from another source. There are several options are available for you to gain access to the working capital.

10.6.1 Lines-of-Credit

A line-of-credit acts as a cushion for the cash flow and a hedge against the unexpected expenses. Lines-of-credit may be developed in several ways. One may pre-qualify for a credit limit with their bank or other funding source. The advantage of this is that one will have an immediate access to a capital when needed and only pay interest on the amount of money that one may use. For example, if one has a credit line of Rs.50,000/- and he uses only Rs. 15,000/-, he will only be paying an interest on the Rs.15,000/- balance. Once the balance is repaid, the full Rs.50,000 credit line available to you again.

A business credit card from any of the major card companies is another way to get a line-of-credit. One can use a credit card to purchase inventory, raw materials or supplies. One must use a credit card for their business as cautiously as one would use a personal card. You don't want to be burden your business with an unnecessary credit card debt, especially when one is trying to build cash flow.

The Indian government offers development aid via concessional Lines of Credit (LOCs) via the Exim Bank of India under the Indian Development and Economic Assistance Scheme (IDEAS). A total of 65 countries have received 306 LOCs totaling $30,59 billion. important infrastructure areas include power production and distribution, agriculture and irrigation, manufacturing, healthcare, education, and capacity building are all covered by the projects under the LOCs. Other important infrastructure sectors include transportation connectivity through trains, roadways, and ports. Approximately 322 LoC projects have been finished to date, and 277 more are in various stages of implementation.

10.6.2 Short Term Financing Overdraft Protection

One can acquire an overdraft protection for their business account in the same way as their personal account. If your cash flow slip and your become overextended, then the overdraft protection kicks in and save you from the embarrassment of not being able to meet your responsibilities. The protection of your reliability with your bank and the suppliers is worth the minimal cost for an overdraft protection on your account.

One can seek a short-term loan for a specific amount from their funding source. For example, if your business is a seasonal one, you may take out a loan at a time when your cash flow is strong. Then use this short-term financing for operations during the slower months. The objective always should be to pay off a short-term loan as soon as possible.

10.6.3 Trade Credit

The Trade credit is credit given by your suppliers. The suppliers may not be willing to extend you a credit if you are a new business or do not have a good credit rating. One may have to pay with credit cards for their first few orders until the creditability with the supplier is established. A supplier usually extends credit with an offer of a 2% discount if one pays the invoice within 10 days. The net payment is usually due in 30 days from the date of purchase. This payment arrangement is normally referred to as “net 30” by the company’s Account Receivables Department.

One may receive the discount of 2% if you pay early. You may be required to pay a penalty if the payment is done after the 30-day period has elapsed. The late payment penalty will be significantly higher than the 2% discount.

10.6.4 Installment Credit

Installment credit is another source of short-term financing, in which the amount that is borrowed is repaid with interest in equal installments. It is also called installment plan or hire-purchase plan. It helps an enterprise in purchasing the new plant and machinery in the absence of funds for a time period.

10.6.5 Cash Credit

Cash credit is defined as an agreement between the bank and the customers to withdraw cash exceeding their account limit. Cash credit is one of the most important Trade Credits The time limit granted is generally one year which can be further extended by the bank in case of special request by the customer.

10.6.6 Commercial Papers

It is an instrument used by the enterprise with high credit rating to raise money from the market. It is an unsecured promissory note, which the enterprise offers to the investors either directly or indirectly through the dealer. Commercial papers are generally sold by large enterprises, which have strong goodwill in the market.

10.6.7 Certificates of Deposit

This deposit is a type of promissory note which is issued by the bank to the clients for depositing funds in the concerned bank for a fixed time period. The maturity of certificates of deposit is designed in accordance with the necessity of investors. The maturity period of certificates of deposit can range from three months to one year.

10.6.8 Bills of Exchange

A bill of exchange is a document in which an individual demands the receiver to give payment for services and goods received to a third party at a future date. The individual who writes the bill is known as drawer and the individual who receives the bill is known as drawee. The individual who pays the bill is known as payee.

10.6.9 Factoring

Factoring comprises complementary financial services, which is provided to the borrower. The borrower has the freedom to select the set of services provided by the factoring enterprise. Factoring ensures that the services will be given to the clients at a faster pace and with good quality.

10.6.10 Bank Overdraft

It is a temporary arrangement between the bank that allows the organization to overdraw from its current deposit account with the concerned bank up to a specified limit. This facility is granted against securities, such as promissory notes, goods in stock, or marketable securities. The interest rate which is charged on cash credit and bank overdraft is very high as compared with the rate of interest on bank deposits.

10.7 Other Popular Types of Short-Term Funding Available to a Small Business

- **Bootstrapping**

Bootstrapping is a quite a witty word for a smart financial concept. The term comes from the popular phrase "pulling oneself up by one's bootstraps." A person is said to be bootstrapping when he/she attempts to build a company from his /her personal finances or from the operating revenues of the new company. More than 80% of new start-ups receive their funding from the founder's personal finances. It could be from a savings account, a zero interest credit cards, or leveraging some personal assets like selling a house or car and cashing in on a retirement fund. This way your business is your own—you do not have to answer investors.

The business owners who use bootstrap funding do not have to worry about diluting ownership between investors. They do not need to issue equity, and they are able to focus debt on personal sources. The drawbacks are that the unnecessary financial risk is entirely on the entrepreneur and bootstrapping might not provide adequate investment for the company to become successful at a reasonable rate.

- **Family and friends**

One can always depend on their family and friends. With a good business plan in hand, sell your ideas to the people closest to you, explain your ideas and how they'll stand to benefit by backing your business. Be frank and honest about the risks and put all the rules behind the investment in writing. Whether you're taking a loan, an investment, or even a gift, always remember that each of these comes with strings attached. In case of loans and investments, one will have to pay the money back: and remember you cannot file bankruptcy if the business fails.

- **Equipment Financing**

Equipment financing is an asset-based loan. An asset is a thing that your business owns-it could be a vehicle, a piece of equipment or machinery, or a selection of inventory. While traditional debt-based small business financing uses ones borrowing and business history-like their credit score, bank statements, and the tax returns-to regulate what you qualify for (and at what rates, and on what term), the asset-based loans rely on the value of the asset, which acts as a collateral.

Invoice Financing

This is another type of asset-based small business financing, invoice financing uses ones outstanding invoices as a collateral (as opposed to a piece of equipment, like with equipment financing). It solves a common business problem: you are waiting on a customer to pay your dues, but their delays mean a risky cash flow gap and the potential missed payments at your end. By paying a fee to one's lender, one can get most of that cash right away for those outstanding invoices, basically trading in some of the money one has earned for capital now instead of later.

- **Angel Investors**

An angel investor is an individual who happens to have the time, money, and the inclination to invest in a small business and entrepreneurial start-ups by themselves. An angel investor may offer you a lot of money before your business starts making any at all, but always remember, equity also means sharing your decision-making power. Unlike financing a small business with a debt, equity involves a long-term partnership. If an investor's vision for the business is fundamentally different from yours-or if you disagree on something basic-then that small business financing may not be worth the cost. With equity, you receive experience, time, expertise, resources, energy, connections, and attention.

- **Crowdfunding**

In this internet age, crowdfunding is a great way to get several individuals interested in your idea, product or service and raise money from them. Originally, crowdfunding was used by nonprofits to gather donations, very similar to 'chanda' collected in India during festivals. Today, online crowdfunding platforms generate financial backing for a variety of start-ups and projects. Equity-based crowdfunding is when the investor gets a small percentage of shares of the business in exchange of the investment pumped in. Reward-based crowdfunding involves individuals investing small amounts of money in exchange for a reward such as free service or a prototype product. Debt-based crowdfunding is when investors put in money with the understanding that it will be repaid with interest.

- **P2P lending**

The new-age lending model called Peer-to-Peer platforms (P2P) allows retail investors to lend money to peers or small businesses via a fintech company's digital platform. Applicants are vetted by the fintech company or intermediary based on complex algorithms that assess the creditworthiness of the proposed borrowers over various risk factors. Based on the risk profile, interest obligation on P2P loans can start as low as 12% up to as much as 35%. The cost to the borrower is directly proportionate to the risk involved for the lender. P2P loans are a good option for stopgap and working capital requirements with speedy approvals and disbursals.

