Entrepreneurship Development & Business Management

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Course Name	Entrepreneurship Development & Business Management
Lesson 1	Assessing Overall Business Environment in the Indian Economy
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Lesson-1

Objective of the Lesson:

- To understand the economic environment in India and the impact of government policies on business and industry.

Glossary of Terms:

- ***Business***: It is the activity of making one's living or making money by producing or buying and selling products (such as goods and services).
- ***Economic Liberalization***: It is the lessening of government regulation and restrictions in an economy in exchange for greater participation by private entities.
- ***Economy***: An economy is an area of the production, distribution and trade, as well as consumption of goods and services by different agents.

1.1 Introduction

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

In 1947 after gaining independence, India initiated a path of industrialization to achieve economic prosperity. India focused on developing the manufacturing base. Much of the country's development was done through the five-year plans. Industries like iron and steel, oil refineries, cement and fertilizer were brought under the gamut of public sector enterprises. The decision-makers then encouraged the development of small-scale industries.

They perceived that those Indian small-scale industries would play a vital role in the economic progress of the country and immense potential for employment generation. Developing a small-scale sector would also result in decentralized industrial expansion, better distribution of wealth and to encourage investment and entrepreneurial talent.

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

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

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

These units generally manufacture textile handicrafts, woodcarving, stone carving, metal-ware, etc. Small-scale manufacturing factories are also there in urban areas and more often than not, they account for the utmost volume of production.

In layman's language, business means buying and selling of goods. It is referred to as an organized effort of enterprise to supply the consumers with goods and services for a profit. This simple understanding is limited to assessing the role of environment in today's global business activity. To gain a better understanding, a modern business may be defined as a complex field of industry and commerce, which involves activities related to both production and distribution. These activities on one hand satisfy society's needs and desires and on the other hand, bring profits to business firms.

1.2 Importance of business environment

Just like human beings, business enterprises do not exist in isolation. Each business firm is not an island unto itself; it exists, survives and grows within the context of the element and forces of its environment.

While an individual firm is able to do little to change or control these forces, it has no alternative to respond or adapt according to them. A good understanding of environment by business managers enables them not only to identify and evaluate, but also to react to the forces external to their firms. The importance of business environment and its understanding by managers can be appreciated if we consider the following facts

(i) It enables to identify opportunities and getting the first mover advantage: Opportunities refer to the positive external trends or changes that will help a firm to improve its performance. Environment provides numerous opportunities for business success. Early identification of opportunities helps an enterprise to be the first to exploit them instead of losing them to competitors. For example, Maruti Udyog became the leader in the small car market because it was the first to recognise the need for small cars in an environment of rising petroleum prices and a large middle class population in India.

(ii) It helps to identify threats and early warning signals: Threats refer to the external environment trends and changes that may hinder a firm's performance. Besides opportunities, environment happens to be the source of many threats. Environmental awareness can help managers to identify various threats on time and serve as an early warning signal. For example, if an Indian firm finds that a foreign multinational is entering the Indian market with new substitutes, it should act as a warning signal. On the basis of this information, the Indian firms can prepare themselves to meet the threat by adopting such measures as improving the quality of the product, reducing cost of the production, engaging in aggressive advertising, and so on.

(iii) It helps in tapping useful resources: Environment is a source of various resources for running a business. To engage in any type of activity, a business enterprise assembles various resources called inputs like finance, machines, raw materials, power and water, labour, etc., from its environment including financiers, government and suppliers. They decide to provide these resources with their own expectations to get something in return from the enterprise. The business enterprise supplies the environment with its outputs such as goods and services for customers, payment of taxes to government, return on financial investment to investors and so on. Because the enterprise depends on the environment as a source of inputs or resources and as an outlet for outputs, it only makes sense that the enterprise designs policies that allow it to get the resources that it needs so that it can convert those resources into outputs that the environment desires.

This can be done better by understanding what the environment has to offer.

(iv) It helps in coping with rapid changes: Today's business environment is getting increasingly dynamic where changes are taking place at a fast pace. It is not the fact of change itself that is so important as the pace of change. Turbulent market conditions, less brand loyalty, divisions and sub-divisions (fragmentation) of markets, more demanding customers, rapid changes in technology and intense global competition are just a few of the images used to describe today's business environment. All sizes and all types of enterprises are facing increasingly dynamic environment. In order to effectively cope with these significant changes, managers must understand and examine the environment and develop suitable courses of action.

(v) It helps in assisting in planning and policy formulation: Since environment is a source of both opportunities and threats for a business enterprise, its understanding and analysis can be the basis for deciding the future course of action (planning) or training guidelines for decision making (policy). For instance, entry of new players in the market, which means more competition, may make an enterprise think afresh about how to deal with the situation.

(vi) It helps in improving performance: The final reason for understanding business environment relates to whether or not it really makes a difference in the performance of an enterprise. The answer is that it does appear to make a difference. Many studies reveal that the future of an enterprise is closely bound up with what is happening in the environment. And, the enterprises that continuously monitor their environment and adopt suitable business practices are the ones which not only improve their present performance but also continue to succeed in the market for a longer period.

1.3 Economic environment in India

Appropriate measures were taken to remove obstacles in the way of growth and expansion of industrial units of large industrial houses. Small-scale sector was assured all help and accorded due recognition. In essence, this policy has sought to liberate industry from the shackles of the licensing system (liberalisation), drastically reduce the role of the public sector (privatisation) and encourage foreign private participation in India's industrial development (globalisation).

1.3.1 Liberalisation: The economic reforms that were introduced were aimed at liberalising the Indian business and industry from all unnecessary controls and restrictions. They signalled the end of the licence-permit-quota raj. Liberalisation of the Indian industry has taken place with respect to: (i) abolishing licensing requirement in most of the industries except a short list, (ii) freedom in deciding the scale of business activities i.e., no restrictions on expansion or contraction of business activities, (iii) removal of restrictions on the movement of goods and services, (iv) freedom in fixing the prices of goods and services, (v) reduction in tax rates and lifting of unnecessary controls over the economy, (vi) simplifying procedures for imports and exports, and (vii) making it easier to attract foreign capital and technology to India.

1.3.2 Privatisation: The new set of economic reforms aimed at giving greater role to the private sector in the nation building process and a reduced role to the public sector. This was a reversal of the development strategy pursued so far by Indian planners. To achieve this, the government redefined the role of the public sector in the New Industrial Policy of 1991, adopted the policy of planned disinvestments of the public sector and decided to refer the loss making and sick enterprises to the Board of Industrial and Financial Reconstruction. The term disinvestments used here means transfer in the public sector enterprises to the private sector. It results in dilution of stake of the Government in the public enterprise. If there is dilution of Government ownership beyond 51 percent, it would result in transfer of ownership and management of the enterprise to the private sector.

1.3.3 Globalisation: Globalisation means the integration of the various economies of the world leading towards the emergence of a cohesive global economy. Till 1991, the Government of India had followed a policy of strictly regulating imports in value and volume terms. These regulations were with respect to (a) licensing of imports, (b) tariff restrictions and (c) quantitative restrictions. The new economic reforms aimed at trade liberalisation were directed towards import liberalisation, export promotion through rationalisation of the tariff structure and reforms with respect to foreign exchange so that the country does not remain isolated from the rest of the world. Globalisation involves an increased level of interaction and interdependence among the various nations of the global economy. Physical geographical gap or political boundaries no longer remain barriers for a business enterprise to serve a customer in a distant geographical market.

This has been made possible by the rapid advancement in technology and liberal trade policies by Governments. Through the policy of 1991, the government of India moved the country to this globalisation pattern.

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

(i) Depreciation of the Indian rupee in order to increase exports,
(ii) Dismantling of government controls over the domestic business,
(iii) Privatization and Sale of public sector enterprises,
(iv) Liberalization of monopoly markets to raise overseas and domestic competition, and
(v) Globalization by opening the Indian market to foreign venture.

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

1.5 Nature of modern business

The significant characteristics of modern business are large size, oligopolistic nature, diversification, global presence, technology orientation, and government regulation.

a) **Large size of business**: Modern business is large in size.

Private sector companies of India are not as large as some of the companies of developed nations in terms of sales and assets but are quite large by the standards of developing countries and compare favourably even with a large number of middle size companies of the western world. The notable private sector large business organizations include Reliance, Tata, Larsen & Toubro, Bharati Airtel, Adani, etc.

b) **Oligopolistic nature**: a small number of firms seeking a homogenous or a differentiated product characterizes oligopoly.

c) **Diversification**: In order to grow and expand, today business houses adopt the policy of diversification. The Tata is a big business organization of India. It has a diversified portfolio consisting of different automobiles, iron and steel, insurance, telecommunication, etc. Reliance Group also has a diversified portfolio of oil, telecom, textiles, etc.

d) **Global presence**: In the wake of liberalization and reduction of trade restrictions, the business organization also expands by doing the business overseas. The Indian companies like Reliance, Ranbaxy, Sundaram, Bajaj Auto, Tata, etc. also export their products to different nations of the world.

e) **Technology orientation**: To satisfy the ever-changing needs of a large number of consumers, modern business organizations adopt new technology to introduce new products in the market. They spend a considerable amount of their budget to research-oriented activities directed to adopt new technologies.

f) **Government regulations**: with liberalization, there is also a reduction in government controls. Nevertheless, government control over business organizations is also necessary to correct market failures represented in the form of monopoly and pollution. Moreover, the government attempts to create stable market conditions through monetary and fiscal regulations.

1.6 Business environment in Indian economy

1. **Strong growth momentum**
    a) Continuous progression of liberalization since 1991
    b) Better openness to overseas deal and venture
    c) Speedy expansion in export-oriented IT and BPO industries.
2. **Opportunity**
    a) The big and speedily increasing domestic market
    b) Large and low-cost labour strength
    c) Engineering/IT/English language skills
    d) large availability of raw material
    e) Political stability, agreement on economic policies.
3. **Growth constraints**
    a) High economic deficits, overpopulation and private investment severe infrastructure bottlenecks
    b) Extensive government possession of commerce and domination in banking
    c) Import tariffs and complex tax regimes
    d) Restrictions on Foreign Direct Investment in several sectors
    e) Disproportionate cost of doing business.

Impact of Government Policy Changes on Business and Industry

The policy of liberalisation, privatisation and globalisation of the Government has made a significant impact on the working of enterprises in business and industry. The Indian corporate sector has come face-to-face with several challenges due to government policy changes. These challenges can be explained as follows:

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

(ii) More demanding customers: Customers today have become more demanding because they are well-informed. Increased competition in the market gives the customers wider choice in purchasing better quality of goods and services.

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

(iv) Necessity for change: In a regulated environment of pre1991 era, the firms could have relatively stable policies and practices. After 1991, the market forces have become turbulent as a result of which the enterprises have to continuously modify their operations.

(v) Need for developing human resource: Indian enterprises have suffered for long with inadequately trained personnel. The new market conditions require people with higher competence and greater commitment. Hence there is need for developing human resources.

(vi) Market orientation: Earlier firms used to produce first and go to the market for sale later. In other words, they had production oriented marketing operations. In a fast changing world, there is a shift to market orientation in as much as the firms have to study and analyse the market first and produce goods accordingly.

(vii) Loss of budgetary support to the public sector: The central government's budgetary support for financing the public sector outlays has declined over the years. The public sector undertakings have realised that, in order to survive and grow, they will have to be more efficient and generate their own resources for the purpose. On the whole, the impact of Government policy changes particularly in respect of liberalisation, privatisation and globalisation has been positive as the Indian business and industry has shown great resilience in dealing with the new economic order. Indian enterprises have developed strategies and adopted business processes and procedures to meet the challenge of competition. They have become more customer-focused and adopted measures to improve customer relationship and satisfaction.

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Lesson 2	Emerging Issues in Indian Business
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Lesson-2

Objective of the Lesson:

1. The goal is to provide information about various issues in the Indian business environment.
2. To understand the issues of entrepreneurship in a global environment.

Glossary of Terms:

- ***Business:*** It is the activity of making a living or earning money through producing, purchasing, and selling goods (such as goods and services).
- ***The business environment*** encompasses all those factors that affect a company's operations and includes customers, competitors, stakeholders, suppliers, industry trends, regulations, other government activities, social and economic factors and technological developments.
- ***The global business environment*** can be defined as the environment in different sovereign countries, with factors exogenous to the organisation's home environment, influencing decision-making on resource use and capabilities.
- ***Economic*** is the social science that studies how goods and services are produced, distributed, and consumed.
- ***Entrepreneurship*** is the process of creating or extracting value.

2.1 Emerging business/entrepreneurial issues and globalisation

Increased economic openness, growing economic interdependence among nations, and intensifying economic integration are all aspects of globalisation.

The following are the main characteristics of globalisation:

- **Economic features**: Trade, foreign direct investment, and capital flows are all expanding, as are mass production and utilisation, global competition, and trade and investment liberalisation policies.
- **Non-economic features**: Equality of values and cultures; loss of national dominion Entrepreneurs must recognise the opportunities and threats that globalisation brings to developing countries. The following are a few of them.

Opportunities

- It is possible to develop innovative and high-quality products and services and export them to other countries.
- Creating a thriving marketplace for industry and service development.

Threats

- International companies' dominance of the seed market negatively impacts farmers' traditional constitutional rights to save and sell seeds.
- Subsidies are being reduced, resulting in higher costs and less use by small and marginal farmers.
- Importing and exporting low-cost agricultural and industrial products from other countries has a negative impact on indigenous production.
- Because small farmers cannot engage in export-oriented production, remuneration primarily accrues to large and wealthy farmers.
- Food grain prices have risen.

2.2 Entrepreneurship in global environment- economic social, cultural and financial implications

- A country's economic, social, cultural, financial, and rigid environment influences the nature and growth of entrepreneurship.

Entrepreneurial prerequisites include:

- Obtaining financial resources.
- Proper regulatory and tax atmosphere.
- High personal and corporate tax rates can limit an entrepreneur's risk-taking ability.
- One of the essential preconditions valued achievement and wealth formation is the cultural and social environment.
- Entrepreneurs' motives are questioned in countries where their economic benefit is questioned.
- In some countries, an entrepreneur's failure can spell the end of a person's career.
- Few countries, however, prefer the second-best, valiant runner-up who is inadequate but noble. These deeply ingrained social and cultural facets are impossible to change in the short term. On the other hand, successful businesses may discover strategies to empower and incentivise entrepreneurial behaviour in ways that are consistent with social norms.

2.3 Working models for entrepreneurship worldwide:

Accenture formed three explicatory models for circumstances in which entrepreneurship can thrive, depending on government involvement in the economy and how society values individual and joint action.

The free market model: ex. the United States and Canada

- The government's role is limited.
- Public policy can help to establish the foundations for entrepreneurial culture. The rest, however, is up to the private sector.
- This model thrives in a culture that celebrates rather than criticises entrepreneurial success.
- The tax structure encourages initiative and financial gain.
- There is a lower level of social protection.

Guided individualism model: e.g., Singapore & Taiwan

- It is founded on the principle of promotion of individual enterprise.
- By indicating sectors/industries where entrepreneurial energies can really be directed, public policy considers a broad range of entrepreneurial activity.

Social Democrat model: e.g., Sweden & Germany

- It combines business encouragement with a focus on social safety nets.
- Countries form a kind of social partnership where all partners agree on a common economic and social framework.

2.4 Characterising countries entrepreneurial culture:

i) When calculating the government's economic contribution, any country should think about

- Rates of taxation.
- To what extent is it considered appropriate for the government to own land.
- A set of laws governs a country's economic management.
- Preparedness to defend, promote, and protect international trade and investments.
- Terms and conditions of employment, as well as labour laws.

ii) When assessing social respect for individual vs collective action, one must consider

- The country's relatively homogeneous culture.
- The degree to which wealth is distributed equally or unequally.
- The reaction of society to success or failure.
- The importance of people in business.

2.5 Characteristic features of the Indian economy

India has a mixed economy, with private and public businesses co-existing. The Indian constitution allows for private ownership of productive assets. As a result, India has both the public and private sectors existing side-by-side.

Several sectors of the economy were developed in the public sector mode by the government at the time of independence due to large resource requirements and a lengthy gestation period to realise a profit. Although the Indian market mechanism is not completely free of government control, it still plays a significant role in the Indian economy. Compared to the public sector, the private sector has grown at a much faster rate since 1991.

I. **Low Per Capita Income:** India's per capita income in 2019 was one lakh rupees per year. India's per capita income is extremely low when compared to other developed countries.

II. **Unequal Income Distribution and Poverty:** Income inequality is measured by unequal expenses on household items. India is also plagued by widespread poverty. As a result, yet after six decades after independence, such poverty is detrimental to a business's proper growth. People living in poverty are unable to generate significant demand for industrial goods.

III. **Agriculture-based economy:** India is known as an agricultural nation. Around 70% of people were reliant on agriculture for their subsistence at the time of independence (currently, approximately 48% of the population is dependent on agriculture). This figure has remained relatively constant. There is only a slight decrease in this number. Agriculture and related activities contributed around 17% of the gross domestic product in 2018-19. This statistic is still higher than many third-world countries, such as Argentina, Brazil, and Mexico, where agriculture accounts for around 10% of GDP. Agriculture's productivity is lower than that of the industrial sector, resulting in lower purchasing power for those who rely on it.

IV. **Higher Population**: India has a larger population than China and is the world's second-most populous country. This puts enormous strain on the world's natural resources.

V. **Unemployment**: Large-scale underemployment characterises the Indian economy, which is exacerbated by the country's higher population growth rate.

VI. **Scarcity of Capital**: India's investment and saving rates have increased at a slow pace, allowing for only moderate growth. As a result, capital is scarce, limiting a company's ability to grow quickly. It obstructs the adoption of cutting-edge technologies.

VII. **Technological Backwardness**: The adoption of cutting-edge technology is critical to the success of any company or organisation in today's globalised competitive world. Modern technology is definitely scale-neutral, but it is not resource-neutral. This is a barrier to a large percentage of the small and marginal farmers adopting the most up-to-date agricultural technology.

VIII. **Entrepreneurial Potential Is Limited**: An entrepreneur is someone who takes risks and starts a new business. The economy grows as a result of this. Unfortunately, only a few people in India have entrepreneurial skills.

2.6 Assessing overall business environment

India is an important player in the global economy. The Economy of India is extremely diverse. Agriculture to cutting-edge technology all is represented. Agricultural activity contributes less to GDP while employing a larger workforce. It still employs between 65 and 70 per cent of the indirect and direct workforce. The Indian economy is suffering as a result of this situation. On the other hand, India has a comparative advantage in terms of a higher percentage of people with technical knowledge and an understanding of English. This is a favourable factor for business owners.

The Indian economy has evolved from a tightly regulated public sector to a more open system that welcomes both domestic and international players. In addition, the market has shifted from a seller's market with little competition to a buyer's market with more competition. These shifts in the competitive landscape have resulted in a plethora of entrepreneur opportunities.

The Indian economy has evolved from quantitative restrictions and tariffs to a quota-free and open economy and a restricted financial market to a liberalised financial market. The progressive nature of the Indian economy is reflected in all of these major changes. In recent years, the Indian economy has grown at a rate of approximately 7%. In comparison to other sectors, the contribution of the service sector has increased in recent years.

The Indian economy is classified as a developing economy due to its unique characteristics. The predominance of agriculture, population increase, low per capita income, joblessness, and a capital-scarce economy are some of the key characteristics of the Indian economy.

Insufficient employment opportunities, income disparity, poverty, inadequate infrastructure, fiscal deficit, and a higher percentage of non-assets are some of the challenges surrounding the Indian economy.

2.7 Future business opportunities in India

2.7.1 Manufacturing

- Unmet demand for low-cost products that millions of people can afford.
- Consider a well-known product such as a laptop, which is out of reach for millions of Indians. Examine that laptop, determine what people can afford, and create a bare-bones laptop that performs similarly to the original but costs a fraction of the price. The core of India's emerging economy is this business concept.

2.7.2 Retail

- Allowing 51% FDI in multi-brand retail.
- will boost consumer spending by 75%.
- improving the retail supply chain and benefiting farmers and consumers.

2.7.3 Insurance

- Allow up to 49 per cent foreign ownership of local insurance companies and pension fund managers.
- Only 4.7 per cent of the country's 1.35 billion people have insurance of any kind - "The insurance sector's need for capital can only be met by increasing FDI," says the Minister of Finance.

2.7.4 Telecom

- One of the world's largest telecom markets.
- With more than 1 billion subscribers, the world's largest mobile phone industry faces a 74 per cent increase in broadcast services.
- Government policies that encourage growth, emerging new technologies, and changing consumer behaviour contribute to the expansion.

- This is a very profitable market. A slew of multinational telecommunications titans has already arrived in the country.

2.7.5 Energy

- Unprecedented demand for clean energy production, unable to meet the burgeoning demands of an ever-increasing population and business.
- FDI of up to 100 per cent is permitted under the automatic route for electricity generation, transmission, distribution, and power trading projects due to a severe shortage of electricity in several states.
- Solar power generation's growing potential

2.8 Business threats

- Infrastructure facilities are inadequate.
- Real estate's exorbitant price.
- Unstable political scenarios.
- Well-trained personnel is scarce.
- Corruption is rampant, and government offices are slow to respond.
- Some political parties and local groups are opposed to FDI.

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Course Name	Entrepreneurship Development & Business Management
Lesson 3	Overview of Indian Social, Political and Economic Systems and Their Implications for Decision Making by Individual Entrepreneurs (Part I)
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Lesson-3

Objectives of the Lesson:

1. To comprehend the macroeconomic concept.
2. To understand the macroeconomic issues and their impact on the development of entrepreneurship in India.

Glossary of Terms:

- ***Macro-environment:*** The major uncontrollable external elements (economic, technological, demographic, natural, cultural and social, legal, and political) that impact a firm's decision making and have an influence on its performance are referred to as the macro-environment.
- *An **economic system*** produces, allocates resources, and distributes commodities and services within a society or geographical area.
- *The **economic environment*** consists of external factors in a business market and the broader economy that can influence a business.
- ***Technological environment*** means the development in the technology field that affects business by new inventions of productions and other improvements in techniques to perform the business work.
- *The **political-legal environment*** is a combination of many factors such as the current political party in power, the degree of politicisation of trade and industry, the efficiency of the current government, government policies, current legal framework, the public attitude towards the economy, etc.

3.1 Introduction

Indian politicians, particularly the first Prime Minister, Dr. Jawaharlal Nehru, who pioneered the concept of five-year plans, believed that strong economic growth and increased income among the poor were the primary goals of the newly independent nation. To attain these aims, the government was given a significant role, and several five-year plans have played a significant part in the country's economic development since 1951. Despite substantial growth in the 1950s, it lagged behind most Asian countries. From 1951 through 1979, the Indian economy grew at the constant-price annual pace of 3.1%. During the same time period, the industrial sector grew at a rate of roughly 4.5 per cent per year, while the agricultural sector grew at a rate of 3.0 per cent. Many political leaders affiliated with the Independence movement advocated for a socialistic growth plan. They supported government intervention in the economy. They pushed state ownership of important industries.

Economic systems in India: India has a diversified economic system. Traditional village farming, contemporary agriculture, handicrafts, modern industries, and a rapidly growing social sector compose the Indian economy. Since 1991, the government has pursued a programme of liberalisation. Foreign trade and investment restrictions have been eased. Since the liberalised era began in 1991, the economic growth rate has been near or above 6%. Poverty has been reduced by around 10% as a result of this. India has a huge population of educated youth, which has aided economic growth, and the country and India have become as important destinations for business process outsourcing services.

In layman's terms, the environment refers to natural factors such as air, water, and so on. The organisation environment refers to all of the internal and external variables that affect a company. The effect of environmental forces should be visualised and predicted by business leaders. In a purely economic sense, the term "environment" refers to all external variables that significantly impact how a business operates. Environmental influences are outside the particular corporate organisation's control. All business organisations operate inside the broad framework of the surrounding environment, which either presents an opportunity or a threat to the company organisation.

The external environment is a complex dynamic factor that is uncontrollable by the business organisation but can be impacted or affected by it. External environmental variables determine the choice of a strategy. External environmental forces also have an impact on marketing decisions. Successful company organisations constantly monitor the external environment and, as a result, implement a suitable plan to meet the needs of their customers in the most efficient manner.

From the standpoint of the system, all business organisations function in an open system. It draws resources from the outside world, converts them, and then returns the output in the form of goods or services to the outside world.

