UNIT-1

Entrepreneurship

Entrepreneurship is the art of starting a business, basically a startup company offering creative product, process or service. We can say that it is an activity full of creativity. An entrepreneur perceives everything as a chance and displays bias in taking decision to exploit the chance.

An entrepreneur is a creator or a designer who designs new ideas and business processes according to the market requirements and his/her own passion. To be a successful entrepreneur, it is very important to have managerial skill and strong team building abilities. Leadership attributes are a sign of successful entrepreneurs. Some political economists regard leadership, management ability, and team building skills to be the essential qualities of an entrepreneur.

An entrepreneur is an innovator or a creator who introduces something new to the firm or economy. It can be a new method of production, a new product, a new source of material, a new market or any other similar innovation.

Definition

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

"Entrepreneurship is that form of social decision making performed by economic innovators." – **Robert K. Lamb (1952).**

Meaning of Entrepreneur:

The entrepreneur is defined as someone who has the ability and desire to establish, administer and succeed in a startup venture along with risk entitled to it, to make profits. The best example of entrepreneurship is the starting of a new business venture. The entrepreneurs are often known as a source of new ideas or innovators, and bring new ideas in the market by replacing old with a new invention.

It can be classified into small or home business to multinational companies. In economics, the profits that an entrepreneur makes is with a combination of land, natural resources, labour and capital.

In a nutshell, anyone who has the will and determination to start a new company and deals with all the risks that go with it can become an Entrepreneur.

Importance of Entrepreneurship:

- **Creation of Employment-** Entrepreneurship generates employment. It provides an entry-level job, required for gaining experience and training for unskilled workers.
- **Innovation-** It is the hub of innovation that provides new product ventures, market, technology and quality of goods, etc., and increase the standard of living of people.
- **Impact on Society and Community Development-** A society becomes greater if the employment base is large and diversified. It brings about changes in society and promotes facilities like higher expenditure on education, better sanitation, fewer slums, a higher level of homeownership. Therefore, entrepreneurship assists the 1rganization towards a more stable and high quality of community life.

GATE Tirupati

- **Increase Standard of Living-** Entrepreneurship helps to improve the standard of living of a person by increasing the income. The standard of living means, increase in the consumption of various goods and services by a household for a particular period.
- **Supports research and development-** New products and services need to be researched and tested before launching in the market. Therefore, an entrepreneur also dispenses finance for research and development with research institutions and universities. This promotes research, general construction, and development in the economy.

Concepts of Entrepreneurship:

1. **Opportunity recognition**

One of the key concepts of entrepreneurship is opportunity recognition. This involves spotting a potential business opportunity and then taking advantage of it.

2. Value proposition

A value proposition is a statement that succinctly describes the unique benefit or advantages of a product or service. A strong value proposition should be clear, concise, and easy for potential customers to understand.

3. Customer segmentation

One of the key concepts of entrepreneurship is customer segmentation. This involves dividing your potential customers into groups based on shared characteristics. This can help you to better target your marketing and sales efforts.

4. Business model

The business model is the foundation of any successful enterprise. It defines what the business does, how it generates revenue, and how it creates value for its customers.

5. Go-to-market strategy

Go-to-market strategy is a critical concept for entrepreneurs. It is the process of taking a product or service to market and ensuring that it is successful.

6. Execution

When it comes to entrepreneurship, execution is key. This means having a clear vision for your business and taking the necessary steps to make it a reality. It also means being able to adapt and pivot as needed, in order to stay ahead of the competition.

7. Networking

Another important aspect of entrepreneurship is networking. An entrepreneur needs to be able to connect with other people who can help them make their vision a reality.

8. Risk tolerance

An entrepreneur needs to have a certain amount of risk tolerance. This is because starting a business is inherently risky. There is no guarantee of success, no matter how good the idea is. An entrepreneur needs to be able to accept this risk and be willing to put everything on the line in order to succeed.

9. Entrepreneurial mindset

Entrepreneurship is not just about starting a business. It's a way of thinking and acting that is characterized by creativity, risk-taking, and initiative.

People who have an entrepreneurial mindset are always looking for new opportunities. They're willing to take risks and are constantly innovating and thinking of new ideas. They're also usually very passionate about their work and have a strong drive to succeed.

GATE Tirupati

10. Learning from failure

One of the most important lessons that entrepreneurs can learn is how to deal with failure. Failure is a part of any business, and it's important to remember that it's not the end of the world. In fact, many successful entrepreneurs have failed multiple times before they find success.

Characteristics of Entrepreneurship:

Not all entrepreneurs are successful; there are definite characteristics that make entrepreneurship successful. A few of them are mentioned below:

- **Ability to take a risk-** Starting any new venture involves a considerable amount of failure risk. Therefore, an entrepreneur needs to be courageous and able to evaluate and take risks, which is an essential part of being an entrepreneur.
- **Innovation-** It should be highly innovative to generate new ideas, start a company and earn profits out of it. Change can be the launching of a new product that is new to the market or a process that does the same thing but in a more efficient and economical way.
- **Visionary and Leadership quality-** To be successful, the entrepreneur should have a clear vision of his new venture. However, to turn the idea into reality, a lot of resources and employees are required. Here, leadership quality is paramount because leaders impart and guide their employees towards the right path of success.
- **Open-Minded-** In a business, every circumstance can be an opportunity and used for the benefit of a company.
- **Flexible-** An entrepreneur should be flexible and open to change according to the situation. To be on the top, a businessperson should be equipped to embrace change in a product and service, as and when needed.
- **Know your Product-**A company owner should know the product offerings and also be aware of the latest trend in the market. It is essential to know if the available product or service meets the demands of the current market, or whether it is time to tweak it a little. Being able to be accountable and then alter as needed is a vital part of entrepreneurship.

Classifications of Entrepreneurship:

Small Business Entrepreneurship-

These businesses are a hairdresser, grocery store, travel agent, consultant, carpenter, plumber, electrician, etc. These people run or own their own business and hire family members or local employee. For them, the profit would be able to feed their family and not making 100 million business or taking over an industry. They fund their business by taking small business loans or loans from friends and family.

Scalable Startup Entrepreneurship-

This start-up entrepreneur starts a business knowing that their vision can change the world. They attract investors who think and encourage people who think out of the box. The research focuses on a scalable business and experimental models, so, they hire the best and the brightest employees. They require more venture capital to fuel and back their project or business.

GATE Tiwari

Large Company Entrepreneurship-

These huge companies have defined life-cycle. Most of these companies grow and sustain by offering new and innovative products that revolve around their main products. The change in technology, customer preferences, new competition, etc., build pressure for large companies to create an innovative product and sell it to the new set of customers in the new market. To cope with the rapid technological changes, the existing 4rganizations either buy innovation enterprises or attempt to construct the product internally.

Social Entrepreneurship-

This type of entrepreneurship focuses on producing product and services that resolve social needs and problems. Their only motto and goal is to work for society and not make any profits.

Problems Faced by Entrepreneurs in india

Here are the 10 common problems and challenges that every entrepreneur faces while starting their business as mentioned below:-

1. Financing
2. Lack of Planning
3. Hiring the right talent
4. Effective marketing within a limited budget
5. Self-doubt and uncertainty
6. Dealing with criticism
7. Attractive Customers
8. Making Decisions
9. Time Management
10. Office Infrastructure

2. Financing

Getting funds for your business is one of the main issues that all businesses face and have to tackle to survive. While you might have saved initial money to start a business, it won't help you survive for long. Steady cash flow is crucial for businesses to endure, and you always need to have extra funds to take care of rainy days.

2. Lack of Planning

It's impressive the number of start-ups fails since they "failed to remember" to do the planning. Or perhaps they did strategize, yet they did not cover all the bases. Key locations like sales, development, and funding aren't afterthoughts. They need to all belong to your business plan right from the start.

3. Hiring the right talent

Particular abilities are important not just for your business to endure but for the expansion. Recognizing the specific abilities you require– as well as exactly how to obtain those crucial individuals aboard– could be the identifying consider just how well your start-up grows. Hold-ups in discovering the best employees are expensive.

4. Effective marketing within a limited budget

Some start-ups assume they can ignore marketing strategies entirely and hope that word of mouth will be sufficient. Being a start-up, it's essential to create visibility among your

GATE Tirupati

consumers. Effective marketing techniques within a limited budget should be made to reach your target audiences.

5. Self-doubt and uncertainty

For first-time entrepreneurs, dealing with the uncertainties of the venture can be a tough task. The entrepreneurs can often feel ultimately responsible for the success or failure of their venture. There are also many detours and deviations from the initial plan. All of this can take a toll on the entrepreneur.

6. Dealing with criticism

When you are an entrepreneur, criticism comes as a part and parcel of the job. Every decision of the entrepreneur can be met with criticism by the team, partners, investors, customers, and even their family. Even established entrepreneurs such as Ratan Tata must deal with this.

7. Attractive Customers

Getting customers for your product or service can be the difference between success and failure for a business. Many businesses have started with powerful ideas however could not survive simply because they failed to reach the right customers. There are several ways of reaching the right customers, however social media and SEO have proven to be useful tools for most. The entrepreneur should invest time in understanding the customer expectations and if needed leverage their network to reach the customers.

8. Making Decisions

Decision-making in a business situation can be daunting, especially when there are so many things riding on each decision. Entrepreneurs can face a dilemma while making a decision, especially when they have limited information. Entrepreneurs must also guard themselves against getting overly involved in decision-making and causing a delay which may delay the progress.

9. Time Management

Even the best entrepreneurs struggle to manage their time properly. As they take up roles out of their expertise, they can find it challenging to get things done. The challenges often pop up when the entrepreneurs have to deal with conflicting priorities and must let go of their perfectionist streak to move the business process along.

3. Office Infrastructure

Your workplace rent and associated costs are the first things that you should look at when you start thinking of cutting costs, especially when starting a new business.

GATE Notes

Entrepreneur Vs Intrapreneur

Parameter	Entrepreneur	Intrapreneur
Definition	They are decision-makers and work independently. They hold the authority to execute a business idea or plan.	They are idea makers, and the decision to implement lies with the organization they work for.
Goals	They introduce something new and of socioeconomic value to the market	They work towards improving the performance and market sustainability of an established company.
Position	Founder of a company	Employee in an existing company
Funds	Acquired by the entrepreneur himself	Provided by the company they work for.
Responsibility	Oversees all the activities within the company	Responsible just for the assigned tasks
Risks	Risks for entrepreneurs are much higher than those of an intrapreneur.Similarly, the rewards obtained by an entrepreneur are exceptionally higher.	Lesser risk than entrepreneurs.
Motivation	Self-motivated and determined to take the business to another level	Motivated by appreciation, salary growth, and appraisals

GATE Tirupati

Entrepreneurial Models

1)Innovation Entrepreneurship theory
2) Economic Entrepreneurship theory
3) Sociological Entrepreneurship theory
4) Psychological Entrepreneurship theory
5)Opportunity based Entrepreneurship theory
6) Resource-based Entrepreneurship theory
7) Anthropological Entrepreneurship theory
8) Process of stage Entrepreneurship theory

1)Innovation Entrepreneurship theory

What makes entrepreneurs different from normal businessmen is finding innovative solutions and having foresight. Joseph Alois Schumpeter, one of the greatest economists, put forth the well-known innovative theory which changed the entrepreneur's perspective. According to Schumpeter, entrepreneurs take the stationary economy to a new level of development by adding innovation and creativity of their own. Schumpeter also stated that entrepreneurs bring innovation in two ways namely:

1. By reducing the cost of production
2. By increasing the demand for certain products

2) Economic Entrepreneurship theory

This theory was proposed by Richard Cantillon who considered the economy as one of the fields affected by entrepreneurship. According to Cantillon, an entrepreneur acts as both 'producers' and 'exchangers'. An entrepreneur's action greatly affects the supply chain of raw products being collected, to become an end product for consumers. Cantillon included everyone as an entrepreneur from their little actions starting from a beggar to restaurant owners as they also have their source of unfixed income; this counts as a unique factor and made his theory stand out from other entrepreneurship theories.

3) Sociological Entrepreneurship theory

Yes, you are right! This theory talks about the social aspects of entrepreneurship. If an entrepreneur considers all the social aspects such as social taboos, customs, culture, and other religious beliefs, they might have a well-established business that is up to mark with every consumer's expectation. Max Weber propounded the sociological entrepreneurship theory and stated that entrepreneurs should accept the system of a society for the development of themselves as well as their startup.

4) Psychological Entrepreneurship theory

Psychological theories are of three sections. They are based on the personal characteristics of a typical entrepreneur.

1. Locus of control:- Any entrepreneur's success can be an outcome of internal locus of control as well as the outer locus of control i.e., his or her Inside abilities and support from outside.
2. Theory of personality traits: The inborn qualities of an individual are the one that naturally makes them an entrepreneur.
3. Theory of need for achievement:- Entrepreneurs are driven by a need for achievement and it eventually makes them succeed.

Now, these three characteristics distinguish various types of entrepreneurs based on psychological entrepreneurship theories.

5)Opportunity based Entrepreneurship theory

Peter Drucker in his theory stated that "this defines entrepreneur and entrepreneurship, the entrepreneur always searches for change, responds to it and exploits it as an opportunity". Peter Drucker and Howard Stevenson focused on a wide-ranging conceptual framework of entrepreneurship and hence contradicted Schumpeter's theory which stated entrepreneurship as change.

SAT Tirupati

6) Resource-based Entrepreneurship theory

This theory states that entrepreneurs need resources to start and carry their businesses. Money and time alone are not sufficient for a blooming startup; hence Entrepreneurs require resources to make their efforts productive. Also, the theory's main focus is on showing the importance of financial, social, and human resources and in the process enhance an individual's abilities.

7) Anthropological Entrepreneurship theory

It relates to the cultural model of entrepreneurs. Anthropologists study the human aspects within the past and present. This makes them good observers of society and hence according to them, to have a successful venture, entrepreneurs should consider the social and cultural contexts. Entrepreneurs can find possibilities that present themselves as difficulties because of the social aspects of business activities (social or environmental). It pushes them to come up with new ways to solve difficulties, or at the very least contribute to their solutions.

8) Process of stage Entrepreneurship theory

This theory is once again divided into five stages describing the development journey of an entrepreneur. It is a widely accepted theory by Venkat Rao. The five steps of entrepreneurship development according to this theory are:-

- Simulation for stimulation of entrepreneurship
- Identifying abilities and capacities of entrepreneurship
- Expansion and development stage
- Publicity foundation/Promotion
- Feedback

Legal issues for Entrepreneur

1.Intellectual property rights

Intellectual property rights are legal rights that allow a start-up owner to protect creations and inventions properly for avoiding disputes. Some of them include copyrights, trademarks, patents, trade secrets, licensing, insurance, contracts, product safety, and liability. A start-up should focus more on protecting intellectual property from potential threats.

2. Business structure

It is advisable to know the business structure in detail before setting up a startup firm. From corporation to partnership, entrepreneurs should consider the legal considerations before forming a business. Each and every business has its own set of rules that a start-up owner should know more about them in detail.

3.Non-disclosure agreements

A non-disclosure agreement, shortly known as NDA, is a contract between two parties that prohibit someone from sharing confidential information with third parties or others. In fact, it plays a key role in ensuring a high level of protection to a business. There are three different types of NDAs meant for a company to focus more on its objectives. A start-up owner should consider preparing a non-disclosure agreement while entering into a business deal.

4. Vesting

Vesting means earning assets contributed by employees, stock-options, or another benefit plans. It is a wise one to consider vesting equity over time instead of getting all shares at once that can

CATE Tirupati

help accomplish goals to a large extent. Another thing is that it will help to earn high profits which ultimately give ways to run a business successfully.

5. **State and Federal taxes**

Entrepreneurs should understand more about state and federal taxes in detail. This is because they will impact a business structure effectively. Therefore, it is necessary to learn more about them before setting up a start-up company.

6. **Accounting and finance**

Most entrepreneurs don't pay attention to accounting and finance activities after creating a company. It is advisable for them to focus more on them properly that can help file taxation papers at the right time.

Intellectual Property Right

Intellectual Property Rights (IP Rights) are like any other property rights which are intangible in nature. The IP Rights usually give the creator an exclusive right over the use of his/her creation for a certain period of time. With the rapid increase in the globalization and opening up of the new vistas in India, the "Intellectual Capital" has become one of the key wealth drivers in the present era. There are different country specific legislations, as well international laws and treaties that govern IP rights.