Benefits of Short-Term Business Funding

- Quick working capital
- Easy to qualify for

- Low cost of capital

Disadvantages of Short-Term Financing

- More expensive in the repayment period
- Shorter payment duration
- More frequent payments

10.8 Let Us Sum Up

Starting and growing a successful business can be a challenging journey, and entrepreneurs need access to support systems to help them overcome obstacles and achieve their goals. Finance is a crucial resource that any business needs. The eventual success of a business depends on the availability of adequate funding. In other words, having enough money is necessary before an enterprise can mobilize its resources**.** Depending upon the cost, time, purpose, status and size and financial situation of the organizations, sources of finance can be judiciously chosen. An enterprise can opt for various sources of financing, which are mainly two types of viz. internal source, also called ownership capital or equity whereas external finance is known as borrowed capital or debt. Depending on the term, which might be short, medium, or long, a business raises money for a variety of goals. Long term business funding is usually a financing option where the business must pay off the amount in more than five years' time. There are mainly four types of long-term financing viz. Equity Financing, Debt Financing, Term Loans and Government Grants. For a variety of tasks, including building renovation, advertising costs, and machinery upgrading, medium-term finance is needed. This capital may be obtained in a variety of ways, including the issuance of shares and debentures, as well as the reinvestment of past gains. Two to five years are needed for the medium-term capital. An organization can obtain medium-term financing from several sources, including lease and hire-purchase financing, venture capital financing, public deposits, and retained earnings. Short term business funding is usually a financing option that a business must pay off in 12-18 months of time. The various types of short-term financing are Lines of credit, trade credit, installment credit, cash credit, bills of exchange, bootstrapping, equipment financing, invoice financing, angel investors, crowdfunding, P2P lending.

To Check the Progress

Long Answer Types Questions

a) Explain various sources of short-term financing.
b) Elaborate various sources of long-term financing.
c) Explain some popular and trending sources of short-term financing.
d) Elaborate various sources of medium-term financing.
e) What are the pros and Cons of Government Grants as source of finance?
f) What is Venture capital financing?
g) What is the importance of support systems for entrepreneurs?
h) On what basis an organisation need to choose a particular source of finance.
i) How projects can be financed through own funds?
j) How projects can be financed through external sources?

Short Answer Types Questions

a) Write short note Venture capital as source of finance for small businesses.
b) Explain Crowdfunding
c) Write short notes on P2P lending.
d) Explain Equity Financing. Is it an internal or external source of Finance?
e) Enlist various short-term sources of finance.
f) Explain Line of credit
g) Elaborate Lease financing
h) Explain Hire purchase.
i) Is Retained earning an Internal or external source of finance.
j) What are pros of equity financing?

Glossary

a) **Crowd Funding**: In this internet age, crowdfunding is a great way to get several individuals interested in your idea, product or service and raise money from them. Originally, crowdfunding was used by nonprofits to gather donations, very similar to 'chanda' collected in India during festivals.
b) **P2P Lending**: The new-age lending model called Peer-to-Peer platforms (P2P) allows retail investors to lend money to peers or small businesses via a fintech company's digital platform.
c) **Angel Investors**: An angel investor is an individual who happens to have the time, money, and the inclination to invest in a small business and entrepreneurial start-ups by themselves.
d) **Lease Finance**: A lease is a contract between the lessee, who uses the assets, and the lessor, who owns the assets.

e) **Hire Purchase**: A hiree, who is the property's owner, and a hirer, who is the asset's user, enters into an agreement in hire buy. According to this arrangement, the hiree gives the asset to the hirer while retaining title ownership and giving the hirer control of the asset.

f) **Bootstrapping**: Bootstrapping is a quite a witty word for a smart financial concept. The term comes from the popular phrase "pulling oneself up by one's bootstraps." A person is said to be bootstrapping when he/she attempts to build a company from his /her personal finances or from the operating revenues of the new company.

g) **Term loan**: Term loans are a class of long-term loans that are obtained from banks and other financial organizations for periods of three to ten years. Term loans have predetermined maturity duration and a fluctuating interest rate.

h) **Debt Financing**: Debt financing is a form of financial instrument that provides long term debt to an enterprise. Debt financing involves borrowing money from lenders, such as banks or investors, and making interest and principal payments over a specified period.

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MASTER OF COMMERCE (M. COM)

CORE COURSE: ENTREPRENEURSHIP DEVELOPMENT

SEMESTER - III

UNIT XI: VENTURE CAPITAL, INSTITUTIONAL ASSISTANCE AND SUPPORT, ROLE OF COMMERCIAL BANKS

STRUCTURES

11.0 OBJECTIVE

The objective of the chapter on Support Systems for Entrepreneurs is to provide information on the various support systems available to entrepreneurs that can help them in starting and grow their businesses. The chapter covers different areas of support, including venture capital, institutional assistance, and support, the role of commercial banks, and marketing support for entrepreneurs. The objective of this chapter is to provide an understanding of the support system available for entrepreneurs, including:

- The different sources of finance available, such as bootstrapping, crowdfunding, angel investors, and venture capital.
- The role of venture capital firms in funding early-stage startups, and their criteria for investment.
- The importance of institutional assistance and support for entrepreneurs, including business incubators, accelerators, and government programs.
- The role of commercial banks in providing financial services, such as loans, lines of credit, and overdraft facilities, to entrepreneurs.
- The different marketing channels available for entrepreneurs, and how they can use marketing to reach their target customers.

11.1 Introduction

The word ‘entrepreneur’ immediately conjures up images of business tycoons like L.N. Mittal or Bill Gates. While these rich, famous, and successful individuals can be inspirational for some most of us would find it difficult to associate our own lives, personalities, or abilities with them. But the fact is that virtually everybody is entrepreneurial in some part of his or her life. Entrepreneurial in terms of self-development (an athlete constantly practicing to improve her performance and stamina), in terms of self-decision-making (a man deciding not to marry and devote the rest of his life to the service of GOD), in terms of creativity (a housewife using waste material for making a piece of art), risk-taking (a teenage boy trying bungee jumping). Hence anyone who exhibits the characteristics of self-development, creativity, and self-decision-making, can be rightly called a person with entrepreneurial traits and when these traits are exhibited by a person running a business he can rightly be called an entrepreneur. The reverse is also true a businessman who does not take risks, or does not aim for self-development, is not creative, and cannot take decisions on his own, cannot be rightly called an entrepreneur. And in the present competitive world, the latter is thrown out of the business by the market forces over a period of time.

Entrepreneurship is an important driver of economic growth and development. It involves the creation and management of a new business venture, often characterized by innovation, risk-taking, and a desire to solve a problem or meet a need in the market. However, starting and growing a successful business can be a challenging journey, and entrepreneurs need access to support systems to help them overcome obstacles and achieve their goals.

This chapter will explore the different types of support systems available to entrepreneurs and provide guidance on how to leverage them effectively. In the last chapter, an overview has already been done on different types of support systems available to entrepreneurs especially sources of finance. In this chapter, other support systems including venture capital, institutional assistance and support, the role of commercial banks, and marketing support is discussed.

11.2 Venture Capital

Venture capital (VC) refers to a type of private equity financing provided to early-stage, high-growth companies that have the potential to generate significant returns. Some common characteristics of venture capital include:

- High-Risk Investment: Venture capital investments are considered high-risk, as many early-stage companies fail to generate the expected returns.
- Long-Term Investment: Venture capital investments are typically made with a long-term investment horizon, as it may take several years for the company to become profitable or generate significant returns.
- Equity Investment: Venture capital firms typically invest in companies in exchange for an ownership stake in the business, often through preferred stock or convertible debt.
- Active Involvement: Venture capital firms often take an active role in the management of the companies, in which they invest, providing guidance and support to help the company grow and succeed.
- Exit Strategy: Venture capital firms typically have a planned exit strategy for their investments, such as selling their stake in the company through an initial public offering (IPO) or acquisition by another company.

11.2.1 Types of venture capital firms

There are several different types of venture capital firms, including:

- Early-Stage Venture Capital Firms: These firms specialize in providing funding to early-stage companies that are just starting out.
- Late-Stage Venture Capital Firms: These firms provide funding to more established companies that are in the later stages of development.
- Industry-Specific Venture Capital Firms: These firms focus on investing in companies in a specific industry or sector, such as technology or healthcare.

- Corporate Venture Capital Firms: These firms are typically subsidiaries of larger corporations and invest in companies that have strategic value for the parent company.