3.2 Type of environment

3.2.1 Macro-environmental factors:

The macro-environment is broader in scope; it refers to the environment within the economy itself. It impacts how all company groups work, perform, make choices, and formulate strategies at the same time. It is extremely dynamic, implying that a company must constantly monitor its developments. It consists of external circumstances over which the corporation has no control but is undoubtedly influenced.

The macroenvironment is made up of economic forces, demographic forces, technological forces, environmental and physical forces, political and legal forces, and social and cultural elements.

3.2.1.1 Economic Environment: There is a close relationship between company and its economic elements, which include inflation, economic cycles, unemployment interest rates, saving and investment income levels, fiscal, monetary, and balance of payment circumstances, and overall growth activities. Economic factors influence consumer purchasing power and spending habits. Economic and environmental factors influence business growth possibilities. During a recession, demand for products and services falls, causing businesses to slow down. The government's economic policies can either be an opportunity or a threat to a firm.

Here are some instances of economic factors that have an impact on business:

- Rates of interest
- Currency exchange rates
- Recession
- Inflation
- Taxes
- Supply / Demand.

3.2.1.2 Technological environment: The most dynamic force is technology. The systematic application of scientific or organised knowledge to practical activities is what technology entails. Technological advancement happens at a breakneck pace. Businesses must stay up with rapidly evolving technologies by incorporating cutting-edge technology into their manufacturing processes. Technology has a significant impact on people's lifestyles, purchasing habits, and the economy. For established commercial organisations, the rate of technological change can be both an opportunity and a threat. At the same time, technological advancement leads to the emergence of new industries.

The following are some of the most prevalent technological factors:

- Automation
- Access to the internet
- 3D imaging technology
- Calculation speed/power of a computer
- Engine efficiency and performance
- Cryptography-based security
- Wireless charging.

3.2.1.3 Political Legal Environment: This relates to the impact on business of the three constitutional wings, namely the legislature, executive, and judiciary. The government creates legal rules and regulations to ensure the smooth operation of corporate entities. Subsidies, tariffs, import restrictions, and industry deregulation are some of the governing factors placed by the government on commercial organisations. The political environment encompasses the government's and other non-governmental organisations' (NGOs') influence on economic activity.

The legislature, executive, and judiciary form, direct, develop, and control the operations of business entities, either individually or collectively. In recent years, there has been an increase in the number of non-governmental organisations (NGOs) that exert influence on corporate organisations and compel them to follow the proper practises in the wider interest of all sections of society. The legal environment becomes increasingly complicated as businesses grow abroad and encounter government structures that differ greatly from those of their host country. A stable and dynamic political environment is critical for company expansion.

This often involves legal considerations such as:

- Copyright law
- Employment law
- Fraud law
- Discrimination law
- Health and Safety law
- Import/Export law.

3.2.1.4 Demographic Situation: Demography is the study of human population data such as size, density, location, age, gender, race, occupation, and so on. Demographic trends such as worldwide exponential population increase, shifting age–education and aesthetic mix of population, changes in family pattern, geographical shifts in population, and so on, function as either an opportunity or a threat to corporate organisations.

Among the critical variables are:

- What factors influence business income?
- Age-related business variables
- Variables Associated with Geographic Region
- Variable Education Level.

3.2.1.5 Socio-Cultural Environment: It is the most difficult to foresee uncontrollable aspects. Business companies must understand and value the socio-cultural values of the society in which they operate. The cultural environment is made up of society's fundamental values, perceptions, preferences, and behaviours.

Cultural values and beliefs are a mash-up of concepts such as quality, achievement, youth, efficiency, freedom, practicality, self-actualisation, patriotism, individualism, religious beliefs, courage, morality, ownership of responsibility, materialism, and so on. Each country has its own own socio-cultural context. Businesses must adapt to this one-of-a-kind socio-cultural setting.

There are numerous social and cultural aspects, some of which are as follows:

- Purchase Patterns
- Education Level Religion and Beliefs
- Concern about health issues
- Social strata
- A family's structure and size
- The population's pace of growth
- Rates of emigration and immigration
- Rates of life expectancy and age distribution
- Various lifestyles.

3.2.1.6 Natural Environment: A business is a man-made economic system that is influenced by natural forces. Business activities have an impact on wildlife, both positively and negatively. The term "ecosystem" refers to a natural system and its resources, which are either required as inputs by business organisations or are impacted by business activity. The notions of environmental preservation and green marketing have evolved in recent years. Natural resources are classified as either renewable or non-renewable. Natural resources must be used efficiently by business entities for the benefit of humanity.

Natural and physical forces include the following:

- Climate change
- Pollution
- Weather
- Availability of both non-renewable and renewable resources
- Environmental laws are enacted to protect the environment.
- Survival of certain biological species.

Course Name	Entrepreneurship Development & Business Management
Lesson 4	Overview of Indian Social, Political and Economic Systems and Their Implications for Decision Making by Individual Entrepreneurs (PART II)
Content Creator Name	Dr. Vinaya Kumar HM
University/College Name	Anand Agricultural University, Anand
Content Reviewer Name	Dr. Manjeet Singh Nain
University/College Name	ICAR - Indian Agricultural Research Institute

Lesson-4

ObjectiveS of the Lesson:

1. To provide an overview of the cultural, micro-environmental and social elements that influence company decision making.
2. To understand the characteristics of the Indian socio-cultural environment.

Glossary of Terms:

- *An **economic system*** produces, allocates resources, and distributes commodities and services within a society or geographical area.
- ***Micro-environment:*** The aspects or elements in a firm's immediate environment that affect its performance and decision-making; such elements comprise the firm's suppliers, marketing intermediaries, competitors, customers, and the general public.
- ***Political system:*** The process by which official government decisions are made is referred to as the political system. It is frequently contrasted with the legal system, the economic system, the cultural system, and other social systems.
- ***Social system:*** A social system is the set of rules that govern the connections between individuals and groups that hold a society together.
- *The **political-legal system*** combines government policies, the current legal framework, the public attitude towards the economy.

4.1 Introduction

India is a religiously pluralistic nation. Religion is among the cultural factors to consider. Religions are treated equally in India. Religion impacts a person's values and beliefs, which influence entrepreneurial behaviour in general and the type of firm and women's engagement in business in particular. There are conflicting research findings about religion's influence on entrepreneurial activities. In-depth research on the relationship between economic and social entrepreneurship and religion is lacking.

Great entrepreneurs have developed in India from all of the various religions practised here.

The socio-cultural environment includes all variables that are not present in the economic or political environments. The economic environment primarily consists of market factors in which people operate as buyers or sellers with the primary goal of production. People interact with each other as citizens in a political setting, and the fundamental goal is to make executive choices and rules. The socio-cultural environment encompasses a wide range of behaviours and relationships that people engage in their personal and private lives, such as demographic characteristics, age, sex, race, class beliefs and attitudes, lifestyle, and relationships.

4.2 Cultural factors

Culture is a phenomenon shown by groups, which can be society as a whole (national culture), group within society (subculture), or even groupings of societies and nations (trans-national culture), for example. This suggests that Indian communities may share certain values and methods of life.

The culture of India is regarded to be diverse. India is known as a multiracial country, with various communities coexisting based on their race, ethnicity, or faith. When studying the socio-cultural environment of business, it is important to remember that society and culture are not homogeneous but rather diverse and dynamic.

The socio-cultural environment and business have a two-way impact on one another. Business practices have an impact on culture, which in turn has an impact on business practises. While carrying out their business obligations, the employer takes on many roles. Their cultural background influences their activities (for example, the Tata group).

4.3 Social factors

The social sector is regarded as one of the most significant areas in the world's emerging economies. It encompasses numerous government programmes and policies intended at enhancing the living standards of the people of that country through improved access to public services.

The social environment covers the following aspects:

- Poverty and its alleviation programs
- Labour and employment
- Women and children's development
- Education
- Health
- Population and family welfare
- Empowerment of disadvantageous groups
- Public committees in rural and urban areas.

The World Bank defines poverty as food, a lack of shelter, a lack of access to medical care, and a lack of education. Even though India's economy is growing, a great number of people remain impoverished. This provides chances for entrepreneurs, particularly those affiliated with non-governmental organisations (NGOs), to carry out activities, thereby improving people's living standards and reducing poverty. It is vital to give individuals employment opportunities to assist them in generating cash to meet their material requirements and enable them to develop in life with a sense of purpose and dignity.

Labour markets that are efficient help to decrease poverty while also contributing to economic development and growth. Entrepreneurs' establishment of a business so supports the creation of jobs.In terms of women's labor-force involvement, it can be seen that there has been a quantitative increase in women's economic participation in various firms in recent years. In India, there is also an increase in the number of female entrepreneurs. Child labour employs a high number of children. Large number of them work in dangerous environments (mines, chemicals). Child exploitation in the form of child labour does not occur in a well-established enterprise.

Health and education are the most significant social environment variables, and the government must provide these necessary facilities to the people. It has recently been observed that the administration has relinquished its duty from this sector in a liberalised era. In both sectors, private participation has expanded.

Throughout the country, there are a great number of self-financed colleges, private schools, and private hospitals.

Social aspects such as population and family welfare, as well as the empowerment of the socially deprived group and public facilities in rural and urban areas, should be strengthened.

The rural environment demonstrates the influence of variables 'outside the enterprise's gate,' such as people's attitudes toward labour, wealth, marriage, family, religion, ethics, education and so on. In a narrow manner, culture is supposed to be manifested through activities such as music, festivals, drama, dance, and so on. However, in its broadest meaning, culture is a complex system that comprises information, beliefs, art, moral rules, customs, and other skills and habits developed by a person as a part of society. Culture is not based on genetics or inherited traits but rather is learned through education and experience. Culture is not unique to any individual, but each person shares the culture as a member of a group or as a member of an organisation/society. Culture is passed down from generation to generation.

From the perspective of the enterprise, culture is considered on three levels. The national culture, which is dominant and exists within the territorial bounds of a nation, is at the top. Because India is such a huge country, this dominating culture exists. The business culture is embedded in the national culture. This demonstrates how to do ordinary commercial transactions. The corporate culture of Indian firms can be seen in activities such as giving emphasis to age and seniority, respecting women, wearing traditional attire, celebrating traditional holidays, and so on. Within the context of national and business cultures, organisational and occupational culture emerges. Organisational culture refers to the philosophies, values, ideologies, assumptions, expectations, beliefs, attitudes, and customs that keep the organisation together and are shared by all personnel. Employees in a same profession may share a common culture known as occupational culture, for example, culture demonstrated by non-teaching university personnel, university faculty members, craft people, doctors, and so on.

Table 4.1: The characteristics of the Indian socio-cultural environment.

Socio cultural variable	**Characteristics**
Administrative	There are impersonal bureaucratic social ties, mistrust of coworkers, excessively centralised management, and a greater emphasis on a hierarchical position in decision making. Employees are unsatisfied as a result of bureaucratic delays and a lack of delegating.
Attitude towards work and goals	Apathy, both general and deep-seated, the detachment of work from its outcomes, the completion of tasks with no dedication, pride, or interest.
Discipline and order	Discipline at all levels is lacking, as is faith in authority, and there are poor superior-subordinate relationships.
Group Harmony	Assumption of human inequity, self-centred behaviour, suspicion of others, lack of cooperation and teamwork
Education	Most uninterested and ambiguous.

4.4 Microenvironmental factors

The micro-environment seems to be the environment that directly affects your business. It is tied to the specific industry in which your company operates that can directly impact all of your business activities. In other words, it includes all of the aspects that directly impact your business. They can have an impact on your daily operations as well as the overall performance of the organisation. However, the effect they have is not long-lasting.

When compared to macroenvironmental pressures, the company organisation can have some influence on such microenvironmental forces. This comprises aspects such as the organisation market, market middlemen, raw material suppliers, personnel, and so on.

Customers' likes and preferences fluctuate throughout time, therefore the market is made up of them. Businesses must constantly analyse the wants of their customers in the target market. Commercial entities can control or modify customers' tastes via promotional strategies. Market intermediates help business groups sell their products. Wholesalers, distributors, retailers, and all other intermediaries are included. It is feasible to exert influence over the operations of marketing intermediaries by offering suitable commissions, training, and other financial assistance, among other things. Individuals and organisations that supply resources for the manufacture of goods or the provision of services are referred to as suppliers. They are key to a company's marketing success and a vital component in its value delivery chain.

4.4.1 Micro-environment factors:

Customers: The type of client base that your firm draws, as well as the reasons for purchasing your goods, will have a significant impact on how you construct marketing campaigns. Your customers could be B2C, B2B, international, or local.

The following are important customer-related factors:

- Demand Stability
- Prospects for increased sales
- Profitability in comparison
- Competition ferocity.

4.4.1.1 Suppliers: If a product's supplier is the biggest, or even just the only one, they will undoubtedly influence how productive your business is.

The suppliers are a crucial factor as:

- A critical connection in the value delivery process
- Assurance that your company has the resources it needs
- Important price-increase or price-decrease determinants.

4.4.1.2 Resellers: If you opt to sell your product through a third-party reseller or middleman, such as wholesalers or retailers, the success of your marketing will be heavily reliant on them. If, for example, a particular retail seller has a good reputation, it will be transferred to your product.

They are significant in terms of these factors since they serve as a link between you and the customer:

- Promotion
- Sales\Distributions\Marketing
- Financial conciliation.

4.4.1.3 Competitors: Every business that sell the same or a comparable type of product as you does, logically, is your market competitor. As a result, their sales and marketing strategies are extremely important to you. You must respond to a variety of inquiries, such as how their product and pricing affect yours and how you may use it to acquire an advantage over them.

In this scenario, three elements are important:

- a desire for competition
- Product form rivalry
- Competition between brands.

4.4.1.4 The general public includes: Of fact, it is in every commercial organisation's greatest interest to please the general public. Every action you take must be viewed through their eyes as well. It is critical to consider how your activities affect others since their view can either propel you to success or knock you off your pedestal.

As a result, the general public is critical in terms of:

- Public opinion
- Media
- Environmental pollution.

4.4.2 Why know the business environment?

Managerial decisions determine the success of any business. Environmental considerations influence managerial decisions. As a result, managers must understand and evaluate the impact of environmental conditions on their decisions. Rigid government policies can sometimes create a restricted business climate that stifles a company's growth.

The environment has an impact on a company's current and future viability. For example, with changing consumer preferences and technological advancements, a mobile manufacturing company cannot thrive by producing just black and white screen phones with restricted functionality. The government's fiscal and monetary policy also has an impact on the cost of investment and the cost of borrowing. The general public's heightened awareness of environmental protection compels businesses to implement non-hazardous / non-polluting measures in their operations.

The environment also provides fresh prospects for growth. For example, the government of India's privatisation strategy has opened up several sectors for corporate organisations, such as telecom, food and dairy, and so on. The environmental study assists businesses in developing broad goals and long-term policies for their operations. It aids in the establishment of action plans to stay up with technological advances. It aids in forecasting the influence of socioeconomic developments at both the national and international levels on the stability of businesses. It also aids in assessing a competitor's action and developing counter-strategies.

The cultural and social backdrop of a country, as well as the political structure in place, have an impact on entrepreneurial activities. According to Gibb, an enterprise culture is a set of attitudes, values, and beliefs that operate within a certain community or area and contribute to enterprising behaviour and self-employment aspiration.

According to research, cultural attitudes influence entrepreneurial actions. The cultural differences between nations are also responsible for the nation's economic and entrepreneurial development. Entrepreneurship thrives in a cultural climate that recognises and values entrepreneurship.

4.5 Swot analysis

The SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) can help you grasp both micro and macro variables. The first two are internal and have an impact on the organisation's operations, whilst the latter are external and are outside the organisation's control.

In terms of strengths, consider what you are good at, how much value you contribute, how much of a difference you create, and so on. On the other hand, when it comes to shortcomings, you must assess your reliance on outside vendors, elements that need to be changed, and so on.

Opportunities are favourable circumstances that the firm must take advantage of in order to increase its market position. Threats are uncontrollable factors that must be acknowledged. This includes debts and costs and political, economic, and customer developments.

Course Name	Entrepreneurship Development & Business Management
Lesson 5	Globalisation and the Emerging Business Environment
Content Creator Name	Dr. Vinaya Kumar HM
University/College Name	Anand Agricultural University, Anand
Content Reviewer Name	Dr. Manjeet Singh Nain
University/College Name	ICAR - Indian Agricultural Research Institute

Lesson-5

ObjectiveS of the Lesson:

1. To study various aspects of globalisation and the business environment.

2. To understand Indian government efforts towards globalization.

Glossary of Terms:

- ***Business Environment**:* The term "business environment" refers to the sum or collection of all internal and external factors such as employees, customer needs and expectations, management, supply and demand, clients, owners, suppliers, government activities, technological innovation, social trends, market trends, economic changes, and so on.
- ***Foreign Exchange*** (forex or FX) is the trading of one currency for another.
- ***Globalisation:*** the increasing interdependence of the world's economies, populations, and cultures due to cross-border trade in services and goods, technology, and flows of information, people, and investment.
- *An i**nternational joint venture*** (IJV) occurs when two businesses based in two or more countries form a partnership.
- *M**ultinational Corporation*** (MNC) is one that has business operations in two or more countries.

5.1 Introduction:

The International Monetary Fund defines globalisation as "the increasing economic interdependence of countries worldwide as a result of increased volume and variety of cross-border transactions in goods and services and international capital flows, as well as the more rapid and widespread diffusion of technology."

5.2 Features of globalisation

- Expansion of business opportunities around the world.
- The distinction between domestic and international markets is eliminated.
- Purchasing and selling goods and services from and to any country on earth.
- Formation of production and distribution facilities anywhere in the world based on feasibility and economic considerations, rather than national considerations.
- Global market conditions influence product planning and development.
- Improving raw material sourcing from around the world.
- Strategies, organisational structure, culture, and managerial expertise that are global.
- Considering the entire world to be a single market.

5.2.1 Globalisation influencing factors

A variety of factors aids globalisation. Notable among these are:

- The removal of barriers to international economic transactions.
- Overcapacity and overproduction.
- Technological advancements.
- Forms of industrial organisations that are emerging.
- Factors of politics.
- The scientific revolution.

5.3 Enterprise globalisation strategy

To create a global presence with the least amount of risk and the greatest possible return, the entrepreneur must answer the following questions:

- Which line of product or product lines should be used for global market entry?

- Which businesses should be targeted for expansion?
- Which optimal mode of market entry should be used?
- How quickly should the company expand globally?

Because globalisation entails numerous risks, it is preferable to introduce only the most financially viable products/product lines rather than the entire product range. The market is chosen based on market potential. The market entry strategy is determined by the level of entry barriers and the intensity of competition. Lower entry barriers and lower levels of competition in the market are favourable for a firm's entry. Two factors influence the mode of market entry.

- Enterprise's export versus domestic production policy.
- The extent to which ownership control over domestically performed activities is exercised.

Local production is more advantageous when the local market is greater than the minimum efficient scale of production, allowing local production to translate into scale economies while keeping tariff and transportation costs low. In terms of ownership control, options range from 0% ownership, such as licencing or franchising, to partial ownership, such as joint ventures or affiliates. A more global enterprise presence does not have a competitive edge. Transitioning global presence into a global competitive advantage requires the enterprise to capitalise on the value creation opportunities generated by global presence while also meeting related challenges. The enterprise can gain a global competitive advantage by adapting to local market differences, leveraging economies of scale, locating optimal locations, and so on.

5.4 The Indian government takes steps towards globalization

- Getting rid of restrictive laws like the Foreign Exchange and Regulation Act (FERA) of 1973. The foreign exchange management act (FEMA) was passed by removing the classes that restricted multinational corporations' entry (MNCs).

- Allowing Indian companies to work collaboratively with foreign companies through foreign joint ventures (FJVs), and as a result, many Indian companies have established FJVs.
- On the advice of the World Bank, import tariffs were reduced to 15%.
- Tariffs are being used to replace import licences.
- Import duties are being reduced and removed in some cases.
- Getting rid of export subsidies.
- Duties are being used to replace export licences.
- Imposing a low, flat tax on export earnings.
- Changing policies concerning export-oriented units and export processing zones.
- Foreign direct investment inflows should be liberalised.
- Offering incentives to MNCs and NRIs to invest in India.
- Increasing the number of foreign institutional investors (FIIs) who are willing to invest in India.
- Permitting Indian mutual funds to invest in foreign equity.
- Allowing the rupee to determine its exchange rate in the international market without interference from the government.
- In the current account, the rupee has full convertibility.

5.4.1 Globalisation-related areas of concern in the Indian economy

- Several years of technological gaps. The challenge of obtaining technology transfers from developed countries.
- Inadequate Infrastructure.
- In light of political interventions, it is difficult to implement true privatisation policies.
- In terms of price, quality, delivery schedules, and so on, Indian products and services are rated as inferior.

- High-priced economy
- Market access in developed countries is extremely difficult due to tariff and non-tariff barriers.
- India's political economy is in shambles. Coalition governments are not suited to quick progress.
- The country has a small share of global exports.

5.5 India and globalization

For India, a strong balance of payments position and the ability to earn foreign exchange are important drivers of globalisation. Because of the effects of mass communication tools, Indian consumers' preferences have shifted. As a result, Indian industries have also globalised their operations to meet the preferences of consumers. Many multinational corporations have begun operations in India as a result of India's liberalisation policies, which began in 1991. Multinational corporations compete fiercely with Indian industries and new businesses. This has resulted in an improvement in their performance, which has benefited consumers. Globalisation enables domestic firms to acquire and update technology, become more cost-effective, and fend off future competitive threats.

Course Name	Entrepreneurship Development & Business Management
Lesson 6	Emerging Entrepreneurial Environment
Content Creator Name	Dr. Vinaya Kumar HM
University/College Name	Anand Agricultural University, Anand
Content Reviewer Name	Dr. Manjeet Singh Nain
University/College Name	ICAR - Indian Agricultural Research Institute

Lesson-6

Objectives of the Lesson:

1. To investigate various aspects of the entrepreneurial environment.
2. To understand multiple factors of the environment affecting entrepreneurship.

Glossary of Terms:

- ***Entrepreneur:*** a person who establishes a business while taking financial risks in the hope of profit.
- ***Entrepreneurship environment****:* refers to the various aspects in which businesses—large, medium, small, and others—must operate. As a result, the enterprise is influenced by the environment.
- ***Globalisation*** refers to the acceleration of global movements and exchanges (of people, goods and services, capital, technologies, and cultural practices).
- ***Macro-environment:*** The major uncontrollable external elements (economic, technological, demographic, natural, cultural and social, legal, and political) that impact a firm's decision making and have an influence on its performance are referred to as the macro-environment.
- ***Micro-environment:*** The aspects or elements in a firm's immediate environment that affect its performance and decision-making; such elements comprise the firm's suppliers, marketing intermediaries, competitors, customers, and the general public.

6.1 Introduction

External environmental factors have an impact on all types of businesses. These factors are classified as political, economic, social, technological, legal, and cultural. All of these external environmental forces, referred to as macro-environmental factors, are generally met under the control of the individual enterprise. They are associated with uncertainty. Private entrepreneurs take more risks in the hope of making a large profit, despite the high cost of failure.

6.2 Importance of entrepreneurial environment

The expansion of entrepreneurship is attributed to macroenvironmental factors. In today's globalised world, all types of business are viewed as social and economic organisations influenced by political, economic, and social forces. An enterprise operates within a framework established by the political environment, industrial and licencing policy, banking policy, foreign exchange regulation, technological development, and so on. As a result, any business plan developed by an entrepreneur must be based on the aforementioned environmental factors.

6.2.1 Economic factors

6.2.1.1 Capital: This is perhaps the most basic and important requirement for starting any business. It is needed for the purchase of land, various types of machines, and raw materials. According to research studies, as capital investment increases, so does the capital-output ratio. This raises profit, which then contributes to capital formation. As a result, a lack of capital and a higher interest rate on borrowed capital stifle entrepreneurship in the country. Access to finance to entrepreneurs is one of the reasons for the progress of wealthy Western countries.

6.2.1.2 Labor: For the proper development of entrepreneurship, the quality of labour is much more important than quantity. Because they must deliver quality products to grow successfully, labour quality is critical.

6.2.1.3 Raw materials: Because raw materials are one of the most important components of production, production cannot occur without them. Entrepreneurs must ensure the continuous availability of the required quantity and quality of various types of raw materials for the enterprise's survival.

