

EDM 6th sem

Unit – 1

Concept /Meaning of Entrepreneurship

Entrepreneurship is the process of identifying opportunities in the market mobilising the resources required to pursue. These opportunities and investing the resources to exploit the opportunities for long term gains.

The activity of bringing together labour, land & capital required for producing goods is called entrepreneurship.

Entrepreneurship is the purposeful activity of an individual or a group to initiate maintain and increases profit by production.

The definition defines entrepreneurship as:-

1. An effective function of handling economic activity.
2. Undertaking calculated risk.
3. Creating something new.
4. Organizing and coordinating useful resources to labour, interest on capital and what remains in his profit.

The Entrepreneur is :-

1. The fusion of capital, technology and human talent.
2. A risky but dynamic process.
3. Both an art as well as a science.

Definition of Entrepreneur:- The Entrepreneurship is economic agent who unites all means of production 1. Land, 2. Labour, 3. Capital thus produces a product by selling the product in the market for land wages.

Need of Entrepreneur:-

Entrepreneur serve as catalysts in the process of industrialization and economic growth of a country.

Entrepreneur initiated and sustain the process of economic development in the following ways:-

1. **Capital Formation:-** Entrepreneurs mobilize the idle savings of the public for productive utilization of national resources. This increases the rate of capital formation, which is essential for rapid economic growth of a country.
2. **Improvement in per capital income:-** Entrepreneurs are opportunity seekers. They convert the talent and idle resources like land, labour & capital into national wealth in the form of goods and services. This helps to increase per capital income which is a important yardstick for measuring economic growth of a country.
3. **Development of entrepreneurial culture:-** Many person may be tempted to become entrepreneurs when they see a successful entrepreneur nearby. This creates a entrepreneurial culture in the society which is highly needed for the industrial development of a country.
4. **Generation of employment:-** This entrepreneurs not only create employment for themselves but also provides a lot of employment opportunities for others. Thus entrepreneurship helps to reduce the unemployment problem in the country.
5. **Balanced regional growth:-** Entrepreneurs establish industries in backward areas to avail various concession and subsidies offered by central & state govt. This helps to remove region disparities in economic development in rural & urban areas.
6. **Economic Independence:-** As we are not dependent on foreign companies for import of many products which are manufactured in our own country helps in saving the lot of foreign exchange. Due to export of out goods we can earn foreign exchange for our country. Thus by reduction help the economic independence of the country.
7. **Social Development:-** Due to entrepreneurs economic progress several facilities are created such as roads, hospital, markets, banks, schools etc.
8. **Competitive Market:-** Due to the competition among entrepreneurs they provide goods at competitive rates hence restrict the monopolistic activities of big business houses.
9. **Utilisation of local resources:-** Various types of raw material are found scattered throughout the country in small quantities. Such unused small quantities of material can be effectively utilized by small entrepreneurs to make same useful products and ensure better utilization of national resources.
10. **Qualities of an entrepreneurs:-**
 1. **Initiator:-** As per the demand of the situation, the entrepreneur takes initiate to start a new enterprise.
 2. **Opportunity Seeker:-** The entrepreneur like a watch log always remains search of right business opportunities to convert them into projects & profits.
 3. **Calculated risk taker:-** An entrepreneur is a calculated risk taker & enjoys challenges but do not gamble. An entrepreneur avoid low risk situations because there is a lack of challenges in it.
 4. **Information Seeker:-** He is ready to learn from the experiences of others and enriches his business information to help him reach the goal.

5. **Persistent:-** He is always ready to make extreme efforts to get rid of the obstacle coming in the way of reaching the ultimate goal.
6. **Committed to work:-** An entrepreneur follows the utmost priority to accomplish the work.
7. **Efficiency Lover:-** Entrepreneurs tries to do things faster to reduce the production cost, welcomes advance technology & upgrading the quality of his product.
8. **Quality Conscious:-** An entrepreneur always puts efforts to get better than the existing standard of performance.
9. **Proper Planner:-** Entrepreneurs frames realistic business plans & follows them rigorously to achieve the objectives.
10. **Self Confident:-** Entrepreneur is a strong believer in his strengths and weaknesses. He is very energetic, hardworking, resourceful, very alert to new opportunities and able enough to adopt to changing conditions.
11. **Assertive**
12. **Efficient Supervisor**
13. **Sound Technical know how**
14. **Efficient financial management**
15. **Good human relations**
16. **Innovativeness**
17. **Leadership**
18. **Systematic approach**
19. **Saving habit**
20. **Courageous**

Functions of an entrepreneur:-

1. **Perceiving i.e. sensing opportunity:-** He is an economic leader who has the ability to recognize opportunities for successfully starting an enterprise. He is quick to find out what is in demand in the market.
2. **Analysing:-** He analysis the nature of the product, procedure of production and quality required to gain max profits. He also explains the prospects of availability of men, material machines and technology.
3. **Selection:-** He selects from the available factors of production the most suitable one and the most suitable rates. Also selects most appropriate technology required for production.
4. **Organising:** After selection he assembles the necessary resources & organizes them into a successful concern.
5. **Co-ordination:-** A good entrepreneur co-ordinates the factors of production in such a way that the enterprise can give him maximum profit at least possible cost.
6. **Dealing:-** He has to deal with various government departments to obtain liscence and for other purposes. He also has to deal with the suppliers of raw materials and machines and most importantly with his customers.