11.2.2 Process of obtaining venture capital funding

The process of obtaining venture capital funding typically involves several steps, including:

- Developing a Business Plan: Entrepreneurs must develop a business plan that outlines their business idea, market opportunity, and growth strategy.
- Finding Venture Capital Firms: Entrepreneurs must identify and approach venture capital firms that are interested in investing in their industry or sector.
- Pitching to Investors: Entrepreneurs must pitch their business idea to investors, often in the form of a presentation or pitch deck, in order to secure funding.
- Due Diligence: Venture capital firms will conduct extensive due diligence on the company, including reviewing financial statements, management team, market opportunity, and growth potential.
- Negotiating Terms: If the venture capital firm decides to invest in the company, the entrepreneur and the investor will negotiate the terms of the investment, including the amount of funding, the ownership stake, and the expected return on investment.
- Closing the Deal: Once the terms have been agreed upon, the deal is closed and the funding is provided to the company.

11.2.3 Advantages and disadvantages of venture capital

Some advantages of venture capital include:

- Access to Capital: Venture capital provides early-stage companies with access to capital that may not be available through other sources.
- Expertise and Guidance: Venture capital firms often provide expertise and guidance to help the company grow and succeed.
- Credibility: Securing funding from a reputable venture capital firm can increase the company's credibility and attract other investors.

Some disadvantages of venture capital include:

- Loss of Control: Venture capital firms often require a significant ownership stake in the company, which can result in a loss of control for the entrepreneur.

- High Cost: Venture capital funding can be expensive, as the entrepreneur may need to give up a significant portion of ownership in the company in exchange for funding.
- Pressure to Perform: Venture capital firms often have high expectations for the company's growth and performance, which can put pressure on the entrepreneur to achieve results quickly.

11.3 Institutional Assistance and Support

11.3.1 Business incubators

In order to achieve a number of goals, including job growth, an increase in the number of small and medium-sized businesses (SMEs), increased competition, and increased wealth, the government invests public funds in initiatives that support new creative businesses and SMEs (Story and Johnson 1987). As a tool for neighborhood economic development, business incubation aims to support the establishment and expansion of new firms. Business incubators assist start-up companies by offering a variety of support services, including help with creating business and marketing plans, constructing management teams, acquiring funding, and access to a variety of other more specialized professional services (Sherman and Chappell 1998).

The business incubator industry has a rich history, with its origins dating back to 1959 in the USA. It was only in the second to last decade of the twentieth century that business incubators started to flourish in Europe, South Korea, and other countries. India was an early adopter of business incubators, and in the year 2000, the government launched a nationwide incubation program under the aegis of the National Science & Technology Entrepreneurship Development Board (NSTEDB) by the Department of Science & Technology (DST).

The Indian incubator industry received a boost in the late 1990s when a large number of dotcom companies closed down, resulting in many talented professionals becoming unemployed. This availability of talented professionals helped the Indian incubator industry to flourish. In 2012, a new type of incubator called an "accelerator" emerged, which further accelerated the pace of growth. Forty such accelerators have been established by groups of angel investors, and corporate and private players, as reported by the Economic Times in March 2013.

11.3.2 Accelerators

Accelerators are similar to business incubators but are more focused on accelerating the growth of established companies. These programs typically offer more intensive support and resources, such as funding, mentorship, and access to networks of investors and industry experts. The goal of accelerators is to help companies rapidly scale their operations and reach their full potential. Accelerators can also provide valuable exposure and recognition to companies, which can help attract new customers, partners, and investors.

Accelerator programs and incubators differ in their structure and approach. Accelerator programs have a set timeframe in which companies spend a few weeks to a few months working with a group of mentors to build out their business and avoid problems along the way. In exchange for a small amount of equity, early-stage companies are given a small seed investment and access to a mentorship network composed of startup executives, venture capitalists, industry experts, and other outside investors. This mentor network is often the biggest value for prospective companies. At the end of an accelerator program, the startups from a particular cohort pitch at a demo day attended by investors and media, and the businesses are hopefully further developed and vetted. The goal of an accelerator is to help a startup do roughly two years of business building in just a few months. According to Aaron Harris, a partner at Y Combinator, the success of an accelerator program comes from the alignment of incentives. Good programs align all parties, and mentors have a stake in the success of the companies they advise. Accelerator programs also limit distractions and provide a supportive environment for startups to grow.

11.3.3 Entrepreneurship training programs

Entrepreneurship training programs are educational programs designed to help aspiring entrepreneurs develop the skills, knowledge, and mindset needed to start and run a successful business. These programs can take many forms, including online courses, workshops, seminars, and boot camps, and can be offered by universities, business schools, government agencies, and private organizations.

The content of entrepreneurship training programs can vary widely but typically covers topics such as business planning, market research, financial management, marketing and sales, legal and regulatory compliance, and leadership and team building. Many programs also include hands-on activities, such as developing a business plan, conducting customer interviews, or creating a marketing campaign. Entrepreneurship training programs can benefit aspiring entrepreneurs in several ways. First, they provide a structured and supportive environment in which to learn and practice essential business skills. This can help to build confidence and reduce the risk of failure when launching a new venture. Second, they offer networking opportunities, allowing entrepreneurs to connect with other like-minded individuals, potential customers, mentors, and investors. Finally, entrepreneurship training programs can provide access to resources such as funding, office space, and business services that can be essential for launching and growing a new business.

In recent years, online entrepreneurship training programs have become increasingly popular, offering aspiring entrepreneurs the flexibility to learn at their own pace and from anywhere in the world. These programs can be either self-paced or instructor-led and often include video lectures, quizzes, and interactive activities.

Overall, entrepreneurship training programs play a vital role in promoting entrepreneurship and economic development by providing aspiring entrepreneurs with the knowledge, skills, and resources needed to turn their ideas into successful businesses.

11.3.4 Benefits of institutional assistance and support

Institutional assistance and support, such as business incubators, accelerators, and entrepreneurship training programs, can offer many benefits to entrepreneurs and startup companies. Some of the key benefits include:

- Mentorship and networking opportunities: Incubators, accelerators, and training programs offer entrepreneurs access to experienced mentors and networks of business professionals. This can help entrepreneurs to develop valuable connections and receive guidance from those who have already navigated the challenges of starting and growing a business.
- Access to resources: Incubators and accelerators often provide entrepreneurs with access to resources such as office space, funding, and business services. These resources can be essential for launching and growing a new business, particularly for entrepreneurs who lack the financial resources or expertise to access them on their own.
- Education and skill development: Entrepreneurship training programs can help entrepreneurs to develop essential skills such as business planning, financial management, marketing, and leadership. These programs can also help entrepreneurs to stay up-to-date with the latest industry trends and best practices.
- Reduced risk of failure: Incubators, accelerators, and training programs can help to reduce the risk of failure for new businesses by providing entrepreneurs with the knowledge, skills, and resources needed to launch and grow a successful business. This can help to increase the chances of long-term success and sustainability.

- Access to funding: Incubators and accelerators often provide entrepreneurs with access to seed funding and other forms of financing. This can be essential for startups that need capital to launch or grow their businesses.
- Exposure and visibility: Incubators and accelerators often provide entrepreneurs with opportunities to showcase their businesses to potential customers, partners, and investors. This can help to increase exposure and visibility for the business, potentially leading to new opportunities and partnerships.

11.4 Role of Commercial Banks

Commercial banks play a crucial role in the financial system by providing financial services to businesses, individuals, and other organizations. Their primary function is to accept deposits and provide loans and other credit facilities. In this section, we will discuss the role of commercial banks in detail.

- Provider of Capital: One of the most critical roles of commercial banks is to provide capital to businesses. Businesses require capital to invest in their operations, purchase equipment and inventory, and grow their businesses. Commercial banks provide various types of loans, including short-term and long-term loans, to businesses. These loans are usually secured by collateral, such as inventory or equipment, and have fixed or variable interest rates.
- Working Capital Management Solutions: Commercial banks also provide working capital management solutions to businesses. These solutions help businesses manage their cash flow by providing them with access to lines of credit, overdraft facilities, and other financing options. By managing their working capital effectively, businesses can ensure that they have enough cash to meet their day-to-day operational needs.
- Financial Advisory Services: Commercial banks also provide financial advisory services to businesses. These services include financial planning, investment management, and risk management. By providing these services, commercial banks help businesses make informed financial decisions that can help them grow and succeed.
- Payment Processing Services: Commercial banks also provide payment processing services to businesses. These services include processing credit and debit card transactions, providing online payment gateways, and managing electronic funds transfers. By providing these services, commercial banks help businesses accept payments from their customers and manage their cash flow.