Every startup has IP Rights, which it needs to understand and protect for excelling in its business. Every startup uses trade name, brand, logo, advertisements, inventions, designs, products, or a website, in which it possesses valuable IP Rights. While starting any venture, the startup also needs to confirm that it is not in violation of the IP Rights of any other person to save itself from unwarranted litigation or legal action which can thwart its business activities. Further, startup ventures should be proactive in developing and protecting their intellectual property for many reasons like improving the valuation of its business, to generate better goodwill, to protect its competitive advantage, to use intellectual property as a marketing edge and to use the IP Rights as a potential revenue stream through licensing.

IP Rights protect several aspects of a business and each type of IP Right carries its own advantages. The scope of IP Rights is very wide, but the prime areas of intellectual property which are of utmost importance for any startup venture are as follows:

- **Trademarks**
- **Patents**
- **Copyrights and Related Rights**
- **Industrial Designs**
- **Trade Secrets**

TRADEMARKS

The Trade Marks Act 1999 ("**TM Act**") provides, inter alia, for registration of marks, filing of multiclass applications, the renewable term of registration of a trademark as ten years as well as recognition of the concept of well-known marks, etc. It is pertinent to note that the letter "R" in a circle i.e. ® with a trademark can only be used after the registration of the trademark under the TM Act.

Trademarks means any words, symbols, logos, slogans, product packaging or design that identify the goods or services from a particular source. As per the definition provided under Section 2 (zb) of the TM Act, "trade mark" means a mark capable of being represented graphically and

GATE Tripati

which is capable of distinguishing the goods or services of one person from those of others and may include shape of goods, their packaging and combination of colors.

The definition of the trademark provided under the TM Act is wide enough to include non-conventional marks like color marks, sound marks, etc. As per the definition provided under Section 2 (m) of the TM Act, "mark" includes a device, brand, heading, label, ticket, name, signature, word, letter, numeral, shape of goods, packaging or combination of colors or any combination thereof.

Accordingly, any mark used by the startup in the trade or business in any form, for distinguishing itself from other, can qualify as trademark. It is quite significant to note that the Indian judiciary has been proactive in the protection of trademarks, and it has extended the protection under the trademarks law to Domain Names as demonstrated in landmark cases of *Tata Sons Ltd v Manu Kosuri & Ors* [90 (2001) DLT 659] and *Yahoo Inc. v Akash Arora* [1999 PTC 201].

Points to Consider While Adopting a Trademark

Any startup needs to be cautious in selecting its trade name, brands, logos, packaging for products, domain names and any other mark which it proposes to use. You must do a proper due diligence before adopting a trademark. The trademarks, can be broadly classified into following five categories:

a. **Generic**
b. **Descriptive**
c. **Suggestive**
d. **Arbitrary**
e. **Invented/Coined**

Generic marks means using the name of the product for the product, like "Salt" for salt.

Descriptive marks means the mark describing the characteristic of the products, like using the mark "Fair" for the fairness creams.

Suggestive marks means the mark suggesting the characteristic of the products, like "Habitat" for home furnishings products.

Arbitrary marks means mark which exist in popular vocabulary, but have no logical relationship to the goods or services for which they are used, like "Blackberry" for phones.

The invented/ coined marks means coining a new word which has no dictionary meaning, like "Adidas". The strongest marks, and thus the easiest to protect, are invented or arbitrary marks. The weaker marks are descriptive or suggestive marks which are very hard to protect. The weakest marks are generic marks which can never function as trademarks.

India follows the NICE Classification of Goods and Services for the purpose of registration of trademarks. The NICE Classification groups products into 45 classes (classes 1-34 include goods and classes 35-45 include services). The NICE Classification is recognized in majority of the countries and makes applying for trademarks internationally a streamlined process. Every startup, seeking to trademark a good or service, has to choose from the appropriate classes, out of the 45 classes.

While adopting any mark, the startup should also keep in mind and ensure that the mark is not being used by any other person in India or abroad, especially if the mark is well-known. It is important to note that India recognizes the concept of the "Well-known Trademark" and the principle of "Trans-border Reputation".

GATE Tirupati

Example of well-known trademarks are Google, Tata, Yahoo, Pepsi, Reliance, etc. Further, under the principle of "Trans-border Reputation", India has afforded protection to trademarks like Apple, Gillette, Whirlpool, Volvo, which despite having no physical presence in India, are protected on the basis of their trans-border reputation in India.

Enforcement of Trademark Rights

Trademarks can be protected under the statutory law, i.e., under the TM Act and the common law, i.e., under the remedy of passing off. If a person is using a similar mark for similar or related goods or services or is using a well-known mark, the other person can file a suit against that person for violation of the IP rights irrespective of the fact that the trademark is registered or not.

Registration of a trademark is not a pre-requisite in order to sustain a civil or criminal action against violation of trademarks in India. The prior adoption and use of the trademark is of utmost importance under trademark laws.

The relief which a court may usually grant in a suit for infringement or passing off includes permanent and interim injunction, damages or account of profits, delivery of the infringing goods for destruction and cost of the legal proceedings. It is pertinent to note that infringement of a trademark is also a cognizable offence and criminal proceedings can also be initiated against the infringers.

PATENTS

Patent, in general parlance means, a monopoly given to the inventor on his invention to commercial use and exploit that invention in the market, to the exclusion of other, for a certain period. As per Section 2(1) (j) of the Patents Act, 1970, "invention" includes any new and useful;

i. **art, process, method or manner of manufacture;**
ii. **machine, apparatus or other article;**
iii. **substance produced by manufacture, and includes any new and useful improvement of any of them, and an alleged invention;**

The definition of the word "Invention" in the Patents Act, 1970 includes the new product as well as new process. Therefore, a patent can be applied for the "Product" as well as "Process" which is **new**, involving inventive step and capable of industrial application can be patented in India.

The invention will not be considered new if it has been disclosed to the public in India or anywhere else in the world by a written or oral description or by use or in any other way before the filing date of the patent application. The information appearing in magazines, technical journals, books etc, will also constitute the prior knowledge. If the invention is already a part of the state of the art, a patent cannot be granted. Examples of such disclosure are displaying of products in exhibitions, trade fairs, etc. explaining its working, and similar disclosures in an article or a publication.

It is important to note that any invention which falls into the following categories, is not patentable: (a) frivolous, (b) obvious, (c) contrary to well established natural laws, (d) contrary to law, (e) morality, (f) injurious to public health, (g) a mere discovery of a scientific principle, (h) the formulation of an abstract theory, (i) a mere discovery of any new property or new use for a known substance or process, machine or apparatus, (j) a substance obtained by a mere admixture resulting only in the aggregation of the properties of the components thereof or a process for producing such substance, (k) a mere arrangement or rearrangement or duplication of known devices, (l) a method of agriculture or horticulture, and (m) inventions relating to atomic energy

GATE Tirupati

or the inventions which are known or used by any other person, or used or sold to any person in India or outside India. The application for the grant of patent can be made by either the inventor or by the assignee or legal representative of the inventor. In India, the term of the patent is for 20 years. The patent is renewed every year from the date of patent.

Use of Technology or Invention

While using any technology or invention, the startup should check and confirm that it does not violate any patent right of the patentee. If the startup desires to use any patented invention or technology, the startup is required to obtain a license from the patentee.

Enforcement of Patent Rights

It is pertinent to note that the patent infringement proceedings can only be initiated after grant of patent in India but may include a claim retrospectively from the date of publication of the application for grant of the patent. Infringement of a patent consists of the unauthorized making, importing, using, offering for sale or selling any patented invention within the India. Under the (Indian) Patents Act, 1970 only a civil action can be initiated in a Court of Law. Like trademarks, the relief which a court may usually grant in a suit for infringement of patent includes permanent and interim injunction, damages or account of profits, delivery of the infringing goods for destruction and cost of the legal proceedings.

COPYRIGHT

Copyright means a legal right of an author/artist/originator to commercially exploit his original work which has been expressed in a tangible form and prevents such work from being copied or reproduced without his/their consent.

Under the *Copyright Act, 1957,* the term "work", in which copyright subsists, includes an artistic work comprising a painting, a sculpture, a drawing (including a diagram, a map, a chart or plan), an engraving, a photograph, a work of architecture or artistic craftsmanship, dramatic work (recitation, choreographic work), literary work (including computer programmes, tables, compilations and computer databases), musical work (including music as well as graphical notations), sound recording and cinematographic film.

In the case of original literary, dramatic, musical and artistic works, the duration of copyright is the lifetime of the author or artist, and 60 years counted from the year following the death of the author and in the case of cinematograph films, sound recordings, posthumous publications, anonymous and pseudonymous publications, works of government and works of international organizations are protected for a period of 60 years which is counted from the year following the date of first publication.

In order to keep pace with the global requirement of harmonization, the Copyright Act, 1957 has brought the copyright law in India in line with the developments in the information technology industry, whether it is in the field of satellite broadcasting or computer software or digital technology.

Registration of Copyright

In India, the registration of copyright is not mandatory as the registration is treated as mere recordal of a fact. The registration does not create or confer any new right and is not a prerequisite for initiating action against infringement. The view has been upheld by the Indian courts in a catena of judgments. Despite the fact that the registration of copyright is not mandatory in India and is protectable through the *International Copyright Order, 1999,* it is

GATE Tirupati

advisable to register the copyright as the copyright registration certificate is accepted as a "proof of ownership" in courts and by police authorities, and acted upon smoothly by them.

Enforcement of Copyright in India

Any person who uses the original work of the other person without obtaining license from the owner, infringes the copyright of the owner. The law of copyright in India not only provides for civil remedies in the form of permanent injunction, damages or accounts of profits, delivery of the infringing material for destruction and cost of the legal proceedings, etc, but also makes instances of infringement of copyright, a cognizable offence punishable with imprisonment for a term which shall not be less than six months but which may extend to three years, with a fine which shall not be less than INR 50,000 but may extend to INR 200,000

For the second and subsequent offences, there are provisions for enhanced fine and punishment under the Copyright Act. The *(Indian) Copyright Act, 1957* gives power to the police authorities to register the Complaint (First Information Report, i.e., FIR) and act on its own to arrest the accused, search the premises of the accused and seize the infringing material without any intervention of the court.

INDUSTRIAL DESIGNS

As per the definition given under Section 2(d) of the Designs Act, 2000, "design" means only the features of shape configuration patterns or ornament applied to any article by any industrial process or means whether manual mechanical or chemical separate or combined which in the finished article appeal to and are judged solely by the eye. However, "design" does not include any mode or principle of construction or anything which is in substance a mere mechanical device and does not include any trademark as defined under the TM Act or any artistic work as defined under the Copyright Act, 1957. The total period of validity of registration of an Industrial Design under the (Indian) Designs Act, 2000 is 15 years.

Features of shape, configuration, pattern, ornament or composition of lines or colours applied to any article, whether in two dimensional or three dimensional or in both forms, can be registered under the *(Indian) Designs Act, 2000*. However, functionality aspects of a design are not protected under the (Indian) Designs Act, 2000, as the same are subject matter of patents.

Design of an article is not registrable in India, if it:

- is not new or original;
- has been disclosed to the public anywhere in *India or in any other country* by publication in tangible form or by use in any other way prior to the filing date or priority date of the application;
- is not significantly distinguishable from known designs or combination of known designs; or
- comprises or contains scandalous or obscene matter.

Enforcement of Design Rights in India

The (Indian) Designs Act, 2000, only provides for civil remedies. Besides injunction, monetary compensation is recoverable by the proprietor of the design either as contract debt or damages. An action for infringement of design can only be initiated after the registration of the design, however, an action for passing-off is maintainable in case of unregistered design.

CATE Tirupati

TRADE SECRETS

Trade secrets includes any confidential business information which provides an enterprise a competitive edge over others. Trade secrets encompass manufacturing or industrial secrets and commercial secrets, formula, practice, process, design, instrument, pattern, commercial method, or compilation of information which is not generally known or reasonably ascertainable by other. The unauthorized use of such information by persons other than the holder is regarded as an unfair practice and a violation of the trade secret. There are no specific statutes under the Indian law for the protection of trade secrets and the same are protectable under the common law rights.

STRATEGIES FOR PROTECTION AND EXPLOITATION OF IPR FOR STARTUPS

1. **Make Intellectual Property protection a priority:**

   Start-ups cannot afford the complete protection available under the intellectual property regime. The first step for any startup is to evaluate and prioritize the IP Rights involved in its business. Depending upon the type of industry involved, IP Rights play an important role. Failure to identify or prioritize IP Rights, is likely to create problems for startup's business, especially during negotiations with future investors or exiting its business. Sometimes IP Rights are the only asset available with a startup.

2. **Register Intellectual Property Rights:**

   It is important to note that certain IP Rights like patents and designs are required to be registered before claiming any protection under the respective statutes. On the other hand, certain IP Rights like trademark and copyright need not be mandatorily registered for protection under. Nevertheless, a registered IP Right carries a greater value and acts as evidence of use of the IP Rights before courts as well as enforcement agencies;

3. **Due Diligence of IP Rights:**

   For any startup, it is indispensable that it does not violate IP Rights of any other person. This will ensure safety from unwarranted litigation or legal action which can thwart its business activities. This makes it even more important for startups to make careful IP decisions in the initial phase and conduct proper due diligence of IP Rights, which it is using or intends to use.

4. **Implement clear and effective policies and strategies for protection of IP Rights:**

   It is in the long term interest of startups to have an Intellectual Property Policy for management of various IP rights which may be presently owned, created or acquired in future by startups. The aim of such a policy is to ensure that there are no inter-se dispute between the promoters of the startups, which remains till date to be one of the main concerns for failure of startups.

5. **Agreements related to Intellectual Property:**

   It is pertinent to note that having proper documentation in the form of agreements like non-disclosure agreements, agreements with employees or independent contractors, can make all the difference between the success and failure of startups. Usually, intellectual property is created either by the founders or some key employee or a third party. The

GATE Tin Pati

intellectual property so created, must be protected through a proper agreement between the founder or key employee or a third party, as the case may be and the startup. If the agreement, with founders or employees or a third party, , under which a novel idea was/is created, is overlooked, it could create bottlenecks later after such idea becomes successful. Accordingly, the startups need to ensure that anything created on behalf of the startup, belongs to the startup and not the Employee or a third party. Further, it is advisable to enter into elaborate assignments, licensing or user agreements, and care should be taken to make provisions for all post termination IP Right issues.

GATE Tirupati

UNIT-2

Women Entrepreneurs

According to the general concept, women entrepreneur may be defined as a women or a group of women who initiate, organize and operate a business enterprise.

Women Entrepreneurship Definition

The **Government of India** has defined a women entrepreneurship as "an enterprise owned and controlled by a women having a minimum financial interest of 51% of the capital and giving at least 51% of the employment generated in the enterprise to women".

Kerala Government defined women industrial units as units owned/ organized by women and engages in small scale and cottage industries with not less than 80% of the total workers as women.

With effect from 6th Feb. 1992, the definition of 'Women Entrepreneurs' Enterprises is as follows: "A small scale industrial units/industrially related services or business enterprise managed by one or more women entrepreneurs in proprietary concerns in which she/they will individually or jointly have share capital of not less than 51% as partners/shareholders/directors of a private limited company, members of co-operative society".

Women Entrepreneurs Working Environment:

However, changing mindsets is the key. Some concrete steps for establishing a safer environment are the following:

1. Create Awareness

Employees, both male and female, should be educated about behavioural ethics and developing the right culture that supports female safety. Women employees have to be constantly trained on the PoSH Act and made aware of its constituents, powers and jurisdictions. This will help them realize if they have been at the receiving end of inappropriate behaviour and get them to raise objections to the appropriate authority. Regular surveys should be conducted in the organization for female employees to provide their feedback on the working environment.

2. Enforce a Zero-tolerance Policy

An organization's reputation improves globally when it implements and enforces strict policies for its employees. It speaks a lot about the organization. A well-defined policy that mentions strong disciplinary action for anyone found guilty should be circulated organization-wide.

3. Promote a Spirit of Entrepreneurship and Openness Among Women

Enforcing policies and educational sessions are beneficial, but, a process or a system that promotes power equality in the organization can be introduced through which the occurrence of negative incidents will be reduced. Assigning dynamic roles and projects to women where they get more responsibility, recognition and power can boost their confidence and status within the organization. Global women leaders around the world can be invited to speak at seminars to motivate women and make them aware of how much they can achieve personally and professionally.

4. Set up a Strong Internal Committee

A credible Internal Committee that investigates thoroughly and recommends strong action should be set up.

GATE Tirupati

The IC should be perceived as fair by both male and female employees and it should also be free of any biases towards gender, seniority of the employee etc.

5. Incorporate Educational Programs for Male Employees

Policies and committees to increase women safety are effective, but absolute safety can be established in an organization only when the root of the problem is fixed. This can be executed by continuous sensitization and training for male employees on how to conduct themselves when working with their female counterparts. A demonstration program will help them understand as to what constitutes as harassment so that there won't be any ambiguity as to what appropriate workplace behaviour is. It should be run half-yearly, quarterly or monthly as per need and demonstrate scenarios where their actions, words and behaviour can be corrected and improved. A list of Dos and Don'ts, program guides and tests should also be made available for all male employees.