6.2.1.4 Market: The size and composition of the market both have an impact on entrepreneurship. The most important market characteristics for entrepreneurship development are whether or not the market is increasing and at what rate it is expanding.

6.2.2 Government actions

The government has a major impact on the development of business owners. The government can help entrepreneurs by creating basic facilities, utilities, and services and providing incentives and subsidies through its clearly stated industrial policy. Entrepreneurs are less likely to fail if the government plays a supportive and conducive role.

6.3 Common factors of the environment affecting entrepreneurship are;

- Capital for risk-taking availability.
- The presence of highly experienced business owners.
- Labour force with technical skills.
- Supplier accessibility.
- Customers' accessibility or the opening of new markets
- Favourable government policies.
- University and research institutions are close together.
- Infrastructure facilities are available.
- Transportation accessibility.
- The receptive population.
- Supporting services are available.
- Appealing living conditions.

6.4 India and globalization

Even after a long period of independence, India's economy has yet to be transformed into a modern industrial democracy, even though it enjoys political democracy. The large disparity between haves and have-nots demonstrates this. This disparity is likely to widen as a result of liberalisation

To pursue economic policies dictated by the World Trade Organization, the World Bank, and other financial institutions, India has reduced the space for state intervention and allowed market forces to govern the market. On the one hand, this leads to an increase in entrepreneurial opportunities, but on the other hand, it harms the economically disadvantaged sections of society. Although it is impossible to halt the process of globalisation, whatever policy reforms are implemented must be in accordance with our country's socio-economic conditions and the best interests of the general public.

6.4.1 Sector-specific impact of globalisation in India

By examining specific sectors of the Indian economy, the effects of globalisation on India can be studied.

6.4.1.1 Telecom sector: The impact of globalisation is apparent in this industry. This industry was completely open to the public. It has now been privatised, and up to 72% foreign investment is now permitted. Consumers benefit from the easy availability of a large number of service providers at lower rates.

6.4.1.2 Insurance sector: This was once one of the most heavily regulated industries. It is now open to private players as well. The government has established an insurance regulatory development authority to oversee the industry.

6.4.1.3 Banking and financial sector: India has taken a gradual liberalisation approach for this sector. Reforms such as deregulation, interest rate liberalisation, pro-market policies, and so on are implemented slowly. India moves closer to full capital account convertibility with each successive budget announcement. These measures, combined with a strengthening of prudential norms and market discipline, as well as the adoption of international benchmarks tailored to India's specific needs, aided in making the Indian financial sector competitive, viable, and resilient. All of these actions assist entrepreneurs in obtaining the necessary financial support.

6.4.1.4 Retail sector: The Indian retail industry cannot be considered in its infancy. As a result of globalisation, supermarkets can be found even in small towns and across the country. Many entrepreneurs have benefited from the retail sector's opening up.

Although it is viewed as a threat to small street corner groceries, it can also serve as a growth engine, assisting in the filling of resource and technology gaps in the retail segment.

6.4.1.5 Agriculture: India is still considered an agricultural country. Indian farmers can benefit from globalisation in terms of technology transfer, increased productivity, and access to new markets, among other things. However, when the Indian farming conditions and socio-economic status of a large number of Indian farmers are considered, it is clear that, as a result of globalisation, Indian farmers have also faced many problems such as the provision of subsidies to farmers in developed countries, monopoly of several biotechnological companies, a possible danger to biodiversity and ecological stability due to biotechnology, pumping, and so on.

These are some sector-specific examples of how globalisation has impacted the Indian economy. Globalisation, in general, leads to an influx of new technology and income in economic opportunities, as well as increased entry of international companies in many sectors. However, it can also lead to an increase in unemployment, economic and social inequalities, and so on.

Course Name	Entrepreneurship Development & Business Management
Lesson 6	Emerging Entrepreneurial Environment
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Lesson-6

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6.2.1 Economic factors

6.2.1.1 Capital: This is perhaps the most basic and important requirement for starting any business. It is needed for the purchase of land, various types of machines, and raw materials. According to research studies, as capital investment increases, so does the capital-output ratio. This raises profit, which then contributes to capital formation. As a result, a lack of capital and a higher interest rate on borrowed capital stifle entrepreneurship in the country. Access to finance to entrepreneurs is one of the reasons for the progress of wealthy Western countries.

6.2.1.2 Labor: For the proper development of entrepreneurship, the quality of labour is much more important than quantity. Because they must deliver quality products to grow successfully, labour quality is critical.

6.2.1.3 Raw materials: Because raw materials are one of the most important components of production, production cannot occur without them. Entrepreneurs must ensure the continuous availability of the required quantity and quality of various types of raw materials for the enterprise's survival.

6.2.1.4 Market: The size and composition of the market both have an impact on entrepreneurship. The most important market characteristics for entrepreneurship development are whether or not the market is increasing and at what rate it is expanding.

6.2.2 Government actions

The government has a major impact on the development of business owners. The government can help entrepreneurs by creating basic facilities, utilities, and services and providing incentives and subsidies through its clearly stated industrial policy. Entrepreneurs are less likely to fail if the government plays a supportive and conducive role.

6.3 Common factors of the environment affecting entrepreneurship are;

- Capital for risk-taking availability.
- The presence of highly experienced business owners.
- Labour force with technical skills.
- Supplier accessibility.
- Customers' accessibility or the opening of new markets
- Favourable government policies.
- University and research institutions are close together.
- Infrastructure facilities are available.
- Transportation accessibility.
- The receptive population.
- Supporting services are available.
- Appealing living conditions.

6.4 India and globalization

Even after a long period of independence, India's economy has yet to be transformed into a modern industrial democracy, even though it enjoys political democracy. The large disparity between haves and have-nots demonstrates this. This disparity is likely to widen as a result of liberalisation

To pursue economic policies dictated by the World Trade Organization, the World Bank, and other financial institutions, India has reduced the space for state intervention and allowed market forces to govern the market. On the one hand, this leads to an increase in entrepreneurial opportunities, but on the other hand, it harms the economically disadvantaged sections of society. Although it is impossible to halt the process of globalisation, whatever policy reforms are implemented must be in accordance with our country's socio-economic conditions and the best interests of the general public.

6.4.1 Sector-specific impact of globalisation in India

By examining specific sectors of the Indian economy, the effects of globalisation on India can be studied.

6.4.1.1 Telecom sector: The impact of globalisation is apparent in this industry. This industry was completely open to the public. It has now been privatised, and up to 72% foreign investment is now permitted. Consumers benefit from the easy availability of a large number of service providers at lower rates.

6.4.1.2 Insurance sector: This was once one of the most heavily regulated industries. It is now open to private players as well. The government has established an insurance regulatory development authority to oversee the industry.

6.4.1.3 Banking and financial sector: India has taken a gradual liberalisation approach for this sector. Reforms such as deregulation, interest rate liberalisation, pro-market policies, and so on are implemented slowly. India moves closer to full capital account convertibility with each successive budget announcement. These measures, combined with a strengthening of prudential norms and market discipline, as well as the adoption of international benchmarks tailored to India's specific needs, aided in making the Indian financial sector competitive, viable, and resilient. All of these actions assist entrepreneurs in obtaining the necessary financial support.

6.4.1.4 Retail sector: The Indian retail industry cannot be considered in its infancy. As a result of globalisation, supermarkets can be found even in small towns and across the country. Many entrepreneurs have benefited from the retail sector's opening up.

Although it is viewed as a threat to small street corner groceries, it can also serve as a growth engine, assisting in the filling of resource and technology gaps in the retail segment.

6.4.1.5 Agriculture: India is still considered an agricultural country. Indian farmers can benefit from globalisation in terms of technology transfer, increased productivity, and access to new markets, among other things. However, when the Indian farming conditions and socio-economic status of a large number of Indian farmers are considered, it is clear that, as a result of globalisation, Indian farmers have also faced many problems such as the provision of subsidies to farmers in developed countries, monopoly of several biotechnological companies, a possible danger to biodiversity and ecological stability due to biotechnology, pumping, and so on.

These are some sector-specific examples of how globalisation has impacted the Indian economy. Globalisation, in general, leads to an influx of new technology and income in economic opportunities, as well as increased entry of international companies in many sectors. However, it can also lead to an increase in unemployment, economic and social inequalities, and so on.

Course Name	Entrepreneurship Development & Business Management
Lesson 8	Entrepreneurial and Managerial Characteristics
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University/College Name	ICAR - Indian Agricultural Research Institute

Lesson-8

Objectives of the Lesson:

1. To recognise and understand the characteristics of a successful entrepreneur.
2. To know how to take advantage of business opportunities.

Glossary of Terms:

- ***Entrepreneur:*** He/She is a person who establishes a business or businesses, taking financial risks with the intention of making a profit.
- ***Entrepreneurial characteristics:*** are characteristics that assist entrepreneurs in achieving their objectives.
- ***Entrepreneurship*** is the process of starting a business or several businesses while taking financial risks in the hopes of making a profit.
- ***Opportunitya*** time or set of circumstances that makes it possible to do something.
- The term ***"enterprise"*** refers to a for-profit business or firm, but it is largely associated with entrepreneurial endeavours.

8.1 Introduction

If we examine India's business history, we will come across individuals who have arisen as successful entrepreneurs. For example, Tata, Modi, Birla, Dalmia, and many others are the names of successful business owners in the country who began with small investments and grew into large fortunes. To a large extent, the success or failure of a small business is attributed to the entrepreneur himself/herself. The question then becomes, "What makes entrepreneurs successful?" Is there anything they have in common in terms of personal characteristics? Scanning their characteristics reveals that there are certain characteristics of entrepreneurs that are commonly found in them.

8.2 Need for entrepreneurship development

Relying on his global observations, Peter Drucker concluded that the no. of entrepreneurs (i.e. job creators) is no more than 15% in any community, and the number of employees (i.e. job seekers) is no less than 85%. Entrepreneurship development is becoming increasingly important in any civilised society to boost economic growth and job creation. As a result, entrepreneurship is a limited national resource that must be developed. Entrepreneurship development is becoming increasingly important in developing countries such as India.

Entrepreneurship development is becoming increasingly important for the following reasons:

1) **Making the best use of scarce financial resources:** Economic resources are always scarce. Entrepreneurs make efficient and effective use of scarce economic resources by launching value-added enterprising projects continuously. This influx of entrepreneurs hastens a country's economic growth.

2) **Technology and Innovation**: Entrepreneurs typically invest in high-risk, unproven areas of technology and innovation. Because the returns are inherently unpredictable, entrepreneurs are obligated to develop innovative methods of increasing potential income and managing risks undertaking the project. As a result, entrepreneurship development efforts typically result in inventive technological developments.

3) **Improving the Quality of Life:** An entrepreneur works very hard and imaginatively to meet society's diverse needs. Through innovative efforts, he works to create cheaper and more affordable products. His efforts eventually increased the people's standard of living.

4) **Economic Cooperation Promotion**: Entrepreneurs seek to develop economic cooperation both domestically and globally to one‘s mutual benefit. As a result, they establish the synergy advantage (two by two is bigger than four) and pass some of the benefits on to the consumers. MNCs such as Coca-Cola, General Motors, and Hindustan Lever has only grown as a result of such efforts.

However, such economic cooperation can only be achieved through government promotional and regulatory measures.

5) **Development of Fraternity and Cultural Exchange:** Entrepreneurs aren't just economic benefit generators; they also promote cultural exchange through exchanging individuals and trade customs. They also work for the betterment of humanity as well as a domestic and international fraternity. As a result, they serve as the carriers of culture and civilisation.

8.3 The characteristics (traits) identified by researchers after analysis of the lives of successful entrepreneurs

1) **Hard Work**: The commitment to work hard differentiates a successful business person from a failed one. With their long, sweaty hours and perseverance, the entrepreneur can bring a business back from the brink of failure. In a nutshell, most successful entrepreneurs work tirelessly, especially at the start, which becomes their entire life.

2) **A Strong Desire for Elevated Achievement:** Entrepreneurs have a powerful determination to attain high business goals. This high achievement motivation motivated them to overcome obstacles, suppress anxieties, repair misfortunes, and devise solutions to only set up and run a business.

3) **Highly Optimistic:** Entrepreneurs are not bothered by their current problems. They are optimistic about the future, believing that business conditions will improve. As a result, they will be able to run their businesses successfully in the future.

4) **Independence:** A few of the popular characteristics of successful entrepreneurs is that they dislike being directed by others and following a routine. They defy categorisation. They preferred to be self-sufficient in their business dealings.

5) **Foresight:** Entrepreneurs have excellent foresight into the long term business environment. In another way, they accurately predict market changes, consumer attitudes, technological advancements, and so on, and take appropriate actions accordingly.

6) **Good organiser:** The various resources needed for production are separated from one another. Entrepreneurs can gather all of the resources required to start a business and then produce goods.

7) **Focus on innovation:** Production is designed to meet the needs of the customers. Customers' tastes change from time to time, so entrepreneurs undertake significant research and development activities to produce products to meet the growing requirements for the products. The research institutes and centres established by Tata, Birla, Kirloskar, and others are examples of innovative activities undertaken by our country's successful entrepreneurs.

8) **Communication abilities:** To conduct our business operations, the entrepreneur must interact with various stakeholders, including suppliers, employees, customers, and so on. To be a successful entrepreneur, you must have great communication skills.

9) **Self-control:** Business owners do not perform well in a defined structure where they cannot act independently. Most entrepreneurs perform better once they have complete accountability and responsibility for the job. Entrepreneurs perform better when they are given the freedom to make their own decisions without interference from authorities. They require the liberty to choose and act in accordance with their perceptions of what deeds will lead to success.

10) **Self-assurance:** Self-assurance is the ability to exert control over one's surroundings while working alone. Entrepreneurs approach problems with confidence and are consistent in their pursuit of excellence in the face of adversity because they thrive according to their self-confidence.

11) **Sense of urgency:** Business owners have an insatiable desire to build their ideas. Inactivity causes them to become impatient, tense, and uneasy. They thrive on movement. They are driven and have a lot of energy, they are goal-oriented, and they work hard to achieve their objectives.

12) **Comprehensive knowledge and understanding:** Successful entrepreneurs can comprehend complex situations such as planning, making strategic decisions, and working on various business ideas at the same time. They are foresighted and cognizant of important details, and they will constantly evaluate all options to achieve the organisation's goals.

They focus their efforts on completing the tasks that are immediately in front of them.

13) **Realism:** Entrepreneurs accept the facts as they are and cope with them as such. When they see that a change will improve their chances of achieving their objectives, they will change their course. They want to know the current state of a situation at any and all times. They will double-check any information they obtain before making a decision.

14) **Conceptual ability:** Entrepreneurs can recognise relationships rapidly in the middle of complex situations. They recognise problems and start working on solutions faster than others. They are not bothered by uncertainty and ambiguity because they are being used to problem solving. Entrepreneurs are true leaders who are usually the first to recognise a problem that needs to be solved. When they are informed that their solution to problems will not work for some valid reason, they will easily determine an alternate solution approach.

15) **Technical expertise:** An entrepreneur can begin a variety of businesses. Entrepreneurs should have a basic understanding of the business they are starting to succeed.

16) **Status prerequisites:** Entrepreneurs find fulfilment in external symbols of success. Entrepreneurs will focus their energies and resources on critical business operations during difficult business times. Symbols of attaining such a profile have little meaning for them. Successful entrepreneurs satisfy their status needs through the performance of their business, not through the appearance they portray to their peers and the public.

17) **Interpersonal relationship:** Entrepreneurs are more concerned with people's achievements than their feelings. They generally try to avoid to become personally involved and would not hesitate to terminate relationships that may impede the progress of one‘s business. They rarely devote time to satisfying feelings and thoughts beyond what would be necessary to achieve their goals during business-building period, while resources are scarce. Entrepreneurs with strong interpersonal skills will be able to adapt and thrive as their business expands and becomes more structured.

18) **Emotional stability:** The entrepreneur has excellent self-control and can deal with business pressures. They can be at ease in stressful situations and are motivated rather than disheartened by failures. While things are going well, entrepreneurs are uneasy. They will regularly find a new activity to release their pent-up energy. They handle people's problems with ease rather than getting involved in their emotions.

19) **Risk-taking:** A business cannot thrive unless it is willing to take risks and adapt to change. On the other hand, the entrepreneur should understand that taking a high risk is a game of chance. Entrepreneurs should not take risks that are either too high or too low. They prefer circumstances in which they have a say in the outcome, and they enjoy challenges when they genuinely think the odds are stacked in their favour. They rarely act until all risks associated with the job have been assessed, and they have an instinctive ability to make sense of complexity.

20) **Change and unpredictability:** Entrepreneur has to manage the sources of unpredictability that goes with the job without coming apart. The new business is surrounded by unclear factors such as pricing, market size, customer response, the original concept's variability, and product/service in a decent length of time. An entrepreneur should be able to lead, manage, prioritise, execute, and, most importantly, make decisions in changing conditions.

21) **Decision-making:** A successful entrepreneur must be able to make decisions. A person who cannot make a decision quickly after gathering all of the relevant facts cannot be trusted to follow through on his judgments. There is always a connection between choosing and acting to implement. It is a terrible move not to make a decision.

Following the above distinctions, it is evident that an entrepreneur differentiates from a manager. An entrepreneur can sometimes be a manager, but a manager can never be an entrepreneur. Admittedly, an entrepreneur is indeed a business owner, whereas a manager is a subordinate.

8.4 Difference between entrepreneur and manager

- An entrepreneur is engaged in the startup process, whereas a manager is involved in the day-to-day operations of the business.
- Over time, an entrepreneur bears financial, material, and psychological risks, whereas a manager will not have to bear these risks.
- An entrepreneur is motivated by a sense of opportunity, whereas a manager is motivated by his current assets.
- A manager follows the rules and procedures, whereas an entrepreneur initiates change.
- A manager is a hired employee, whereas an entrepreneur is his boss.
- An entrepreneur's rewards are uncertain, whereas a manager's rewards and salary are fixed.

Course Name	Entrepreneurship Development & Business Management
Lesson 9	Managing an Enterprise
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Lesson-9

Objectives of the Lesson:

1. To enable students to analyse and understand the environment of the business.

2. To understand the different types of entrepreneurs in the society.

Glossary of Terms:

- ***Entrepreneurship*** is the process of starting a business or several businesses while taking financial risks in the hopes of making a profit.
- ***Entrepreneur:*** He/She is a person who establishes a business, taking financial risks to make a profit.
- The term ***"enterprise"*** refers to a for-profit business or firm, but it is largely associated with entrepreneurial endeavours.
- ***Entrepreneurial characteristics:*** are characteristics that assist entrepreneurs in achieving their objectives.
- ***Society*** is the aggregate of people living together in a more or less ordered community.

9.1 Introduction

Managing a firm has become the toughest and most complicated endeavour in today's business environment. An entrepreneur starts a business to make a lot of money. However, many of these business units cannot generate even moderate profits or returns on investments (ROI) and incur losses in some cases. Many of them steadily deteriorate and are eventually closed down. Small-Scale Industry (SSI) has an unacceptably high illness rate. As previously said, the illness is constantly losing money. The promoter's equity contribution is eroded as a result of such accumulating losses. According to the Sick Industries Companies Act (SICA), such units are considered sick in India if their total losses exceed 50% of their equity contribution.

9.1.1 The following situation puts the business units in sickness

1. In nature, the 7-M resources (man, materials, machines, money, markets, and methods and minutes) are rare. Furthermore, they can be used in other ways. Sickness stems from an entrepreneur's incapacity to utilise such resources properly and effectively.

2. In today's liberalised economic settings, notably since June 1991, the market system has become competitive. As more rivals enter the market, the survivability of the sub-marginal units has become extremely difficult.

3. The business climate – both internal and externally unmanageable – has become extremely fluid and dynamic. The incapacity of an entrepreneur to recognise and respond to an ever external environment tends to make it difficult for the business to maintain its position.

4. The government's dual position as both a regulator and a promoter has made corporate management extremely tough and complex.

5. Because of education, urbanisation, and cultural transformation, consumers' preferences are always changing, making it challenging to grasp their wants and expectations. The current customer-care approach has made modern enterprise management more complex and difficult.

6. A business unit has many stakeholders, including owners, employees, consumers, investors, suppliers, government, tax authorities, and society at large. Such perspectives or interests are not only diverse but also frequently contradictory. For example, a high customer price or a low staff award improve the owners' profits. The current concept of 'corporate governance' necessitates that the entrepreneur achieves a balance in the stakes of such varied stakeholders. As a result, an entrepreneur must walk a tightrope.

7. The most common goals of business units are profitability, expansion, and survival. The maintenance of all of these goals is complicated, as seen below:

a) The entrepreneur must strike a balance between profitability and liquidity. The allure of profitable business opportunities impedes the preservation of liquidity.

b) Shareholders anticipate bigger dividends from earnings per share (EPS), while management wants to retain more money for business expansion.

c) The goals of profitability and survival are also in conflict. In today's competitive market, things are sold for low profits or even losses (as a temporary tactic) to ensure the business's survival.

8. The enterprise's success is hampered by the corrupt administration of the government system. The government's regulatory approach paves the door to corruption. Similarly, corrupt regimes steal the benefits of government policy. As a result, disadvantaged entrepreneurs must pay a hefty price to run their businesses.

Because of the aforementioned considerations, corporate enterprise management has become complicated.

9.2 Entrepreneurs start and manage an enterprise effectively to make it successful.

9.2.1 Identify a business opportunity: This is an important phase for both a new business and an existing corporation. Identifying opportunities at the right time significant competitive advantage over your competition. It aids in increasing profit margins. It is tough to identify and evaluate opportunities. The vast majority of successful business ideas do not arise by luck. They are discovered as a result of entrepreneurs' foresight or by the use of procedures designed expressly to produce ideas, such as research and development, competition analysis, input from supply chain participants, or the use of idea-generating tools. Finding answers to these questions can help you evaluate the opportunity.

- What market need will be met by the offering?
- What are the underlying socioeconomic conditions that this market requires?
- What market research data may be linked to this market requirement?

- Is it possible that there are patents available to meet this need?
- What is the competition structure at the national and international levels for the relevant need?

9.2.2 Evaluating and creating a vision: An entrepreneur creates a vision to turn those prospects into a tradable product after recognising opportunities. Each possibility is thoroughly screened and examined in order to determine whether the unique product or service, when imagined from a specific idea, has high profits in contrast to the resources necessary.

The evaluation factors consider the length of the opportunity, its actual and perceived worth, risk and return, fit with the entrepreneur's abilities and aspirations, and its distinctiveness or competitive edge.

9.2.3 Convince others: Nobody can work independently. As a result, entrepreneurs require assistance and guidance from a wide range of people. A company's success is dependent on enlisting the proper personnel.

9.2.4 Collect resources: The stage of commencing the project is achieved after successfully articulating the concept and influencing others. First and foremost, many types of resources are gathered here. Generally, the resources needed for a business can be divided into four groups.

9.2.4.1 Financial: The financial structure of any new business is one of the most significant factors to examine. It might be a sole proprietorship, a partnership, a private business, a public company, or a cooperative firm. Following the selection of a proper structure, the next step is to identify various sources of money, including own investment, public floatation, informal investment (family and friends), government, and so on.

9.2.4.2 Operating resources: These include tangible objects such as an office building, land, and machinery, as well as numerous raw commodities.

9.2.4.3 Human capital: This category includes labourers, skilled operators, and professional managers.

9.2.4.4 Establishing a new enterprise/ forming a business model: The very next step is to properly organise all of these resources and create/establish a new venture.

9.2.5 Business plan: The entrepreneur creates a business plan. It is a documented paper that explains all of the internal and external factors involved in launching a new business. It is the integration of the enterprise's primary functional plans, such as production, marketing, human resources, finance, and so on. It targets both short-term and long-term decision making throughout the first years of operation. suppliers, potential investors, and even customers demand a business strategy.

The business plan is used by a variety of people, including investors, suppliers, and customers. They will each analyse and understand the proposal from their point of view. As a result, while developing the business strategy, the entrepreneur must consider all of the various stakeholders' concerns.

9.2.5.1 Causes of business plan failure

- Unreasonable goal setting on the part of the entrepreneur.
- Non-measurable objectives.
- The entrepreneur's full commitment is lacking, as is his or her experience in the planned business.
- Entrepreneurs are unaware of prospective risks or weaknesses.
- Inadequate identification of client demands for the potential service or product.