- Custodian of Deposits: Commercial banks are also custodians of deposits. They accept deposits from individuals and businesses and hold them in checking or savings accounts. These deposits are insured by the government, which ensures that depositors' money is safe and secure.
- Facilitator of Economic Growth: By providing capital, working capital management solutions, financial advisory services, payment processing services, and acting as custodians of deposits, commercial banks play a vital role in facilitating economic growth. By providing businesses with the financial resources and support they need to grow and succeed, commercial banks help create jobs, drive innovation, and spur economic development.

11.4.1 Financial services offered by commercial banks

Commercial banks offer a wide range of financial services to their clients. Some of the most common financial services provided by commercial banks include:

- Checking and Savings Accounts: Commercial banks offer checking and savings accounts to their clients. These accounts allow individuals and businesses to deposit and withdraw money, make electronic transfers, and pay bills.
- Loans: Commercial banks provide loans to individuals and businesses for various purposes such as buying a home, starting a business, purchasing a car, or investing in real estate. Loans are typically provided with interest rates and repayment terms based on the creditworthiness of the borrower.
- Lines of Credit: A line of credit is a flexible form of financing that allows businesses to borrow money as needed. A line of credit may be secured or unsecured and is typically provided to businesses with a solid credit history.
- Credit Cards: Commercial banks offer credit cards to their clients, allowing them to make purchases and payments up to a pre-set credit limit. Credit cards often come with rewards programs and other perks such as cashback, travel points, or discounts on purchases.
- Merchant Services: Commercial banks offer merchant services to businesses, allowing them to accept credit and debit card payments from customers. These services include processing payments, handling chargebacks, and providing payment gateway services.
- Investment Services: Commercial banks also offer investment services such as wealth management, investment advisory services, and brokerage services. These services help individuals and businesses manage their finances, invest in stocks, bonds, and other securities, and plan for retirement.

- Foreign Exchange Services: Commercial banks provide foreign exchange services to their clients, allowing them to buy and sell foreign currencies for business or personal purposes. These services include currency exchange, wire transfers, and foreign currency accounts.
- Treasury Services: Commercial banks offer treasury services to businesses, allowing them to manage their cash flow, handle payroll, and make international payments. These services include cash management, payroll services, and international money transfers.

Overall, commercial banks play a critical role in the financial system by providing a wide range of financial services to individuals and businesses, helping them manage their finances, and supporting economic growth.

11.4.2 Loans, lines of credit, and overdraft facilities

Loans, lines of credit, and overdraft facilities are some of the most common financial services offered by commercial banks to entrepreneurs. Each of these services can provide entrepreneurs with access to the capital they need to start, grow, and maintain their businesses.

Loans: Commercial banks offer a variety of loans to entrepreneurs, including secured and unsecured loans. Secured loans require the borrower to provide collateral, such as real estate or equipment, while unsecured loans do not require collateral. These loans are often used to finance large purchases, such as equipment or real estate, or to cover short-term cash flow needs. The terms of a loan, including interest rates, repayment schedules, and fees, can vary widely depending on the lender and the borrower's creditworthiness.

Lines of credit: A line of credit is a flexible form of financing that allows the borrower to draw funds as needed, up to a pre-determined limit. This type of financing is often used to cover short-term cash flow needs or to finance inventory purchases. Interest is only charged on the amount borrowed, and borrowers are only required to make payments on the amount they have used. Lines of credit can be secured or unsecured and can have variable or fixed interest rates.

Overdraft facilities: An overdraft facility is a form of credit that allows entrepreneurs to overdraw their bank account up to a certain limit. This type of financing is often used to cover short-term cash flow needs or to finance small purchases. Interest is charged on the amount overdrawn, and borrowers are required to pay back the amount borrowed within a specified period, typically 30 days. Overdraft facilities can be unsecured or secured, depending on the bank and the borrower's creditworthiness.

Overall, commercial banks play a critical role in providing entrepreneurs with access to the capital they need to start and grow their businesses. By offering loans, lines of credit, and overdraft facilities, banks can help entrepreneurs manage cash flow, finance large purchases, and take advantage of new business opportunities. However, it's important for entrepreneurs to carefully consider their financing options and work with a trusted financial advisor to ensure they are getting the best deal possible.

11.4.3 How entrepreneurs can use commercial bank services to finance their businesses

Entrepreneurs can use various commercial bank services to finance their businesses, such as:

- Loans: Entrepreneurs can approach commercial banks for loans to finance their business operations, such as purchasing equipment, buying inventory, or expanding their business. Commercial banks offer different types of loans, such as term loans, working capital loans, and equipment loans, and entrepreneurs can choose the one that best suits their needs.
- Lines of credit: A line of credit is a flexible form of financing that allows entrepreneurs to borrow money when they need it, up to a predetermined limit. Entrepreneurs can use a line of credit to manage cash flow or finance short-term business needs.
- Overdraft facilities: An overdraft facility allows entrepreneurs to overdraw their business account up to a certain limit. This can help entrepreneurs manage cash flow during times of uncertainty or unexpected expenses.
- Credit cards: Commercial banks also offer credit cards that entrepreneurs can use to finance their business expenses, such as purchasing supplies or paying bills. Credit cards can also help entrepreneurs build a credit history, which can be useful when applying for loans in the future.

Entrepreneurs can benefit from using commercial bank services by accessing affordable financing, managing their cash flow effectively, and building their credit history. However, it is important for entrepreneurs to carefully assess their financial needs and their ability to repay the loans before taking on debt. They should also compare the terms and conditions of different commercial bank services to find the one that best fits their needs.

11.5 Marketing Support for Entrepreneurs

Marketing is a critical component of any business, regardless of its size or industry. It is the process of promoting and selling products or services to customers, and it encompasses a range of activities, from market research and advertising to public relations and customer relationship management. Marketing support can be invaluable for entrepreneurs who are looking to establish a strong brand, build a customer base, and generate revenue.

11.5.1 Importance of marketing for a business

Marketing is essential for the following reasons:

- Establishing a Brand Identity: Marketing helps in creating a strong brand identity for a business. A brand is more than just a logo; it is the unique personality, values, and attributes of a business that sets it apart from its competitors. By establishing a strong brand, entrepreneurs can build trust and loyalty with their customers and differentiate themselves from other businesses in the market.
- Building a Customer Base: Marketing is crucial for attracting and retaining customers. By identifying and targeting the right audience, entrepreneurs can create campaigns that resonate with their customers and encourage them to make a purchase. Effective marketing can also help businesses to retain existing customers by keeping them engaged and informed about new products, services, and promotions.
- Generating Revenue: The ultimate goal of marketing is to drive revenue for a business. By increasing brand awareness, building a customer base, and creating demand for products or services, entrepreneurs can boost their sales and profits.

11.5.2 Different Marketing Channels Available

There are several different marketing channels that entrepreneurs can use to reach their target customers. These include:

- Social Media Marketing: Social media platforms like Facebook, Instagram, and Twitter are popular marketing channels for entrepreneurs. These platforms allow businesses to reach a large audience, engage with customers, and promote their products or services.
- Search Engine Marketing: Search engine marketing (SEM) involves using paid advertising to appear at the top of search engine results in pages. This can be an effective way to drive traffic to a business's website and generate leads.
- Content Marketing: Content marketing involves creating valuable content, such as blog posts, videos, and info graphics, to attract and engage customers. By providing useful information and building a relationship with customers, entrepreneurs can establish themselves as thought leaders in their industry and increase brand awareness.
- Email Marketing: Email marketing involves sending promotional emails to a list of subscribers. This can be an effective way to nurture leads, promote products or services, and retain existing customers.

- Influencer Marketing: Influencer marketing involves partnering with individuals or organizations with a large following on social media to promote a business's products or services. This can be an effective way to reach a targeted audience and build trust with customers.

11.5.3 How Entrepreneurs Can Use Marketing to Reach their Target Customers:

Entrepreneurs can use the following strategies to effectively market their business:

- Define Your Target Audience: The first step in creating an effective marketing campaign is to identify and understand your target audience. Entrepreneurs should conduct market research to learn about their customers' needs, preferences, and behaviors.
- Develop a Strong Brand Identity: A strong brand identity is critical for building trust and loyalty with customers. Entrepreneurs should develop a brand that reflects their unique personality, values, and attributes.
- Create Valuable Content: Creating valuable content is an effective way to attract and engage customers. Entrepreneurs should focus on creating content that is relevant and useful to their target audience.
- Utilize Social Media: Social media platforms are powerful marketing tools that entrepreneurs can use to reach a large audience. By creating engaging content, responding to comments and messages, and building relationships with followers, entrepreneurs can build a strong social media presence.
- Leverage Search Engine Marketing: Search engine marketing can be an effective way to drive traffic to a business's website and generate leads. Entrepreneurs should consider using paid search

11.6 Summary

In summary, there are several support systems available for entrepreneurs to help them start and grow their businesses. One of the primary sources of finance for entrepreneurs is venture capital, which provides funding in exchange for equity in the company. Institutional assistance and support are also available in the form of business incubators, accelerators, and entrepreneurship training programs that offer resources, mentorship, and funding opportunities. Commercial banks also play a role in supporting entrepreneurs by offering financial services such as loans, lines of credit, and overdraft facilities.