Many instances of sexual harassment actually occur because of a lack of understanding of what constitutes inappropriate behaviour. Good training & sensitization programs can significantly help in bringing down instances of sexual harassment.

6. Provide Equipment and Safety Aids for Women

Strict measures can be put in place to prevent any kind of violence or harassment of women. However, it is also recommended that women should be trained to protect themselves when such an incident occurs.

Women have to be trained to immediately escalate any uncomfortable situation that they may find themselves in. Further, provide counselling sessions, life-coaching workshops specially structured for women in the organization's monthly regime. This can provide sensitive women with the confidence to speak up.

Challenges in the path of Women Entrepreneurs:

Basic problem of a woman entrepreneur is that she is a woman. Women entrepreneurs face two sets of problems specific to women entrepreneurs. These are summarized as follows.

- **Shortage of Finance**: Women and small entrepreneurs always suffer from inadequate fixed and working capital. Owing to lack of confidence in women's ability, male members in the family do not like to risk their capital in ventures run by women. Banks have also taken negative attitude while lending to women entrepreneurs. Thus women entrepreneurs rely often on personal saving and loans from family and friends.
- **Shortage of Raw Material**: Women entrepreneurs find it difficult to procure material and other necessary inputs. The prices of many raw materials are quite high.
- **Inadequate Marketing Facilities**: Most of the women entrepreneurs depend on intermediaries for marketing their products. It is very difficult for the women entrepreneurs to explore the market and to make their product popular. For women, market is a 'chakravyuh'.
- **Keen Competition**: Women entrepreneurs face tough competition from male entrepreneurs and also from organized industries. They cannot afford to spend large sums of advertisement.
- **High Cost of Production**: High prices of material, low productivity. Under utilisation of capacity etc. account for high cost of production. The government assistance and subsidies would not be sufficient for the survival.

GATE Tirupati

- **Family Responsibilities**: Management of family may be more complicated than the management of the business. Hence she cannot put her full involvement in the business . Occupational backgrounds of the family and education level of husband has a direct impact on the development of women entrepreneurship.
- **Low Mobility**: One of the biggest handicaps for women entrepreneur is her inability to travel from one place to another for business purposes. A single women asking for room is looked upon with suspicion. Sometimes licensing authorities, labour officials and sales tax officials may harass them.
- **Lack of Education**: About 60% of women are still illiterate in India. There exists a belief that investing in woman's education is a liability, not an asset. Lack of knowledge and experience creates further problems in the setting up and operation of business.
- **Low Capacity to Bear Risks**: Women lead a protected life dominated by the family members. She is not economically independent. She may not have confidence to bear the risk alone. If she cannot bear risks, she can never be an entrepreneur.
- **Social Attitudes:** Women do not get equal treatment in a male-dominated society. Wherever she goes, she faces discrimination. The male ego stands in the way of success of women entrepreneurs. Thus, the rigid social attitudes prevent a woman from becoming a successful entrepreneur.
- **Low Need for Achievement:** Generally, a woman will not have strong need for achievement. Every women suffers from the painful feeling that she is forced to depend on others in her life. Her preconceived notions about her role in life inhibit achievement and independence.
- **Lack of Training**: A women entrepreneur from middle class starts her first entrepreneurial venture in her late thirties or early forties due to her commitments towards children. Her biggest problem is the lack of sufficient business training.
- **Lack of Information:** Women entrepreneurs sometimes are not aware of technological developments and other information on subsidies and concessions available to them. They may not know how to get loans, industrial estates, raw materials, etc.

Women Empowerment

Women's empowerment can be defined to promoting women's sense of self-worth, their ability to determine their own choices, and their right to influence social change for themselves and others.

It is closely aligned with female empowerment – a fundamental human right that's also key to achieving a more peaceful, prosperous world.

In recent times, everyone is pointing on the empowerment of women. It's right to say that women's empowerment has become the necessity of the time. Women should possess liberty, faith, and self-worth to opt for their needs and demands. Discrimination based on gender is useless and is having zero worth by looking at the growth of women in the last few decades. Women are paid less and are treated as a cook and slave in families, and their real potential fails to get highlighted. Women empowerment in India is required to overcome situations of such types and to provide them with their independent role in Indian society. Empowering women is a necessary right of women. They should have proportional rights to contribute to society, economics, education, and politics. They are approved to gain higher education and receive a similar treatment as men are receiving.

GATE Tinubar

Ensures Holistic Development of Society

Women empowerment in India is one of the principal terms for society's overall development. There is nothing erroneous in participating in the development of society. In the world of corporates, women are playing numerous roles in meadows such as medical, engineering, and so on. Apart from taking part in the sphere of technology, they are energetically partaking in security services such as police, navy, military, etc. All these before-mentioned services are taking the community to another level.

Determine their Intelligence Level

Over the preceding decades, there has been a uniform increase in women's empowerment. Women must possess self-worth, confidence, and freedom to choose their needs and requirements. Classifying the people based on gender is unreasonable, and it has no worth. Still, women are paid less, expected to cook, and restricted by their family members. To overcome these situations and to have an independent role in society, women's empowerment is needed.

Empowering women is the fundamental right of women. They can have equal rights to participate in education, society, economics, and politics. They are allowed to have higher education and treated in the way like men. In this article, you will know about the importance of women's empowerment. So make a halt on this page and read the following content.

Able to solve unemployment

Unemployment is one of the common problems that can be seen in the developing society. The research says that half of the population consists of women. The unemployment of women and unequal opportunities in the workplace can be eradicated with the help of women empowerment in India. Whenever women are facing unemployment, their true potential is left without any use. To make use of the strength and potential of the women, they must be provided with equal opportunities. You can motivate them by providing any special gifts. The best time to honor women is women's day. You can honor them with women's day gifts.

Know about their intelligence

It is unthinkable to understand and analyze the way of living of women by peeking at them. You can foresee their level of intelligence by way of moving toward the problems and in the solution-finding. In the contemporary era, women are nicely versed in unraveling technical troubles. Women's empowerment plays a vital role in these cases. Without women empowerment in India, you won't be able to determine and understand the intelligence of women. Therefore, making existence in work is particularly important and an advantageous one. You can present any gift to give recognition to their work.

Capable Enough to Solve the Issues of Unemployment

Unemployment is one of the widespread problems that can be glimpsed in societies in the developing stage. The study says that around half of the population comprises women. The unemployment of women & unbalanced opportunities in the working place can be eliminated with the assistance of women empowerment in India. Whenever women are confronting unemployment issues, their true capability is left without any intention. To make use of the courage and capacity of the women, they should be empowered with an equal number of opportunities.

GATE Tirupati

Grassroots Entrepreneurs through Self Help Groups (SHG):

Grassroot Entrepreneurs: Meaning and Definition

Grassroots entrepreneurs are civic activists who take the initiative to create campaigns or other organizational ventures to tackle social problems – in our case, to expand liberty. The idea is also known as social entrepreneurship. While profit-making is the legitimate social benefit of business entrepreneurs, grassroots ventures have another purpose, such as passing school choice legislation or organizing to oppose a tax increase. Grassroots entrepreneur can be defined as follows: "A person who pursue an innovative idea with the potential to solve a community problem. These individuals are willing to take on the risk and effort to create positive changes in society through their initiatives."

Where have we gone wrong? Three issues stand out, which are short-term thinking and planning, lack of focus on teaching 'Entrepreneurship' in our educational institutions and third, the lack of government incentives for promising new entrepreneurs. Let us elaborate a bit on these.

1.Short-term Thinking and Planning Unfortunately today, discussion and debates are centred on challenges facing existing businesses and their sustainability. No time is spent in identifying opportunities and in finding ways to encourage grassroots investment as an engine for job creation and sustainable GDP growth. A proper vision and detailed planning needs to be carried out and institutionalized.

2.Lack of Entrepreneurship Focused Education We need to develop a culture of entrepreneurial thinking and integrate it into our educational system. Entrepreneurship course need to be designed and introduced at all levels and made mandatory at graduate level. Let's take 'Engineering' curriculum as a case in point. Entire focus in these programs is on acquiring technical knowledge but no entrepreneurial skills.

3.Lack of Government Incentives Taxing a business that barely exists does not add much to the government exchequer. Many businesses are booming in other nations dominated by an educated middle class but they have not taken root in Pakistan. One case in point is the still infant Information Technology (IT) industry especially as it relates to back-office outsourcing services of major corporations and software/application design and support.

Grassroots entrepreneurs are:

1. Ambitious
2. Mission driven
3. Strategic
4. Resourceful
5. Results-oriented

Self-Help Groups

Self-Help Group (SHG) is a group of 12 to 20 women of the same socio-economic background who come forward voluntarily to work together for their own up liftment. The unique feature of the SHG is its ability to inculcate among its members sound habits of thrift, savings and banking Regular savings, periodic meetings, compulsory attendance, and systematic training are the salient features of the SHG concept. Each group selects one animator and two representatives from among themselves. The animator is responsible for providing leadership to the group and to maintain the various registers. The representatives assist the animator and maintain the bank accounts of the group.SHG is a small group of rural poor, who have voluntarily come forward to form a group for improvement of the social and economic

GATE Tirupati

status of the members.
(a) It can be formal (registered) or informal (unregistered).
(b) The concept underlines the principle of Thrift, Credit and Self Help.
(c) Members of SHG agree to save regularly and contribute to a common fund.
(d) The members agree to use this common fund and such other funds (like grants and loans from banks), which they may receive as a group, to give small loans to needy members as per the decision of the group.
Need for SHGs
1. To mobilize the resources of the individual members for their collective economic development.
2. To uplift the living conditions of the poor in rural areas.
3. To create a habit of savings among the poor from their little earnings.
4. Utilization of local resources which are idle through members.
5. To mobilize individual skills for group's interest.
6. To create awareness about the rights and duties and make people conscious for the same.
7. To assist the members financially at the time of need and make them free from the clutch of greedy money lenders.
8. To develop Entrepreneurship competencies by utilizing the inherent talent and skill.
9. To identify problems, encountered by the members and finding solutions for feasible implementation of the same.
10. To act as a media for socio-economic development of the village.
11. To develop linkages with institutions of NGOs for financial and non-financial assistance and support.
12. To organize training for skill development to generate entrepreneurial ability.
13. To gain mutual understanding, develop trust and self-confidence that 'each one is for Notes every one'.
14. To build up teamwork on the basic philosophy of 'two brains are better than one'.
15. To develop leadership qualities to lead the group and develop followers to achieve the goals.
16. To use as an effective delivery channel for rural credit, so that rural urban difference will be minimized.

Building the Business Plan

A business plan is a document describing a business, its products or services, how it earns (or will earn) money, its leadership and staffing, its financing, its operations model, and many other details essential to its success.

Why write a business plan?

Investors rely on business plans to evaluate the feasibility of a business before funding it, which is why business plans commonly are associated with getting a loan. But there are several compelling reasons to consider writing a business plan, even if you don't need funding.

- **Planning.** Writing out your plan is an invaluable exercise for clarifying your ideas and can help you understand the scope of your business, as well as the amount of time, money, and resources you'll need to get started.
- **Evaluating ideas.** If you've got multiple ideas in mind, a rough business plan for each can help you focus your time and energy on the ones with the highest chance of success.

GATE Tirupati

- **Research.** To write a business plan, you'll need to research your ideal customer and your competitors—information that will help you make more strategic decisions.
- **Recruiting.** Your business plan is one of the easiest ways to communicate your vision to potential new hires and can help build their confidence in the venture, especially if you're in the early stages of growth.
- **Partnerships.** If you plan to approach other companies to collaborate, having a clear overview of your vision, your audience, and your growth strategy will make it much easier for them to identify whether your business is a good fit for theirs—especially if they're further along than you in their growth trajectory.
- **Competitions.** There are many business plan competitions offering prizes such as mentorships, grants, or investment capital. To find relevant competitions in your industry and area, try Googling "business plan competition + [your location]" and "business plan competition + [your industry]."

Feasibility Study

a feasibility analysis is designed to assess whether your entrepreneurial endeavor is, in fact, feasible or possible. By evaluating your management team, assessing the market for your concept, estimating financial viability, and identifying potential pitfalls, you can make an informed choice about the achievability of your entrepreneurial endeavor. A feasibility analysis is largely numbers driven and can be far more in depth than a business plan. It ultimately tests the viability of an idea, a project, or a new business. A feasibility study may become the basis for the business plan, which outlines the action steps necessary to take a proposal from ideation to realization. A feasibility study allows a business to address where and how it will operate, its competition, possible hurdles, and the funding needed to begin. The business plan then provides a framework that sets out a map for following through and executing on the entrepreneurial vision.

Organizational Feasibility Analysis

Organizational feasibility aims to assess the prowess of management and sufficiency of resources to bring a product or idea to market. The company should evaluate the ability of its management team on areas of interest and execution. Typical measures of management prowess include assessing the founders' passion for the business idea along with industry expertise, educational background, and professional experience. Founders should be honest in their self-assessment of ranking these areas.



GATE Tirupati

Financial Feasibility Analysis

A financial analysis seeks to project revenue and expenses (forecasts come later in the full business plan); project a financial narrative; and estimate project costs, valuations, and cash flow projections.

The financial analysis may typically include these items:

- A twelve-month profit and loss projection
- A three- or four-year profit-and-loss projection
- A cash-flow projection
- A projected balance sheet
- A breakeven calculation

Market Feasibility Analysis

A market analysis enables you to define competitors and quantify target customers and/or users in the market within your chosen industry by analyzing the overall interest in the product or service within the industry by its target market. You can define a market in terms of size, structure, growth prospects, trends, and sales potential. This information allows you to better position your company in competing for market share. After you've determined the overall size of the market, you can define your target market, which leads to a total available market (TAM), that is, the number of potential users within your business's sphere of influence. This market can be segmented by geography, customer attributes, or product-oriented segments. From the TAM, you can further distill the portion of that target market that will be attracted to your business. This market segment is known as a serviceable available market (SAM).

Applying Feasibility Outcomes

After conducting a feasibility analysis, you must determine whether to proceed with the venture. One technique that is commonly used in project management is known as a go-or-no-go decision. This tool allows a team to decide if criteria have been met to move forward on a project. Criteria on which to base a decision are established and tracked over time. You can develop criteria for each section of the feasibility analysis to determine whether to proceed and evaluate those criteria as either "go" or "no go," using that assessment to make a final determination of the overall concept feasibility.

Setting Up of Small Business Enterprises

Who do establish small business enterprises? Broadly, there are two types of people who establish small enterprises. One people who want to take the advantages of opportunities available. Two, people who have no option for making a livelihood.

These two types of entrepreneurs are also termed as 'entrepreneurs by choice' and 'entrepreneurs by compulsions' respectively. Starting an enterprise is not so simple and cannot be set up just. In fact, there are several steps involved in setting up a small business enterprise.

Following are the major ones:

(i) Information Collection
(ii) Information Organization
(iii) Acquiring Required/Vocational Skills
(iv) Financial Requirements
(v) Market Assessment
(vi) Provision for Crisis

GATE Tripati

(i) Information Collection:

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

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

(ii) Information Organization:

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

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

(iii) Acquiring Required/Vocational Skills:

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

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

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

(iv) Financial Requirements:

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

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

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

GATE Tirupati

(v) Market Assessment:

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

(vi) Provision for Crisis:

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

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

GATE Tirupati

UNIT-3

Financial Considerations

Building a business from the ground up is no easy feat. And when an owner is ready to step aside and enjoy a well-earned retirement, there's still some work to get through: thoroughly planning for the transition and succession.

There are multiple financial factors to consider, ranging from ensuring you have sufficient savings and income for your personal needs to verifying the management team has the resources and plan for continued business success—and more.

1. The Time Needed To Plan

Aside from the usual suspects of tax factors, consultations with experts, legal questions and so on, one financial factor an owner should take into account is the costly time needed to step away during the planning process. When you are in the weeds for too long, decisions become more taxing. You've built the business from the ground up. Honor the work you've put in by giving space to break as you poise to pass the baton.

2. Long-Term Management Incentives

The key factor in planning business succession should be the new management's incentive scheme. The owner needs to make sure that incentives are exactly aligned with their long-term hopes and desires for the business. This will increase the chances that new management will make more desirable decisions and likely avoid short-term fixes.

3. The Value Of The Relationships You've Built

Evaluate your relationships! Is your business based solely on relationships that you built? What would the value of your business be if you stepped away? Manage your expectations, knowing that the value you've placed on the business could change when someone new takes the reins.