9.2.5.2 Enterprise management: It is vital to investigate and resolve the operational issues of a developing business. This necessitates the implementation of management style and structure and the identification of important success determinants. A control system must be built in order to identify and handle problems as soon as possible.

9.2.5.3 Adapt / change with time: As the business environment changes, an entrepreneur must implement new policies and tactics to prosper and remain competitive.

Both central and state governments create laws and regulations for corporate operations. Other local bodies' policies, such as municipal corporations, are also binding on businesses.

A plethora of laws have indeed been enacted to ensure fair trade practices and fair competition, to protect the rights of customers and employees, to protect improvement, and to collect taxes from business companies. The restrictions do not apply to all businesses. They are company-specific. Thus, it is the management of the involved firm's job to enforce all of the legal requirements created by the government for the enterprise. As a result, entrepreneurs must be vigilant and stay up to date on the latest existing rules that serve to govern, regulate, and steer their commercial activities. In this regard, the entrepreneur must examine topics such as form and ownership, industrial licence, project scheme registration, environmental protection, factory shed building, trade licence, employee welfare, consumer rights, and so on.

9.3 Entrepreneurship classification

The following is a taxonomy of entrepreneurs based on common features.

9.3.1 Danhof, Clarence classification

Clarence Danhof divides entrepreneurs into four categories.

1. **Innovative:** An innovative entrepreneur is someone who gathers and synthesises information and proposes new combinations of manufacturing elements. They are distinguished by the aroma of innovation. These entrepreneurs see the potential for introducing new ideas, new technologies, new markets, and establishing new businesses. Innovative entrepreneurs are extremely beneficial to their country since they bring about a lifestyle change.
2. **Adoptive/Imitative:** An adoptive entrepreneur is often known as an imitative entrepreneur. He just replicates successful innovations pioneered by other innovators. These entrepreneurs model themselves after existing entrepreneurs and build up their businesses in the same way. Instead of inventing, they simply mimic the technology and procedures used by others. These entrepreneurs are extremely beneficial to less developed countries because they considerably contribute to the creation of enterprises and entrepreneurial spirit in these countries. Furthermore, by implementing tried-and-true technology, they create a plethora of job opportunities for the youths and are thus seen as agents of economic progress.

3. **Fabian:** A Fabian entrepreneur is cautious and shy. He only imitates other developments if he seems certain failing to do so will harm his firm. They are quite sceptical when it comes to adopting or inventing new technologies in their organisation. They are unable of adapting to a changing environment. They prefer to stay in the present business and use time-honoured production methods. They only adopt new technologies when they realise that failing to adapt will result in loss or the failure of the business.

4. **Drone:** These business owners have a conservative or orthodox perspective. They never want to get rid of their traditional business, as well as their old machinery or company methods. They are constantly at ease with their old-fashioned manufacturing technology, even though the environment and society have changed dramatically. As a result, drone entrepreneurs are refusing to adapt to the changes. They are laggards because they continue to function in the same manner and fight change. His entrepreneurial effort could be limited to one or two innovations. They will not change their production methods, even if it means lower profits.

9.3.2 Arthur H. Cole classification: entrepreneurs are classified by Arthur H. Cole as

1. **Empirical:** He is an entrepreneur who rarely proposes anything novel and adheres to the rule of thumb principle.

2. **Rational**: The sensible entrepreneur is well educated about overall economic situations and implements improvements that appear more revolutionary.

3. **Cognitive:** the cognitive entrepreneur is well-informed, seeks expert counsel and services, and implements changes that represent a full shift from an enterprise's existing plan.

9.3.3 Classification based on ownership:

1. **Private:** A private entrepreneur is driven by profit and will not enter sectors of the economy where the chances for financial rewards are not promising.

2. **Public**: In developing countries, the govt will make the first move to share businesses.

9.3.4 Classification based on enterprise scale:

1. **Small scale:** This categorisation is prevalent in developing countries. Small business owners lack the requisite skills and finances to launch large-scale production and implement breakthrough technology advancements.

2. **Large scale:** The majority of entrepreneurs in industrialised countries work on large-scale projects. They have the financial resources and the foresight to launch and implement new technology changes. As a result, wealthy countries can maintain and develop a high degree of technological progress.

9.3.5 In recent years, various new classifications for entrepreneurs have been developed, which will be examined further.

1. **Solo entrepreneurs**: These entrepreneurs prefer to start their firms on their own. To ensure the enterprise's success, they provide their capital, brains, and commercial skills. They mostly run their business as a sole proprietorship.

2. **Active partners**: Entrepreneurs of this type work together to establish a business by combining their resources. They actively participate in the management of the business's everyday operations. As a result, company houses or enterprises run by active partners become more effective in their operations.

3. **Inventors:** These entrepreneurs are mostly involved in R&D (Research and Development). They have a creative personality and enjoy inventing new products, technologies, and manufacturing methods.

4. **Challengers:** Entrepreneurs of this kind take on obstacles to building commercial endeavours as a show of accomplishment. They continue to raise their standards and tackle the challenges and adversity that come their way with courage. They use their entrepreneurial skills and talent to turn chances into opportunities and profit. They believe that if there is no struggle in life than there is no charm. Challenges make them brave, and as a result, they rarely hesitate to put themselves in risky situations to profit.

5. **Buyers (entrepreneurs):** These individuals look for possibilities to purchase existing units, that may be confiscated or in working order. If the items they buy are defective, they use their knowledge, expertise, and business savvy to repair them. They remove themselves from the inconveniences of establishing infrastructures as well as other facilities by purchasing these apartments.

6. **Life timers**: These entrepreneurs consider business to be an integral part of their lives. As a matter of ego, they take up a business to effectively reconcile. They are driven by a strong desire to take personal responsibility. This category includes family businesses that prosper due to strong interpersonal abilities.

9.4 Factors to be considered when selecting a type of ownership

- The nature of the business.
- Requires a minimum output to achieve production economies.
- The minimum turnover required for a business to be commercially viable.
- Specialised and skilled workers are required.
- Capital is required.
- ROI (return on investment).
- The amount of financial assistance accessible from outside sources in the form of a loan.
- Equity liability.
- Ease of formation – registration and the financial burden that comes with it.
- Tax breaks and exemptions.
- The government provides grants and subsidies.
- Control over management.

Course Name	Entrepreneurship Development & Business Management
Lesson 10	Motivation and Entrepreneurship Development
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Lesson-10

Objective of the Lesson:

- After studying this lesson, students will be able to describe the motivation and its role in entrepreneurship development.

Glossary of Terms:

- ***Motivation*** is the process that initiates, guides, and maintains goal-oriented behaviors.
- ***Entrepreneurship development*** is the means of enhancing the knowledge and skill of entrepreneurs through several classroom coaching and programs, and training.

10.1 Introduction

Motive refers to drive and motivation means a drive to achieve a goal. Motivation refers to the way in which urges, drives, desires, aspirations, and strivings or needs direct, control or explain the behaviour of human beings.

Motivation is related to human behaviour. Motivation is a complex phenomenon. In general, motivation is a psychological phenomenon as it is related to those factors operating within the individual employee, which compel him to act or not to act in a certain way. These phenomena have been a subject of research by many people.

The common man thinks that people go into business and become entrepreneurs solely to make money. The desire to earn money is no doubt an important motivating force. But entrepreneurs are not motivated by profits alone. Several other factors inspire entrepreneurs to perform their job successfully.

10.2 Characteristics of motivation

1. Motivation is an internal feeling of a person.
2. A Single motive can cause different behaviors.
3. Motivation is a continuous process.

4. Motivation varies with person and time.
5. Motivation may be positive or negative.

What motivates an entrepreneur to undertake risk and start a new enterprise? Is it financial scarcity or financial abundance, which motivates an individual to start an enterprise? Is it the family, social status or satisfaction from present life that motivates an entrepreneur to start a new enterprise? The answer to such questions lies in the study of motivation.

10.2.1 The following are the motivating factors for entrepreneurship development.

1. **Educational background**: Education equips an individual for solving problems of life. The educational background helps him in understanding the problems and finding a solution to it. Education helps in doing thing in a better way.
2. **Occupational experience**: Experiences helps an individual by going through the situation. It provides him with the learning experience.
3. **Desire to work independently**: This helps an individual in making independent decisions and grain control over the situations. Success gives him confidence in performing the job in future.
4. **Desire to branch out to manufacturing**: The desire to do something new makes an individual think differently. He may start a branch or section, which is altogether different from the main firm. But mostly a complimentary branch is helpful to the main branch. Out of experience and study, one can take such steps.
5. **Family background**: An entrepreneur born in an industrialist family inherits certain social and cultural background, which is conducive to his work.
6. **Assistance from government**: There are large numbers of schemes to help entrepreneurs in developing their enterprise. This help motivates him to expand or start a new business.
7. **Assistance from financial institutions**: The banks and other financial agencies assist the enterprise. These institutions give funds as per the project proposal submitted by the entrepreneur.

8. **Availability of technology/raw material**: The new technology is being evolved every day. Sometimes the raw material is available for the enterprise but there is no one to take advantages of this situation. The entrepreneur should organize the things in such a way that it will develop his enterprise. He is motivated by the opportunities in front of him.

9. **Other factors of production**: There may be many other factors of production like demand for a particular product, utilization of excess money earned from contractual estate business etc. that may motivate an individual to start a new enterprise.

The above nine factors are grouped into two major categories internal and external. The first five factors are termed as internal and the last four factors as external. The internal motivating factors like education occupational experience, family background, the desire to do something independently together make the personality of the entrepreneur. These factors generate an inclination to start entrepreneurial activities.

The internal factors are important but they need to be supported by external factors like favourable Government policies financial assistance, technology and raw material, and infrastructural facilities. These facilities or assistance are the external motivating factors and serve as a spark in the lightening of the entrepreneurial idea. These factors also provide momentum to entrepreneurial activities.

Planning is an integral part of any fruitful activity. The need for planning arises from the complexity and from the importance of the job to be done. Planning is a necessary aspect of any activity. The use of planning is to discover and prepare the way for action that should be taken. Planning gives meaning and system to action. It prepares the basis for a course of future action. Starting an enterprise is a big event in the life of an entrepreneur and he should not start it without planning. If he starts the enterprise without planning and proper preparation the may meet failure.

Monitoring is essential after starting the enterprise. It is carefully reviewing of the activities when the work is in progress and sees that they are leading to the objectives as per the plan. If there is little progress or no progress then the causes of failure need to be identified. The midterm correction is possible by monitoring. One should try to find out the bottlenecks in the programme. Monitoring will help in avoiding wastage of efforts if the things are not moving in the right direction.

Monitoring will save the enterprise from disaster if things are not moving in the right direction.

Follow up is the action and review of the enterprise from time to time. It is not enough to plan the enterprise; it needs to be brought into practice as decided in the plan. In follow up the plan of work need to be brought into action. IF lacuna is observed then corrective measures should be taken. If the present activities fail in reaching the objectives then the enterprise needs to be set on a sound footing. The activities will have to be corrected to reach the desired objectives. Follow up will help the entrepreneur in deciding the course of action.

10.3 Motivation theories

Motivation acts as a key to enterprise effectiveness. Motivation is originated from the word motive. Motive means want, need, impulse or drive. Motivation is internal to a person. It varies from person to person and from time to time. Motivation is an ongoing process and may be positive or negative. There are financial and non-financial motivation techniques, which can be used by an entrepreneur for the effective functioning of the enterprise. Incentives directly or indirectly related to money are referred to as financial motivations. Money acts as an important and most effective source of motivation. Salary and wages, bonus, leave with pay, medical and housing facilities, profit sharing, vehicle allowance etc. are some of the examples of financial motivators, which should be used by the entrepreneur for the employees of the enterprise. Non-financial motivators are psychological in nature. Status, respect, prestige, participation, job enrichment, recognition, the safety of job, responsibility, etc. are examples of non-financial motivators.

10.3.1 Many motivation theories have evolved over the passage of time. These theories can be grouped as follows

Table 10.1 Theories of motivation

Content theories	Process theories	Theories related to human nature
1. Maslow's Need Hierarchy Theory. 2. Herzberg Two-Factor Theory. 3. McClelland Theory of Achievement, Affiliation and Power. 4. Alderfer's Theory of Existence, Relatedness and Growth.	1. Vroom's Theory of Valence and Expectancy. 2. Porter and Lower Model of Motivation. 3. Equity Theory.	1. McGregor Theory of X and Y. 2. Ouchi's Theory Z. 3. Contingency Approach.

Maslow's theory holds that human needs form a hierarchy ranging from the lowest order of physiological need, security need, social need, esteem needs to highest order need of self-actualisation. The theory suggests that various levels are interdependent and overlapping. Each higher-level need emerges before the lower-level need is completely satisfied. As the need does not disappear when other emerges, all needs tend to be partially satisfied in each area. When the peak of a need is passed, that need does not work as a primary motivator. The next level need then begins to dominate. Even though a need is satisfied, it still influences behaviour due to interdependent and overlapping characteristics of need.

Fredrick Herzberg and his associate of case western reserve university has conducted a research study by administering survey questions to 200 engineers and accountants in nine different companies in the Pittusberg, U.S.A. Based upon analysis of the information, two independent sets of factors affecting human behaviour were found out. One set of factors operate primarily to dissatisfy employees when they are absent, however, their presence does not motivate them in a strong way. They are referred to as hygiene factors. Another set of factors are responsible for strong motivation and high job satisfaction. They are referred to as hygiene factors. Hygiene factors found out by Herzberg include company policy and administration, technical supervision, interpersonal relationship with subordinates, salary, job security, personal life, working conditions and status.

The motivation factors found out by Herzberg include achievement, recognition, advancement, work itself, the possibility of growth and responsibility. The suggestion of Herzberg is to keep hygiene factors constant or higher while increasing motivational factors.

10.4 Important guidelines for motivation

1. The enterprise must consider human resources as the most valuable resource from among all the resources and give them respectable and honorable treatments.
2. Good quality working conditions should be maintained at the enterprise/factory place
3. Safety and health should receive a topmost priority.
4. Adequate and fair salary structure should be provided to employees so as to maintain a good standard of living.
5. Job security and enough opportunities to rise ahead in their careers should be given to employees.
6. Superiors should praise the subordinates when they deserve it.
7. Adequate tools and equipment should be provided to employees so as to perform their task effectively.
8. A proper feedback system should be implemented so that subordinates can come to know about their strengths and weaknesses.
9. The employees should be provided with opportunities to show their skills and creative instincts in work performance by giving them more freedom, encouraging their participation, implementing management by objectives and latest management concepts.
10. Principles of natural justice should be followed in handling grievances of employees. Full freedom should be provided to employees to express their problem.
11. Adequate training should be provided to the employees to develop the skills and creative abilities of the employees.

10.5 Entrepreneurship development training programme

Entrepreneurship development is one of the key elements for the promotion of MSME sectors. To undertake this task on regular basis, the Ministry has set up three national-level institutes. These are i) National Institute of Micro, Small and Medium Enterprises, Hyderabad; ii) National Institute of Entrepreneurship and Small Business Development, Noida; and iii) Indian Institute of Entrepreneurship, Guwahati. All would-be entrepreneurs can avail the multi-faceted training programmes geared for entrepreneurship cult which are tailor-made for their individual needs and application within the country. Various training programmes are organized on regular basis to cultivate the latent qualities in youths by enlightening them on various aspects that are necessary to be considered while setting up micro or small enterprises. These training programmes have attracted the attention of the educated unemployed youths and have created confidence in them, which led to the self-employment and creation of better employment. The individual MSME-DIs conduct the following training programmes: -

1. Industrial Motivation Campaign
2. Entrepreneur Development Programme
3. Entrepreneurship Skill Development Programme
4. Management Development Programme
5. Skill Development
6. Business Skill Development Programme

Other Specialized programmes like Biotechnology, Genetic Engineering, etc.

10.6 Entrepreneurial motivating factors

Most of the researchers have classified all the factors motivating entrepreneurs into internal and external factors as follows:

Internal Factors

- Desire to do something new.
- Become independent.
- Achieve what one wants to have in life.
- Be recognized for one’s contribution.

- One's educational background.
- One's occupational background and experience in the relevant field.

External Factors

- Government assistance and support.
- Availability of labour and raw material.
- Encouragement from big business houses.
- Promising demand for the product.

Course Name	Entrepreneurship Development & Business Management
Lesson 11	Importance of Planning, Monitoring, Evaluation and Follow up in Running Enterprise
Content Creator Name	Dr. Vinaya Kumar HM
University/College Name	Anand Agricultural University, Anand
Content Reviewer Name	Dr. Manjeet Singh Nain
University/College Name	ICAR - Indian Agricultural Research Institute

Lesson-11

Objective of the Lesson:

- To understand the importance of planning, monitoring, evaluation and follow-up for effective utilization of resources in running a business.

Glossary of Terms:

- ***Planning:*** the process of thinking about the activities required to achieve the desired goal.
- ***Monitoring:*** a systematic process of collecting, analysing and using the information to track a programme's progress toward reaching its objectives and to guide management decisions.
- ***Evaluation:*** systematic assessment of an activity, project, programme, strategy, policy, topic, theme, sector, operational area or institute performance.
- ***Follow-up*** is a pursue or investigate something further.

11.1 Introduction

Planning, organizing, controlling and leading are the four basic management functions applicable to all business organizations. Out of these four planning is the first function to be carried out to start any enterprise. Planning provides a stepwise procedure to establish and operate an enterprise. A successful enterprise results due to good workable area, meticulous planning and implementation. In the case of an enterprise, planning is related to business plan activities. A business plan acts as a guide for entrepreneurs. It provides a logical and structural overview of the enterprise highlighting the key activities to be carried out in different phases.

1. It provides guidelines to compare ongoing progress.
2. It identifies the key resources (manpower, machines, time, etc.) required at different stages of growth of an enterprise.

3. It helps in participative management, as all the employees are aware of future activities.

4. It provides an authentic document for communicating aspects of enterprise with financers, government and other stakeholders.

11.2 Project plan – a basic document

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

11.2.1 Project plan-benefits and utilities

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

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

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

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

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

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

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

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

11.3 General steps of business planning process

1. **Idea generation**: This is the preliminary stage of the business planning process. New ideas can be obtained from consumers, employees, research and development, market intermediaries etc. certain methods also can be utilized by entrepreneur/business organization such as group discussion, brainstorming, market research, etc.

2. **Assessing the environment**: Before venturing into the commercialization of promising ideas generated by previous steps,it is necessary to thoroughly analyze both macro (external) and micro (internal) environments so as to know strength, weakness, opportunities and threats faced by the organization/entrepreneur. it is necessary to collect maximum information for all the environmental factors, which will have both short term and long-term impact on the organization /entrepreneurs' future plans.

3. **Feasibility analysis**: On finding the environment suitable for the enterprise, a detailed feasibility study is to be carried out viz., market feasibility, technical/operational feasibility and financial feasibility. Market feasibility is concerned with ascertaining present and future aggregate demand for the enterprise product/service and expected market share of the proposed enterprise. Different methods of demand analysis are used for this purpose. Technical/operational feasibility helps to know the operational ability of the proposed enterprise. The technical feasibility covers the parameters of raw material availability, material requirement planning, plant location, plant capacity, machinery & equipment, plant layout etc. Financial feasibility is also carried out at the end to assess financial issues of the proposed enterprise. Different cost estimates and profitability projections are done.

4. If all these feasibility studies indicate the viability of the proposed enterprise then detailed functional plans covering all functions (production, finance, marketing, human resource, etc.) are made.

5. **Project report preparation**: Using the information so far collected, a project report/ business plan is prepared. A business plan is a written document describing step by step strategies to establish and operate an enterprise.

6. **Evaluation, control & review**: In order to retain a leading position in today's competitive business world, it is necessary for an enterprise to continuously evaluate the functioning and do necessary revisions in the light of changed circumstances.

11.4 Monitoring and evaluation of an enterprise

Monitoring and evaluation provides learning from past experience. It motivates the company to improving service delivery, planning and allocating capital and demonstrating results as part of the responsibility to key stakeholders. Though evaluation is distinguished from monitoring, they are in fact mutually dependent. Monitoring presents what has been delivered and evaluation answers the question "what has happened as a result of the intervention?" Impact evaluation means a particular aspect of evaluation that focuses on the ultimate benefits of an intervention.

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

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

Impact assessment

- Seeks to capture and isolate the outcomes that are caused by the programme.
- Reviews all previous Monitoring &Evaluation (M & E) activities, processes, reports and analysis.
- Provides a thorough understanding of the various causal relationships and the mechanisms through which they operate.
- May seek to manufacture, compare, contrast a range of interventions in a region, timeframe, sector or reform area.

11.5 The reasons to undertake M&E

Monitoring and evaluating an enterprise enables to improve the management of the outputs, which will have the greatest impact. M&E plays an important role in keeping projects on track, create the base for reassessing priorities and create an evidence base for existing and future projects through the logical collection and analysis of information on the implementation of a project. M&E during project implementation perform two main functions.

M&E as a legitimization function - PROVING

- Do we achieve the desired benefits for the right target groups?
- Do we achieve these benefits as efficiently and effectively as we can?

M&E as learning function - IMPROVING

- DO we do a thing correctly?
- Could we do things better?

11.6 Importance of monitoring and evaluation

1. Offer invariable feedback to improve customer's service.
2. Recognize potential problems as early as possible and propose probable solutions.
3. Observe the user-friendliness of the project to all sectors of the target population.
4. Observe the effectiveness with which the different components of the project are being implemented and propose steps for improvements.
5. Evaluate possibilities up to which the project is able to achieve its general objectives.
6. Provide guiding principles for the setting up of future projects.
7. Try to improve project design.
8. Consider the views of stakeholders.
9. Show the necessity for mid-course corrections. Reliable information allows managers to keep track of progress and regulate operations accordingly.

11.7 Follow-up

Follow-up does not require being expensive. It can be easily achieved through phone and email. Follow-up relates to responding to business queries, inquiries, and complaints if your business is relatively new. Many businesses fail soon after they are launched only because they didn't propose good consumer support along with their products and services. Every consumer has distinctive requirements and as a smart entrepreneur, it's your duty to find out the expectations of consumers from your products as well as your company.

The consumers are not satisfied merely with the quality of your product but they also want a proper after-sale treatment that will maintain long-time relations between your company and consumers. Contented and satisfied customers are your biggest asset. They are the ones that promote your business in incredible ways by referring your products and services to others in their social circle. They not only provide you with the feedback regarding your products but also help directly or indirectly in making your products more popular. Your reputation is the gift of your customers.

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Course Name	Entrepreneurship Development & Business Management
Lesson 12	Managing Competition and Entrepreneurship Development Programmes
Content Creator Name	Dr. Vinaya Kumar HM
University/College Name	Anand Agricultural University, Anand
Content Reviewer Name	Dr. Manjeet Singh Nain
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Lesson-12

Objective of the Lesson:

- To develop entrepreneurial way of thinking among students in order to apply systematically for identification and creation of business opportunities that may be commercialized successfully.

Glossary of Terms:

- ***Managing**:* to be responsible for controlling or organizing someone or something, especially a business or employees.
- ***Competition**:* the activity or condition of striving to gain or win something by defeating or establishing superiority over others.
- ***Entrepreneurial Development Program (EDP):*** a programme designed to help an individual in strengthening his entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively.

12.1 Introduction

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

12.2 Ways of defining competitors

There are three ways to define possible competitors.

1. **The 'industry perception'**: It identifies competitors as organizations that provide similar services or similar products.

For example, the car company, the automobile industry, etc. The competitors in each of these above-mentioned companies produce similar types of products or services. With this approach, an organization can get an idea about the market. Competition is at its peak when competitors are in plenty. All these business rivals exploit the same tactics to achieve similar targets- the major one being- drawing maximum customers.

2. **The marketing perception**: Competitors are organizations that fulfil the same customer requirement. For example, if the customer needs technical information, the competitors might arrange for scientists, print and electronic media, etc. Here, the competition depends on how well the customer's requirements are understood and how well different organizations have been able to fulfil the requirements.

3. T**he strategic groups' perception**: In this approach, the competitors follow more or less the same strategy in a particular market. It can be found even within a single industry also. For example, two mostly used strategic factors in grouping competitors are price (low to high) and quality (low to high). Price, quality, geographic scope, product line, market share, profits and product uniqueness are the possible dimensions for identifying strategic groups. The intensity of competition can be understood from how effectively each competitor has been able to develop a competitive advantage.