Finally, marketing support is essential for entrepreneurs to reach their target customers and build their customer base, and various marketing channels are available for entrepreneurs to leverage, including social media, email marketing, content marketing, and advertising.

11.7 Long answer questions

Q1. What are the different sources of finance available for entrepreneurs? Compare and contrast their advantages and disadvantages.

Q2. What is venture capital? How do venture capitalists evaluate potential investment opportunities? What are the benefits and risks of venture capital financing for entrepreneurs?

Q3. How can entrepreneurs build a strong network of mentors and advisors? Discuss the benefits of having a strong support network, and provide strategies for finding and connecting with mentors and advisors.

Q4. What are the different types of legal structures available to entrepreneurs, such as sole proprietorships, partnerships, and corporations? Compare and contrast their advantages and disadvantages, and explain how entrepreneurs can choose the best legal structure for their business.

Q5. How can entrepreneurs effectively manage their time and prioritize tasks? Discuss the importance of time management and provide strategies for effective time management, such as setting goals, creating schedules, and delegating tasks.

Q6. What are the different types of risk faced by entrepreneurs, such as financial risk, market risk, and operational risk? Discuss strategies for identifying, assessing, and managing these risks, and explain how entrepreneurs can develop a risk management plan for their business.

Q7. What is institutional assistance and support for entrepreneurs? Explain the role of business incubators, accelerators, and entrepreneurship training programs in providing support to entrepreneurs. What are the benefits of institutional assistance and support for entrepreneurs?

Q8. What is the role of commercial banks in providing financial services to entrepreneurs?

Q9. Describe the different financial services offered by commercial banks, such as loans, lines of credit, and overdraft facilities. How can entrepreneurs use these services to finance their businesses?

Q10. What is marketing, and why is it important for entrepreneurs? Discuss the different marketing channels available to entrepreneurs, such as social media, email marketing, and content marketing. How can entrepreneurs use these channels to reach their target customers?

Short answer questions

Q1. What is the role of venture capital in financing new businesses?

Q2. What are some examples of institutional assistance and support available to entrepreneurs?

Q3. How can commercial banks help entrepreneurs finance their businesses?

Q4. What is the importance of marketing for a new business?

Q5. What are some common marketing channels available to entrepreneurs?

Q6. What is seed funding and how is it different from venture capital?

Q7. What is an accelerator program and how can it benefit early-stage startups?

Q8. How can crowdfunding be used as a source of finance for entrepreneurs?

Q9. What is the difference between equity financing and debt financing?

Q10. How can a mentorship program help new entrepreneurs navigate the challenges of starting a business?

Glossary

- Angel Investor: A high-net-worth individual who provides financial backing for startups or entrepreneurs.
- Business Incubator: A program designed to support the development and growth of new businesses by providing them with resources and services.
- Commercial Bank: A financial institution that provides a range of services, including accepting deposits, making loans, and offering basic investment products.
- Crowdfunding: A method of raising funds from a large number of people, typically via the internet.
- Equity Financing: A method of raising capital by selling shares of stock in a company.
- Initial Public Offering (IPO): The first time a company's stock is offered for public sale.
- Institutional Assistance and Support: Assistance provided by governmental or non-governmental organizations to help entrepreneurs establish or grow their businesses.
- Line of Credit: A flexible loan that allows a borrower to withdraw money up to a certain limit.
- Loan: A sum of money that is borrowed and expected to be paid back with interest.
- Marketing: The process of promoting and selling products or services, including market research, advertising, and branding.
- Overdraft Facility: An agreement with a bank that allows an account holder to withdraw more money than is available in their account, up to a certain limit.
- Seed Funding: Early-stage funding that is typically used to develop a product or service.
- Venture Capital: Funding provided by venture capital firms to startups and early-stage businesses with high growth potential in exchange for equity in the company.

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MASTER OF COMMERCE (M. COM)
CORE COURSE: ENTREPRENEURSHIP DEVELOPMENT
SEMESTER - III

UNIT XII MARKETING SUPPORT FOR ENTREPRENEURS

STRUCTURE

12.1 Product Planning and Management for Entrepreneurs

12.2 Marketing Management – Essential Requirement for Entrepreneurs

12.3 Strategies Followed By Entrepreneurs

12.4 Government Role to Support Entrepreneurs

12.5. Answer to Check Your Progress

Short Answer Type Questions

Long Answer Type Questions

Glossary

References

12.1 Product planning and management for Entrepreneurs involve the process of conceptualizing, developing, launching, and overseeing a product throughout its lifecycle. This includes activities like market research, defining features, setting goals, creating a roadmap, coordinating teams, and ensuring the product meets customer needs. Effective product planning and management can lead to successful product launches and continued growth in the market.

Certainly! Here's a more detailed breakdown of product planning and management:

1. **Market Research**: This is the foundation of product planning. It involves understanding the target audience, their needs, preferences, and pain points. Research helps identify market trends, competitors, and potential opportunities.
2. **Idea Generation:** Brainstorming and coming up with innovative ideas for new products or improvements to existing ones based on the insights from market research.
3. **Concept Development**: Refining the ideas into concrete product concepts. This includes defining the product's value proposition, features, benefits, and how it solves customer problems.
4. **Feasibility Analysis:** Assessing the technical, financial, and resource feasibility of developing the product. This step helps decide whether the concept is viable.
5. **Business Case**: Creating a detailed business case that outlines the potential ROI, costs, expected sales, and other relevant financial aspects. This is often used to gain approval from stakeholders.
6. **Product Roadmap**: Developing a roadmap that outlines the product's development timeline, milestones, and key deliverables. This helps guide the development process and align teams.
7. **Design and Development**: Creating the product's design, user interface, and actual development. This involves iterative processes, testing, and refining to ensure the product meets the defined requirements.
8. **Testing:** Thoroughly testing the product to identify and fix bugs, as well as ensuring it performs as expected.
9. **Marketing and Launch Strategy**: Creating a marketing plan to promote the product's launch. This includes determining pricing, positioning, messaging, and selecting the right channels for promotion.
10. **Launch**: Releasing the product to the market. This involves coordination between different departments, ensuring everything is in place for a successful launch.
11. **Monitoring and Feedback:** After launch, closely monitoring the product's performance,

gathering user feedback, and making adjustments based on customer responses and market dynamics.

12. **Iterative Improvement:** Continuously improving the product based on feedback, data, and changing market conditions. This could involve updates, new features, or adaptations to better suit user needs.

13. **End-of-Life Planning**: Eventually, products reach the end of their lifecycle. Planning for this involves deciding when to discontinue a product and how to transition customers to alternatives.

14. **Cross-Functional Collaboration**: Throughout the process, various teams such as product management, development, marketing, sales, and customer support need to work closely together to ensure a cohesive and successful product launch.

15. **Customer Support**: Providing excellent customer support to address any issues, concerns, or questions customers might have after the product is launched.

Successful product planning and management require a mix of strategic thinking, creativity, data analysis, project management skills, and a deep understanding of customer needs and market dynamics. Each step plays a crucial role in bringing a product from an idea to a successful market offering.

MEANING OF MARKETING

Marketing refers to the activities and strategies that a business or organization uses to promote, advertise, and communicate the value of its products or services to its target audience. The goal of marketing is to attract, engage, and retain customers while driving sales and achieving business objectives.

Marketing encompasses a wide range of activities, including:

1. Market Research: Gathering information about the target audience's preferences, behaviors, and needs to tailor marketing strategies effectively.

2. Segmentation and Targeting: Dividing the market into distinct segments based on characteristics such as demographics, psychographics, and buying behaviors. Then, selecting the most relevant segments to focus marketing efforts on.

3. Positioning: Defining how a product or service is perceived in the minds of consumers relative to competitors. This involves highlighting unique features or benefits that set it apart.

4. Product Development: Ensuring that products or services are designed to meet customer needs and preferences, while also aligning with the overall marketing strategy.