4. Existing Legal Agreements

Legal operating agreements must be updated to reflect the current valuation and the buyouts that will potentially follow. The business may not have the liquidity to buy out a partner's spouse in case of that partner's death. Relying on future cash flows and the potential creditworthiness of the remaining partner is not a good solution, as it may put a damper on the profitability and growth of the company moving forward.

5. Your Current Income

Being on the receiving side of this, I can tell you that the person retiring should have attained an income level that's higher than they'll need before retiring so that they can take a cut as they pass on the reins. I have been the recipient of a deal where the owner wanted to pass on the reins and take the highest level of income they'd ever had, plus a 10% increase annually.

6. Tax Structures

With the likelihood of an increase in the capital gains tax and the fact that selling a company may cost you roughly 40%, you need to create a structure and mechanism to keep that number as low as possible. Selling in the near future will likely cost a fortune, so that's something to keep in mind. Optimizing your tax structures through specialty tax credits, leveraging opportunity zones and other strategies may be wise.

7. Your Spending Habits

Letting go of anything you love is difficult, especially if it includes something that provides you with recurring revenue. The loss of recurring revenue can be difficult, especially if you have

GATE Tirupati

relied on it more than you originally thought. Changing your spending habits prior to selling your company is critical—you don't want to try and figure this out during the sales process.

8. Life Insurance

Life insurance must be accounted for. In the event of a succeeding partner's passing, will the death benefit be enough to buy out the deceased partner's stake in the company and distribute it to the other partners? I highly recommend making sure comprehensive life insurance is attained for all parties before executing a succession contract.

9. Expenses You're Charging To the Business

Because there is a tendency to run certain expenses through the company, business owners in this position must normalize their personal finances. For instance, cellphones are often considered a business expense. Once the business is gone, it becomes a personal expense. Therefore, finding out your true cost of living outside of the business is crucial to a successful succession plan.

10. A Payment Schedule

Unless you're getting all of your money out when you leave, you need to ensure that the company can pay you as scheduled. In addition, what control do you have if they start missing payments? Maybe you can secure your payment stream in some way. Just hoping that they will pay you fully over time is not a strategy.

11. Closing Costs

Invest time, energy and money in certified audits performed by a reputable accountant or firm. You may also need to cover the cost of a Quality of Earnings report on top of a certified audit. Most buyers will also require the seller to cover 30 to 90 days' worth of operating funds at the time of closing. If you are not prepared with the above items, it could end up being costly.

12. Contingencies In The Sales Contract

If you are selling to a private equity company, be aware that many transactions place undue risks on the seller, with future payouts tied to contingent growth that the purchaser is not valuing but requiring to be met for the seller to receive back-end payments. If you are selling internally, make sure there is a cultural fit with the new management team so that customers and employees don't flee from new rules that may be established.

13. Ways To Contribute In Future

A case we see often is an entrepreneur exiting a long-built company and facing the transition from running a business—with the accompanying strong sense of purpose—to managing cash. This requires a new, often challenging mindset. We recommend allocating a small portion of earnings to purchasing equity and a board seat so that the retiring entrepreneur can still contribute without carrying too heavy a workload.

Basic Financial Statements

It's important for the small business owner to understand these four types of financial statements and the information they provide for the investor or creditor interested in providing funds for your business.

Both individually and taken together, these financial statements give a potential investor or creditor a wealth of information and can have a serious impact on your business's ability to obtain the funds or financing it needs.

GATE Tirupati



Contents

Understanding Financial Statements
1. Balance Sheet
2. Income Statement
3. Cash Flow Statement
4. Statement of Owner's Equity

1. Balance Sheet

Also known as a statement of financial position or a statement of net worth, the balance sheet is one of the four important financial statements every business needs.

Based on the basic accounting equation, or balance sheet equation [Assets = Liabilities + Equity], the balance sheet provides a snapshot of a business's assets, liabilities, and equity.

It also provides users with a look at the business's financial position at a specific point in time, and financial statement analysts use the information it contains to calculate several important financial ratios.

2. Income Statement

The income statement is another important financial statement for your small business. It provides users with a picture of the business's financial performance over a specific period of time.

Also known as a statement of revenue and expense, or a profit and loss statement (P&L), the income statement is a statement of earnings that shows a business's operating and non operating revenue and expenses.

Like the balance sheet, the information contained in an income statement is used in financial statement analysis to calculate financial ratios that provide users with further insight into a business's financial performance.

3. Cash Flow Statement

The cash flow statement, also known as a statement of cash flows, or a statement of changes in financial position, is an important financial statement that gives users an understanding of how well a business is managing its cash flow.

Using the information in a cash flow statement, users are able to see whether a business is generating sufficient cash to meet both its debt obligations and its operating expenses.

The typical cash flow statement format provides information about a business's cash from operating activities, cash from investing activities, and cash from financing activities.

4. Statement of Owner's Equity

The fourth financial statement that a business needs is a statement of owner's equity, also known as a statement of changes in equity, or a statement of shareholders' equity.

GATE Tirupati

It shows the business's retained earnings—the profit kept, or retained, within a business rather than distributed to owners or shareholders—both at the beginning and at the end of a specific reporting period.

Retained earnings are often used to either reinvest in the company, or to pay off the business's debt obligations. It provides users with information regarding the financial health of a business, as it shows whether the business is capable of meeting ongoing financial and operating obligations without requiring its owners to contribute more capital.

Managing Cash Flow

Cash flow is the total amount of money that comes in and out of a business. It is a key indicator of the financial health of your business. A consistent, positive cash flow can help you pay expenses, invest in new opportunities, and grow your business. Below are some cash flow management strategies to consider:

1. Pay bills strategically.

Extend payables as long as possible and spread your payments. Don't pay all your business bills at the same time. This can drain your cash and potentially jeopardize your relationships with suppliers if you are unable to pay. Instead, review bills, sort according to priority, and stagger payment dates so the most important bills — such as rent and payroll — are paid first. Payments that are less important and more flexible can be made later. However, be sure to pay on time to avoid late charges. Also, check if you can receive discounts for paying any bills early, and then prioritize the ones that qualify.

2. Choose the right payroll cycle.

Structure your payroll to mesh with your revenue stream and comply with wage and hour laws. Businesses that generate daily revenue, such as restaurants and retail, can more easily cover the cash needed for weekly payroll. But this can be a challenge for businesses with slower revenue streams, such as manufacturers or wholesalers, because cash doesn't come in as frequently. There may be a benefit to holding the cash to be paid less frequently than weekly, e.g. biweekly or monthly, provided applicable wage and hour law permits you to do so. Check with your state Department of Labor on any requirements for payroll frequency.

3. Negotiate your payments with suppliers.

Using suppliers with low prices may seem like the best way to improve cash flow, but flexible payment options can be more important than bottom-shelf pricing. Ask your suppliers about their payment terms. You may be able to time your payments with your cash inflows.

4. Collect receivables quickly.

Improve your cash flow by encouraging quick payment of receivables. These techniques can help you collect receivables faster:

- Request deposits from your customers when taking orders.
- Offer discounted prices strategically to move outdated inventory.
- Offer discounts to customers who pay quickly.
- Consider online invoices, as well as provide online payment options.

5. Manage your credit policies carefully.

If you offer credit to customers, stand firm on your credit policies to make sure you get the cash you need. Try these strategies:

GATE Tripathi

- Send invoices promptly, verify they've been received, and follow up right away on late payments.
- Require a credit check for all new customers before extending credit.
- Monitor your accounts to identify late-paying customers and implement a cash-on-delivery policy for chronic offenders.

6. Use a business credit card.

Consider using a business credit card to pay for everyday expenses to free up cash. Then keep track of those expenses with online banking and your monthly statements. Also, take advantage of any rewards programs that can reduce your expenses, such as a certain percentage cash back on some purchases.

7. Consider a line of credit.

Having a line of credit provides quick access to funds when needed and can help maintain a balanced cash flow cycle. A line of credit can be used to bridge gaps between payables and receivables, buy equipment, cover seasonal or unexpected expenses, or to take advantage of growth opportunities.

8. Use technology to make and accept payments.

Accept online payments to collect receivables faster and use electronic fund transfers to automatically pay bills on the last day they're due. Technology should also help you keep track of where you stand.

Positive cash flow is critical to your short- and long-term financial success. Make the most of your cash by monitoring expenses, collecting payments quickly, and using resources that can make your cash flow management more convenient.

Preparation of Projected Financial Statements

A projected balance sheet is also referred to as a pro forma balance sheet. It shows the estimation of the total assets and total liabilities of any business. A pro forma balance sheet is a tabulation of future projections. As a result, it will help your business manage your assets now for better results in the future.

The asset will contain long-term assets (non-current assets) and current assets. The long-term assets will include the building, land, machinery, and vehicles. Whereas the current asset includes the cash in hand/bank, receivables, and sock for the short term.

On the liability side, we have non-current liabilities and current liabilities. In the non-current liabilities, it includes the term loan and current liabilities include the account payable and short-term loan such as a working capital loan.

You may need to prepare a projected balance sheet if you have applied for a **business loan** for your new project or you are interested to buy new fixed assets. By showing a well-crafted **projected balance sheet** from **Finline**, the bank will get the confidence that the business unit is worth viable to invest/provide the loan.

How to Prepare Projected Balance Sheet

The following steps will help prepare the projected balance sheet:

Step 1: Calculate cash in hand and cash at the bank

If you have no booking record of your cash, you can show cash in hand after checking your cash balance in the business's pocket. You can check also the available balance at the bank. Both will be your current assets on the balance sheet.

GATE Tirupati

Step 2: Calculate Fixed Assets

See everything around you. Make the list of assets whose benefits are you taking more than one year. Check its price from cash memo or past bills. Try to calculate the time of its use. If you have used it for 3 years. Its value will surely decrease due to depreciation. Charge 10% to 20% per year on every fixed asset up to the used period with any method of depreciation. Now, you will get the current cost of the fixed asset. Show it on the asset side of the balance sheet.

Step 3: Calculate Value of Financial Instruments

If you invested your money in shares, bonds, and other financial instruments. Write its purchase price. If it has decreased, then you can also show the current market price of financial instruments.

Step 4: Calculate your Business Earning

If you have not made a profit and loss account. You can compare your expenses and your incomes. If your incomes are more than your expenses, it will be your net profit. That will be transferred to the liability side of the balance sheet. You should only deduct expenses whose benefits, you have obtained in one year.

Step 5: Calculate Business's Liabilities

In these liabilities, you can add bank loans, secured loans, and other loans. That will be added to the liability side of the projected balance sheet.

Step 6: Calculate Business's Capital

Business's capital, you can calculate by subtracting outside liabilities from total assets. That will also add to the balance sheet on the liabilities side.

Non -finance/accounting people will be puzzled about how to create the **projected balance sheet**. Make one with **Finline** in less than 10 minutes as you just need to fill in the questions asked by the intelligent software, which will create the projected balance sheet.

Applications of Business Ratios

Ratio analysis is referred to as the study or analysis of the line items present in the financial statements of the company. It can be used to check various factors of a business such as profitability, liquidity, solvency and efficiency of the company or the business.

Ratio analysis is mainly performed by external analysts as financial statements are the primary source of information for external analysts.

The analysts very much rely on the current and past financial statements in order to obtain important data for analysing financial performance of the company. The data or information thus obtained during the analysis is helpful in determining whether the financial position of a company is improving or deteriorating.

Categories of Ratio Analysis

There are a lot of financial ratios which are used for ratio analysis, for the scope of Class 12 Accountancy students. The following groups of ratios are considered in this article, which are as follows:

1. Liquidity Ratios: Liquidity ratios are helpful in determining the ability of the company to meet its debt obligations by using the current assets. At times of financial crisis, the company can utilise the assets and sell them for obtaining cash, which can be used for paying off the debts.

Some of the most commonly used liquidity ratios are quick ratio, current ratio, cash ratio, etc. The liquidity ratios are used mostly by creditors, suppliers and any kind of financial institutions

GATE Tirupati

such as banks, money lending firms, etc for determining the capacity of the company to pay off its obligations as and when they become due in the current accounting period.

2. Solvency Ratios: Solvency ratios are used for determining the viability of a company in the long term or in other words, it is used to determine the long term viability of an organisation.

Solvency ratios calculate the debt levels of a company in relation to its assets, annual earnings and equity. Some of the important solvency ratios that are used in accounting are debt ratio, debt to capital ratio, interest coverage ratio, etc.

Solvency ratios are used by government agencies, institutional investors, banks, etc to determine the solvency of a company.

3. Activity Ratio: Activity ratios are used to measure the efficiency of the business activities. It determines how the business is using its available resources to generate maximum possible revenue.

These ratios are also known as efficiency ratios. These ratios hold special significance for business in a way that whenever there is an improvement in these ratios, the company is able to generate revenue and profits much efficiently.

Some of the examples of activity or efficiency ratios are asset turnover ratio, inventory turnover ratio, etc.

4. Profitability ratios: The purpose of profitability ratios is to determine the ability of a company to earn profits when compared to their expenses. A better profitability ratio shown by a business as compared to its previous accounting period shows that business is performing well.

The profitability ratio can also be used to compare the financial performance of a similar firm, i.e it can be used for analysing competitor performance.

Some of the most used profitability ratios are return on capital employed, gross profit ratio, net profit ratio, etc.

Use of Ratio Analysis

Ratio analysis is useful in the following ways:

1. Comparing Financial Performance: One of the most important things about ratio analysis is that it helps in comparing the financial performance of two companies.

2. Trend Line: Companies tend to use the activity ratio in order to find any kind of trend in the performance. Companies use data from financial statements that is collected from financial statements over many accounting periods. The trend that is obtained can be used for predicting the future financial performance.

3. Operational Efficiency: Financial ratio analysis can also be used to determine the efficiency of managing the asset and liabilities. It helps in understanding and determining whether the resources of the business is over utilised or under utilised.

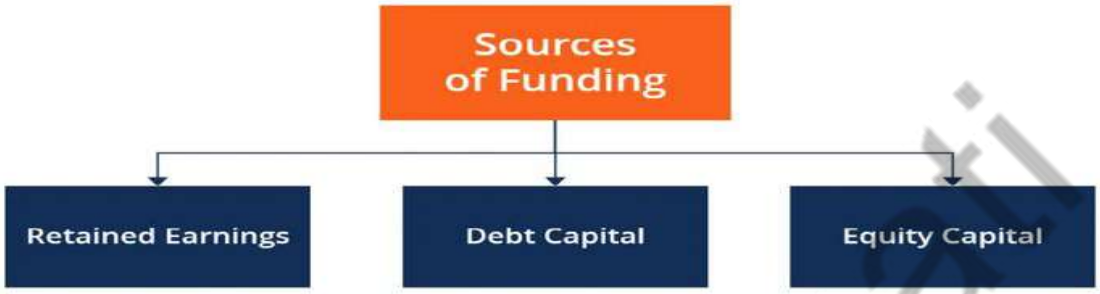
Sources of Finance: Debt and Equity

Companies always seek sources of funding to grow their business. Funding, also called financing, represents an act of contributing resources to finance a program, project, or need. Funding can be initiated for either short-term or long-term purposes. The different sources of funding include:

- Retained earnings
- Debt capital

GMT Tirupati

- Equity capital



Retained Earnings

Businesses aim to maximize profits by selling a product or rendering service for a price higher than what it costs them to produce the goods. It is the most primitive source of funding for any company.

After generating profits, a company decides what to do with the earned capital and how to allocate it efficiently. The retained earnings can be distributed to shareholders as dividends, or the company can reduce the number of shares outstanding by initiating a stock repurchase campaign.

Alternatively, the company can invest the money into a new project, say, building a new factory, or partnering with other companies to create a joint venture.

Debt Capital

Companies obtain debt financing privately through bank loans. They can also source new funds by issuing debt to the public.

In debt financing, the issuer (borrower) issues debt securities, such as corporate bonds or promissory notes. Debt issues also include debentures, leases, and mortgages.

Companies that initiate debt issues are borrowers because they exchange securities for cash needed to perform certain activities. The companies will be then repaying the debt (principal and interest) according to the specified debt repayment schedule and contracts underlying the issued debt securities.

The drawback of borrowing money through debt is that borrowers need to make interest payments, as well as principal repayments, on time. Failure to do so may lead the borrower to default or bankruptcy.

Equity Capital

Companies can raise funds from the public in exchange for a proportionate ownership stake in the company in the form of shares issued to investors who become shareholders after purchasing the shares.

Alternatively, private equity financing can be an option, provided there are entities or individuals in the company's or directors' network ready to invest in a project or wherever the money is needed for.

Compared to debt capital funding, equity funding does not require making interest payments to a borrower.