   However, it is always to keep in mind that there will be other organizations working hard to secure the same customers, resources, and outcomes that you also want.

12.3 Competitive information

a) Type of Competitive Information to be collected:

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

- Variety of products or services offered by the competitors.
- Specific features of the products or services offered by the competitors.
- Their products' plus and minus points.
- The style of business management by the other parties.
- The success percentage of the competing companies must be taken note of.
- The way the competitors handle new trends in business.

b) Principles for managing competition

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

- Sorting of opportunities must be done promptly.
- An attempt must be made to study the psychology of the customer.
- A record, a watch on the movements of the competitors must be maintained.
- To maintain a safe and healthy business identify and visualize the upcoming business trends.

12.4 Entrepreneurship Development Programmes (EDPs)

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

12.4.1 The Objectives of the Entrepreneurship Development Programmes (EDPS)

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

12.5 The Indian EDP- An Admirable Model

It is generally believed that entrepreneurs are born but EDPs have proved that wrong in the Indian context. Ordinary persons can also be converted into successful entrepreneurs through well-designed training programmes conducted by the Entrepreneurship Development institutes. The Entrepreneurial Development Programmes are well-designed and inclusive of modular packages considering the needs of the potential entrepreneurs. In the Indian context, EDPs are usually conducted for four to six weeks and the curriculum adopted by the training institutes for imparting training is also quite uniform.

12.6. Phases of EDPs

The EDPs normally pass through the following three important phases:

1. Pre-training phase
2. Training phase
3. Post-training or follow-up phase.

12.6.1 Pre-training phase: This phase is the preliminary phase for launching the programmes. It includes the following activities:

- Recognition of promising area, generally a district.
- Selection of a project leader to coordinate the programme.
- Arrangement of infrastructure for the programme.
- Identification of good business opportunities.
- Promotional campaigns.
- Establishing contacts NGOs and related agencies, which can contribute to the programme.
- The procedure of application forms.
- Selecting the trainees through a particular procedure.
- Financial arrangements.
- Preparing and finalizing the training syllabus and arranging guest faculties to impart training.

- Contacting the support agencies such as DICs, SFCs, SISI, banks, NSIC, District Magistrate, etc. for support.
- Organizing industrial motivational campaigns to have as many numbers of applications as possible.

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

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

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

Usually, follow-up action meetings are planned thrice a year after the completion of training and the following methods are generally used for follow-up:

- Postal feedback form
- Telephonic follow-up
- Personal contact by the trainer.

12.7 Challenges Faced by Edps

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

- Scarcity of a sufficient number of specialized and dedicated organizations.

- Insufficient trainer motivators to motivate people for undergoing EDPs and to impart training.
- Identification of wrong projects.
- Lack of entrepreneurial culture and background.
- Disinterest is shown by the supporting agencies and financial institutions to support the entrepreneurs.
- Lack of proper linkages.
- Selection of the wrong individual for training.
- Insufficient counselling after training.
- Lack of continuous post-training support services for the project.

Course Name	Entrepreneurship Development & Business Management
Lesson 13	SWOT Analysis
Content Creator Name	Dr. Vinaya Kumar HM
University/College Name	Anand Agricultural University, Anand
Content Reviewer Name	Dr. Manjeet Singh Nain
University/College Name	ICAR - Indian Agricultural Research Institute

Lesson-13

Objective of the Lesson:

- To understand the SWOT framework and to use the SWOT framework to analyse a business case study or a workplace situation.

Glossary of Terms:

- ***SWOT analysis:*** it is a method used to determine and define Strengths, Weaknesses, Opportunities, and Threats – SWOT.

13.1 Introduction

The SWOT framework is a credit to Albert Humphrey, who developed the approach at the Stanford Research Institute (SRI) back in the 1960s and early 1970s. It has always been important for any enterprise to know and understand how it fits in and interacts with the surrounding environment on both an internal (office/factory/shop environment) and external level (how the business operates with the outside world). Examining the environment proves fruitful to develop a strategy for both long and short-term plans. The process of liberalization and economic reforms, of course, create remarkable opportunities for the development of numerous industries but it also put up new challenges against the industries.

The 21st century would guarantee a bright future for industries provided that a conscious and sincere effort is made to avoid all hurdles. The entrepreneurs have to give more importance to the quality of their production and hence, sufficient attention must be there on research and growth. Innovation is very much necessary to maintain constant progress. In addition, for that, an entrepreneur has to analyze the existing situation. The analysis of the current situation is done by conducting (1) Internal Analysis and (2) External Analysis, jointly known as SWOT analysis that refers to identifying the strengths, weaknesses, opportunities and threats of an organization.

S – Strengths } of the organization
W -Weakness

O - Opportuni }
T – Threats of the environment

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

13.2 Analyzing the business

The most influential way to evaluate the business is to perform a SWOT analysis of the company. It is important to know that the SWOT analysis is only based upon information that is known by the assessors, but SWOT is still a powerful tool considering its immediate benefits. It's quite obvious that recognizing the Strengths and Weaknesses before tackling the Opportunities and Threats is the best way to approach the analysis. There is no fixed way of doing a SWOT analysis, but it should be done most comfortably. The objective of SWOT should be to plan a strategy for the future to improve your company's overall performance.

13.3 Strengths and weakness

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

Some of the strengths of an organization are:

- Accessibility of required infrastructure
- Sufficient manufacturing capability
- Skilful manpower
- Quality assurance and quality control

- Manufacture at low cost
- Facilities for product development
- Good locality
- Wide network
- Motivated employees
- Latest equipment installed
- Brand name at National/Regional/Local level
- Consistency in gaining profits
- Good financial position
- Efficient administration
- Human resource development
- Excellent transportation
- Healthy competition.

Some of the weaknesses of an organization are

- Increasing expenditure of operations
- Employee Association/Union pressures
- Low level of employees
- Lack of raw material
- Lack of capital
- Weak credit in the market
- The problem of the utilization of capacity
- Out-of-date technology
- Poor planning
- Insufficient infrastructure
- Less number of trained technicians
- Poor managerial expertise
- Unorganized work culture
- Ineffective co-ordination
- Brand name not recognized on a National/Regional/Local level
- Poor location for business
- Too much waste.

Recognizing these, weaknesses require one, to be honest, and practical. This is an important part to realize what needs to be done to minimize weakness in the future.

13.4 Opportunities

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

Some of the opportunities for an organization are:

- Rising population
- Increase in disposable earnings
- Skilled workforce
- Trouble-free accessibility of money
- Appropriate technology
- Favourable government policies
- Availability of market information, distribution outlets and media.
- Existence of good cultural environment.
- Competitor going bankrupt.

13.5 Threats

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

Some of the threats of an organization are:

- Scarcity of power, water, fuel
- A negative response by the market
- Recession
- Cutthroat competition
- Political unsteadiness
- End of the season approaching
- Technical obsolescence

- A financial crisis in the market
- Ever-increasing interest rates
- Resource crisis
- Difficulty in retaining technical expertise
- The rising cost of wages
- Change in customers' tastes and preferences
- Existing product becoming old-fashioned.

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

13.6 Advantages of SWOT analysis

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

- An entrepreneur can know the demand and can accordingly choose a respective field, keeping their strengths in mind.
- It helps in the development of innovative technology.
- An entrepreneur can make an analysis as to develop a completely new product, or to just bring a slight change in the existing product.
- Improvements can be brought about in the practice of production.
- New goals can be set on the basis of previous findings.
- Short-term task and long term task can be planned.
- Opportunities and threats can be recognized.
- Better plans can be formalized for effective communication & implementation.
- Major functions & minor-functions can be set out in achieving the objectives of the firm.
- Opportunities for expansion of the range of services and benefits.
- The social, political, legal, economic, technological factors can be analyzed
- An analysis of the competitor's strategies can be made and their policies can also be known.

13.7 SWOT analysis examples

Businesses can use SWOT analysis to help decide if and how to move forward with any type of strategic project; such as developing a new product line or entering a new market.

How does a SWOT analysis work?

An organization or team should conduct a SWOT analysis in the early stages of any new large-scale strategic endeavour.

This execution will vary by company and industry, but here is an overview of the basic steps involved.

Step 1: Identify the objective: This could include launching a new product, building out a new staff, or responding to competitive or market pressure by adding new functionality to your existing solution.

Step 2: Assemble your team: A SWOT analysis is a team undertaking and should involve the right people. This will probably include the leadership team and the people directly involved in the project. But SWOT analyses also benefit from varied perspectives, which mean they should include people across the organization including sales and support professionals.

Step 3: Build your SWOT matrix: This is a simple, two-by-two grid like the one shown here. It should include boxes labelled strengths, weaknesses, opportunities, and threats.

Step 4: Fill in the grid: Now your team can begin brainstorming, discussing, offering their thoughts on each of these four categories in relation to the proposed new project. The points you list under each category can be based on data, or they can be anecdotal. They can be a fact or opinion. But they should all be clear and concise, ideally in bullet form, so that everyone can review them quickly when the grid is complete.

	Helpful	**Harmful**
Internal	Strengths	Weaknesses
External	Opportunities	Threats

Step 5: Talk it out—and draw conclusions: In this final step, your team will examine your completed SWOT matrix, and discuss what all of the details mean for the proposed project. The strategic question you will need to answer is whether or not the potential strengths and opportunities are likely to outweigh the weaknesses and threats your SWOT analysis revealed.

13.8 Case Study

To understand SWOT analysis better, let us go through a case study of SWOT Analysis conducted in a five-star Hotel in Delhi:

The strengths of this five-star Hotel are

- It has more than 95 years of experience.
- It has hotels in different places in India.
- It has many heritage properties, which adds to its charm and represents Indian culture.
- It has a few low budgeted hotels, which caters to the needs of middle-class tourists.
- It has hotels not only in big cities but also in small cities, which are of tourist importance.

The weaknesses are

- It has tough competition from rivals, and hence their concentration is diverted.
- It has very few low budget hotels, which are of need today.
- It has more than one hotel in one city, which is a waste of investment.

Its opportunities are

- There is the availability of government support in the form of land and financing of projects.
- There is an increase in the tourist inflow in India, India is expecting to receive 2.4 million tourists, i.e., there will be a lot of business.

Its threats are

- Its competitors have also located nearby the hotel.
- It has to face the threats of various resorts, which people are looking for nowadays.
- It also has threats from smaller hotels, which tourists prefer, because of cheaper rates and almost the same kind of hospitality.

Therefore, this hotel has to overcome its threats and weaknesses and concentrate more on its strengths and opportunities available.

Course Name	Entrepreneurship Development & Business Management
Lesson 14	Generation, Incubation and Commercialization of Ideas and Innovations
Content Creator Name	Dr. Vinaya Kumar HM
University/College Name	Anand Agricultural University, Anand
Content Reviewer Name	Dr. Manjeet Singh Nain
University/College Name	ICAR - Indian Agricultural Research Institute

Lesson-14

Objective of the Lesson:

- To catalyze and promote the development of knowledge-based and innovation-driven enterprises and promote employment opportunities amongst students.

Glossary of Terms:

- ***Commercialization:*** the process of managing or running something principally for financial gain.
- ***Ideas:*** a thought or suggestion as to a possible course of action.
- ***Incubation:*** an organization designed to accelerate the growth and success of entrepreneurial companies through an array of business.
- ***Innovation:*** the process of making something new or improved that better serves a business.

14.1 Introduction

It's always very difficult to initiate business and it's even more difficult to maintain it smoothly. This process of establishment of business begins with the generation of innovative ideas followed by the incubation of those ideas and finally leads to the commercialization of the same ideas. All these three steps are interrelated.

14.2 Generation of idea

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

Common sources:

- Individual interests or hobbies
- Work experiences, knowledge, and skills.
- Existing products and current services, surrounding the environment.

14.3 How to generate ideas

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

2. **Use of Creativity to problem-solving**: entrepreneurs should use their creativity to have solution of an unusual problem. Creative thinking means to link new concepts particularly.

   For example, here are a few specific techniques:

   - **The checklist method**, in which an entrepreneur makes use of different questions or statements and thereby develops new ideas.
   - **Free association**, in which an entrepreneur develops a new idea through a series of word associations;
   - **Attribute listing**, in which an entrepreneur develops a new idea by looking at the constructive and unconstructive attributes of a product or service.

   Any of the above-mentioned methods help generate potential entrepreneurial ideas.

3. **Brainstorming**: One of the most popular approaches to generating ideas is brainstorming. It is an idea-generating process for getting dynamic solutions that gives a large number of alternatives. Brainstorming is a simple technique that can be done with friends or colleagues. In a brainstorming session, a group of people get together, mostly in a relaxed atmosphere, where everyone feels free to broaden their minds and imagine beyond the ordinary.

A group leader presents the issue or problem to be solved and ensures that all participants identify with it. Then members put up as many ideas as they can in a specified time by explaining them orally. Participants are motivated to come up with as many ideas possible and to build on one another's ideas. In brainstorming sessions, the discussion is nonstop as participants propose a good number of ideas. No participant is allowed to criticize the ideas of other participants during the brainstorming session. Moreover, all ideas delivered by the participants get recorded and are further put for discussion. The purpose of brainstorming is to open up as many alternatives as possible. It can lead to strong arguments and counterarguments but it is certainly a fruitful way to generate abundant ideas.

4. **Focus groups**: These groups of people's present information about projected products or services in a prearranged setting. In a focus group, a moderator focuses the group discussion on a number of issues. For example, a focus group might look at a proposed product and answer specific questions asked by the moderator. Secondly, the focus group might be given a moral general issue to discuss and the moderator simply leads the discussion based on interpretations made by the group. Thus, a focus group can provide an outstanding technique to generate innovative ideas.
5. **The Role of Intuition**: Intuition is a cognitive process through which we knowingly or unknowingly make decisions on the basis of our knowledge and experience. It is perhaps a sudden outcome of the mind. Even though structured or systematic approaches to generating ideas are important, intuition also plays an important role. Intuition is certainly a powerful source of new ideas if you learn how to use it effectively. However, the best approach of all could be to combine the structured with the intuitive as both of them complement each other. We should listen to that intuition and use more structured approaches to modify our ideas.

14.4 Idea incubation

Idea incubation means to exercise ideas in reality. It begins with basic elements by the one who considers the particular idea as the best to be used. He/she involves others in the process and proves the idea to be perfect. Finally, the idea results in a new product believing that it is capable enough to avail fund successfully and is also commercially useful.

Numerous companies promote idea incubation by grouping workforce collectively in cooperative environments. Cooperative groups work best for idea incubation so as to identify strengths and weaknesses of the idea, and thereby product which is more refined and strong can be gained. Several companies offer their services as professional idea incubators. These companies use trained staff that can think innovatively. There are lots of Idea incubation firms which provide support to product development throughout the process from the initial vague concept to viable manufacture. Successful idea incubation can result in all types of products. Finally, what requires is strong leadership and administrative skills along with entrepreneurial guts. Once an idea is incubated, it needs to be further developed and commercially presented. This depends a lot on the team leader who can motivate the employees to use the idea in a productive way.

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

14.5 The incubation process

- Help with business fundamentals
- Networking management
- Promotional support
- Speedy Internet access
- assist with financial management
- Access to a bank loan, funds and security programmes
- Deal with presentation skills
- Linkage with higher education resources
- Links to strategic partners
- Access venture capital
- Comprehensive business training programmes
- Advisory boards and mentors

- Organization panel identification
- Technology commercialization assistance
- Intellectual asset management.

Entrepreneurs who wish to enter a business incubation program must apply for admission. Acceptance criteria vary from program to program, but in general, only those with feasible business ideas and a workable business plan are admitted. It is this factor that makes it difficult to compare the success rates of incubated companies against general business survival statistics. Although most incubators offer their clients office space and shared administrative services, the heart of a true business incubation program is the services it provides to start-up companies. The amount of time a company spends in an incubation program can vary widely depending on a number of factors, including the type of business and the entrepreneur's level of business expertise. Life science and other firms with long research and development cycles require more time in an incubation program than manufacturing or service companies that can immediately produce and bring a product or service to market.

14.6 Commercialization

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

The Commercialization Process:

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

1. **The launching period:** The time to launch any product in the market should be decided after observing the market condition and consumers' interests.
2. **Place to launch its product:** A product can be launched at a single place or at many places at a time. This depends a lot on the company's resources, in terms of capital, administrative intelligence and operational capacities. Smaller companies usually launch in attractive cities or regions, while larger companies launch their products at national or international level at a time.

Multinational companies do launch their products at the international level as they have that capacity as far as finance and skilled staff is concerned.

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

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

Course Name	Entrepreneurship Development & Business Management
Lesson 15	Government Schemes and Incentives for Promotion of Entrepreneurship
Content Creator Name	Dr. Vinaya Kumar HM
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Content Reviewer Name	Dr. Manjeet Singh Nain
University/College Name	ICAR - Indian Agricultural Research Institute

Lesson-15

Objective of the Lesson:

- To provide an overview of government initiatives aimed at promoting entrepreneurship.
- To become familiar with the government's incentives for the promotion of entrepreneurship.

Glossary of Terms:

- ***Enterprise*** refers to a for-profit business or firm, but it is largely associated with entrepreneurial endeavours.
- ***Entrepreneurship*** is the process of starting a business or several businesses while taking financial risks in the hopes of making a profit.
- ***Incentives*** are things that motivate or encourage people to do certain things.
- ***Promotion*** is any activity that aids or encourages the advancement of a cause, venture, or goal.
- ***Scheme*** is designed to instil, develop, and polish entrepreneurial skills in individuals who want to start and run their businesses.

15.1 Introduction

Entrepreneurs can hugely be benefitted from a variety of government incentives. It serves as a source of inspiration for the entrepreneur. These incentives aid in productivity growth. Concessions, subsidies, and bounties are the three types of incentives. The subsidy is a one-time lump sum payment made by the government to the entrepreneur. It is monetary assistance to cover the costs. Bounty is a financial aid given to a business to stay competitive with other companies operating in the country and foreign firms in the same industry.

15.2 Aims and objectives of incentives

15.2.1 To eliminate economic constraints: Entrepreneurs face many types of constraints. e.g., lack of adequate infrastructure, far-flung locations of supporting offices for projects, lack of related knowledge by entrepreneurs *viz.,* managerial know-how, market intelligence, *etc.* Thus, government incentives in the form of availability of power, concessional finance, capital investment subsidies, transport subsidies, *etc.,* aim at eliminating such constraints and promoting entrepreneurship.

15.2.2 To bring about regional parity in development: There is an imbalance in development across different regions in our country. Some are well established, and some are underdeveloped. To see that there is equal development of all the regions, the government provides special incentives for establishing entrepreneurs in the backward regions.

15.2.3 To enhance competitive capability: Small-scale businesses founded by entrepreneurs face intense competition from large corporations in today's business environment. They will not be able to survive and grow unless the government provides adequate support. As a result, certain incentives, such as a price preference, reservation policy, preferential purchase, and so on, are required to help them enhance their competitive edge.

Entrepreneurs are the key to economic growth in today's globalised market. Enterprises contribute significantly to long-term growth and job creation due to their private ownership in the majority of cases, entrepreneurial spirit, flexibility and adaptability, and ability to respond to challenges and changing environments. For a variety of reasons, businesses, particularly small and medium-sized businesses, are regarded as strategic in the national economy. As a result, the government assists businesses, including small and medium-sized businesses, by assisting entrepreneurs. It is now possible to create new jobs, increase GDP, and raise the population's living standard. The government aids entrepreneurs in the following ways:

1. **Training:** While basic training varies by-product, it must always emphasise the development of entrepreneurial skills.

Technical institutions of the center and state governments provide conceptualised need-based technical training in this regard. Many government and non-government organisations run entrepreneurship development programs to sharpen and enhance entrepreneurial skills in the youths.

2. **Marketing assistance**: Entrepreneurs can receive marketing help from both government and non-government entities. The government uses exhibitions to promote MSME products. NSIC sells the MSME product on a national and international level, and it also handles a single-point registration system for manufacturers who want to sell to the government. Those who sign up for this program receive free tender documents as well as a waiver of the earnest money deposit and performance guarantee requirements.

3. **Promotional schemes:** The government prioritises MSME development by creating and implementing favourable policies and government schemes. The government gives development land and sheds at a cost and the necessary infrastructure. The government has created unique schemes for specific reasons such as improving quality, providing common facilities, fostering entrepreneurship, and providing low-cost consulting services. The government assists entrepreneurs in obtaining ISO 9000 certificates by funding up to 75% of the real cost, with a maximum limit of Rs 75000/-.

   Excise duty exemption: The government exempts MSME units from paying excise duty for a certain amount of annual turnover. The maximum rate of turnover varies.

   Credit Facility: Banks cover credit to the micro, medium, and small-scale sectors as part of their priority sector lending. The Small Industries Development Bank of India (SIDBI) is primarily responsible for administering several financial assistance initiatives for small businesses. Small businesses can also get loans from scheduled banks without putting up any collateral. This limit is a moving target.

15.3 Government schemes

Micro and small businesses (MSEs) are often regarded as an important component of national economies worldwide, as they contribute significantly to the massive expansion of employment.

Because of the necessity of micro and small businesses, the central and state governments have implemented several programmes to promote them, including

15.3.1 Prime Minister's Employment Generation Program (PMEGP)

The Indian government has approved the launch of a new credit-linked subsidy programme called Prime Minister's Employment Generation Programme (PMEGP), which combines two previous schemes, Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP), to create jobs through the establishment of micro-enterprises in rural and urban areas. The PMEGP is a government-run Ministry of Micro, Small, and Medium Enterprises (MoMSME) programme. The Khadi and Village Industries Commission (KVIC), which serves as the sole nodal agency at the national level, is a statutory institution under the administrative jurisdiction of the Ministry of MSME. State Khadi and Village Industries Boards (KVIBs), District Industries Centres (DICs), State KVIC Directorates, and banks implement the scheme at the state level. The government subsidy is channelled through KVIC to the designated banks, where it is eventually distributed to the recipients/entrepreneurs into their bank accounts.

Objectives

1. Set up new self-employment projects/ ventures/ micro-enterprises in rural and urban areas of the country to create job opportunities.
2. To gather together widely dispersed indigenous artisans/unemployed rural and urban youngsters and provide them with self-employment possibilities as close to their homes as possible.
3. To assist and stop the migration of rural youth to urban areas by providing constant and reliable work to a substantial percentage of indigenous and prospective artisans and rural and urban unemployed young in the country.
4. Increase artisans' wage-earning potential and contribute to a higher rural and urban employment growth rate.

Beneficiary Eligibility Requirements

1. Anyone above the age of 18 is eligible.
2. There is no upper limit on the amount of money that can be given to start a project under the PMEGP.
3. Beneficiaries must have at least a VIII standard pass as an educational qualification in order to set up a project costing more than Rs.10 lakh in the manufacturing sector and more than Rs.5 lakh in the business/service sector.
4. Only new sanctioned projects specifically under the PMEGP are eligible for assistance under the scheme.
5. Self-Help Groups (including BPL groups) are also eligible for help under the PMEGP if they have not received benefits under any other plan.
6. Institutions registered under Societies Registration Act,1860;
7. Production Co-operative Societies, and
8. Charitable Trusts.
9. Existing units (under PMRY, REGP, or any other Government of India or State Government scheme) and units that have previously received Government subsidy under any other Government of India or State Government programme are not eligible.

15.3.2 Market development assistance scheme for micro/ small manufacturing enterprises/ small & micro exporters

The scheme provides financing for:

1. Manufacturing Small and Micro Enterprises participate in international trade fairs and exhibitions under the MSME India stall.
2. Industry associations, export promotion councils, and the Federation of Indian Export Organizations to conduct sector-specific market surveys.
3. SSI Associations which are responsible for initiating and contesting anti-dumping proceedings.

4. For the first three years, Small & Micro units will be reimbursed 75% of the one-time entry fee and 75% of yearly fees paid to GSI.

Objectives:

1. To support small and micro exporters in their attempts to penetrate and expand international markets.
2. To enhance participation of small/micro manufacturing firms representatives at international trade fairs and exhibitions under the MSME India stand.
3. To increase exports from small/micro manufacturing businesses.
4. To make large-scale adoption of barcoding a reality.