5. Branding: Creating a distinct and memorable brand identity, including logos, colors, taglines, and other visual and verbal elements that convey the brand's personality and values.

6. Advertising: Using various channels (such as TV, radio, print, online platforms, and social

media) to promote products and services through paid advertisements.

7. Public Relations (PR): Managing the public image and reputation of a company through media relations, press releases, events, and other activities.

8. Digital Marketing: Leveraging online platforms like websites, social media, email marketing, and search engine optimization (SEO) to reach and engage with target audiences.

9. Content Creation: Producing valuable and relevant content (such as blog posts, videos, info graphics) to educate, entertain, and engage customers.

10. Social Media Marketing: Engaging with customers and prospects on social media platforms to build brand awareness, foster community, and drive engagement.

11. Influencer Marketing: Partnering with individuals who have a strong online presence and following to promote products or services.

12. Event Marketing: Organizing or participating in events, trade shows, and conferences to showcase products, connect with customers and network with industry professionals.

13. Direct Marketing: Reaching out to customers directly through channels like email, direct mail, or telemarketing to deliver personalized messages.

14. Sales Promotion: Offering discounts, coupons, contests, and other incentives to encourage immediate purchases.

15. Measurement and Analytics: Monitoring and analyzing the effectiveness of marketing campaigns using metrics like sales data, website traffic, social media engagement, and customer feedback.

Effective marketing requires understanding customer behavior, crafting compelling messages, selecting the right channels, and continuously adapting strategies based on feedback and data. It plays a critical role in driving business growth and building strong customer relationships.

Philip Kotler, often referred to as the "father of modern marketing," defines marketing as "the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit." This definition emphasizes the dual nature of marketing as both a creative endeavor and a strategic discipline focused on meeting customer needs and achieving business goals.

SEVEN P'S OF MARKETING TO BE FOLLOWED BY NEW ENTREPRENEURS

The Seven P's of Marketing is a framework that expands upon the traditional Four P's (Product, Price, Place, and Promotion) to provide a more comprehensive view of the elements that contribute to a successful marketing strategy. The Seven P's are:

1**. Product**: Refers to the actual goods or services that a company offers to meet customer needs. This includes aspects like features, quality, design, and packaging.

2. **Price:** Involves setting the right pricing strategy for the product or service. Pricing decisions consider factors like production costs, competition, perceived value, and customer willingness to pay.

3**. Place:** Focuses on distribution and the channels used to make the product available to customers. This includes decisions about where and how the product will be sold, as well as inventory management.

4. **Promotion**: Encompasses the various strategies used to promote and communicate the product to the target audience. This includes advertising, public relations, sales promotions, and other promotional activities.

5**. People**: Recognizes the importance of people within the organization, including employees, sales staff, and customer service representatives. The interactions between people and customers can greatly impact the customer experience.

6. **Process**: Refers to the processes and procedures that are in place to deliver the product or service to customers. Efficient and effective processes contribute to a positive customer experience.

7. **Physical Evidence:** Relates to the tangible elements that customers encounter when interacting with the product or service, such as the physical environment, packaging, branding, and any other visual or sensory cues.

The Seven P's model helps marketers consider a broader range of factors that influence a customer's experience and perception of a product or service. By addressing all seven elements, companies can create a more holistic and effective marketing strategy.

12.2 MARKETING MANAGEMENT – AN ESSENTIAL REQUIREMENT OF ENTREPRENEURS

Marketing management involves the process of planning, executing, and monitoring marketing strategies and activities to achieve the goals of an organization. It encompasses a range of tasks aimed at promoting products or services, building brand awareness, attracting customers, and generating sales. **Here are some key aspects of marketing management**:

1. **Strategic Planning**: Developing a comprehensive marketing plan that outlines the organization's marketing objectives, target audience, positioning, and strategies for achieving those objectives.

2. **Market Analysis**: Conducting research to understand market trends, customer preferences, and competitors. This information helps in making informed decisions and identifying opportunities.

3. **Segmentation and Targeting**: Dividing the market into segments based on characteristics such as demographics, psychographics, and behavior. Selecting the most relevant segments to focus marketing efforts on.

4. **Positioning:** Defining how a product or service is positioned in the minds of customers relative to competitors. Creating a unique and compelling value proposition.

5. **Product Management:** Managing the entire lifecycle of a product or service, from development and pricing to launch and ongoing improvement. Ensuring the product meets customer needs and aligns with the overall marketing strategy.

6. **Pricing Strategy**: Determining the optimal pricing strategy based on factors such as costs, competition, perceived value, and customer willingness to pay.

7. **Promotion and Advertising**: Creating and executing promotional campaigns, advertising strategies and communication plans to raise awareness and drive sales.

8. **Channel Management**: Selecting and managing distribution channels that ensure the product reaches the target audience effectively. This includes decisions about retail partners, online platforms, and other sales channels.

9. **Digital Marketing**: Leveraging online platforms and digital channels such as websites, social media, email marketing, and search engines to reach and engage with customers.

10. **Metrics and Analytics**: Measuring the effectiveness of marketing efforts using key performance indicators (KPIs) such as ROI, customer acquisition cost, conversion rates, and website traffic.

11. **Budgeting:** Allocating resources and budget to various marketing initiatives in alignment with the overall business goals.

12. **Customer Relationship Management (CRM):** Building and maintaining strong relationships with customers to enhance customer satisfaction, loyalty, and retention.

13. **Sales Support**: Providing the sales team with the necessary tools, materials, and information to effectively sell the product or service.

14. **Market Feedback**: Collecting and analyzing customer feedback, reviews, and insights to continuously improve products, services, and marketing strategies.

15. **Adaptation and Innovation**: Staying agile and responsive to changes in the market, customer preferences, and industry trends. Continuously innovating to maintain a competitive edge.

Effective marketing management requires a blend of strategic thinking, creativity, data analysis, and strong communication skills. It involves coordinating various teams and resources to ensure that marketing efforts align with business objectives and contribute to overall success.

NEW PRODUCT DEVELOPMENT PROCESS- FOR LAUNCHING OF PRODUCT BY ENTREPRENEURS

The new product development (NPD) process is a systematic approach that organizations follow to conceptualize, design, develop, and launch new products or services successfully. This process helps ensure that new offerings meet customer needs, align with business goals, and have a higher chance of success in the market. Here's an overview of the typical stages in the new product development process:

1. **Idea Generation:** This stage involves brainstorming and gathering a wide range of ideas for potential new products or services. Ideas can come from customers, employees, market research, competitive analysis, and other sources.

2. **Idea Screening:** In this phase, the generated ideas are evaluated to identify the most promising ones. Criteria for evaluation may include feasibility, market potential, alignment with company goals, and resource availability.

3. **Concept Development and Testing**: The selected ideas are developed into detailed concepts. These concepts are presented to a sample of the target audience to gather feedback and insights. This helps refine the concepts and determine which ones resonate the most with customers.

4. **Business Analysis:** At this stage, a thorough analysis is conducted to assess the potential financial viability of the product. This includes estimating costs, potential revenues, profit margins, and return on investment (ROI).

5. **Product Development:** If the business analysis results are positive, the product development phase begins. This involves designing the product, creating prototypes, and refining its features and specifications.

6. **Market Testing**: A small-scale launch of the product is conducted in a specific market or region. This allows the company to gather real-world data on customer reactions, sales, and other metrics before a full-scale launch.

7. **Commercialization:** If market testing is successful, the product is launched on a larger scale. This includes creating marketing campaigns, setting pricing, coordinating distribution, and making the product available to customers.

8. **Post-Launch Evaluation**: After the product is launched, its performance is monitored closely. Data on sales, customer feedback, market share, and other relevant metrics are analysed to assess the product's success and identify areas for improvement.

9. **Continuous Improvement**: Based on the post-launch evaluation, the product is refined and improved. This might involve updates, enhancements, and adjustments to better meet customer needs and address any issues that arise.

10. **End-of-Life Planning**: Eventually, products reach the end of their lifecycle due to changing market conditions or technological advancements. Planning for product discontinuation and replacement is important.

The NPD process varies based on industry, company size, and specific product characteristics. Some organizations might include more or fewer stages, or they might adapt the process to fit their unique needs and circumstances. Successful new product development requires cross-functional collaboration, market insights, customer focus, and the ability to adapt to changing circumstances.