GATE Tripathi

However, one disadvantage of equity capital funding is sharing profits among all shareholders in the long term. More importantly, shareholders dilute a company's ownership control as long as it sells more shares.

Other Funding Sources

Funding sources also include private equity, venture capital, donations, grants, and subsidies that do not have a direct requirement for return on investment (ROI), except for private equity and venture capital. They are also called "crowd funding" or "soft funding."

Crowd funding represents a process of raising funds to fulfill a certain project or undertake a venture by obtaining small amounts of money from a large number of individuals. The crowd funding process usually takes place online.

Marketing and Marketing Considerations in Entrepreneurship

The term market refers to the place where buying and selling take place, and the term marketing refers to all the activities for taking goods from the place of production to the place of consumption. All the activities of marketing takes place around the consumers.

It links the producers and the consumers together for their mutual benefits. Since marketing includes satisfying consumer needs, it is also a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products or services and values with others.

Considerations of Marketing:

1. The seller identifies customer needs.
2. Products are discovered to satisfy these needs.
3. Products are designed to satisfy customer needs.
4. The seller estimates a price that the customer would be ready to pay.
5. Customers are located by sellers to reach the product.

The financial success of any business greatly depends on its marketing ability. A business functions only when there is a sufficient demand for products. Thus, marketing is a core activity of any business.

Essential Elements:

1. Needs and wants:

Marketing deals with identifying and meeting human and social needs. A need can be defined as the state of felt deprivation. It can be the lack of physical, individual and social needs. Wants are objectives that satisfy needs and are shaped by culture and individual personality. Demands are empowered by human wants.

2. Exchange and transaction:

Needs can be best satisfied with a socially accepted process of exchange. It is the marketers who wish to make exchanges. Transaction is a trade between two parties who agree on the value, condition, time and place of exchange.

3. Product:

Product is a generic term used to describe a good, service, idea, person or place. It is a need satisfier. It links a marketer to a consumer. A customer makes a purchase decision, whereas a consumer uses or consumes a product; for example, parents buy toys and children use it.

GATE Tinubati

4. Utility:

A customer makes purchase decisions based on the concept of utility. An individual purchases a product because it provides satisfaction, that is, the total utility is the total satisfaction the consumption of a product brings to the consumer. Utility can be related to place, time, form, possession and information.

Selecting the Target Market

Target market represents a group of individuals who have similar needs, perceptions and interests. They show inclination towards similar brands and respond equally to market fluctuations.

Individuals who think on the same lines and have similar preferences form the target audience. Target market includes individuals who have almost similar expectations from the organizations or marketers.

Obese individuals all across the globe look forward to cutting down their calorie intake. Marketers understood their need and came up with Kellogg's K Special which promises to reduce weight in just two weeks. The target market for Kellogg's K Special diet would include obese individuals.

Individuals who sweat more would be more interested in buying perfumes and deodorants with a strong and lasting fragrance.

How to select the Target Market ?

It is essential for the organizations or marketers to identify the set of people whom they want to target ?. Marketers must understand the needs and expectations of the individuals to create its target market.

The target audience must have similar needs, interests and expectations.

Similar products and brands should entice the individuals comprising the target market.

Same taglines and advertisements attract the attention of the target audience and prompt them to buy.

To select a target market, it is essential for the organizations to study the following factors:

- Understand the lifestyle of the consumers
- Age group of the individuals
- Income of the consumers
- Spending capacity of the consumers
- Education and Profession of the people
- Gender
- Mentality and thought process of the consumers
- Social Status
- Kind of environment individuals are exposed to

Always remember you would never be successful if you try to impress everyone. Be specific

Identify individuals who show similar characteristics. Put them in one group to create target market within a broad market.

Let us go through the below example:

Why do people use soaps ?

GATE Tirupati

Some would use it against body odour

Some would use it to fight germs and infections

Some for a fair and spotless skin

In the above case the product is same but the needs of the individuals are different. Consumers have different reasons as to why they use soaps.

Target Audience 1

Against body odour - Soaps with a strong and lasting fragrance.

- Marketing professionals
- Sales Representatives
- People exposed to sun for a longer duration
- Individuals travelling by public transport

Target Audience 2

To fight germs and infections - Soaps with medicinal properties

- Individuals working in hospitals, nursing homes and research centres
- Individuals working in unhygienic conditions

Target Audience 3

For a whiter skin - Soaps which improve the skin tone of individuals.

- Teenagers
- College students

Target Audience 4

For a younger looking skin - Soaps which help get rid of wrinkles and fine lines of ageing

- Individuals between age group 30 – 50 years or above

Individuals with identical requirements form the target audience. A 20 year old girl can't be targeted along with someone who is 50 years old.

Online matrimony sites target young individuals aspiring to get married. The organizations strive hard to fulfil their expectations by providing suitable matches.

Other important factors like climatic conditions and geographical locations also play an important role in deciding the target market.

Deodorants and perfumes sell like hot cakes in humid and warm places.

Target Market for Beverages

Bournvita, Complan, Maltova, Boost - Growing kids

Soft drinks (Pepsi, Coke) - Teenagers

Fruit Juice (Real, Tropicana) - Health conscious individuals

Energy Drinks(Red bull) - Professionals, Office goers

Market Strategy

Marketing strategy is the comprehensive plan formulated particularly for achieving the marketing objectives of the organization. It provides a blueprint for attaining these marketing objectives. It is the building block of a marketing plan.

It is designed after detailed marketing research. A marketing strategy helps an organization to concentrate it's scarce resouces on the best possible opportunities so as to increase the sales.

A marketing strategy is designed by:

1. **Choosing the target market:** By target market we mean to whom the organization wants to sell its products. Not all the market segments are fruitful to an organization.

GATE Tirupati

There are certain market segments which guarantee quick profits, there are certain segments which may be having great potential but there may be high barriers to entry. A careful choice has to be made by the organization.
An indepth marketing research has to be done of the traits of the buyers and the particular needs of the buyers in the target market.

2. **Gathering the marketing mix:** By marketing mix we mean how the organization proposes to sell its products. The organization has to gather the four P's of marketing in appropriate combination. Gathering the marketing mix is a crucial part of marketing task. Various decisions have to be made such as -
    - What is the most appropriate mix of the four P's in a given situation
    - What distribution channels are available and which one should be used
    - What developmental strategy should be used in the target market
    - How should the price structure be designed



Importance of Marketing Strategy

- Marketing strategy provides an organization an edge over it's competitors.
- Strategy helps in developing goods and services with best profit making potential.
- Marketing strategy helps in discovering the areas affected by organizational growth and thereby helps in creating an organizational plan to cater to the customer needs.
- It helps in fixing the right price for organization's goods and services based on information collected by market research.
- Strategy ensures effective departmental co-ordination.
- It helps an organization to make optimum utilization of its resources so as to provide a sales message to it's target market.
- A marketing strategy helps to fix the advertising budget in advance, and it also develops a method which determines the scope of the plan, i.e., it determines the revenue generated by the advertising plan.

Pricing Strategies

Earning more profit and acquiring more market share is the basic motto of any organization. The profit can be earned by selling our products in the market. Obtaining market share can be done by showing more qualitative products at less prices than the other companies. Pricing seems to be small but plays a crucial role in the growth of the organization. So, let's see how the prices are made and what are the Pricing Strategies available?

GATE Tubati

Definition

Pricing Strategy is a tool used to fix the price of a particular product or service by considering various factors like the consumption of resources, Market conditions, the ability of customers, demand and supply, need of the product like regular item or occasional, etc.

Types of Pricing Strategies

We have had different Pricing Strategies available in practice form for a long time. Organizations can opt for a suitable strategy that meets their requirements and expectations. Let us see all the product Pricing Strategies one by one to get a clear idea.

Premium Pricing:

In the premium Pricing Strategy, the prices of goods and services are a bit higher than the general prices. These are especially concentrated on premium segment people. Some people may have a perception that if the price of the product is high, then only the quality maintains up to the mark. If anyone announces a discounted sale or half price, they even suspect the reliability and quality of that product. Especially for those people, the premium Pricing Strategy was used at the same time they needed to maintain the quality, which means that price.

Penetration Pricing:

Penetration Pricing Strategy is one of the three major Pricing Strategies. Generally, it is used by the new traders to gain a foothold in the market. The sellers wanted to attract more customers by decreasing the price of the product. So that the customers can show interest in purchasing them and they can know the users and the quality of that particular product. Once the customers get used to that product, the price may increase.

Economy Pricing:

Economy pricing is one of the best Pricing Strategies, which considers the generalized category of customers. These are majorly affordable and reasonable prices as much as they can provide. The economy class can be easily understood if we consider the scenario of flight tickets. The least amount required for the entire journey will be fixed as the price for the economy category.

Price Skimming:

It is an occasional Pricing Strategy where the well-known product has reduced its sales drastically. Even though its market share is very good for some time, with any kind of factor, they may be reduced, yeah abnormally. Then to regain the market share and to get back its customers, the price will be reduced.

Psychological Pricing:

Among the three major Pricing Strategies, psychological pricing is also there. This Pricing Strategy can be seen everywhere. For example, Bata introduces a new kind of shoes, and the price is rupees 1,999 /-. The psychology of the human brain is ready to accept 1999 rupees, and it is not ready to take 2,000 figure 2. That's the reason several companies use this psychological Pricing Strategy. Usually, electronic appliances were tagged with this Pricing Strategy. Bata, Samsung, Amazon, etc., can be considered as examples of Pricing Strategies.

Product Line Pricing:

It is one of the differential Pricing Strategies. Here the prices may vary based on the size of the product. Even though the product is the same if we purchase a single product, the price may be

GATE Tirupati

10 rupees. If we purchase 5 pieces, the price may be rupees 45. Similarly, 100gm oil is 20/- 500ml is 80/-.

Pricing Variations:

Another differential Pricing Strategy is variations in the pricing structure. It is usually observed in travel agencies. For example, if we book an air ticket 2 months before, the price will be less. If we book the ticket as we thought it would be before, the price may increase slightly. If we want to buy Tatkal tickets, the price may increase more.

These are the various types of product Pricing Strategies. It is to be noted that apart from these types, we have different kinds of classifications based on the requirement, scenario, product, etc. So, the company needs to choose according to its product, Market share, competitors, etc.

Marketing of Services

Service marketing is simply the process of promoting and selling a service or an intangible good to a specific group of people. It is a new way of marketing that has become very popular and helps companies all over the world promote their services.

It looks at how a certain kind of service is advertised in the market. Though service marketing is a unique idea, it needs a way to represent goods that can't be seen (services).

Service marketing is different from product marketing, which involves promoting a product that can be seen. Instead, service marketing involves promoting a service that can't be seen but is still sold to customers. Services are just things that are given to customers as a commodity. Customers can choose from a wide range of services.

Eventually, the global sphere has become a service hub that offers many services to customers all over the world.

Services Marketing Examples

Healthcare industry

Doctors, nurses, surgeons, and other people who work in hospitals are great examples they sell their health services by seeing and taking care of their patients.

Hospitality industry

The hospitality industry is made up of places like hotels and restaurants that serve food, rent rooms, give massages, and do other things for their customers.

Professionals services

Accountants, lawyers, teachers, writers, masons, carpenters, chefs, electricians, and plumbers are all examples of service-based jobs. Depending on the job, they may offer more than one service to their clients.

Importance of Service Marketing

Because services can't be seen or touched, marketing them is a difficult but very important job. let's understand why.

1. A key differentiator:

As products become more similar, the services that go along with them are becoming a key differentiator in the minds of consumers. For example, Pizza Hut and Domino's both serve pizza, but they are different from each other more because of the quality of their service than because of the pizza itself. So, marketers can use the services they offer to set themselves apart from the competition and draw in customers.

GATE Tripathi

2. Importance of relationships:

Relationships are a key part of marketing services, so it's important to keep them in good shape. Since the product can't be seen or touched, a lot of the customer's decision to buy will depend on how much he trusts the seller. So, it's important to listen to what the customer wants, meet those needs with the right service, and build a long-term relationship that will lead to repeat sales and good word of mouth.

3. Customer retention:

In today's highly competitive market, where many companies compete for a small number of customers, keeping customers is even more important than getting new ones. Since services are usually made and used at the same time, the customer is actually involved in the process by taking his needs and feedback into account. So, they give customers more options for customization based on their needs, making them happier and more likely to stick with the company.

Types of Service Marketing

In general, there are three kinds of service marketing one should learn about them to better understand the idea as a whole.

1. External Service Marketing

The first type of service marketing is called "external service marketing." This is when a company promotes its services to customers in a setting outside of the company.

This type suggests that services be advertised using tried-and-true methods like price, product, and purchasers.

External service marketing is all about promoting services in the outside world (between the company and its customers) so that they are availed of and used well.

2. Internal Service Marketing

Second, there is internal service marketing. It is used to promote service within the company (company employees).

This means that the service is promoted internally so that employees know where it is and can spread the word better.

Since employees are an important part of the marketing chain, internal service marketing pays more attention to them than to customers.

It is very important for a company's employees to know a lot about the service so that they can spread the word and help the company promote the service on a large scale.

3. Interactive Service Marketing

Maybe technical service is also a very important part that needs the third type of service marketing, which is called "Interactive Service Marketing." Service promotion happens between the employees and the customers in this case (employees-customers).

Interactive marketing is a type in which the employees talk to customers to promote the services of their company, as the name suggests.

For example, the hotel chain Taj Hotels wants to advertise its services to the right people. Here is a short list of the different kinds of service marketing it will use to reach its goal.

- Firstly, the company will make ads that show what services the chain of hotels has to offer its customers (External).

GATE Tirupati

- Then, the company will promote its services within itself to make sure that its employees are well-informed about what it has to offer so that they can help promote and sell the services (Internal).
- Lastly, the company's employees will talk to customers when they use the service.
- This means that the employees will have to serve the customers in a variety of administrative and quality ways (Interactive).

Export Marketing

Export marketing focuses on marketing your product in other countries instead of your own. Although it applies strategies that are similar to domestic marketing, export marketing tends to be more challenging, since you must appeal to different cultures, ideals and tastes. Laws and regulations are also different from place to place. Export marketing may entail a greater risk and effort and may require substantial financial resources.

Pricing Strategies

Pricing strategy refers to changes in the prices of products that business owners make to persuade consumers to buy their products. Pricing strategies are useful for export advertising if you do not have many competitors in the target country that offer the same product as you do, or if you are new to that specific market and you want consumers to try your product. Types of pricing strategies include discounts, promotions, membership special pricing and bundle pricing.

Online Marketing

Online marketing is just as crucial today for an export business as it is for a national business, since people in most countries have some level of access to the Internet and its benefits, and online shopping is still a growing trend. Online marketing includes online ads, websites and email marketing.

Facebook and Google ads are some of the most common online marketing strategies, and people in most countries have access to them. You can purchase advertising on specific websites, but most online ads work through keywords. Your ad appears when a user uses words similar to those from your ad in a search, or navigates to similar sites.

Culture-Specific Marketing Plans

Export marketing strategies that pinpoint the target country's cultural differences can increase the bottom line. Research is crucial with these plans, starting with surveys and investigations to find out how consumers in other countries view your products or services. Some multi-national corporations use this strategy to great effect by completely changing branding for every country they sell to. You can pinpoint your promotions this closely or simply change your product to reflect religious views, current trends or different cultural viewpoints from general market areas you want to start selling to.

Traditional Marketing

Traditional marketing strategies can be just as effective in promoting your products in other countries as they are in your own country. Banners, billboards, pamphlets, print advertising, word-of-mouth and business cards are some of the most common forms of traditional marketing. A key difference is that to apply this type of marketing strategy to an export business, you must study the culture of your target market, and tailor your message to the market. Your export marketing strategies are only as effective as they are relevant to your consumers' lives.

Effective Marketing Action Plan

GATE Tripati

A calculated and aggressive marketing strategy is essential to export marketing. To implement export marketing correctly, you must do it in correct stages to ensure export sales growth. According to Export.gov, it is vital for a company's international business plan to define where it stands relative to potential markets, and to clearly lay out its objectives for them. A strategic action plan focuses marketing targets by collecting and analyzing relevant information, accounting for restrictions, and laying out the steps for an action approach. A company must formulate obtainable objectives, as well as a corresponding timetable to make them reality, and maintain the flexibility to adjust objectives if conditions change.

GATE Tirupati

UNIT-4

Production Management in Small Business

Production management refers to the process of managing the activities of a business to furnish desired outputs of products and services. It involves planning, executing, and directing operations to convert raw materials into finished goods and services. Therefore, we can say that product management is concerned with (a) procuring resources in the form of management inputs, raw materials, labour, capital, equipment, and so on in (b) order to develop or produce finished products. The entire process between these two checkpoints is what we essentially refer to as production management. The supervision and execution of the process that transforms materials into products is called 'production management.