15.3.3 Scheme for assistance to training institutions: The scheme aims to provide financial help for the formation of new institutions (EDIs), the enhancement of current EDIs' infrastructure, and the promotion of entrepreneurship and skill development. The scheme's main goals are to develop indigenous entrepreneurship from all walks of life to develop new micro and small businesses, expand the entrepreneurship base, and encourage self-employment in rural and urban areas by providing training and assistance to first-generation entrepreneurs. These training institutes receive help in the form of a capital grant for the creation/improvement of infrastructure.

15.3.4 Rajiv Gandhi Udyami Mitra Yojana: This is a programme for "Micro and Small Enterprise Promotion and Handholding." The success percentage of EDP/SDP/ESDP trained entrepreneurs in terms of actually establishing up and successfully running businesses varies greatly. It has been observed that new entrepreneurs have difficulty obtaining full benefits under government/financial institution schemes, like completing the formalities and complying with them and legal obligations under various laws/regulations, selecting appropriate technology, forming relationships with buyers and sellers, and so on. To cover the gap between prospective entrepreneurs' goals and reality, it is necessary to support and nurture potential first-generation entrepreneurs by providing them with handholding assistance during the early phases of setting up and operating their businesses.

Objective:

The goal of the Rajiv Gandhi Udyami Mitra Yojana (RGUMY) is to provide handholding assistance and support to prospective 1st generation entrepreneurs who already have finished EDP/SDP/ESDP or vocational training from ITIs, through identified lead agencies known as 'Udyami Mitras,' in the establishment and management of a new enterprise, in dealing with different legal and procedural hurdles, and in completing various formalities needed for setting up a new enterprise. Financial support will be offered to the designated lead agencies, such as Udyami Mitras, under RGUMY in order to provide help and handholding support to prospective first-generation businessmen.

Role and Responsibilities of Udyami Mitras

Udyami Mitras, one of the selected lead agencies, is anticipated to provide the following services:

1. Networking, coordinating, and following up with various government agencies, departments, organisations, and regulatory agencies on the one hand, as well as support agencies such as financial institutions, District Industries Centers (DICs), technology providers, and infrastructure providers on the other hand, in order to assist first-generation entrepreneurs in establishing their businesses.
2. After the business has been successfully established, the Udyami Mitras will continue to monitor and follow up on its operations for a duration of six months, offering assistance in resolving different management, economic, and operational issues.

15.3.5 Credit link capital subsidy scheme for technology up-gradation: The Scheme was first introduced in October of 2000, and it was last updated on September 29, 2005. The revamped plan intends to help Micro and Small Enterprises upgrade their technology by giving a 15% capital subsidy (12 per cent before 2005) on institutional funding used to introduce well-established and enhanced technology in designated sub-sectors/products. The updated programme calculates the acceptable capital subsidy based on the purchase price of "plant and machinery." On September 29, 2005, the maximum limit of qualifying loans for calculating subsidies under the revised programme was raised from Rs. 40 lakhs to Rs. 100 lakhs.

The strategy has been in place from the tenth to the eleventh five-year plan. Up till August 2009, about 7396 units received a subsidy of Rs. 315.21 crore under the plan.

15.3.6 Micro & small enterprises-cluster development program (MSE-CDP): Micro and Small Enterprises Cluster Development Programme (MSE-CDP) was developed by the Office of the Development Commissioner (MSME) for the holistic development of chosen MSE Clusters through the cooperative value chain and supply chain management. The scheme's main components are Technology Upgrading, Quality Upgrading, Certification, Credit Facilitation, Marketing Support, particularly exposure to foreign markets, and Collaborative Capacity Building of the cluster units, which will eventually enable them to function as their own collectives. Any intervention under the MSE-CDP must deliver on the following: the establishment and management of Common Facility Centres (CFCs), structured procurement, and marketing continual skill and technology up-gradation. Support for infrastructure upgrades for cluster resurrection has just been added to the MSE-CDP.

Objectives of MSE-CDP:

1. A key strategy for increasing small business efficiency and competitiveness.
2. To help attain economies of scale.
3. For the development of MSEs in an integrated and targeted manner.
4. Interventions that benefit a large number of units at a lesser cost.

15.3.7 Credit guarantee fund scheme for micro and small enterprises: The Government of India established the Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGMSE) to provide collateral-free credit to the small and micro-business sectors.

Existing and new businesses are also eligible for coverage under the plan. The Ministry of Micro, Small and Medium Enterprises, and Small Industries Development Bank of India (SIDBI), established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Fund Scheme for Micro and Small Enterprises. The scheme was formally launched on August 30, 2000, and is operational with effect from 1st January 2000. The Government and SIDBI are contributing the corpus of CGTMSE in the ratio of 4:1, respectively.

15.3.8 National award scheme:

Objective

Under the National Award scheme, the Ministry of Micro, Small, and Medium Enterprises recognises the efforts and contributions of MSMEs by awarding National Awards to chosen entrepreneurs and businesses each year.

15.3.9 Scheme to support 5 selected universities/colleges to run 1200 entrepreneurship clubs.

The plan is to help five universities establish Entrepreneurship Clubs from Northern, Southern, Eastern, Western, and North East regions. Each institution will be required to organise 240 clubs every year, with each club including up to 50 entrepreneurs. Over the course of five years, 3 lakh enterprises are expected to benefit.

Objectives:

1. The plan was created to empower entrepreneurs to start their Micro or Small Business initiatives. This will be a crucial plan to bring together entrepreneurs, universities, and MSME-Development Institutes (MSME-DI).
2. Furthermore, this will provide a platform for entrepreneurs to come together to overcome their common problems, resulting in a shift from lobbying to facilitation, with hard intervention by utilising technology and soft intervention in the form of workshops, seminars, guidelines for obtaining ISO certification, ISI Marks, participation in trade shows, and the implementation of The quality Management Tools.

15.4 Schemes for women entrepreneurs:

15.4.1 Mahila Udyami Yojana (MUY): Under this initiative, IDBI has established a special fund with a corpus fund of Rs.5 crores to give seed financial support to women entrepreneurs planning to launch SSI businesses. SIDBI is in charge of implementing this plan. Women should be in charge of 51% of the equity.

- Seed money is supplied as a soft loan at 15% of fixed cost, with no collateral required.
- The promoter should cover at least 10% of the fixed costs.
- The payback duration is ten years, with a five-year moratorium.
- A 3:1 debt-to-equity ratio is recommended.

15.4.2 SBI Stree Sakthi Package: EDPS is intended and executed particularly for female entrepreneurs. The sum of Rs.25000/- is issued without the requirement of collateral security.

15.4.3 Priya Darshini yojana: The Bank of India implements the Priya Darshini Yojana. Women who start a small company, retail merchants, transport (auto-rickshaws), professionals and self-employed women, and those who engage in linked agricultural practices are all eligible for financial aid.

- The maximum loan amount is Rs. 2 lakh for a term loan and 1 lakh for working capital.
- As a kind of security, financed assets are hypothecated.
- The payback duration is between three and five years.
- Depending on the sort of business, the margin money is 20%.

15.5 Government policies on entrepreneurship

The method was followed and numerous policies were enacted during the previous 5 decades, starting with the release of the first Industrial Policy Resolution (IPR).

1. **IPR 1948** – aimed towards industrialisation and post-independence national reconstruction. Considered the relevance of cottage and small businesses in terms of creating jobs and utilising local resources and talents. In the small-scale industry, the primary focus was on protection.
2. **IPR 1956** – Provided small-scale and cottage businesses with a defined policy and incentive support. Its goal was to protect as well as develop the small manufacturing sector.

3. **IPR 1977** – Establishment of DICs focusing on regional growth of industries & utilisation of local resources and skills. IDBI & KVIB were established & the small-scale sector was given priority. This policy focused on promotion. Thus **Protection, Development and promotion became its focus.**

4. **IPR 1980**- Industrial infrastructure, greater productivity enhancement of agro-based industries, consumer protection, and quality control were the thrust areas of IPR 1980. The small-scale industry was once again prioritised for a generation of wage employment and the promotion of entrepreneurial spirit among individuals.

5. **IPR1990**- Economic Liberalization Policy & Simple processes, formalities, norms, and regulations should be introduced. Under the umbrella of entrepreneurship, a greater emphasis was placed on women and adolescents. SIDBI was created to help small-scale business owners.

6. **IPR1991**- By de-licensing, deregulating, and decontrolling, the main goal of this policy reassessment was to simplify rules and processes. This strategy freed SSIs from licensing and stressed the use of cooperatives, public institutions, and other marketing organisations and businesses to promote products.

7. **IPR-2000-** This is a complete policy package for SSIs and small businesses. The major goal of this strategy was to boost the competitiveness of SSIs by exempting them from excise charges up to Rs 1 crore.

8. **IPR – 2001-02:** SSIs' market development aid programme was established. During this policy period, four UNIDO-assisted cluster development initiatives were commissioned.

9. **IPR-2003-04:** SSIs have exclusive access to seventy-three manufactured goods. With this, the policy's promotional package for small companies was launched. The RBI increased the SSI composite loan ceiling.

10. **IPR- 2005-06:** In this policy, small and medium businesses in the service sector were recognised. The programme emphasises cluster growth to support manufacturing and rejuvenate and establish new industrial townships. Khadi and Village Industries, Handlooms, Handicrafts, Textiles, Agricultural Products, and Medicinal Plants were among the nine sectors where the model was applied.

15.6 Institutional support to entrepreneurship development

There are three types of institutions that provide aid to small businesses.

- **National level Institutions**
- **State-level Institutions**
- **Fund-based Institutions.**

15.6.1 National Level institutions:

1. **Small Scale Industries Board (SSIB) -1954**: It Provides a forum to its members for interaction to facilitate co-operation and inter-institutional linkages and to render advice to the government on various policy matters for the development of SSIs.
2. **Small Industry Development Organisation (SIDO) -1954**: This institution aids the ministry in developing, organising, executing, and monitoring policies and programmes to promote and develop SSIs.
3. **National Small Industries Corporation (NSIC) Limited -1955:** This organisation was created to promote, assist, and support the commercial growth of SSIs. This helps SSIs by implementing the following schemes:
   - The composite term loan scheme
   - Hire purchase scheme
   - Equipment leasing
   - Working capital finance
   - Assistance with raw materials
   - Marketing assistance program
   - Supported by integrated marketing
   - Modernisation of technology.

4. **The Khadi and Village Industry Commission (KVIC) -1957:** The KVIC is responsible for the design, promotion, organisation, and execution of programs in rural regions for the development of khadi and other village industries, in collaboration with other rural development organisations as needed.

15.6.1.1 National-level training institutions:

- National Institute of Small Industry Extension Training (NISIET) at Hyderabad.
- National Institute for Entrepreneurship and small business development (NIESBUD) at New Delhi.
- Indian Institute of Entrepreneurship (IIE) at Guwahati.

15.6.2 State-Level Institutions

State Small Industrial Development Corporation (SSIDCs)-1956: It was established to aid in the growth of the industry in their respective states. All small, medium and big industrial firms can get term financing from it. It encourages private entrepreneurs to form partnerships in order to establish industrial businesses. Under this strategy, IDBI Bank was established to encourage seed capital at the state level.

State Directorate of industries (SDIs): This institution's primary function is to carry out policies and programmes at the state level.

The primary function of SDIs is to:

- Registration of small scale units.
- Offering financial support.
- Scarce and indigenous raw resources are distributed to industrial units.
- Providing necessary certifications for the import of raw materials and other items.

District Industries Centres (DICs) – 1978: District Enterprises Centres (DICs) were established in 1978 with the primary goal of promoting cottage and small-scale industries that were widely spread throughout villages and small towns. It brings together all of the services needed for small and rural businesses under one roof.

15.6.3 Institutions with funding:

a. **SIDBI (Small Industries Development Bank of India) - 1990:** The SIDBI administers a variety of programmes and schemes through five regional and 33 branch offices, funding the small-scale industry in two ways: direct and indirect.

b. **Commercial banks:** Long-term loans and operating capital are the two forms of financing that the SSIs require. With their enormous network of branches, all commercial banks provide key working capital routes across the country.

c. **State financial corporations (SFCs) – 1948:** Only large-scale businesses are eligible for financial help. It offers long-term financing to sole proprietorships, partnerships, corporations, and cooperative societies to industrial firms.

15.7 Schemes of State Governments

Through their directorates of industries and district industries centers, the state governments also offer small businesses technical and other support services. In general, all state governments provide the following forms of assistance.

- Sales tax is deferred or suspended.
- Subsidies for electricity.
- Subsidies for capital investment in new businesses in a few designated districts.
- Schemes that provide seed capital or margin money.
- Priority is given to establishing a power/water connection.
- Support in terms of technology and consulting.

Course Name	Entrepreneurship Development & Business Management
Lesson 16	Government Policy on Small and Medium Enterprises (SMEs) / SSIs
Content Creator Name	Dr. Vinaya Kumar HM
University/College Name	Anand Agricultural University, Anand
Content Reviewer Name	Dr. Manjeet Singh Nain
University/College Name	ICAR - Indian Agricultural Research Institute

Lesson-16

Objective of the Lesson:

1. To be aware of government policies and efforts affecting SMEs/SSIs.
2. To gain a better understanding of credit and institutional support for SMEs/SSIs.

Glossary of Terms:

- *A **policy*** is a plan of action or principles that an organisation or individual adopts or proposes.
- ***Enterprise*** refers to a for-profit business or firm, but it is largely associated with entrepreneurial endeavours.
- ***Small scale industries (SSI)*** are where manufacturing, production, and service delivery are undertaken on a small or micro size. These businesses make a one-time investment in equipment, plant, and infrastructure, but it isn't more than Rs. 10 crore, and their annual revenue isn't more than Rs. 50 crore.
- ***Liberalisation*** is removing constraints on anything, most commonly an economic or political system.
- ***Financial institution*** is a business that deals in financial transactions, including investments, loans, and deposits.

16.1 Introduction

Small scale enterprises can be described in a variety of ways. The popular definition includes the cottage and crafts industries. This makes use of labour-intensive techniques. For example, they do not rely on hired labour and are widely seen in rural households. Handlooms, handicrafts, coir, and sericulture are all examples of Khadi and village industries.

An operational definition based on investment limit is provided for policymaking purposes. It comprises all enterprises with an investment in equipment and machinery of less than Rs. 60 lakhs, whether held on ownership terms, lease or hire purchase.

This limit is Rs. 5 lakhs for a small unit. Investment in the plant and machinery for the ancillary industry does not exceed Rs 75 lakhs and is engaged in

a) Manufacturing components, parts, subassemblies, tooling, or intermediates, or rendering services,

b) or supplying 1/3 of their total service or output, as the case may be, to other units to manufacture other items.

SSIs are now classified as shown in Table 16.1 based on the most recent policy actions.

Table 16.1 Classification of SSIs

Enterprise	Investment limit for manufacturing unit	Investment limit for the service sector
Micro	Less than 24 Lakh	Less than 10 Lakh
Small	25 Lakh to 5 Cr.	10 Lakh to 2 Cr.
Medium	5 Cr. to 10 Cr.	2 Cr. to 5 Cr.

16.2 Government Policy

This can broadly be classified into three categories.

1. Policy initiative
2. Institutional support
3. Credit dispersion.

A) Policy initiative

1. **Small industry policies and incentives**: The central government announced the resolutions on industrial policy. All of the central government's industrial policy resolutions, beginning in 1948, emphasised the encouragement of small businesses. The central administration announced financial, economic, and infrastructure-related measures for SSIs' expansion. State governments, like the central government, declare a relevant policy proposal. Some of the goods are kept in reserve for small-scale manufacturing only. A programme of preferred procurement is also in vogue. Small scale units sell commodities to the director-general of supply and disposal (DGS&D).

2. **Liberalisation and SSIs:** Since 1991, India has pursued a liberalisation programme. This approach has aided the expansion of SSIs and other industries. Foreign direct investment in the SSIs industry was authorised up to 24 people. Such a policy enhances financial strength and contributes to technological advancement.

3. **Infrastructural facilities**: Integrated infrastructure development schemes, Industrial estates programmes, and growth centre schemes are only a few of the schemes launched by the central government to construct suitable infrastructure for SSIs. In addition, all state governments conduct similar programmes in their jurisdictions.

4. **Small industry clusters**: Clusters are defined as areas with similar types of industry. These clusters benefit from the ability to receive various products and services at a cheaper cost from a variety of sources. The government aids cluster development. E.g. Brass part unit in Jamnagar of Gujarat.

5. **Marketing support**: The marketing of a company's products is the primary focus of any manufacturing company. This is especially important for SSIs because marketing costs a lot of money. The government takes appropriate measures to assist SSIs in this highly competitive environment. The government founded the National Small Industries Corporation (NSIC) to encourage the sale of SSI products to government departments under the preferential purchasing policy. The government also arranges particular marketing and export training programmes.

It also arranges shows and international trade fairs for SSIs and reimburses delegates' expenses for a foreign marketing visit.

B) Institutional support

As indicated in Table 16.2, the central government, state governments, and industry groups have formed a vast number of institutions to offer institutional assistance.

Table 16.2. The network of institutional support

State Level Institutions	Central Government Institutions
1. State Directorate of Industries 2. State Small Scale Industries Development Corporation (SSIDC) 3. District Industries Centers (DICs) 4. State Finance Corporations(SFCs) 5. Technical Consultancy Organization(TCOs) 6. State Industrial Area Development Board (SIADB)	1. Department of Small Scale Industries (DSSI) 2. Small Scale Industries Board(SSIB) 3. Small Industries Development Organisation(SIDO) 4. National Small Industries Corporations (NSIC). 5. Industrial Credit and Investment Corporation of India(ICICI) 6. Industrial Finance Corporation of India (ICFI)

C) Credit support

Several financial institutions, banks, and other organisations have been created particularly to serve the needs of SSIs. For example, the Small Industries Development Bank of India.

Recommendations of the Abid Hussain Committee

In December 1995, Shri Abid Hussain, Vice Chairman of Rajiv Gandhi Institute of Contemporary Studies situated at New Delhi, chaired an expert group on small businesses, which delivered its findings in January 1997. The Abid Hussain Committee's primary recommendations are as follows:

1. Reserved items are being phased out.
2. Increasing the SSI investment limit.
3. Getting rid of the 24% foreign investment.
4. A new law will regulate business practices.
5. Clusters of units receive special incentives.
6. SSIs should include the service sector.
7. For SSIs, there are National Research Institutions.
8. Composite loans and SSI credit ratings are prohibited.
9. Excise benefits for manufacturers of brand-name goods should be liberalised.

Course Name	Entrepreneurship Development & Business Management
Lesson 17	Export and Import Policies Relevant to the Forestry Sector
Content Creator Name	Dr. Vinaya Kumar HM
University/College Name	Anand Agricultural University, Anand
Content Reviewer Name	Dr. Manjeet Singh Nain
University/College Name	ICAR - Indian Agricultural Research Institute

Lesson-17

Objective of the Lesson:

1. To gain a better understanding of the importance of export policy in the forestry sector.
2. To understand the overall significance of import policies that affect the forestry sector.

Glossary of Terms:

- ***Export:*** Any products or services generated in one nation and sold to buyers in another country.
- ***Forest business*** includes all activities from production to distribution of forest goods and services.
- ***Import:*** Any products or services purchased by one nation but made in another.
- ***Policy:*** A policy is a plan of action or a set of principles that an organisation or individual adopts or proposes.

17.1 Introduction

Foreign Trade in India is governed and controlled under Foreign Trade Policy (FTP) and Export-Import Policy (EXIM). Central Government notifies it with the power of exercise granted by section 5 of the Foreign Trade (Development and Regulation) Act. As of April 1, 2015, the Foreign Trade Policy 2015-20 is in force. The Ministry of Environment and Forest (MoEF) in India is the licensing body for import and export certification of forest goods.

The Directorate General of Foreign Trade (DGFT) of India is the main governing body in charge of all EXIM policy affairs. Registration with DGFT is essential before partaking in any EXIM activities. On registering, an Importer Exporter Code Number (IEC) is generated, After receiving an Importer Exporter Code Number (IEC), the sources of import products compulsorily be verified and declared.

17.2 The Forest Stewardship Council

The Forest Stewardship Council (FSC) is a multi-stakeholder worldwide non-profit organisation founded in 1993 to help effective forest management. The standardisation, certification, and labelling of forest products as eco-friendly are the prime facets of the Forest Stewardship Council (FSC).

Purpose

The stated mission of the FSC is to "promote environmentally appropriate, socially beneficial and economically viable management of the world's forests" To that intent, the organisation has released a global plan with five targets:

1. Promoting internationally responsible forest management.
2. Ensure that everyone has equal access to the privileges of FSC systems.
3. Maintain the FSC system's integrity, reliability, and accountability.
4. Create business value for items derived from FSC-certified forests.
5. Increase the global network's capacity to deliver on targets 1 through 4.

17.3 The following goods require licensing or special permission

Licensed (Restricted) items - Only after obtaining a DGFY import license one can import the items included in Licensed (Restricted) Items. Some examples include consumer items such as rare and semi-precious woods, safety and security devices, and essential oils.

Canalized items - Importing of Canalised items follows certain transportation channels and modus operandi or via government entities like State Trading Corporation (STC). Pharmaceuticals and bulk forest products are examples of them.

Prohibited items - Importation of certain items is absolutely forbidden.

17.3.1 Procedure for Import

- Fill out a bill of entry and include a business identification number.
- Determine the duty rate for warehouse clearing.
- Fill all the necessary paperwork and submit it to the customs department.
- Send in your import report/manifest.
- Obtain authorisation to import products.

17.4 India's important forest policies and laws

17.4.1 Indian Forest Act, 1927

The country's main forestry legislation, the Indian Forest Act of 1927, attempted to converge and conserve regions with forest covering or substantial wildlife, restrict activity and transit of forest output, and charge duties on wood and other forest produce. It was primarily based on prior Indian Forest Acts legislated by the British and established the legal basis for forest management. It explains how a state government can designate an area as a Reserved Forest, Protected Forest, or Village Forest. It also defines a forest violation, what behaviours are banned within a Reserved Forest, and what penalties apply when the Act's prohibitions are violated. The Act is already in effect in several states. Some states have approved legislation that is essentially a re-enactment of the Indian Forest Act of 1927. The Act was revised in 2012 to ban new forest clearing and set fire to a designated forest.

17.4.2 The Forest (Conservation) Act, 1980 and The Forest (Conservation) Rules, 1981, updated in 2003

According to the Forest Conservation Act, diverting forest lands for non-forestry activities requires prior consent from the Central Government. Forest land is largely diverted for development purposes such as water and irrigation, transmission systems, trains, highways, power projects, defense-related undertakings, and mining. The legislation requires compensatory afforestation and the submission of plans to the state authority for catchment area management, ecosystems and wildlife protection, rehabilitation, and so on. New laws were created in 2003 to control tribal groups' rights to forest areas and to assist the process of setting up profitable village forests.

17.4.3 National Forest Policy, 1988

This strategy was put in place to provide compensatory afforestation, critical environmental protections, long-term usage, maintenance, conservation, and improvement of forest areas. It emphasised that forests should support people's subsistence needs and aimed to reduce damage by forest inhabitants through improved management. It also states that agricultural forestry should significantly satisfy the demands of industrial wood. Its primary implementation program is known as Joint Forest Management, and it proposes that villages manage specific forest blocks in collaboration with forest departments to meet the necessities of the rural and tribal communities, boost forest productivity, enhance forest product efficiency, as well as reduce the efficiency of forest product utilisation pressure on the existing forest area. JFM initiatives now exist in 27 states, representing 85,000 village committees, and span approximately 17.3 million hectares of forest land. (World Bank, 2005, India: Unlocking Opportunities for Forest Dependent People).

17.4.4 Compensatory Afforestation Fund Management and Planning Authority (CAMPA), 2009

The Compensatory Afforestation Fund Management and Planning Authority (CAMPA) was founded in 2009 as the National Advisory Council chaired by the Union Minister of Environment and Forests to oversee, provide technical help, and evaluate compensatory afforestation initiatives. Its purpose is to encourage afforestation and restoration efforts to mitigate forest area that has been transferred to non-forest uses. The fund was constituted in 2006 in response to a Supreme Court of India judgment and was permitted to disburse money in 2009. It is endowed with around $5 billion. State CAMPAs receive funds from user agencies for restorative afforestation, extra compensatory afforestation, punitive, compensatory afforestation, Net Present Value (NPV), and any other sums recovered from such agencies under the Forest (Conservation) Act of 1980. They use the revenues raised for compensatory afforestation, supported natural regeneration, forest preservation and restoration, infrastructural developments, wildlife preservation and protection, and so on.