12.3 STRATEGIES FOLLOWED BY ENTREPRENEURS

GROWTH AND DIVERSIFICATION STRATEGIES FOR ENTREPRENEUES

Entrepreneurs use growth and diversification strategies to expand their businesses and explore new opportunities. Here are some strategies they commonly employ:

Growth Strategies:

1. Market Penetration: Focuses on increasing sales of existing products or services in the current market. This can be achieved through aggressive marketing, promotions, and expanding the customer base.
2. Market Development: Involves entering new markets with existing products or services. This could mean targeting new geographical areas or demographic segments.
3. Product Development: Creating and introducing new products or services to the existing market. This strategy aims to meet evolving customer needs and preferences.
4. Diversification: Expanding into new markets with new products or services. Diversification can be related (similar products in a related market) or unrelated (new products in completely different markets).

Diversification Strategies:

1. Horizontal Diversification: Expanding into related markets or industries. For example, a company that produces smartphones might diversify into manufacturing tablets.
2. Vertical Diversification: Involves moving into different stages of the value chain, either backward (towards suppliers) or forward (towards customers). An example is a clothing manufacturer opening retail stores.
3. Concentric Diversification: Entering markets that are related to the company's core business. For instance, a food company introducing new types of snacks.
4. Conglomerate Diversification: Expanding into entirely unrelated markets. This strategy carries higher risk but can provide new revenue streams. An example is a tech company starting a restaurant chain.
5. International Diversification: Expanding operations into international markets to tap into new customer bases and potentially reduce risks associated with relying on a single market.
6. Acquisition: Acquiring other companies to quickly gain access to new markets, technologies, or

customer bases. Careful integration is key to success.

7. Franchising and Licensing: Allowing others to use your business model, brand, or products in exchange for fees or royalties. This allows for rapid expansion without high capital investment.

8. Strategic Alliances and Partnerships: Collaborating with other companies to access their expertise, resources, or distribution channels. This can provide a competitive advantage.

Entrepreneurs should carefully analyze their business's strengths, weaknesses, opportunities, and threats before deciding on growth or diversification strategies. The choice of strategy depends on factors such as the entrepreneur's goals, resources available, market trends, and risk tolerance. It's also important to continuously monitor and adjust strategies based on evolving market conditions.

12.4 GOVERNMENT ROLE TO SUPPORT ENTREPRENEURS

CHALLENGES FACED BY NEW ENTREPRENEURS

Entrepreneurs often encounter various challenges when it comes to marketing their products or services. Some of these challenges include:

1. **Limited Resources**: Entrepreneurs often have limited budgets and resources for marketing efforts. This can make it challenging to compete with larger companies that have more extensive marketing budgets.

2. **Lack of Brand Awareness**: Building brand recognition from scratch can be difficult. Consumers may be hesitant to try products or services from an unfamiliar brand.

3. **Target Audience Identification**: Identifying and understanding the specific needs and preferences of the target audience can be challenging. Without a clear understanding of the audience, marketing efforts may not effectively resonate with potential customers.

4**. Competition:** Competing against established players in the market can be tough. These competitors may have greater resources, brand recognition, and customer loyalty.

5. **Changing Market Dynamics**: Markets are constantly evolving due to technological advancements, changing consumer behaviors, and emerging trends. Entrepreneurs must stay agile to adapt to these changes.

6. **Marketing Expertise:** Entrepreneurs often need to wear many hats, and they might not have a strong background in marketing. This can lead to less effective strategies or missed opportunities.

7. **Measuring ROI:** Determining the return on investment (ROI) of marketing efforts can be challenging, especially for strategies that don't provide immediate results.

8. **Choosing the Right Channels:** Selecting the most effective marketing channels to reach the target audience can be tricky. Different channels work better for different types of products and

services.

9. **Creating Compelling Content**: Developing high-quality, engaging content that resonates with the target audience can be time-consuming and require creative skills.

10. **Consistency:** Consistently maintaining marketing efforts over time is crucial for building brand awareness and customer loyalty. However, maintaining consistency can be challenging amid other business responsibilities.

11**. Negative Feedback and Criticism**: Entrepreneurs may face negative feedback or criticism, which can be disheartening. Learning how to handle negative feedback constructively is important.

12. **Time Constraints:** Juggling marketing efforts with other business responsibilities can be overwhelming. Entrepreneurs must manage their time effectively to ensure a balanced approach.

13. **Technological Challenges**: Keeping up with technological advancements in the digital marketing space can be challenging for entrepreneurs who are not tech-savvy.

14. **Regulatory and Legal Considerations:** Ensuring that marketing efforts comply with relevant laws and regulations, such as data privacy laws, can be complex.

Overcoming these challenges requires a combination of strategic planning, continuous learning, adaptability, creativity, and a willingness to seek help or collaborate with experts when needed. Entrepreneurs who address these challenges effectively can create effective marketing strategies that contribute to their business's success.

MARKETING SUPPORT TO NEW ENTREPRENEURS

New entrepreneurs can benefit from various marketing support strategies to help them establish and grow their businesses successfully. Here are some ways to receive marketing support:

1. **Business Incubators and Accelerators**: These programs offer mentorship, resources, and networking opportunities to startups, including guidance on marketing strategies.

2. **Small Business Development Centers (SBDCs):** Government-funded centers provide free or low-cost business consulting and training, including marketing advice.

3. **Online Courses and Webinars:** Numerous online platforms offer courses and webinars on marketing topics, from basic concepts to advanced strategies.

4. **Networking Events:** Attending local business networking events can help entrepreneurs connect with mentors, peers, and marketing professionals who can offer advice.

5**. Mentorship Programs**: Joining mentorship programs allows new entrepreneurs to learn from experienced business leaders, including marketing experts.

6. **Business Competitions**: Participating in startup competitions can provide exposure, feedback, and potential funding, all of which can contribute to marketing efforts.

7. **Online Communities**: Participate in online forums, social media groups, and communities

where entrepreneurs discuss marketing strategies and share insights.

8. **Consultants and Freelancers**: Hiring marketing consultants or freelancers can provide specialized expertise for developing effective marketing strategies.

9. **Local Chambers of Commerce**: Chambers often offer workshops, seminars, and networking opportunities that can help entrepreneurs learn about marketing strategies.

10. **Free Marketing Tools**: Utilize free or low-cost marketing tools such as social media platforms, email marketing services, and content management systems.

11. **Government Resources:** Some governments provide resources and grants for startups, including marketing-related initiatives.

12. **Trade Associations**: Industry-specific associations can provide resources, events, and networking opportunities for entrepreneurs looking to market their products or services.

13. **Pitching Events and Demo Days**: Participating in these events can help entrepreneurs refine their product pitch and gain exposure to potential investors and customers.

14. **Startup Incubation Programs:** These programs offer physical spaces, mentorship, and resources that can aid in marketing efforts.

15. **Collaboration with Universities**: Partnering with universities can provide access to student talent, research, and marketing insights.

16. **Online Resources**: Blogs, podcasts, and YouTube channels focused on entrepreneurship and marketing can offer valuable insights and tips.

17. **Crowdsourcing and Crowdfunding Platforms**: Platforms like Kickstarter and Indiegogo can help entrepreneurs validate their ideas and raise funds for marketing initiatives.

Remember that the availability of these resources may vary depending on your location and industry. New entrepreneurs should seek out the support options that best align with their business goals and needs.

ROLE OF GOVERNMENT TO SUPPORT ENTREPRENEURS

India has implemented several government initiatives to support new entrepreneurs and startups. These initiatives aim to foster innovation, encourage entrepreneurship, and provide various forms of assistance to help startups grow and succeed. Here are some notable government initiatives in India:

1. Startup India: Launched by the Government of India, this initiative aims to promote a culture of entrepreneurship and innovation. It offers benefits such as tax exemptions, funding support, and easier compliance for startups.

2. Atal Innovation Mission (AIM): This mission aims to promote innovation and entrepreneurship among students. It includes the establishment of Atal Tinkering Labs (ATLs) in schools and Atal

Incubation Centers (AICs) to support startups.

3. Mudra Yojana: The Pradhan Mantri Mudra Yojana provides financial support to micro and small enterprises, including startups, through loans from various financial institutions.

4. Stand-Up India: This initiative aims to promote entrepreneurship among women and marginalized communities by offering financial support for setting up new businesses.

5. National Small Industries Corporation (NSIC): NSIC provides support to startups and small enterprises through various services, including training, advisory services, and marketing assistance.

6. Make in India: The Make in India initiative encourages investment in manufacturing and promotes entrepreneurship by creating a conducive environment for startups to establish and expand their operations.