Functions of production mangement

Production management attempts to utilize 6M's: Men, Machines, Money, Methods, Materials, and Market in order to better serve consumer needs. Its fundamental goal is to produce products and services in the right quantity, quality, on a schedule, and for optimum money. Production management makes it simple to adopt various technologies and innovative changes in the workplace. Production management is in charge of supervising and controlling all employees involved in the company's production processes in order to ensure that the target output is achieved.

Let's discuss the functions of production management.

1. Selection of product and design

Production management helps the organisation select the right product for production and also choose a relevant design for the product. This becomes imperative for the survival of organisations to possess a good understanding of their consumers in order to create products that fully satisfy needs. Products need to go through a detailed evaluation in order to meet customer needs while also remaining cost-efficient.

2. Production planning and control

Choosing the correct production processes for a particular product also becomes important. Decisions must be taken in order to choose the correct type of machines and technology, the capital investment required, and so on. It entails planning prior to production. Decisions like the quantity of production, the flow of processes, and so on are all planned out. Routing is the term used for charting out the sequence of operations for a smooth workflow.

Production control is overseen by the production manager. The actual process is compared and contrasted with the blueprint in place so that all necessary diversions from th original plan can be mapped out and any loopholes in the original plan can be spotted and corrected.

Scheduling is done to set up benchmarks as to when starting and when to complete a particular production activity. Inventory and cost control also need to be taken care of. The allocation of materials, labour, and other processes is called the production schedule.

3. Machine maintenance and replacement

Production management takes care of the maintenance and replacement of machines and equipment to ensure the efficient and smooth working of production processes. This is taken care of by the production manager and the team to prevent speed breaks and halts in production.

GKT Tirupati

Importance of production management

1. Efficent use of capital and resources

Production management minimizes the cost of production and enhances the use of resources to the fullest. A concise blueprint enables proper use of resources and time, minimising disparity between production process and output. Evaluation of production processes and maintenance downtime will ensure processes can be managed efficiently optimising workforce efficiency. A well-thought-out production function will result in high-quality products, a faster rate of production, and a lower cost per unit.

2. Competitive edge

Production management can be a great tool for organisations facing competition in the market. A smoother flow of processes increases efficiency whilst also allowing the company to provide quality products and services. Production management techniques play a role in the effective innovation of new products and facilitate research in developing new and quality products. It can aid organisations in emerging as market leaders since less time spent for production processes means more resources to spare for other domains that may need more attention.

3. Minimizes risk of product failures

Preparing a lucid roadmap and collating information and assumptions helps assess the market and reduce chances of failure. Knowing the requirements and needs of the market will help reduce the chance that a product will flop. Ultimately, product management, like everything else, cannot guarantee success, but it does reduce it.

Material Management

The need for materials management was first felt in manufacturing undertakings. The servicing organizations also started feeling the need for this control. And now even non-trading organizations like hospitals, universities etc. have realized the importance of materials management. Every organization uses a number of materials. It is necessary that these materials are properly purchased, stored and used.

Any avoidable amount spent on materials or any loss due to wastage of materials increases the cost of production. The object of materials management is to attack materials cost on all fronts and to optimize the overall end results. Materials management connotes controlling the kind, amount , location and turning of the various commodities used in and produced by the industrial enterprises. It is the control of materials in such a manner that it ensures maximum return on working capital.

L.J. De Rose:

"Material management is the planning, directing, controlling and co-ordination of all those activities concerned with material and inventory requirements, from the point of their inception to their introduction into manufacturing process."

Importance of Material Management:

Material management is a service function. It is as important as manufacturing, engineering and finance. The supply of proper quality of materials is essential for manufacturing standard products. The avoidance of material wastage helps in controlling cost of production. Material management is essential for every type of concern.

CAT Tirupati

The importance of material management may be summarized as follows:

1. The material cost content of total cost is kept at a reasonable level. Scientific purchasing helps in acquiring materials at reasonable prices. Proper storing of materials also helps in reducing their wastages. These factors help in controlling cost content of products.
2. The cost of indirect materials is kept under check. Sometimes cost of indirect materials also increases total cost of production because there is no proper control over such materials.
3. The equipment is properly utilized because there are no break downs due to late supply of materials.
4. The loss of direct labour is avoided.
5. The wastages of materials at the stage of storage as well as their movement is kept under control.
6. The supply of materials is prompt and late delivery instances are only few.
7. The investments on materials are kept under control as under and over stocking is avoided.
8. Congestion in the stores and at different stages of manufacturing is avoided.

Functions of Material Management:

Material management covers all aspects of material costs, supply and utilization. The functional areas involved in material management usually include purchasing, production control, shipping, receiving and stores.

The following functions are assigned for material management:

1. Production and Material Control:

Production manager prepares schedules of production to be carried in future. The requirements of parts and materials are determined as per production schedules. Production schedules are prepared on the basis of orders received or anticipated demand for goods. It is ensured that every type or part of material is made available so that production is carried on smoothly.

2. Purchasing:

Purchasing department is authorized to make buying arrangements on the basis of requisitions issued by other departments. This department keeps contracts with suppliers and collects quotations etc. at regular intervals. The effort by this department is to purchase proper quality goods at reasonable prices. Purchasing is a managerial activity that goes beyond the simple act of buying and includes the planning and policy activities covering a wide range of related and complementary activities.

3. Non-Production Stores:

Non-production materials like office supplies, perishable tools and maintenance, repair and operating supplies are maintained as per the needs of the business. These stores may not be required daily but their availability in stores is essential. The non-availability of such stores may lead to stoppage of work.

4. Transportation:

The transporting of materials from suppliers is an important function of materials management. The traffic department is responsible for arranging transportation service. The vehicles may be purchased for the business or these may be chartered from outside. It all depends upon the quantity and frequency of buying materials. The purpose is to arrange cheap and quick transport facilities for incoming materials.

GATE Tirupati

5. Materials Handling:

It is concerned with the movement of materials within a manufacturing establishment and the cost of handling materials is kept under control. It is also seen that there are no wastages or losses of materials during their movement. Special equipment's may be acquired for material handling.

6. Receiving:

The receiving department is responsible for the unloading of materials, counting the units, determining their quality and sending them to stores etc. The purchasing department is also informed about the receipt of various materials.

Break Even Analysis

A break-even analysis is an economic tool that is used to determine the cost structure of a company or the number of units that need to be sold to cover the cost. Break-even is a circumstance where a company neither makes a profit nor loss but recovers all the money spent.

The break-even analysis is used to examine the relation between the fixed cost, variable cost, and revenue. Usually, an organisation with a low fixed cost will have a low break-even point of sale.

Importance of Break-Even Analysis

- **Manages the size of units to be sold:** With the help of break-even analysis, the company or the owner comes to know how many units need to be sold to cover the cost. The variable cost and the selling price of an individual product and the total cost are required to evaluate the break-even analysis.
- **Budgeting and setting targets:** Since the company or the owner knows at which point a company can break-even, it is easy for them to fix a goal and set a budget for the firm accordingly. This analysis can also be practised in establishing a realistic target for a company.
- **Manage the margin of safety:** In a financial breakdown, the sales of a company tend to decrease. The break-even analysis helps the company to decide the least number of sales required to make profits. With the margin of safety reports, the management can execute a high business decision.
- **Monitors and controls cost:** Companies' profit margin can be affected by the fixed and variable cost. Therefore, with break-even analysis, the management can detect if any effects are changing the cost.
- **Helps to design pricing strategy: The** break-even point can be affected if there is any change in the pricing of a product. For example, if the selling price is raised, then the quantity of the product to be sold to break-even will be reduced. Similarly, if the selling price is reduced, then a company needs to sell extra to break-even.

Components of Break-Even Analysis

- **Fixed costs:** These costs are also known as overhead costs. These costs materialise once the financial activity of a business starts. The fixed prices include taxes, salaries, rents, depreciation cost, labour cost, interests, energy cost, etc.
- **Variable costs:** These costs fluctuate and will decrease or increase according to the volume of the production. These costs include packaging cost, cost of raw material, fuel, and other materials related to production.

SRTE Tirupati

Uses of Break-Even Analysis

- **New business:** For a new venture, a break-even analysis is essential. It guides the management with pricing strategy and is practical about the cost. This analysis also gives an idea if the new business is productive.
- **Manufacture new products:** If an existing company is going to launch a new product, then they still have to focus on a break-even analysis before starting and see if the product adds necessary expenditure to the company.
- **Change in business model: The** break-even analysis works even if there is a change in any business model like shifting from retail business to wholesale business. This analysis will help the company to determine if the selling price of a product needs to change.

Break-Even Analysis Formula

Break-even point = Fixed cost/-Price per cost – Variable cost

Example of break-even analysis

Company X sells a pen. The company first determined the fixed costs, which include a lease, property tax, and salaries. They sum up to ₹1,00,000. The variable cost linked with manufacturing one pen is ₹2 per unit. So, the pen is sold at a premium price of ₹10.

Therefore, to determine the break-even point of Company X, the premium pen will be:

Break-even point = Fixed cost/Price per cost – Variable cost

= ₹1,00,000/(₹12 – ₹2)

= 1,00,000/10

= 10,000

Therefore, given the variable costs, fixed costs, and selling price of the pen, company X would need to sell 10,000 units of pens to break-even.

Human Resource Management in Small Business

Small businesses generally employ less than a hundred people. This number is not insignificant, and professional human resource management activities will help streamline the HR function of the business.

Human resource management includes the workforce's physical and mental labor for the production of goods and services in the business. Research reveals that finance and accounting and marketing functions take precedence over human resources in small businesses. A significantly lesser number of small businesses have full-time personnel managers to oversee all the business's human resource functions.

Human resource management typically involves the following functions:

- Verifying the business's staffing requirements- small businesses often have a minimal number of employees. It is only as the business expands that the staffing needs increase. It is for the personnel manager to verify the kind of personnel to recruit and the best method to find the right people.
- To outsource from contractors or hire full time employees-Many small businesses prefer to get smaller jobs done through contractors who have contract labor. This is particularly true in the initial stages of the business. As operations expand, the business owner has to decide whether he would like to continue with his contracting arrangement or opt for recruiting full-time employees, a task which the personnel manager can assist in.
- Training the employees for the business-every business has specific requirements, and new employees need to undergo a period of training to fully understand their job. The

GATE Tiwari

human resource division formulates a training program for the new recruits. It helps them undergo a proper training program, including a stint in other divisions to get a good overview of the business.

- Rewarding the best employees- One effective method to fight high attrition rates and making employees stay, is to devise good rewarding strategies for the best employees. The rewards program provides employees with the impetus to work harder and better, and all of them will aspire towards excellence in their jobs.
- Adopting best practices in the business to retain talent- The small business should also attempt to stay at par with other businesses in its field of specialization and adopt all the best practices used by others to keep employees happy. If they are already getting the industry's best rewards, they have little temptation to look elsewhere.
- Rewards and remuneration- These also must not be random and decided on the business owner's whims. Proper remuneration packages must be developed, keeping in mind the years of service, the increments annually, the post-retirement benefits, health insurance, etc. Following set procedures is preferable to a spontaneous decision about a new recruit's salary, which may cause jealousy and discontent among other employees.
- External training programs- A small business can get the maximum benefit from a workforce abreast of the latest technological developments in their field. It would be worth investing money in sending them for new training programs conducted at institutes of research and higher learning. Not only will it motivate the employee, but the business will gain substantially as well.

A well developed human resource management system will always work for the betterment of the small business.

Importance of Human Resource Management

HRM can be defined as the effective management of people in an organisation. HR management helps bridge the gap between employees' performance and the organisation's strategic objectives. Moreover, an efficient HR management team can give firms an edge over their competition.

Role of HR managers

- **Recruitment:** One of the major responsibilities of a HR manager is to recruit personnel. The success of an organisation largely depends on the workforce employed, so it is essential that the right people are hired for the right role.
- **Learning and development:** Learning is a continuous process and essential to enhance employees' productivity. HR managers are responsible for the orientation and induction of new employees, as well as the professional development of existing employees. They are responsible for strategising development programmes. Furthermore, they must have the ability to identify and analyse the areas that employees need training for.
- **Building employee relations:** Effective employee relations go a long way in boosting productivity and contributes significantly to an organisation's success. Employee relations strategies are implemented to ensure that an organisation caters to the overall well-being of employees.
- **Compensation and benefits:** A major component of a HR manager's job role is handling compensation and benefits. They are responsible for devising compensation

SAIF Trubat

strategies, performance management systems and compensation structures, as well as negotiating pay and benefit packages with potential employees.

Importance of HR managers in organisations

- **Strategy management:** This is an important aspect of any organisation and plays a vital role in human resource management. HR managers manage strategies to ensure the organisation reaches its business goals, as well as contributing significantly to the corporate decision-making process, which includes assessments for current employees and predictions for future ones based on business demands.
- **Benefits analysis:** HR managers work towards reducing costs, such as with recruitment and retention. HR professionals are trained to conduct efficient negotiations with potential and existing employees, as well as being well-versed with employee benefits that are likely to attract quality candidates and retaining the existing workforce.
- **Training and development:** Since HR managers contribute significantly to training and development programmes, they also play a pivotal role in strengthening employer-employee relationships. This contributes to the growth of employees within the company, hence enhancing employee satisfaction and productivity.
- **Interactivity within employees:** HR managers are responsible for conducting activities, events and celebrations in the organisation which gives way to team building opportunities. Moreover, it enhances interactivity within employees and instils a sense of trust and respect among peers.
- **Conflict management:** The department to go to when any kind of professional conflict arises between employees is HR. They ensure that issues and conflicts are resolved effectively, approaching the problem with an unbiased attitude and encouraging effective communication to reach a solution. In addition, they help employees understand various ways of developing effective work relationships and the importance of not letting personal judgement affect their behaviour.
- **Establishing a healthy work culture:** A healthy work culture is pivotal in bringing out the best in employees. HR managers contribute significantly in setting up a healthy and friendly work culture, which further translates into better productivity among employees.
- **Compliance:** HR professionals work towards making the organisation compliant with employment laws, as well as maintaining records of hiring processes and applicants' log.

Human Resource Development

In 1970, Leonard Nadler published his book "Developing Human Resources" in which he coined the term 'human resource development' (HRD). Human resource refers to the talents and energies of people that are available to an organization as potential contributors to the creation and realization of the organization's mission, vision, values, and goals.

Development refers to a process of active learning from experience-leading to systematic and purposeful development of the whole person, body, mind, and spirit. Thus, HRD is the integrated use of training, organizational and career development efforts to improve individual, group, and organizational effectiveness.

Definitions of HRD:

1. According to South Pacific Commission 'human resource development is equipping people with relevant skills to have a healthy and satisfying life'.

GATE Insight

Features of HRD:

1. Systematic approach:

HRD is a systematic and planned approach through which the efficiency of employees is improved. The future goals and objectives are set by the entire organization, which are well planned at individual and organizational levels.

2. Continuous process:

HRD is a continuous process for the development of all types of skills of employees such as technical, managerial, behavioural, and conceptual. Till the retirement of an employee sharpening of all these skills is required.

3. Multi-disciplinary subject:

HRD is a Multi-disciplinary subject which draws inputs from behavioural science, engineering, commerce, management, economics, medicine, etc.

4. All-pervasive:

HRD is an essential subject everywhere, be it a manufacturing organization or service sector industry.

5. Techniques:

HRD embodies with techniques and processes such as performance appraisal, training, management development, career planning, counselling, workers' participation and quality circles.

Scope of HRD:

Human resource management (HRM) deals with procurement, development, compensation, maintenance and utilization of human resources. HRD deals with efficient utilization of human resources and it is a part of HRM.

Human resource being a systematic process for bringing the desired changes in the behaviour of employees involves the following areas:

1. Recruitment and selection of employees for meeting the present and future requirements of an organization.
2. Performance appraisal of the employees in order to understand their capabilities and improving them through additional training.
3. Offering the employees' performance counselling and performance interviews from the superiors.
4. Career planning and development programmes for the employees.
5. Development of employees through succession planning.
6. Workers' participation and formation of quality circles.
7. Employee learning through group dynamics and empowerment.
8. Learning through job rotation and job enrichment.
9. Learning through social and religious interactions and programmes.
10. Development of employees through managerial and behavioural skills.

Objectives of HRD:

The prime objective of human resource development is to facilitate an organizational environment in which the people come first. The other objectives of HRD are as follows:

GATE Tirupati

1. Equity:

Recognizing every employee at par irrespective of caste, creed, religion and language, can create a very good environment in an organization. HRD must ensure that the organization creates a culture and provides equal opportunities to all employees in matters of career planning, promotion, quality of work life, training and development.