17.4.5 National Mission for a Green India (GIM)

GIM is the 10-year program approach that aims to improve degraded and non-forest land through farm and social forestry. Under this, 5 million hectares of degraded and five million hectares of non-forest areas are aimed restored. It is one of the government's eight national missions under its National Action Plan on Climate Change. The Cabinet Committee on Economic Affairs (CCEA) approved a Rs 13,000 crore (US$2.1 billion) spending on planting and forest restoration in the country for the next five years in 2014, marking the launching of the initiative.

17.4.6 National Afforestation Program (NAP)

The NAP Scheme was launched in 2006 to assist in the current system of devolving forest protection, development, and management functions to decentralised institutions such as at village level - Joint Forest Management Committee (JFMC) and at forest division level - the Forest Development Agency (FDA). The scheme's ultimate aim is to enhance forest resources with a participatory approach that impacts and uplifts the livelihood of the forest-fringe communities, particularly the disadvantaged.

17.4.7 Wildlife Protection Act, 1972 and The Wildlife (Protection) Amendment Act, 2006

According to the Wildlife Protection Act, hunting wild animals or gathering wild flora in state-protected regions needs permission from the forestry administration. The National Tiger Conservation Authority and the Tiger and Other Endangered Species Crime Control Bureau were established under the 2006 Amendment Act (Wildlife Crime Control Bureau). The National Tiger Conservation Authority adopts protection and conservation strategies of state tigers, which can specify areas of tiger protection but must consider the agrarian livelihood interests of communities living in and surrounding Tiger Reserves.

17.4.8 The Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006

The legislation addresses the rights of forest-dwelling populations to land and other resources, and it requires corporations and states to safeguard the current rights and privileges of forest-dependent people.

17.4.9 Other forestry-related national laws and policies include

- The Mines Act of 1952
- The Environmental Protection Act of 1986
- The National Conservation Strategy and Policy Statement on Environment and Development of 1992, which makes EIA mandatory for most developmental activities
- The National Environmental Policy of 2006
- The Biological Diversity Act of 2002.

17.4.10 Processing/Manufacturing Laws

When forest clearing is involved, all private firms must follow a biodiversity and wildlife protection plan that has been authorised by the state forest department. The Forest Conservation Act of 1980 and the Wildlife Protection Act of 1972 are two relevant statutes. State Forest Departments must execute both Management Plan for Protected Areas and working plan/scheme in accordance with the National Working Plan Code and the Forest Conservation Act of 1980 and the Wildlife Protection Act of 1972.

Various states have different limits on the fall of wood/timber produced on private land, depending on the locality, intended purpose, and species. According to the Land Revenue Codes/Act 9, Tenancy Act, and Consolidation and Fragmentation Act, and Transit Rules propagated under Indian Forest Act, 1927, a timber harvesting firm or farmer must obtain a license. If the state forest department harvests wood/timber, it must do so by the Supreme Court of India's orders in T.N Godavarman vs Union of India and Ors (W.P (C) No. 202/1995), the National Working Plan Code issued by the Ministry of Environment and Forest, and the State's Forest Manual/Codes.

Any wood processing industry, i.e. sawmill unit, should be registered with the government under the Industries (Development and Regulation) Act of 1951, the Factories Act of 1948, the Payment of Gratuity Act of 1972, the Payment of Bonus Act of 1965, the Employees Provident Funds and Miscellaneous Provisions Act of 1952, the Air (Prevention and Control of Pollution) Act of 1981, the Water (Prevention and Control of Pollution) Act of 1974, the State Land Revenue Act, According to Section 41 of the Indian Forest Act, as well as the Forest Act and Saw Mill Establishment Rules of that State, it must also have a valid license.

17.4.11 Trade Laws

India's international timber trading is governed by the Export-Import Policy (EXIM), which is a five-year Policy Directive enacted under the national government's Foreign Trade (Development Regulation) Act 1992. (FTRD). Foreign Trade Policy (FTP) of the Government of India is formulated in accordance with the Foreign Trade (Development Regulation) Act 1992 and is implemented through the Customs Act, 1962.

The Director-General of Foreign Trade (DGFT) is the central authority under the FTFRD act. All species which are exported/imported must be approved by the DGFT under the EXIM policy. In addition, they are validated under the Destructive Insects and Pests Act of 1914 and the Plant Quarantine Order of 2003 and must be CITES compliant. Further, forest goods are categorised accordingly as prohibited, regulated, or restricted.

Importing and exporting businesses must have a valid license/permit granted by an export promotion council, commodities board, or other government-designated export promotion authority. Entities must respect all timber transit laws issued by the national government under section 41A of the Indian Forest Act 1927 and State Transit Rules while crossing international boundaries.

17.4.12 Transport Laws

States have the authority to adopt transit regulations governing the transportation of forest products, particularly wood, within their borders and in international trade. State laws differ, but most states provide transit passes to wood carriers. Section 41 of the Indian Forest Act of 1927, the State Forest Acts, and the State Transit and Transportation Rules include more information.

17.4.13 Tax Laws

According to the Indian Forest Act, 1927 and applicable State Forest Laws, clear proof of tax returns for wood production, timber processing, and timber commerce must be filled out properly, and taxes must be paid on time. According to the Indian Customs Act, 1962, and the Indian Customs Tariff Act, 1975, all taxes related to the import/export of forest products must be filed and paid.

Course Name	Entrepreneurship Development & Business Management
Lesson 18	Venture Capital
Content Creator Name	Dr. Vinaya Kumar HM
University/College Name	Anand Agricultural University, Anand
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University/College Name	ICAR - Indian Agricultural Research Institute

Lesson-18

Objectives of the Lesson:

1. To increase students understanding of venture capital.
2. To understand the dynamic challenges that entrepreneurial ventures face in obtaining financial backing to support future growth and development.

Glossary of Terms:

- ***Capital*** of a business is the money it has available to pay for its day-to-day operations and to fund its future growth.
- ***Equity*** represents the value that would be returned to a company's shareholders if all of the assets were liquidated and all of the company's debts were paid off.
- ***Financing*** is the process of providing funds for business activities, making purchases, or investing.
- ***Venture capital*** is a type of private equity and a form of financing that investors offer start-ups and small companies with the potential for long-term growth.

18.1 Introduction

Venture capital is a relatively new concept in Indian industry. As the name implies, it deals with financial assistance and stability to budding entrepreneurs to help them start and grow their businesses. In 1946, General Doritos established the American Research, Development Fund (AR and D) at the Massachusetts Institute of Technology to fund the commercialisation of innovative technologies developed in American universities, and this is where venture capital began. This organisation lent money to 100 businesses for nearly 11 years and returned 35 times its investment. As a result of AR and D's enormous success, major American corporations such as Xerox, 3M, and General Electric have entered the venture capital field. This trend was suddenly followed by the Japanese.

In the early 1950s, there was a noticeable increase in the number of companies seeking venture capital. It was first noticed in the UK during the nineteenth century, when European merchant bankers aided the industry's growth in their dominions such as South Africa, India, and the United States. Finally, some Indian companies expressed interest in venture capital. During the period of independence, the TATA Group's Investment Corporation of India fruitfully developed a range of companies such as Associated Bearings and CEAT Tires. After that, IFCI, which sponsored The Risk Capital Foundation in 1975, was the first to start venture capital financing.

18.2 Concept of venture capital

The term "venture capital" refers to a type of equity financing used to fund high-risk projects. It is founded on a partnership between an entrepreneur and a venture capitalist and thus represents an effort to promote new entrepreneurship that goes beyond traditional projects. Venture capital is a type of investment that is made in businesses where the risks are still being reduced to the bare minimum. It is typically given to entrepreneurs who have good business ideas and a thorough understanding of the industry but lack the financial resources to implement them. For such new entrepreneurs, venture capital can be a lifeline.

As a result, venture capital can be thought of as equity support for new concepts that are high risk and high development and profitability. Venture capital plays an important role enough to help small and medium-sized businesses launch innovative ventures. It is strongly linked to creativity, novelty, rapid development, and high profits. It is considered a launching pad for creative business ventures.

18.3 Aims of venture capital

a) It satisfies entrepreneurs' ambitions.

b) It breathes life into a potential business venture.

c) It gives new entrepreneurs the proper direction they need.

d) It aids in the development of a business.

18.4 Features of venture capital

a) It takes a high degree of risk in the hopes of making a large profit.
b) It provides funding for high-risk projects.
c) It actively directs the innovative business.
d) It takes 4 to 5 years to reach the desired profit level in most cases.
e) It is primarily a long-term investment with capital gains as the primary source of income.
f) When the assisted company reaches a certain point of profitability, venture capitalists usually stop investing in it.
g) It comes with a royalty tied to the company's sales after commercialisation.

18.5 Financing steps for venture capital

When a company decides to pursue venture capital funding, it is critical to adhere to a strict system and procedure. The following are the steps in a venture capital fundraising process in India:

1. **Choosing the right investment financier:**

   The company should work with an Investment Banking firm (IB) that has the following capabilities:

   a) Very good understanding and vision of the venture capital industry.
   b) Excellent knowledge of the company trade and production.
   c) Ability to tell a compelling and honest story about the company.
   d) Experience working with venture capitalists.
   e) A solid network of contacts in the venture capital community.

2. **Preparation of Investment Memorandum and Financial Model:**
   Following the selection of an investment bank, the company should work with the investment bank to prepare an Investment Memorandum (IM) and a Financial Model (FM). A good IM is critical for a company's success because it answers most of the investor's key questions and queries, allowing the investor to make an informed decision about the company.

A Financial Model is a Microsoft Excel file that covers numerous business variables such as revenue drivers, cost drivers, capital expenses, and so on and projects the company's revenues, profitability, cash flows, and finance requirements for the next 5 to 7 years.

3. **Shortlisting and approaching the venture capital funds:**

The next step is to make a list of the investors who will be approached on behalf of the business by the investment banker. When shortlisting investors, keep in mind that the shortlisted investors should be familiar with the company's production, stage of the firm (seed stage, early stage, growth stage, pre-IPO, etc.), and financial requirements.

4. **Meeting the Venture Capital Funds:**

The investment banker walks up to the venture capitalists and begins presenting to them. These presentations aim to set up the first meeting between the company's promoters and investors. The company tries to persuade the investors to invest during the follow-up meetings. Investors issue a Term Sheet once they are convinced.

5. **Signing the Term Sheet:**

A Term Sheet (TS) is a document that summarises all of the investment's key terms and conditions. The most important terms in the TS are the company's valuation and transaction structure. There are a lot of other key terms in the Term Sheet, such as investor exit, board memberships, and so on. A non-binding Term Sheet is agreed to sign between the company and the investors once all of the terms have been agreed upon.

6. **Due Diligence by the Investors:**

Investors conduct due diligence on the company after receiving the Term Sheet. An investor's due diligence process typically focuses on the following aspects of the business and its expansion plans:

1. Financial
2. Production
3. Technical.

Signing the shareholder's agreements and funds transfer

The investors sign a Shareholder's Agreement (SHA) once they are satisfied with the results of the due diligence process. All of the terms of the Term Sheet are covered by SHA, as well as other important terms and conditions such as dispute resolution, non-compete, lock-in, and the share transfer process. In most cases, lawyers from both the company and the investor are involved in this process. Once an agreement is reached, all of the company's shareholders and investors sign the SHA, and the investor transfers funds to the company.

18.6 Sources Of Venture Capital

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

1. **Programme for Advancement of Commercial Technology (PACT):** India's first venture capital fund was established in 1995 to assist Indian companies in commercialising innovative technologies. Indo-US joint ventures started the Programme for Advancement of Commercial Technology.
2. **Technology Development and Investment Corporation of India (TDICI**): The Technology Development and Investment Corporation of India (TDICI) was India's first venture capital firm, founded in 1986 by ICICI.
3. **Risk Capital and Technology Finance Corporation (RCTFC)**: The Industrial Finance Corporation of India established it as an independent body (IFCI). It encourages and supports entrepreneurs, particularly those involved in technological development.
4. **Venture capital scheme of IDBI**: This IDBI scheme is quickly becoming one of the most important venture capital funding sources. It's designed to help projects that promote innovative and experimental technologies in Indian settings.

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

1. ANZ Grindlays Bank
2. Credit Capital Venture Fund (India) Ltd
3. 20th Century Venture Capital Corporation

3. APIDC Venture Capital Ltd
4. Canbank Venture Capital Fund
5. Gujarat Venture Finance Ltd
6. Industrial Development Bank of India
7. IL and FS Venture Corporation
8. SBI Capital Venture Fund
9. Pardeshiya Industrial and Investment Corporation of Uttar Pradesh Ltd (PICUP).

18.7 Criteria adopted by venture capitalists to provide venture

Capital Finance

The following criteria are properly considered by venture capitalists when making investment decisions:

a) The management team's dependability, business acumen, and entrepreneurial spirit are regarded as the most important factors.
b) The entrepreneur's and his administration team's backgrounds.
c) The project's, procedure's, or service's technical as well as commercial viability.
d) A massive and rapidly growing market opportunity.
e) A benefit in terms of price or cost.
f) Guts for a four-to-seven-year period of satisfactory profitability.

18.8 Merits of venture capital

a) The promotion of industrialisation in the country is aided by venture capital.
b) It aids in the development and promotion of new technologies.
c) It assists new entrepreneurs in turning their ideas into reality.
d) It increases the number of job openings.
e) It develops entrepreneurship in the country.

Course Name	Entrepreneurship Development & Business Management
Lesson 19	Contract Farming and Joint Ventures
Content Creator Name	Dr. Vinaya Kumar HM
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Lesson-19

Objectives of the Lesson:

1. To understand the concept of contract farming and joint ventures.
2. To comprehend the significance of contract farming and joint ventures in entrepreneurship development.

Glossary of Terms:

- ***Contract farming****:* Farmers and processing or marketing firms enter into a contract to produce and then further supply agricultural products under a forward agreement, often at predetermined prices.
- ***Farming*** is the activity or business of growing crops and raising livestock.
- ***Joint venture:*** A joint venture is a business relationship where more than one parties agree to pool their input resources to complete a specific task. This task could be a novel project or something else entirely.
- **NGO** is a non-profit organisation that operates independently of any government, typically one whose purpose is to address a social or political issue.

19.1 Introduction

Contract farming: Contract farming can be considered an agreement between farmers and processing and/or marketing firms that aims to produce and supply agricultural products. The arrangement also involves the customer. Under such arrangements, farmers should provide a specific product of good qualities. As a result, the processor and the farmer share the risk. When contract farming is well-organised and managed, both parties' risks are reduced. Contract farming can expand markets while also proving profitable for both sponsors and farmers. Contract farming is now widely used for fruits and vegetables, pigs, poultry, dairy products, and even prawns and fish, in addition to tree and other cash crops. The contract farming system should always be viewed as a partnership between farmers and agribusiness.

19.2 Merits and problems of contract farming

Advantages for farmers

- The sponsor provides production services in exchange for advances on his credit.
- Farmers' price risk is often reduced.
- Contract farming opens up new markets for small farmers.
- Contract farming promotes new technology and allows farmers to learn new skills.

Problems faced by farmers

- Farmers are vulnerable to market failure as well as production issues. Occasionally, the entire contracted production is purchased.
- Sponsoring companies may be able to take advantage of a monopoly position.
- The professionals of sponsoring organisations may be uninterested in allocating precise quotas.
- If their production projections and advances are incorrect, farmers may become heavily in debt.

Advantages for sponsors

- Politically, contract farming with small farmers is acceptable.
- Teamwork with small farmers helps to solve the issue of land scarcity.
- Because farmers are in charge of production, it is more reliable.
- The quality is far more consistent when the farmers are involved.

Problems faced by sponsors

- At a later stage, contracted farmers' constraints turn out to be sponsor issues.
- Communication issues may hamper farmers' capacity to produce to manager’s specifications.

- Farmers may be dissatisfied due to poor administration and consultation with them.
- Farmers have the option to sell outside of the contract.
- Farmers may use credit-based inputs for other purposes.

19.3 Types of contract farming in Asia

In Asia, contract farming initiatives can be divided into two categories:

1. Based on the motivations and goals of contractors
2. Based on the structure and scale of operation.

A. Based on Motivation and Goals of Contractors

Contract farming contains the following kinds of agriculture.

1. **Socially Motivated Contract Farming**: Modernisation has impacted the agricultural industry in rural areas. As a result, many grassroots and non-governmental organisations (NGOs) have turned to contract farming to stimulate alternative agriculture systems, such as Japan's teikei system, which can protect the environment and improve farmer welfare.

2. **NGOs' Use of Contract Farming to Promote Alternative or Community Supported Agriculture**: Most such alternative agriculture schemes have always been small-scale and focused on the domestic market. Consumer cooperatives and farmers' markets are used to distribute the goods. However, in some cases, the schemes were started by foreign NGOs operating as sponsors for contract farming in impoverished areas of developing countries. For example, as part of its rural community in Thailand, the Japanese International Volunteer Center has promoted contract farming of organic crops.

3. **Contract Farming Promoted by Local Government**: A multipartite agreement undertaken by the government, commonly with broader development, is known as contract farming. A government organisation, such as the Lao People's Democratic Republic, and a private firm collaborate with farmers.

4. **Purely Commercial Contract Farming**: Contract farming throughout Asia is distinguished by its sole commercial focus. This form of contract farming is now becoming increasingly important in Asia's agriculture industry. Private-sector-led contract farming is widely used to produce non-traditional, high-value agricultural products for export in countries such as the People's Republic of China (PRC) and Thailand.

   Other Asian countries, such as Vietnam, the Lao People's Democratic Republic, and Cambodia, are interested in promoting private-sector-sponsored contract farming. The government has played a crucial role in such transitional economies by enabling agribusiness firms' access to the land and funding. Farmers' incomes may benefit from this form of contract farming.

5. **Contract Farming for Socially Responsible International Trade:** In this context, agribusiness firms in developed countries such as Japan choose contract farming of healthy foods in developing countries to save money and demonstrate corporate social responsibility. This form of contract farming appears to be the most compelling in terms of its overall contribution to comprehensive poverty reduction in developing countries of all the contract farming types.

B. Based on Structure and Scale of Operation

Contract farming ventures can choose between a large-scale, centralised model and a small-scale, decentralised model, depending on their structure as well as the scale of operation.

1. **Large-Scale, Centralised Model**: In general, a large-scale, centralised model is best for crops that are subject to rigid processing standards, which necessitate advanced farmer practise, necessitate numerous changes in farm machinery, and necessitate significant long-term investment (Eaton and Shepherd, 2001). This is the best model for crops that require more capital than labour.

2. **Small-Scale, Decentralised Model:** Crops that don't require much processing but only have to be graded and packaged for selling benefit from the small-scale, decentralised model. In most cases, the interim investment in production is minimal (Eaton and Shepherd, 2001). This model is recommended for products that need a huge amount of labour rather than a lot of capital.

Small-scale and decentralised contract farming in Asia is characterised by crop production subcontracting through intermediaries. Such brokers are becoming the desired arrangement for contract farming in developing areas. In this arrangement, agribusiness firms purchase crops from intermediaries, who then make their own deals with farmers.

19.4 Successful Ventures in India

1. Pepsi Foods Ltd. In Punjab has a contract with farmers for Tomato crop, Basmati rice, groundnuts
2. Appachi's Integrated Cotton Cultivation
3. Ugar Sugar's experience with Barley
4. Kerala Ayurveda Pharmacy

19.5 Joint Venture

A joint venture is a type of business that two or more people own. It is a collection of assets contributed by two (or more) business entities for a specific business function. It is essentially a long-term contract that is both specific and flexible. A joint venture can be a firm partnership, a corporation, or any other type of business organisation that the participating firms choose. It is a type of development strategy used by businesses. A joint venture is a business formed by two or more parties to engage in a profitable activity together. The parties agree to jointly form a new entity and share the enterprise's revenues, expenses, and control. A joint venture can take the form of a corporation, limited company, partnership, or another legal structure. In a nutshell, a joint venture is a business structure built up by more than one party for a specific purpose.

19.6 Characteristics of Joint Venture

- Contribution of money, assets, effort, knowledge, and skill by partners.
- A joint ownership interest in the venture's subject matter.

- The right to mutual management of the enterprise.
- Right to a share of the property

As a result, joint ventures are limited in scope and time. Each partner must bring something unique and significant to the venture while also providing a source of profit to the other people involved. On the other hand, the joint venture agreement does not affect the participants' competitive relationship.

19.7 Reasons for forming a joint venture

- Expanding the company's name and fame
- Spreading out expenses and risks
- Improving financial resources
- Access to cutting-edge technologies and clientele
- Access to cutting-edge administrative practices.

Few examples of joint ventures in agriculture:

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

19.8. Benefits of joint venture

- Joint ventures are useful in supporting organisations in the process of restructuring.
- It may help a company gain market penetration in new regions over time and build new product markets.
- It may also be employed as part of a long-term strategic plan by small businesses.

Course Name	Entrepreneurship Development & Business Management
Lesson 20	Public-Private Partnerships (PPP)
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University/College Name	ICAR - Indian Agricultural Research Institute

Lesson-20

Objectives of the Lesson:

1. To introduce the concept of PPP.
2. To understand the fundamental features and characteristics of PPPs.

Glossary of Terms:

- ***Public:*** is the government or state, or the state does things for the people.
- ***Private*** means "belonging to a specific person" or "private property."
- A formal agreement between two or more parties to operate and manage a business and share profits is known as a ***partnership***.
- *A **public-private partnership (PPP)*** is a long-term partnership between two or more public and private sectors.

20.1 Introduction

It is nearly impossible to do anything alone in today's world of complexity and speed. Because of rising costs, shifting disease patterns, and increased use of innovative techniques for diagnosis and treatment.

A public-private partnership (PPP) is funded and operated by a collaboration between the government and one or even more private sector organisations.

It is a contract between the public and private sector organisations in which the private party offers public services while also bearing the financial, technical, and operational risk.

20.2 Concept of PPP

The term **"public"** refers to govt or organisations that operate under the umbrella of the state budget.

The profit/non-governmental/volunteer sector is referred to as **private**.

A **partnership** is a contract between two or more people. It reflects the shared interests' mutual responsibilities.

A **public-private partnership (PPP**) is an arrangement in which private parties participate in or support the provision of infrastructure.

20.3 Key characteristics of PPP'S

- Participants
- Relationship
- Resourcing
- Sharing
- Risk allocation
- Continuity
- Focus on services
- Whole-of-life cycle costing
- Innovation

20.4 Need for PPP

- Existing services are ineffective in reaching all people.
- The government, on its own, may not always be able to meet the needs of the most vulnerable people fully.
- To establish a minimum standard for service quality and legal regulation.
- For the sake of mutual benefit (cost, workforce and financial resources.)
- To increase consumer participation in service planning and monitoring.
- To be committed specially to the public good.
- To avoid duplication.

20.5 Benefits of PPP'S

- Risks are properly mitigated and allocated.
- Provide financial incentives for cost-cutting.

- Ensures value for money
- Attract the right employees with the relevant talents and expertise in management.
- Promotes innovations
- Reduces corruption and waste
- Taxpayers will be less burdened.

20.6 PPP Models

1. **Contracting:**
   - **Contracting out**: The government hires an outsider to oversee a specific task.
   - **Contracting in:** Individuals are hired by the government temporarily to provide services. E.g. Human resources.
2. **Franchising**: Franchising is a business arrangement in which one party (the franchiser) grants another party (the franchisee) rights to a product or service.
   - Partial franchising
   - Full franchising
   - Branded clinic e.g. Butterfly clinic, Titli clinic in Bihar, etc.
3. **Social marketing**: A promotional business idea used to raise public awareness regarding a social welfare campaign is known as social marketing.
4. **Joint venture**: A joint venture is a business relationship in which two or more parties agree to pool together their resources to complete a specific task. This task could be a novel project or something else entirely.
5. **Voucher scheme**: A voucher scheme is a ticket or piece of paper which can be used to pay for something instead of money.
6. **Partnership with corporate sector/ industrial houses** E.g., CII (Confederation of Indian Industry), FICCI (Federation of Indian Chambers of Commerce and Industry).
7. **Involving professional association**: E.g., IAPSM (Indian Association of Preventive and Social Medicine).