7. Biotechnology Industry Research Assistance Council (BIRAC): BIRAC provides funding and support for biotechnology startups, helping them bring innovative products and services to the market.

8. Invest India: Invest India is the national investment promotion and facilitation agency. It provides information, guidance, and support to startups looking to establish and grow their businesses in India.

9. NIDHI-EIR: The National Initiative for Developing and Harnessing Innovations - Entrepreneur in Residence (NIDHI-EIR) program supports innovators and startups by providing financial assistance, mentoring, and incubation support.

10. NITI Aayog's Women Entrepreneurship Platform (WEP): WEP supports and empowers women entrepreneurs by providing access to resources, networking opportunities, and business development support.

11. SIDBI Startup Mitra: Small Industries Development Bank of India (SIDBI) offers financial support and assistance to startups through its Startup Mitra platform.

12. Aadhaar for Business Registration: Aadhaar, the unique identification number, is used for simplified and faster business registration processes, making it easier for entrepreneurs to start their businesses.

These initiatives demonstrate the Indian government's commitment to nurturing entrepreneurship and innovation across various sectors. Entrepreneurs interested in leveraging these initiatives should thoroughly research each program's eligibility criteria, benefits, and application procedures to take full advantage of the support available.

Marketing plays a crucial role in promoting entrepreneurship by facilitating the growth and success of new ventures. Here are several ways in which marketing supports and promotes

entrepreneurship:

1. Creating Awareness: Marketing helps entrepreneurs create awareness about their products or services in the market. Effective marketing campaigns increase visibility, allowing potential customers to learn about the new venture.

2. Market Validation: Through market research and analysis, entrepreneurs can identify gaps and opportunities in the market. Marketing helps entrepreneurs test their ideas, products, or services to see if there is demand or interest.

3. Building a Brand Identity: Developing a strong brand identity is essential for startups. Marketing helps entrepreneurs define their brand's values, messaging, and image, which contributes to building credibility and trust.

4. Customer Acquisition: Marketing strategies attract and engage potential customers. Entrepreneurs can use marketing channels to reach their target audience, generate leads, and convert them into paying customers.

5. Product Development and Improvement: Customer feedback gained through marketing efforts can provide valuable insights for improving products or services. Marketing helps entrepreneurs understand customer needs and preferences.

6. Value Proposition: Entrepreneurs need to communicate the unique value their products or services offer. Marketing helps articulate this value proposition effectively to potential customers.

7. Market Expansion: As startups grow, marketing strategies can help them expand into new markets or reach new customer segments. This contributes to the scalability of the business

8. Access to Funding: Effective marketing strategies can attract investors and funding. Demonstrating a strong marketing plan can make a startup more appealing to investors, accelerating its growth.

9. Loyalty and Retention: Marketing efforts help entrepreneurs engage and retain existing customers. Building customer loyalty is crucial for long-term success and sustainability.

10. Networking and Partnerships: Marketing events, conferences, and platforms provide opportunities for entrepreneurs to connect with potential partners, collaborators, and mentors.

11. Innovation: Entrepreneurial marketing often involves creative and innovative strategies to stand out in competitive markets. This mindset of innovation can extend beyond marketing to other aspects of the business.

12. Job Creation: As startups grow and succeed, they often create job opportunities. Effective marketing can contribute to the company's growth, leading to more employment opportunities.

13. Economic Growth: Successful entrepreneurs and their ventures contribute to economic growth by generating revenue, creating jobs, and fostering innovation. Effective marketing accelerates this

process.

14. Learning and Adaptation: Marketing requires continuous learning and adaptation to changing market trends and customer preferences. This mindset of adaptability extends to the entrepreneurial journey as well.

In essence, marketing acts as a bridge between a startup and its target audience, helping entrepreneurs navigate the challenges of reaching customers, building a brand, and achieving business goals. By effectively using marketing strategies, entrepreneurs can accelerate their business's growth and maximize its potential for success.

12.5 CHECK YOUR PROGRESS

Product Planning and Management:

Short Questions:

1. What is product planning?
2. Why is market research important in product planning?
3. Explain the concept of product lifecycle.
4. What role does prototyping play in product development?
5. How does post-launch evaluation contribute to product management?

Long Questions:

1. Describe the steps involved in the product planning and development process.
2. How does product differentiation impact a company's competitive advantage?
3. Explain the significance of conducting a feasibility analysis during product planning.
4. Discuss the challenges that companies might face during the commercialization phase of product management.
5. How does continuous improvement play a role in the long-term success of a product?

Short Questions:

1. Define marketing management.
2. What is the purpose of market segmentation?
3. How does relationship marketing contribute to customer loyalty?
4. Explain the concept of value proposition.
5. What role does marketing play in creating brand equity?

Long Questions:

1. Discuss the key elements of a marketing plan and their importance in marketing management.
2. How does marketing automation improve efficiency in marketing operations?
3. Explain the concept of integrated marketing communications (IMC) and its benefits.

4. Describe the role of data analytics in modern marketing management.

5. Discuss the ethical considerations that marketers should take into account while making marketing decisions.

Four Ps of Marketing:

Short Questions:

1. What are the Four Ps of marketing?
2. Define "promotion" in the context of the Four Ps.
3. How does "place" relate to distribution channels?
4. What does "price elasticity" refer to?
5. Explain the significance of "product differentiation."

Long Questions:

1. Discuss the role of each of the Four Ps in a comprehensive marketing strategy.
2. How can marketers effectively determine the right pricing strategy for their products or services?
3. Describe the factors that influence a company's decisions regarding product design and features.
4. How does the "promotion" element of the Four Ps interact with other marketing efforts?
5. Provide examples of how companies use the concept of "place" to reach their target customers effectively.

Growth and Diversification Strategies:

Short Questions:

1. Define "market penetration" strategy.
2. What is "horizontal diversification"?
3. Explain the concept of "concentric diversification."
4. How can strategic alliances contribute to growth?
5. What is the purpose of international diversification?

Long Questions:

1. Compare and contrast "market penetration" and "market development" strategies.
2. Discuss the potential risks and benefits of "vertical diversification."
3. How can entrepreneurs determine whether to pursue "horizontal" or "conglomerate" diversification?
4. Describe how "acquisition" can be a growth strategy for startups.
5. Provide examples of how diversification strategies have contributed to the success of established companies.

Marketing Support for Entrepreneurs:

Short Questions:

1. How can networking events provide marketing support to entrepreneurs?

2. What is the role of mentorship in supporting entrepreneurs' marketing efforts?

3. How do online communities contribute to marketing knowledge for startups?

4. Define "pitching events" and their relevance to marketing.

5. How can entrepreneur-focused podcasts offer marketing insights?

Long Questions:

1. Discuss the importance of mentorship programs in guiding entrepreneurs through marketing challenges.

2. Explain how online courses and webinars contribute to the marketing skills of new entrepreneurs.

3. Describe the role of business incubators in providing marketing guidance to startups.

4. How can participating in business competitions contribute to marketing and exposure for startups?

5. Discuss the significance of government initiatives in India to support marketing knowledge and skills for entrepreneurs.

Government Initiatives in India to Support Marketing:

Short Questions:

1. What is the "Startup India" initiative?

2. Explain the purpose of the "Make in India" campaign.

3. How does the "Stand-Up India" initiative promote entrepreneurship?

4. What is the focus of the "NITI Aayog's Women Entrepreneurship Platform"?

5. Define the "Aadhaar for Business Registration" initiative.

Long Questions:

1. Discuss the objectives and benefits of the "Startup India" initiative for entrepreneurs in India.

2. Explain how the "Make in India" campaign supports the growth of manufacturing and marketing.

3. Describe the role of the "Stand-Up India" initiative in promoting entrepreneurship among women and marginalized communities.

4. How does the "NITI Aayog's Women Entrepreneurship Platform" contribute to empowering women entrepreneurs through marketing support?

5. Discuss the impact of the "Aadhaar for Business Registration" initiative on simplifying business registration and marketing processes in India.

Glossary

Marketing refers to the activities and strategies that a business or organization uses to promote, advertise, and communicate the value of its products or services to its target audience. The goal of marketing is to attract, engage, and retain customers while driving sales and achieving business objectives.

The Seven P's of Marketing

1. Product
2. Price
3. Place
4. Promotion
5. People
6. Process
7. Physical Evidence

Marketing management involves the process of planning, executing, and monitoring marketing strategies and activities to achieve the goals of an organization. It encompasses a range of tasks aimed at promoting products or services, building brand awareness, attracting customers, and generating sales.

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