2. Employability:

Employability means the ability, skills, and competencies of an individual to seek gainful employment anywhere. So, HRD should aim at improving the skills of employees in order to motivate them to work with effectiveness.

3. Adaptability:

Continuous training that develops the professional skills of employees plays an important role in HRD. This can help the employees to adapt themselves to organizational change that takes place on a continuous basis.

HRD Functions:

HRD functions include the following:

1. Employee training and development,
2. Career planning and development,
3. Succession planning,
4. Performance appraisal,
5. Employee's participation in management,
6. Quality circles,
7. Organization change and organization development.

Industrial Relations

Industrial relations imply the relation between both employer and employees during the period of employment in an industrial organisation. However, the concept of industrial relations has a broader meaning. In a broader sense, the term industrial relations refers to the relation between various unions, state and union, and between employers and government. Relations of all those associated with the industry may be known as industrial relations.

According to the International Labour Organisation (ILO), industrial relations deals with relationships between either state and employers and workers organisations or the relationship between the occupation organisation themselves.

Industrial Relation Meaning

The term industrial relations comprises two words, i.e. 'industry' and 'relations'. The term 'industry' refers to any productive activity in the organisation in which the employees are engaged. On the other hand, the term 'relations' refers to the relationship, which exists within the industry between the management and the employees. The relationship between management and employees within the organisation within the organisational settings is defined by industrial relations. Industrial relations emerge directly or indirectly from management-trade union relationships.

Characteristics of Industrial Relation

Following are the significant features of industrial relations:

- Industrial relations are the result of employment relationships in industrial enterprises.
- Industrial relations introduced the concept and method of balancing and cooperating.

SAIF Tirupati

- Industrial relations formulate rules and regulations to maintain harmonious relations.
- The intervention of the Government to shape the industrial relation is made through laws, agreements, rules, charters, etc.
- Industrial relations incorporate both individual relations and collective relations.
- Several parties play a role in industrial relations. The main parties are employees and their organisation, employers and their association, and government.

Objectives of Industrial Relation

Following are the different objectives of industrial relation."

- To establish industrial peace.
- To safeguard the interests of both workers and management.
- To avoid industrial disputes.
- To raise the production capacity.
- To establish industrial democracy.
- To minimise the labour turnover rate and absenteeism.
- To safeguard the workers economic and social interests.
- To contribute to the economic development of the country through productivity.
- To establish a full employment situation.
- To minimise strikes, lockout, Heroes, etc., by providing good working conditions and fair wages to the workers.

What is the Importance of Industrial Relations?

- **Promotes Democracy**: Industrial relations means employing collective bargaining to resolve issues faced by workers. This collective bargaining is generally employed through cooperation and mutual agreement amongst all the affected parties, i.e., democracy, management, and employees unions. This enables an organisation to establish industrial democracy, which eventually motivates the workers to perform their best to the growth and prosperity of the organisation.
- **High Morale:** Good industrial relations enhance the morale of the employees and motivate the workers to work more efficiently.
- **Avoid Conflicts Between Management And Union**: Industrial relations minimise issues between unions and management. This is because industrial relations incorporate setting up machinery to resolve issues faced by management and employees through mutual agreement to which both these parties are bound. This results in ignoring any unfair practices that could lead to major conflicts between employers and trade unions.
- **Minimises Wastage:** Satisfactory Industrial relations are maintained on the basis of co-operation and recognition of each other in the department. It helps to minimise wastage of material, manpower, and costs.
- **Economic Growth And Development:** Good and harmonious industrial relations result in increased efficiency and hence prosperity, which in turn minimise turnover and other tangible benefits to the organisation. This promotes economic growth and development.

Functions of Industrial Relations

The important functions of industrial relations are:

- To establish communication between workers and management to maintain the sound relationship between the two.

CAAT Tirupati

- To establish support between managers and employees.
- To ensure the creative contribution of trade unions to avoid industrial conflicts.
- To safeguard the interests of workers and the management,
- To avoid an unhealthy and unethical atmosphere in an industry.
- To formulate such considerations that may promote understanding, creativity, and cooperativeness to enhance industrial productivity.
- To ensure better workers' participation.

Labour Laws

HR laws or human resources law in India are synonymous with the labour laws and industrial laws in India. Labour laws in India govern the relationship between employer, employee and the Government and ensure that the rights and obligations of all parties are satisfied. It is important for all HR personnel to know the laws of HR practices in India and ensure there is no violation. In this article, we look at some of the main HR Laws in India that must be abided by all organizations in India. In this article, we look at the important HR Laws in India.

Indian employment laws do not provide any rules or procedures while recruiting a person. Hence, it is mostly up to the organization to determine a procedure for recruiting, interviewing, screening and hiring. However, it is important to note that during the recruitment, interviewing or hiring process should maintain the fundamental rights given to a person like avoiding discrimination or maintaining the confidentiality of private information of the applicant.

Recruiting: No major rules or procedures. However, the organization must notify the vacancies to the local employment exchange, though there is no requirement to appoint any person forwarded by the employment exchange.

Interviewing: There are no regulations against an employer asking for information about the candidate, including personal questions relating to health, race, religion, case, et.c, However, asking such questions are unethical and could lead to discrimination, which is an offence.

Pre-employment Enquiry: There are no regulations or requirement to conduct the pre-employment enquiry. However, it is a common practice for employers to conduct such an enquiry. Employers are required to obtain the consent of the employee by fax/email/letter for carrying out a pre-employment enquiry or background check.

HR Laws of employment offer letters

Indian employment and labour laws do not mandatorily require an employer to issue an offer letter, except in certain states and certain establishments. However, it is an accepted practice in India amongst medium and large businesses to provide an offer letter. In case of providing an offer letter, it is not binding on either party until it is construed as an employment contract and there is a valid offer by one party and an acceptance by another party.

HR Laws of employment appointment letters

Indian laws have no prescribed standards for providing employment appointment letters. However, it is a good practice to have an employment appointment letter with all employees. Employment appointment letters in India usually include the following:

- Name and Address of the Employee
- Title of Job
- Job Description
- Place of Work

CATE Tirupati

- Date of Commencement of Employment
- Wage/Salary Details
- Benefits, if applicable
- Length of employment contract: fixed or indefinite
- Leave entitlement
- Conditions for termination
- Non-compete
- Confidentiality
- Non-solicitation and other restrictive covenants.

HR Laws pertaining to termination of employment

Termination of employment could be due to voluntary reason or involuntary reason. If an employee terminates employment based on his/her free will, then it is termed as the voluntary reason. If the employer terminates the employee, then it is an involuntary termination. Termination of employment must be as per any prior employment contract entered into by the employee with the business. Also, termination of employment must follow other laws and regulations, which ensure that employees are not unduly harassed.

HR Laws pertaining to workplace health and safety

Central and State Governments place certain duties and obligations on the employer to ensure the wellbeing, health and safety of its employees. The duties of the employers are mandated by various regulations. Hence, all organizations need to maintain a safe and hazard-free work environment.

Pollution Control Laws

- Our constitution, originally, did not contain any direct provision regarding the protection of natural environment.
- However, after the **United Nations Conference on Human Environment, held in Stockholm in 1972**, Indian constitution was amended to include **protection of the environment as a constitutional mandate**.
- Environment related legislation came very late in **1972 with Wild Life Protection Act 1971**.
- The **forty second amendment (Fundamental Duties)** Clause (g) to Article 51A of the Indian constitution made it a **fundamental duty** to protect and improve the natural environment.
- **Clause (g) to Article 51A** of the Indian constitution states "It shall be the duty of every citizen of India to protect and improve the natural environment including forests, lakes, rivers and wild life and have compassion for living creatures."
- There is a directive, given to the State as one of the **Directive Principles of State Policy** regarding the protection and improvement of the environment.
- **Article 48A** states "The State shall endeavour to protect and improve the environment and to safeguard the forests and wildlife of the country".
- **Article 21 of the Indian Constitution** assures the citizens of India the **right to a healthy environment**.
- The **Department of Environment was established in India in 1980** to ensure a healthy environment for the country. This later became the **Ministry of Environment and Forests (MoEF) in 1985**.

SAF Tirubati

- **The Environment Protection Act of 1986 (EPA)** came into force soon after the **Bhopal Gas Tragedy** and is considered **umbrella legislation** as it fills many lacunae in the existing legislations.

Pollution Related Laws

The Water (Prevention and Control of Pollution) Act of 1974 and Amendment, 1988

Some important provisions of this Act are given below:

- The Act vests regulatory authority in **State Pollution Control Boards** to establish and enforce effluent standards for factories.
- A **Central Pollution Control Board** performs the same functions for Union Territories and formulate policies and coordinates activities of different State Boards.
- The Act grants power to SPCB and CPCB to test equipment and to take the sample for the purpose of analysis.
- Prior to its amendment in 1988, enforcement under the Act was achieved through criminal prosecutions initiated by the Boards.
- The **1988 amendment act empowered SPCB and CPCB to close a defaulting industrial plant**.

The Water (Prevention and Control of Pollution) Cess Act of 1977

- The Water Cess Act was passed to generate financial resources to meet expenses of the Central and State Pollution Boards.
- The Act creates economic incentives for pollution control and requires local authorities and certain designated industries to pay a cess (tax) for water effluent discharge.
- The Central Government, after deducting the expenses of collection, pays the central and state boards such sums, as it seems necessary.
- To encourage capital investment in pollution control, the Act gives a polluter a 70% **rebate of the applicable cess upon installing effluent treatment equipment**.

The Air (Prevention and Control of Pollution) Act of 1981 and amendment, 1987

- To implement the decisions taken at the United Nations Conference on the Human Environment held at Stockholm in June 1972, Parliament enacted the nationwide Air Act.
- The main objectives of this Act are to improve the quality of air and to prevent, control and abate air pollution in the country.

Important provisions of this Act are given below:

- The Air Act's framework is **similar to that of the Water Act of 1974**.
- The Air Act **expanded the authority of the central and state boards established under the Water Act, to include** air pollution **control**.
- States not having water pollution boards were required to set up air pollution boards.
- Under the Air Act, all industries operating within designated air pollution control areas must obtain a **"consent" (permit) from the State Boards**.
- The **states** are required to prescribe emission standards for industry and automobiles after consulting the central board and noting its ambient air quality standards.
- The Act grants power to **SPCB** and to test equipment and to take the sample for the purpose of analysis from any chimney, fly ash or dust or any other.
- Prior to its amendment in 1988, enforcement under the Act was achieved through criminal prosecutions initiated by the Boards.

GMIT Tirupati

- The 1988 amendment act empowered SPCB and CPCB to close a defaulting industrial plant.
- Notably, the 1987 amendment introduced a citizen's suit provision into the Air Act and extended the Act to include **noise pollution**.

Environment (Protection) Act of 1986

- In the wake of the **Bhopal tragedy**, the government of India enacted the Environment Act of 1986.
- The purpose of the Act is to implement the decisions of the **United Nations Conference on the Human Environment of 1972**.
- The decisions relate to the protection and improvement of the human environment and the prevention of hazards to human beings, other living creatures, plants and property.
- The Act is an "**umbrella**" for legislations designed to provide a framework for **Central Government**, coordination of the activities of various central and state authorities established under previous Acts, such as the **Water Act** and the **Air Act**.
- In this Act, main emphasis is given to "Environment", defined to include water, air and land and the inter-relationships which exist among water, air and land and human beings and other living creatures, plants, micro-organisms and property.
- "**Environmental pollution**" is the presence of pollutant, defined as any solid, liquid or gaseous substance present in such a concentration as may be or may tend to be injurious to the environment.
- "**Hazardous substances**" include any substance or preparation, which may cause harm to human beings, other living creatures, plants, microorganisms, property or the environment.
- Through this Act **Central Government gets full power** for the purpose of protecting and improving the quality of the environment.

The main provisions of this Act are given below

- The Act empowers the centre to "take all such measures as it deems necessary".
- By virtue of this Act, Central Government has armed itself with considerable powers which include,
- coordination of action by state,
- planning and execution of nationwide programmes,
- laying down environmental quality standards, especially those governing emission or discharge of environmental pollutants,
- placing restriction on the location of industries and so on.
- authority to issue direct orders, included orders to close, prohibit or regulate any industry.
- power of entry for examination, testing of equipment and other purposes and power to analyse the sample of air, water, soil or any other substance from any place.
- The Act explicitly prohibits discharges of environmental pollutants in excess of prescribed regulatory standards.
- There is also a specific prohibition against **handling hazardous substances** except those in compliance with regulatory procedures and standards.
- The Act provides provision for penalties. For each failure or contravention, the punishment included a prison term up to five years or fine up to Rs. 1 lakh, or both.

GATE Tirupati

- The Act imposed an additional fine of up to Rs. 5,000 for every day of continuing violation.
- If a failure or contravention occurs for more than one year, offender may be punished with imprisonment which may be extended to seven years.
- Section 19 provides that **any person**, in addition to authorized government officials, may file a complaint with a court alleging an offence under the Act.
- This "**Citizens' Suit**" provision requires that the person has to give notice of not less than 60 days of the alleged offence of pollution to the Central Government.

GATE Tirupati

UNIT-5

Institutions Supporting Small Business Enterprises

Introduction

The central and state governments supports entrepreneurial activities in various ways. Services like financing, technical guidance, equipment support, training, marketing and providing subsidy and grants are supported by several institutions.

The Government has set up various centres or institutes to impart training and development to entrepreneurs, so as to improve their knowledge, attitudes, and skills.

For the development of entrepreneur a number of specialized agencies have been set up by the state and central governments which are as follows:

- Small Industries Service Institutes (SISI)
- Small Industries Development Organisations (SIDO)
- National Small Industries Corporation
- Small Industries Extension Training Institute.
- Entrepreneurship Development Institute of india
- Institute for Rural Management and Adminstration
- National Institute for Entrepreneurship and Small Business Development (NIESBUD)
- National Alliance of young entrepreneurs (NAYA)
- Maharashtra Centre for Entrepreneurship Development (MCED)

Government plays a very important role in developing entrepreneurship. Government develop industries in rural and backward areas by giving various facilities with the objective of balances regional development. The government set programmes to help entrepreneurs in the field of technique, finance, market and entrepreneurial development so that they help to accelerate and adopt the changes in industrial development. Various institutions were set up by the central and state governments in order to fulfill this objective.

A Institutions set up by Central Government

1. Small industries development organization (SIDO)

SIDO was established in October 1973 now under Ministry of Trade, Industry and Marketing. SIDO is an apex body at Central level for formulating policy for the development of Small Scale Industries in the country, headed by the Additional Secretary & Development Commissioner(Small Scale Industries)under Ministry of Small Scale Industries Govt. of India. SIDO is playing a very constructive role for strengthening this vital sector, which has proved to be one of the strong pillars of the economy of the country. SIDO also provides extended support through Comprehensive plan for promotion of rural entrepreneurship.

2. Management development Institute(MDI)

MDI is located at Gurgaon (Haryana).It was established in 1973 and is sponsored by Industrial Finance Corporation Of India, with objectives of improving managerial effectiveness in the industry. It conducts management development programs in various fields. In also includes the programmes for the officers of IAS,IES,BHEL,ONGC and many other leading PSU's.

3. Entrepreneurship development institute of India (EDI)

Entrepreneurship Development Institute of India (EDI), an autonomous and not-for-profit institute, set up in 1983, is sponsored by apex financial institutions – the IDBI Bank Ltd., IFCI

GATE Tirupati

Ltd., ICICI Bank Ltd. and the State Bank of India (SBI). EDI has helped set up twelve state-level exclusive entrepreneurship development centres and institutes. One of the satisfying achievements, however, was taking entrepreneurship to a large number of schools, colleges, science and technology institutions and management schools in several states by including entrepreneurship inputs in their curricula. In the international arena, efforts to develop entrepreneurship by way of sharing resources and organizing training programmes, have helped EDI earn accolades and support from the World Bank, Commonwealth Secretariat, UNIDO, ILO, British Council, Ford Foundation, European Union, ASEAN Secretariat and several other renowned agencies. EDI has also set up Entrepreneurship Development Centre at Cambodia, Lao PDR, Myanmar and Vietnam and is in the process of setting up such centres at Uzbekistan and five African countries.

4. All India Small Scale Industries Board (AISSIB)

The Small Scale Industries Board (SSI Board) is the apex advisory body constituted to render advise to the Government on all issues pertaining to the small scale sector. It determines the policies and programmes for the development of small industries with a Central Government Minister as its president and the representatives of various organization i.e. Central Government, State Government, National Small Industries Corporations, State Financial Corporation, Reserve Bank of India, State Bank of India, Indian Small Industries Board, Non government members such as Public Service Commission, Trade and Industries Members.