8. **Donation and philanthropic contributions.**
9. **Participation of social groups and clubs rotary club, lions club.**
10. **Partnership with cooperative societies.**
11. **Partnership with non-profit community-based organisations.**
12. **Running mobile health units.**
13. **Community-based health insurance.**

In the PPP model, a private sector organisation establishes a separate organisational structure to develop, build, maintain, and operate the resource for the contract duration. The public-private partnership model is a suitable arrangement for the completion of the project in the infrastructure sector due to complex arrangements and contracts that ensure and secure cash flows.

The public-private partnership plays an important role in improving the performance of public and private systems worldwide by combining the best features of both public and private sectors to improve efficiency, quality, innovation, and the impact of both private and public systems.

Course Name	Entrepreneurship Development & Business Management
Lesson 21	Overview of Forestry Inputs Industry, Characteristics of Indian Forestry Processing and Export Industry
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Lesson-21

Objectives of the Lesson:

1. To learn about the state of the Indian forest sector.
2. To know the import and export activities and their importance.

Glossary of Terms:

- ***Export:*** a product or service manufactured in one nation but sold to a purchaser in another.
- ***Forest*** is a large area covered chiefly with trees and undergrowth.
- ***Import:*** to bring something in from an external or foreign source.
- ***Industry*** is the economic activity concerned with the processing of raw materials and manufacture of goods in factories.
- ***A policy*** is a course or principle of action adopted or proposed by an organisation or individual.

21.1 Introduction

Any industry that relies on forests for raw materials is classified as a wood or forest industry. India has the most wood-based businesses, including pulp and paper, saw wood, match, veneer and plywood, dendro biomass, and pencil.

The forest-based business is expanding fast in response to rising demand for housing, furniture, construction materials, packaging, agricultural products, sporting goods, plywood, veneer, and matches, among other things. Similarly, biomass-based power generation enterprises are expanding around the country to generate power from forest biomass. This rising demand for wood and wood-based industries would result in a 20-70 million cubic metre wood shortfall by 2020.

It is estimated that around 40% of forest resources are produced from outside forest regions and that outside forest area supply more than 95% of fuelwood and main timber requirements.

The following are the key forest-based industries that rely largely on forestry and agroforestry plantations for raw materials.

21.2 Major Forest-Based Industries

21.2.1 Pulp & Paper Sectors: The pulp & paper business is one of India's most important and fragmented industries. There are approximately 700 paper mills in India now, with 33 in the large-scale industry. Paper consumption per capita in the 1990s was 3.3 kg, which has recently increased to 8 kg but is still lower than the global average of 47.7 kg. The present raw material production for pulp and paper manufacture is 2.76 million tonnes, compared to a demand of 5.04 million tonnes. The gap might be as much as 45 per cent.

The entire installed capacity of pulp and paper mills in the country is anticipated to be more than 7.5 million tonnes, with that figure expected to rise to 14 million tonnes by 2020. Paper is made in India from a variety of raw materials, including wood, recovered paper, bagasse, and other agro wastes.

Currently, the country's paper industries are facing a critical shortage of raw materials, which has become a major impediment to the industry's competitiveness and expansion. As a result, all industries have begun enormous plantation programmes, with various degrees of success.

Major Pulpwood Species: Bamboo, Casuarina spp., Eucalyptus spp., Leucaena spp., Acacia spp., and Populus spp. are the major pulpwood species.

21.2.2 Match Industries:

The Matchwood business is one of India's oldest wood-based industries. Around 75% of the total matchwood industries in the country are situated in Tamil Nadu, which has nearly 6,000 match businesses that are automated, semi-mechanised, or cottage industries.

In India, per capita consumption of matches climbed significantly from 2.45 kg in 1970 to 4.25 kg in 2010. (1987).

The present per capita consumption has increased to 6.0 kg, which is even more astounding. The increased demand for matches, along with dwindling wood resources, has created a serious bottleneck for the whole match industry in India, along with the veneer and ancillary splint sectors. In the year 2000, there was a deficit of 9,00,000 m3. The veneer quality of wood used in matchboxes, which accounts for 44% of all matchwood used, is likewise in low supply.

Major Matchwood Species: Ailanthus excels; Albizia falcataria; Alianthus triphysa; Albizia lebbeck; Anthocephalus cadamba; Erythrina indica and Populus spp.

21.2.3 Timber and Sawn Wood Industries:

Traditionally, residents in the country have relied heavily on timber and other converted wood for all of their home and industrial wood needs. Rapid population development, urbanisation, and industrialisation have increased the use of wood in furniture, housing, and construction materials.

And over 500 million sq ft of space is expected to be created in urban parts of the country between 2010 and 2012, with wood goods valued at roughly 3 billion US dollars.

With the increased use of wood as a primary material for housing and construction in urban and semi-urban regions, there will be a high demand for timber and other sawn wood requirements. The Indian furniture industry is estimated to be worth USD 8 billion, with the majority of raw materials imported from various nations.

Major Timber Species: Tectona grandis; Terminalia spp.; Albizia spp.; Gmelina arborea; Azadirachta indica; Pterocarpus spp.; Mangifera indica; Artocarpus spp.; Dalbergia spp.; Dipterocarpus spp. and Eugenia spp.

21.2.4 Plywood manufacturing:

The plywood sector is one of the rapidly expanding in India. Plywood has seen widespread use in the country as a result of industrialisation, urbanisation, and a growing interest in interior décor. A wide variety of species have been discovered to be suitable for creating a face, core, and inner veneers, leading to the formation of over 2,000 small scale enterprises involved in the manufacture of plywood.

The Indian government's liberalisation and privatisation policies also aided in the formation of new rural enterprises. These industries are likewise significantly reliant on various species, which has resulted in widespread support of plywood-based industrial wood plantations.

Major plywood Species: Populus spp.; Melia dubia; Paulownia spp.; Eucalyptus spp. and Ailanthus spp.

21.2.5 Particle board industries:

Particleboard is a reconstituted constructional panel created from low-grade waste woods or ligneous agricultural leftovers that was developed as a replacement for natural constructional wood. These particleboards are mostly utilised for interior decorating and wall panelling in the household and industrial wood sectors. The first particleboard company in India was established in the late 1950s in Sitapur, Uttar Pradesh, and since then, a huge number of industries have been erected around the country.

Major raw materials: Major raw materials include all forms of wood debris, pine needles, casuarina needles, and ligneous agricultural leftovers.

21.2.6 Fibre board industries:

Fibreboard is made up of a wide range of sheet materials made from refined or partly refined wood fibres or even other vegetable fibres.

21.2.7 Industries using dendro biomass power generation:

In the total energy landscape, biomass is a significant fuel source.

As a result of photosynthesis, biomass is generated through the chemical storage of the sun's energy in plants and other organic materials. This biomass includes energy crop plantations, natural vegetable growth, and other organic waste and residues.

Among all of this biomass, dendro biomass plays a particularly important role due to its increased fuel efficiency and higher calorific value. As a result, a huge number of dendro biomass-based power plants have been built throughout the country to generate electricity.

Major energy crop: Prosopis spp.; Acacia spp.; Albizia spp.; Dalbergia sissoo; Leucaena leucocephala; Casuarina equisetifolia; Eucalyptus spp.; Gliricidia spp.; Ceasalpinea spp.; Chuckrassia spp. and Other hardwoods.

21.2.8 Oil and biodiesel industries:

As a result of industrial and economic development, the need for edible and non-edible oil is constantly increasing. However, there is no concurrent effort to increase the country's oilseed production potential. This resulted in a vast import of approximately 46% of edible oil until recently, costing a large portion of the country's exchequer. Similarly, as the country's transportation and industrial sectors increase, so does its demand for crude oil.

Until recently, crude oil consumption was approximately 184.68 million tonnes, and the energy consumption is expanding at a pace of 6.5% per year. India's crude oil production accounts for approximately 1% of total global crude oil production, but it accounts for approximately 3.1% of total global consumption, necessitating significant crude oil imports.

Crude oil imports have climbed from 63% in 1971-1980 to over 80% in 2007-2008, which is a concerning problem for the country and necessitates the development of alternative renewable resources. In such conditions, different departments of the Government of India have attempted to promote non-edible oilseeds in the nation to supplement the vegetable oil feedstock used to manufacture biofuel.

A vast number of biodiesel production enterprises and private sector oil have been formed around the country at the same time, but these industries are under severe threat due to a lack of sustainable input materials resource availability. This promoted the promotion of tree-borne oilseeds throughout the country, as well as their incorporation into agricultural and agroforestry systems.

21.2.9 Value-added industries:

Wood-based companies must store harvested raw materials during the rainy season to ensure long-term availability and keep the industrial process running during the lean season. The post-harvest management of a large volume of industrial wood demands adequate handling, storage, and utilisation, necessitating scientific intervention to decrease post-harvest losses caused by biological agents, including powder post beetles and pinhole borers.

Such biological agents are wreaking havoc on stored input materials and must be addressed. As a result, a slew of wood seasoning and preservation enterprises have sprouted up to mitigate post-harvest losses. Similarly, plantation and industrial processing activities account for 20-30% of wood residues, which are either unutilised or underutilised due to a lack of appropriate recycling methods.

These plantations and industrial wood leftovers have been effectively value-added into briquettes, and several enterprises have been formed around the country, with successful value addition employing plantation residues. These value-added briquettes served as great feedstock for the biomass power generating industry, boiler industries, and other industries that rely on biomass for energy.

21.3 Characteristics of Indian forestry processing and export industry

With only 2% of the world's total forest land and 15% of its population and animal, India's natural resource pool is in serious disequilibrium. Half of the country's legal forest is severely degraded, and deforestation has been occurring at an alarming rate of 1.5 million acres per year in recent years. These have not only resulted in a complete mismatch between supply and demand for both home and industrial wood requirements but have also resulted in land surface deterioration.

The forests have a very low growth stock of 74 m3 per ha, compared to the global average of 110 m3 per ha. Similarly, the mean annual increase is extremely low, at less than 1 m3 per ha per year, compared to the global average of 2.1 m3 per ha per year. The scarcity of forest regions, along with low productivity, has resulted in a declining supply of raw materials for many wood-based enterprises.

Most wood-based industries rely heavily on forest department supply, such as pulp, paper, match, and veneers. However, government policies and the passage of the Forest Conservation Act in 1980 limited the supply of raw materials to the wood-based industries, necessitating massive imports of sawn timber, pulp, and even newsprints.

Significant improvements in forest resource productivity on a sustainable basis and the large-scale extension of industrial connected agroforestry plants are vital for satisfying industrial raw material requirements and achieving the national goal of 33% forest cover. As water resources dwindle, agricultural diversification should be prioritised.

However, tangible outcomes can only be obtained if farmers are provided with practical, viable, and economically appealing alternative land use options. Farm forestry plantations using genetically enhanced, high yielding, and fast-growing clonal planting stock have enormous promise for diversification and meeting growing industrial wood shortages on a sustainable basis. However, precise planning and integrated development of agricultural forestry and wood-based industries are essential to maintain consistent demand and remunerative prices for growers.

21.4 Industrial policy and forest-based industry:

It is critical to take steps to avoid environmental problems when building forest-based companies. The construction and growth of forest-based companies is a key component of the 1988 National Forest Policy.

The policy outlined the following guidelines for the formation and long-term operation of forest-based industries:

- As much as possible, a forest-based industry should start raising the raw materials required to meet its requirements, preferably through the establishment of a direct connection between the factory and the persons who can grow the raw material by providing inputs such as credit, technological advice, and, finally, harvest and transportation.
- No forest-based firm, even at the local or village level, should be authorised in the future unless it has been cleared first following an investigation over assured raw material availability. In any case, the local population's fuel, feed, and timber needs should not be jeopardised for this reason.
- Forest-based enterprises must prioritise hiring locals and fully including them in the production of trees and raw materials.
- Natural forests serve as a gene pool resource and aid in preserving ecological balance. As a result, such forests will not be made available to enterprises for cultivation and other activities.
- Farmers, especially small and marginal, would be allowed to expand wood species required by industry on marginal, degraded areas available to them. These may also be planted in conjunction with fuel and fodder species on common lands that are not required for pasture uses, as well as by Forest Departments/Corporations on degraded woods that are not planned for natural regeneration.
- The practice of supplying forest products to the industry at a reduced price should be discontinued. Alternative raw materials should be supported in the sector. Wood and wood goods imports should be liberalised.
- However, the preceding factors will be subject to the existing policy of land ceilings and laws.

21.5 Challenges of forest-based industries:

21.5.1 Lack of adequate and high-quality raw materials: The most serious difficulty confronting the wood-based industry is a lack of adequate and high-quality raw materials. The raw materials accessible are not only diverse but also of different quality. As a result, encouraging farmers to engage in linked-clone based agroforestry activities on marginal agricultural lands will help to increase the availability of high-quality raw materials in a shorter period.

21.5.2 A lack of productive plantations and quality planting material: Traditionally, farmers planted plantations using unimproved and unknown seed sources, yielding less than 10 m3 per ha per year. Such low yields with small and dispersed plantations, combined with severe logistics issues and rising costs in felling and transportation, are impeding the ability of the wood-based industry, particularly the pulp and paper industries, to remain economically viable and internationally competitive.

Even on marginal terrain, intensely managed plantations based on genetically modified planting stocks can produce productivity levels of 15-30 cubic metres per ha per year. As a result, it is critical to intervene forcefully by introducing superior genetic resources and popularising them throughout the state's farmlands. This technique served as the foundation for increased productivity, profitability, income, and employment production through a variety of decentralised forest-based nurseries and plantation activities.

21.5.3 Lack of understanding of the value addition process: The productivity and profitability of plantations are strongly related to the time and kind of harvesting technology used, as well as an appropriate post-harvest management system to limit logging impact and increase production.

Plantation operations in the country have always been done by hand, and plantation leftovers are not adequately utilised. Rather, plantation wastes are left in the field with no use.

The intervention, which included the introduction of mechanisation in the harvesting operation and the establishment of a value addition process for plantation residues via briquetting technology, was successful in a variety of plantation species, including Casuarina and Eucalyptus.

Plantation and industrial wood processing activities account for 20-30% of wastes that are either unutilised or underutilised due to a lack of appropriate recycling technology and the accompanying supply chain structure. The conversion of these lands into briquetting technology enhanced the income of growers and the value-added business dramatically.

21.5.4 Unorganized supply chain and trade: The success of industrial wood planting plans and accompanying plantation establishments is extensively questioned. The causes for the failures are numerous, but the main ones are the absence of involvement of local people, a lack of guaranteed buyback, and a low support price. The supply chain was, above all, multifaceted. The research group has built a Quad-Partite Model Contract farming system that efficiently connects growers, industries, research institutes, and financial institutions to augment the supply chain system and transform it into a value chain system.

Currently, growers are unaware of the price information pattern of industrial wood species due to a lack of a pricing information system and its dissemination. This present study group addressed this issue by creating a separate website to regularly distribute industrial wood species' pricing patterns via an updating mechanism.

21.6 Measures for better development of forest-based industries:

The wood-based industries have encountered significant hurdles due to a scarcity of raw materials, an unorganised supply chain, and a lack of cooperation among many players. The legal and policy changes also posed a significant danger to the successful operation of the wood-based industry. In such cases, the following strategies will help to increase the production capacity of all wood-based companies while also ensuring the sustainability of their manufacturing processes.

21.6.1 High yielding varieties and clonal technology development: The performance of a wood-based industrial activity is closely related to the availability of high-quality raw materials in a timely manner. As a result, continual research and development support is required to develop High Yielding Varieties (HYV) that are suitable for short rotation and have a wide range of applications.

21.6.2 Precision silviculture technology: Knowledge of how to properly implement a scientific and precision package of practices is critical for capitalising on the advantage of genetic superiority of produced varieties. To construct effective industrial wood plantations, technology on optimising nutritional and water requirements throughout distinct growth seasons must be created. Integrated pest and disease management for large-scale industrial wood plantations must be created for higher production.

21.6.3 Wood and food cogeneration: Cogeneration of industrial wood with other annuals will help to entice small and medium farmers to the installation of industrial wood plantations.

As a result, the development of integrated tree and crop models that combine high-yielding short-rotation clones with commercial crops would assist to generate recurrent revenue from small and medium-sized farm holdings, attracting more farmers to tree husbandry.

21.6.4 Value addition technology: Many plantation activities produced a substantial amount of plantation residue, which is either unutilised or underutilised due to a lack of a suitable value addition technique. As a result, the development of decentralised value addition technology, specifically charcoal production technology, briquetting technology, particle and fibre wood technology using plantation residues, will aid in attracting many stakeholders to tree husbandry while also creating adequate decentralised forest-based new rural industries.

21.6.5 Designing and promotion of contract farming: To develop an industrial wood plantation for various wood-based businesses, the author devised numerous contract farming methods and successfully implemented them in pulp and paper industries, match industries, and forest biomass-based power generation sectors.

As a result, these models can be adapted and used by different forest-based (wood and non-wood) companies to improve and develop industrial wood plantations to achieve self-sufficiency in raw material availability.

Course Name	Entrepreneurship Development & Business Management
Lesson 22	Social Responsibility of Business
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Lesson-22

Objective of the Lesson:

1. To comprehend an organisation's methods for encouraging ethical business behavior.
2. To understand the forces responsible for social responsibility of business.

Glossary of Terms:

- ***Economic responsibility*** is the practice of a firm backing all of its financial decisions in its commitment to do good in the business areas.
- ***Environmental responsibility*** refers to the belief that organisations should behave as environmentally friendly as possible.
- ***Ethical responsibility*** is concerned with ensuring an organisation operates fairly and ethically.
- ***Philanthropic responsibility*** refers to a business's aim to actively make the world and society a better place.
- ***Social Responsibility of Business:*** The obligation of decision-makers to take actions that protect and improve the welfare of society as a whole, in addition to their interests, is referred to as social responsibility.

22.1 Introduction

Business is a vital part of society. Many corporations serve as important social institutions. Society constrains their decisions and subsequent actions. Business units are responsible for creating jobs in society; they accept investment from society and provide goods and services to society. Business and society are inextricably linked. If society does not provide positive support, it becomes difficult for businesses to operate smoothly. Business units that conduct their operations at the expense of society will not be able to achieve long-term success.

Business and society are inextricably linked. The business obtains resources from society, such as labour and materials, and then returns to society with an output (goods and services). As a result of this responsibility, the business bears a special obligation to society. This is referred to as corporate social responsibility (SRB). The purpose of business is to make a profit. While making a profit, social responsibility requires business houses to make decisions to protect and improve the welfare of society, as each business decision has a social relevance with society. Through SRB approaches, business enterprises are held accountable for their decisions/steps that have an impact on society as a whole. Business enterprises' social actions are systematic and periodic, and the end uses are subject to social audits.

Definition: Social responsibility is the obligation of decision-makers to act in ways that protect and improve the welfare of society as a whole, in addition to their own.

22.2 SRB model classification

The SRB concept is examined at both the macro and micro levels. The macro analysis emphasises the government's role in determining social goals for society, whereas the microanalysis emphasises the role or houses for the same.

22.3 Forces responsible for SRB

1. One of the most significant aspects is the government. The government creates rules and laws to ensure that businesses run smoothly. Many laws are specifically designed to protect society, such as pollution emission standards.

2. Community demands also persuade business enterprises to handle specific programmes for society at large, such as the establishment of educational institutes, particularly for socially disadvantaged groups. Environmental protection is also a top priority. The government also develops standards in this area, for example, the Environment Protection Act of 1986 intends to protect and improve, as well as to prevent hazards to all living things. Shareholders of a company can also put a lot of pressure on the management of the business to make decisions in the best interests of society. Organisations voluntarily take social and environmental responsibility to gain a competitive advantage.

22.4 Need for SRB

As previously stated, business and society are inextricably linked. Business enterprise meets societal needs. Society's expectations of business enterprises have shifted in recent years. As a result, if a company wants to survive in the long run, it must respond positively to society's expectations. As a result, society benefits from a better environment. It also improves the business's public image, which helps to increase the number of customers. Business enterprises can obtain government assistance without difficulty if they act proactively to fulfil their social responsibilities. The adage "prevention is better than cure" also applies to SRB. Many threatening ill effects are avoided when businesses take a proactive approach toward society. Some of the most pressing requirements are listed here.

- The impact of its operations
- The longevity of a business
- Employee satisfaction
- Fair pricing and market dynamics
- Demand and supply of goods and services
- Taxation and compliance with the government
- Financial support for social and cultural activities;
- Support for social causes such as poverty;
- Education, health care, the environment,
- Renewable energy, and so on.

22.5 Obstacles to social responsibility

The primary goal of any business is to make a profit. Indulging in activities that directly benefit society does not directly contribute to profit. It is regarded as an additional cost by business owners. The cost of social responsibility is a social cost that provides no immediate benefit to the business. At the same time, business enterprises are not directly accountable to society/people.

As a result, the majority of businesses prefer not to engage in socially responsible activities. Managers of business ventures are focused on solving managerial problems involving economic criteria, whereas the social responsibility of business is concerned with solving social problems.

22.6 Social responsibility scope

The following stakeholders are served by business enterprises in their social responsibility roles.

1. **Owners:** This includes professional management of the business enterprise to ensure that owners receive a sufficient, appropriate, and consistent return on their investment. They are as follows:
    - Profit maximisation
    - Exploit business opportunities
    - Expansion & diversification
    - Careful use of capital
    - Optimal use of resources
    - Fair practise on the stock exchange
    - Business efficiency
    - Periodic Information and Creating Confidence
    - Effective use of shareholder's funds
    - Increasing Goodwill.
2. **Employees:** This is represented by the fair and just selection, fair wages, training, a safe and healthy work environment, participatory work management, and so on.
    - Harmonious Employer-Employee Relationship
    - Job Security, Promotion, and Career Opportunities
    - Division of Labor & Trade Union Recognition
    - Excellent Working Conditions

- Provide Health Protection and Safety Measures
- Appropriate remuneration and allowances
- Appropriate personal policies, education, and training
- A code of conduct and proper grievance procedures
- Employee participation in management
- Opportunities for advancement.

3. **Consumers:** This is represented by providing high-quality goods and services at reasonable prices, refraining from manipulative practices that create artificial shortages, and so on.
    - Supplying on-demand
    - Charging a reasonable price
    - Honest advertising/advertising ethics
    - After-sales service
    - Responding to complaints/Customer Service Cell
    - High-quality goods and services;
    - Avoid monopolistic competition; and
    - Avoid unethical business practices.
    - Consumer Protection
    - Up-to-Date Information Consumer Welfare.
4. **Governments:** This is exemplified by complying with all legal requirements and abiding by all of the laws governing the business framed by the government.
    - Obeying the Law and Order
    - Following the Rules
    - Payment of Taxes
    - Avoidance of Unethical Practices

- Foreign Exchange Advice to Government
- Assist in Emergencies
- Cooperation to the greatest extent possible;
- Observance of rules and regulations;
- Political stability; and
- Implementation of socioeconomic programmes.

5. **Society**: Society is the most important stakeholder, with far too many and far too complex problems. For example, environmental pollution, acid rain, ozone depletion, the destruction of rainforests, racial-ethnic and religious disparities, and so on.
    - Social and Cultural Activities
    - Location of Industrial /Rehabilitation
    - Development of Backward Areas/Locality
    - Financial Assistance
    - Anti-Social Activities
    - Address Social Problems/Avoid Class Conflict
    - Assistance During Natural Disasters
    - Proper Use of Economic Power
    - Employment Opportunities.

Thus, a business enterprise can become a socially responsible firm by meeting the needs of all stakeholders in society.

22.7 Advantages of SRB

SRB contributes to the development of a positive brand image and company reputation. Competent employees are the driving force behind a company's success. It is acknowledged that the company's SRB activities play a significant role in improving recruitment policy and retaining quality employees. Adopting SRB practices results in cost savings for the organisation.

These reductions are related to the operation's environmental management. Organisations that reduce pollution and toxic materials, reuse or recycle materials, and run their operations with improved energy efficiency and water efficiency save money. SRB contributes to the social risk mitigation as well as better risk assessment by providing intelligence that reveals those risks and by providing an effective means of responding to risks, with a focus on managing stakeholder relationships. By sending signals, warnings, or inside information, stakeholders can provide strategic intelligence about the organisation's risks related to specific economic, social, or environmental issues.

SRB can also lead to a competitive advantage through innovation. While implementing SRB Practices, many innovations that can benefit both society and the company can emerge. Financial institutions also consider social and environmental criteria while providing financial support to organisations in the globalised world.