5. National Institution of Entrepreneurship and Small Business Development (NIESBUD), New Delhi

It was established in 1983 by the Government of India. It is an apex body to supervise the activities of various agencies in the entrepreneurial development programmes. It is a society under Government of India Society Act of 1860.The major activities of institute are:

i) To make effective strategies and methods
ii) To standardize model syllabus for training
iii) To develop training aids, tools and manuals
iv) To conduct workshops, seminars and conferences.
v) To evaluate the benefits of EDPs and promote the process of Entrepreneurial Development.
vi) To help support government and other agencies in executing entrepreneur development programmes.
vii) To undertake research and development in the field of EDPs.

6. National Institute of Small Industries Extension Training

It was established in 1960 with its headquarters at Hyderabad. The main objectives of national Institute of Small Industries Extension Training are:

i) Directing and Coordinating syllabi for training of small entrepreneurs.
ii) Advising managerial and technical aspects.
iii) Organizing seminars for small entrepreneurs and managers.
iv) Providing services regarding research and documentation.

7. National Small Industries Corporation Ltd. (NSIC)

The NSIC was established in 1995 by the Central Government with the objective of assisting the small industries in the Government purchase programmes. The corporation provides a vast-market for the products of small industries through its marketing network. It also assists the small units in exporting their products in foreign countries.

GATE Tripathi

B) State Level Institutions

There are two important development agencies constituted at which provide financial assistance for setting up of industrial project small and medium-scale sector. These institutions also part modernisation, expansion and diversification programmes of existing units. The area of operation of these state level institutions is limited respective state.

STATE FINANCIAL CORPORATIONS (SFCs)

State Financial Corporations have been established under the Financial Corporation Act, 1951. At present there are 18 SFCs operating states as per list given in Appendix 9.I State Financial Corporation,, provide long-term finance for setting up of the smaller projects within their region.

The State Financial Corporations (SFCs), operating as development are state-level financial institutions, playing a crucial role in the level small and medium enterprises in the states in tandem with the national

The SFCs provide financial assistance by way of term loan, subscription to equity/debentures, guarantees, discounting of bills of and seed/special capital. The SFCs operate a number of schemes of and equity type assistance on behalf of IDBI/SIDBI, in addition to the schemes for artisans, and special target groups such as SC/ST, women, ex-servicemen and physically handicapped.

The SFCs (Amendment) Act, 2000 which became effective in 2000, provide greater flexibility to the SFCs to cope with the challenges by the deregulated financial system.

STATE INDUSTRIAL DEVELOPMENT CORPORATIONS (SIDCs*)*

The State Industrial Development Corporations (SIDCs) were c under the Companies Act, 1956 as wholly owned undertakings of the governments with the specific objectives of promoting and developing and large industries in their respective states/union territories. These cc extend financial assistance in the form of rupee loans, underwriting subscriptions to shares/debentures, guarantees, inter-corporate de also opens letters of credit on behalf of its borrowers. SIDCs undertake of promotional activities including preparation of feasibility reports, conducting industrial potential, surveys entrepreneurship training & development programmes and developing industrial areas/estates. Some SIDCs also offer a package of developmental services that include technical guidance, assistance in plant location and co-ordination with other agencies. With a view to providing infrastructural facilities for the establishment of industrial units, SIDCs are involved in the setting up of industrial growth centres. To keep pace with the hanging economic environment, SIDCs have initiated various measures to expand the scope of their activities and have entered into various fee-based activities.

Of the various SIDCs in the country, those in Andaman & Nicobar, Arunachal Pradesh, Daman & Diu and Dadra & Nagar Haveli, Goa, Manipur, Meglalaya, Mizoram, Nagaland, Tripura, Pondicherry and Sikkim also act as SFCs to provide assistance to small and medium enterprises and act as promotional agencies for this sector.

C) Other Agencies

- Industry Association
- Non-Governmental Organization
- R&D Laboratories

SATE Tirupati

Sickness in Small Business Enterprises

Sickness in man is gradual process and does not develop suddenly. Similar is the case with industrial units. Therefore, in common parlance, a sick industry is one which is not healthy and a healthy unit is one which earns a reasonable return on capital employed and builds up reserves after providing reasonable depreciation. A sick industrial unit may be defined as one where it fails to generate surplus on a continuous basis and depends upon frequent infusion of external funds for its survival.

The Sick Industrial Companies Act 1985 identifies sickness in terms of cash losses for two consecutive financial years and accumulated losses equaling or exceeding the net worth of the company at the end of the second financial year.

Sickness, in industry therefore, indicates more or less a perfect positive correlation with profitability, liquidity and solvency. The reasons of industrial sickness can be either internal or external.

Process of Sickness:

Sickness is an organic process in the life of industrial units , and so the phenomenon of sickness does not develop in a single day . The event of sickness may have origin followed by several stages that is healthy stage to sickness stages.

Major Causes of Sickness in Small Scale Industries:

Small Scale Industries (SSIs) play vital role in the economic development of a country. Some SSIs turn out to be sick due to various reasons. Some of the major causes for sickness in small scale industries are dealt in brief.

1. Inadequacy Of Working Capital

Some units turn out sick due to inadequacy of working capital. There may exists delay in sanction of working capital by financial institutions. Industrial units find it difficult to meet out day to day operations due to the time gap between sanction of term loan and working capital needs. Shortage of Working Capital is one of the main reasons for sickness.

2. Non-Availability Of Credit

Sickness in SSI sector may be attributed to non-availability of credit. Delay in getting loans may result in stoppage of work or lead to production loss. Low production may lead to reduced sales which in turn may lead to financial loss.

3.Poor And Obsolete Technology

Some industrial units use technology which is outdated. Out dated technology may affect the quantity and quality of production. This results in production loss and reduces demand for the goods.

4. Non Availability Of Raw Material

Some units may require raw material which are scarcely available. Sometimes, the raw material required by the unit may not be available in abundance. Hence, this affects the production and the sales of the goods. If the raw material is not abundantly available, then the industrial units have to spend a large amount of money to buy them. This may result in financial loss.

5. Marketing Problems

Sometimes, the industrial units may not know as to how to create demand for the products. Lack of marketing knowledge may result in less demand for the goods. Similarly, there may be less demand for the goods produced by the SSI due to competition or change in the taste of the buyers.

CAT Tirupati

6. Erratic Power Supply
Shortage in power supply affects the industries. This results in delay in production of goods and leads to financial losses.
7. Labour Problems
The relationship between the employer and the employees may not be cordial. Some of the labour problems such as strike, lay off, lock out may lead to industrial sickness.
8. Poor Management
The entrepreneur must be a good planner, organizer and a manager. If the Industrial Unit promoters lack managerial skills, then it may lead to several problems.
9. Inadequate Attention To R&D
Industries have to allocate a part of money in research and development to survive and compete with competitors. Failure to focus on the above may lead to industrial sickness
10. Diversion Of Resources
If the employer utilizes the funds obtained for the business for any personal purposes, then diversion of funds will lead to industrial sickness. The funds used for personal purposes cannot be regenerated and hence it may result in delay in payment of loans or financial crisis for the borrower of the loan.
11. Globalization
Small scale industrial units may find it very difficult to compete with large scale industries and foreign competitors. Inability of the units to face growing competition due to liberalization and globalization may lead to industrial sickness.
12. Dispute Among Partners
There may arise dispute between the partners or family members running the unit. This results in stoppage of work and leads to industrial sickness.
13. Overambitious Projects
The project may not be technically feasible, such an overambitious project is one of the reasons for industrial sickness.

Status of Sickness of SSI's in India

Major causes for industrial sickness in India are as follows:

1. Internal causes of sickness:

a) Faulty project selection
b) Marketing problems
c) Financial problems
d) Production problems
e) Personnel problems
f) Others

2. External problems relating to banks and other financial institutions:

a) Under-financing by banks
b) Over-financing by banks
c) Delay in disbursement of loans
d) Delay in detection of early symptoms of sickness
e) Delay in decision and action to rehabilitate the unit.

GMIT Tirupati

f) Others.

3. Sickness made by government:

a) Change in government policies
b) Delayed in payment of bills by the government departments
c) Red-tapism by government officials
d) Others.

4. External problems:

a) Raw-materials
b) Power
c) Marketing
d) Labour
e) Finance
f) Others

5. Other external problems:

a) Fire, flood, other natural calamities
b) Other family problems
c) Social problems like strikes, bandhs, insurgents, extortions etc.

CAUSES OF SICKNESS

The reasons for industrial sickness in India can be divided into two categories:

1. **Internal causes** – which includes
    - Faults at the initial levels of planning and construction.
    - Financial constraints.
    - Labour and management problems.
    - Defective, inefficient, and age-old machinery.
    - Incompetence on the parts of entrepreneurs.
    - Unskilled laborers to work with modern technology.
2. **External causes** are those which are beyond the control of its management and include –
    - Sudden changes in government policies.
    - Erratic supply of inputs.
    - Non-availability of energy resources and raw materials.
    - Increased competition.
    - Power cuts.
    - Demand and credit restraints.
    - Delay on the part of the Government in sanctioning licenses, permits, etc.

As suitable remedies for the sick industries, the government provides liberal policies, financial assistance from banks and other institutes, exemption from taxes, etc.

Symptoms and Cure of Sickness of SSI's

The rehabilitation of sick units or restoring them to normal health is a matter of great urgency in view of the serious social, economic and political consequences of industrial illness.

The following measures may be suggested:

(i) Cooperation between Term-Lending Institutions and Commercial Banks:

Since commercial banks provide working capital, they are in a position to know about the working of industrial concern. But assistance from term-lending institutions is also essential for rescue operations.

GATE Tirupati

(ii) Coordination between Various Government Agencies:
All government agencies, both regulatory and promotional, must join hands to restore sick units to health.
(iii) Full cooperation from various suppliers,' unsecured creditors and other stakeholders, particularly from the employees, is also essential to take the concern out of the difficulties in which it is involved.
(iv) Willing Cooperation and Clear Understanding with the Project Promoters:
Generally there is a lack of trust and confidence among the various interests concerned. It is found that government agencies and dealing institutions are more worried about their money and are anxious to recover them instead of curing of the health of the sick units.

(v) Checking Over-Valuation of Inventories:
The banks should verify on a regular basis the valuation of inventories both in terms of quantity and price. This would prevent over-borrowing on the hypothecation of inventories.
(vi) Marketing:
There should be well organised and scientific marketing by the project promoters otherwise launching of a project will be a leap in the dark. Good marketing arrangements will prevent industrial sickness.
(vii) Recovery of Outstanding:
Every effort should be made to realize outstanding advances so that the concern is able to gather funds to avoid sickness.
(viii) Modernisation of Machinery:
If the sick unit is to be restored to health, old and obsolete machinery and outdated technology should be discarded at the earliest.
(ix) Improving Labour Relations:
Restrictive labour and unreasonable trade unions are great obstacles. Improving labour relations will go a long way in curing industrial sickness.
(x) Efficient Management:
If necessary inefficient management should be replaced. The key to industrial health lies in alert and efficient management. The management should show a calm approach, patience and perseverance, courage and ability to steer in bad weather.
(xi) Performance Incentives:
It is necessary to offer performance incentives to the executives and the workers to induce them to put in their best efforts. This will be quite helpful in curing industrial sickness.
(xii) Sympathetic Government Attitude:
During periods of industrial illness the government agencies should adopt a sympathetic and understanding attitude so that the problem is not aggravated but moves towards a solution instead.
(xiii) Austerity and Economy:
Austerity and disciplines should be enforced at all levels. Every effort should be made in raising funds internally through the sale of excess assets, surplus machinery, etc. Uncalled for tours, lavish entertainments, unnecessary personal expenses should be ruthlessly cut down.

CATE Tirupati

Business Incubators

The concept of startup incubators might not be new, but the newfound interest in these centres continues to grow. Just like parents help a child learn how to walk, startup incubation centres enable a startup to nurture its idea and make it into a reality.

There are a few centres in India that really brings out the best of creativity from future entrepreneurs. If you yearn to be an entrepreneur, do have a look at five of the best incubation centres that can give your startup the kickstart it needs.

1. Centre for Innovation Incubation And Entrepreneurship at IIM, Ahmedabad

CIIE Regional Innovation Foundation (CRIF) supports Innovative and Impactful startups in Tier 2 and Tier 3 cities of India.

CRIF was set up by the Centre for Innovation, Incubation and Entrepreneurship CIIE.CO at IIM Ahmedabad, India's leading incubation and entrepreneurship centre.

CRIF is also a Department of Science and Technology, Govt. of India supported Technology Business Incubator.

2. Indian Angel Network

IAN is an equity-based business incubator centre that gives priority to ventures in the areas of healthcare, gaming and animation cloud computing, retail, mobile VAS, media and entertainment, alternative energy, education and clean technology.

It has been established with the support of the National Science and Technology Entrepreneurship Development Board and the Department of Science and Technology of the Government of India.

In addition to the regular functions of a business incubator, the IAN incubator helps startups to get seed funding and pre angel funding through its tie-up with Small Industries Development Bank of India.

3. JECRC Incubation Centre (JIC)

JECRC Incubation Centre is promoting student-driven innovation and start-ups to strengthen the innovation and entrepreneurial ecosystem.

JIC envisions fostering an entrepreneur-friendly culture around academics and research by mentoring the incubated startups and evaluating them from time to time.

JECRC Incubation Centre is the first centre in Rajasthan with a well-defined startup policy for students.

4. CEI IIMC

Centre for Entrepreneurship and Innovation (CEI) is one of the centres of excellence established by the Indian Institute of Management (IIM) Calcutta.

It aims to accomplish a more prominent understanding of an effective mechanism for the promotion of professional management practices in Indian organizations, as well as to stimulate the development of these startups in India for societal benefit.

5. Technopark TBI

Technopark Technology Business Incubator (T-TBI), is India's first Non-Academic Business Incubator, hosted and housed inside the Asia Largest IT Park Technopark.

Technopark Technology Business Incubator (T-TBI), a joint association of Technopark, Trivandrum and the Department of Science and Technology (DST), Government of India, to help the technology business start-ups.

GATE Tirupati

TBI provides startups with fully furnished office spaces, mentoring support in developing business and technology plans, networking of business resources, seed capital assistance, marketing assistance, professional assistance, conference facilities and video conference facilities.

Social Entrepreneurship

Social entrepreneurship is all about recognizing the social problems and achieving a social change by employing entrepreneurial principles, processes and operations. It is all about making a research to completely define a particular social problem and then organizing, creating and managing a social venture to attain the desired change. The change may or may not include a thorough elimination of a social problem. It may be a lifetime process focusing on the improvement of the existing circumstances.

While a general and common business entrepreneurship means taking a lead to open up a new business or diversifying the existing business, social entrepreneurship mainly focuses on creating social capital without measuring the performance in profit or return in monetary terms. The entrepreneurs in this field are associated with non-profit sectors and organizations. But this does not eliminate the need of making profit. After all entrepreneurs need capital to carry on with the process and bring a positive change in the society.

Along with social problems, social entrepreneurship also focuses on environmental problems. Child Rights foundations, plants for treatment of waste products and women empowerment foundations are few examples of social ventures. **Social entrepreneurs can be those individuals who are associated with non-profit and non-government organizations that raise funds through community events and activities**.

In the modern world, there are several well known social entrepreneurs who have contributed a lot towards the society. The founder and manager of Grameen Bank, Muhammad Yunus is a contemporary social entrepreneur who has been awarded a Nobel Peace Prize for his venture in the year 2006. The venture has been continuously growing and benefiting a large section of the society.

Rang De is another brilliant example of a non-profit social enterprise. Established in the year 2008 by Ramakrishna and Smita Ram, it is an online platform from where rural and urban poor people in India can access micro-credits with an interest rate of as low as 2 percent per annum. Lenders from all across the country can directly lend money to borrowers, track investments and receive regular payments online.

The **George Foundation** is one more nationally recognized social enterprise. The Women's Empowerment Program creates awareness among women by providing them education, vocational training, cooperative farming, business development and savings planning. By employing the principles of social entrepreneurship, these organizations are addressing the social problems and bringing a positive change in the society.

There are several other organizations that are considered as a positive changemakers in the society. **Echoing Green**, The Canadian Social Entrepreneurship Foundation, **Schwab Foundation for Social Entrepreneurship**, The Skoll Foundation, NIKA Water Company, Newman's Own and Ashoka: Innovators for the Public are such organization that aim for bringing social change and continuously improving the existing conditions in the society.

The field of social entrepreneurship is rapidly growing and attracting the attention of numerous volunteers. It has now become a common term in university campuses. The reason behind the

GATE Tirupati

increasing popularity of this product is that individuals get to do what they have been thinking for long. The extraordinary people put their brilliant ideas and bring a change in society against all odds.

GATE Tirupati