7. **Promotion Function:-** He works to promote his products and also the name of concern in the market.
8. **Giving employment:-** Because he invests capital and starts a business enterprise, where manpower is an important factor of production, he employs people to work for his concern.
9. **Deciding pricing policies:-** In the competent market, he decides the price of his products at which he can grab the market share.
10. **Distribute:-** He distributes wages to the labourer and interest to the capitalist.
11. **Pay taxes**
12. **Service of society.**

Barriers in entrepreneurship:-

1. Corrupt and unsupportive business environment
2. Fear of failure
3. Lack of appropriate technical and practical skills.
4. Lack of entrepreneurship opportunities
5. Lack of entrepreneurial capacity
6. Lack of market experience
7. Lack of viable concept
8. Protectionism monopoly
9. Shortage of funds & resources
10. Severe market entry regulations

Sole Proprietorship:-

The sole proprietorship is the simplest form of business.

A business that legally has no separate existence from its owner. Income and losses are taxed on the individual's personal income tax return.

A "Sole Proprietorship" business means that there is only one owner. There may be employee helper under the owner.

Advantages of a sole proprietorship

- (a) Owner can establish a sole proprietorship instantly easily and inexpensively.
- (b) The proprietorship has total control and full decision making power over policies profits and capital investment.
- (c) Easy to close down the business
- (d) Starting a sole proprietorship is much less complicated than starting a formal corporation and also much cheaper.
- (e) The owner of a sole proprietorship is not required to file a separate business tax report.

- (f) Sole proprietorship can hire employees. This can lead to many benefits. Married couple can start a sole proprietorship, though liability can only be of one individual.

Disadvantages

- (a) The business owner will be directly help responsible for any losses, debts.
- (b) Owner must pay self employment taxes, some tax benefits may not be deductive such as health insurance premiums.
- (c) It can be difficult to generate capital since the initial funds are usually provided by the owner.
- (d) Sole proprietorship rarely survive the death or incapacity of their owner and so do not retain. Value.
- (e) Risks that are taken by the sole proprietor may result in personal bankrupted.
- (f) The death or prolonged illness of the sole proprietor will lead to the end of the business.
- (g) Due to the limitations of a one person business the sole proprietor may not be able to raise additional capital from outside sources to expand the business.

Characteristics of a sole proprietorship

- (a) The business is owned by a single individual.
- (b) Being small in size it is managed by the owner himself.
- (c) The necessary capital to run the business is provided by the sole owner.
- (d) The proprietor himself bears all the risks. Nobody else has any stake in the business.
- (e) All the assets and liabilities of the business are the personal assets and liabilities of the proprietor.

Partnership Defination

A deal form of business operation between two or more individuals who share management and profits. Both owners are equally and personally liable for the debts form the business.

Types of Partnership are

- (a) Limited Partnership
- (b) General Partnership

Limited Partnership

- (a) Limited partnerships are costly and complicated to set up and run.
- (b) Limited Partnership are not recommended for the average small business owner.
- (c) Limited partnership are usually created by one person or company.
- (d) Sometimes limited partners are nearby investors.

- (e) Limited partners have minimum control over daily business, decisions or operations. Hence they are not personally liable for business debts or claims.

General Partnership

- (a) General partners controls the limited partnership day to day operations.
(b) They are personally liable for business debts.
(c) If one partner is sued, all partners are held liable.

General Partnership are least desirable due to above reason.

Types of partners

- (a) Active or working partner:- Such a partner contributes capital and also takes active part in the management of the firms. He bears unlimited liability for the firms and shares profits the firm. Known to the outside world.
- (b) Sleeping and Dormant partner:-
- They simply contributes capital and does not take active part in the management of the firm.
 - Shares in the profits or losses of the firm.
 - His liability for the firm's debts. Is unlimited
 - He is not known to the outside world.
- (c) Secret Partner:-
- This type of partner contributes capital and take active part in the management of the firm's business.
 - He shares in the profit and the losses of the firm and his liability is unlimited.
 - His connection with firm is not known to the outside world.
- (d) Limited Partner:-
- The liability of such a partner is limited to extent of his share in capital and profits of the firm.
 - These partners are not entitled to take active part in the management of the firm's business.
 - The firm is not dissolved in the event of his death or bankruptcy.
- (e) Partner in Profits only:
- This type of partners share in the profit of the firm but not in the losses.
 - His liability for the firm's debts. Is unlimited.
 - He is not allowed to take part in the management of the firm.
- (f) Nominal or ostensible or Quasi Partner:
- Such a partner neither contributes capital nor takes part in the management of business.
 - He does not share in the profits or losses of the firm'
 - He only lends his name & reputation for the benefits of the firm.

(g) Minor as a Partner:-

- A minor is a person who has not completed 18 year of age.
- A minor cannot become a partner because he is not qualified to enter into a contract.
- He may be admitted to the benefits of partnership with the mutual consent of all partners.

(h) Sub partner:-

- Sub Partner is a third person with whom a partner agrees to share his profits desired from the firm.
- He does not take part in the management of the firm.
- He is not liable for the firm's debts.

Advantages of Partnership

- (a) The partners will fund the business with start-up capital. This means that the more partners there are the more money they can put into the business, which will allow better flexibility and more potential for growth.
- (b) There is opportunity for income splitting, an advantage of particular importance due to resultant tax savings.
- (c) Partnership can be cost effective as each partner specialize in certain aspects of their business.
- (d) Partnership provide Moral support and will allow for more creative brainstorming.

Disadvantages of Partnership:-

- (a) Each partner is jointly and severally liable for the partnership debts.
- (b) Danger of disagreement between the partners.
- (c) If partners join or leave, you will probably have to value all the partnership assets and this can be costly.
- (d) Business partners are jointly and individually liable for the actions of the other partners.

NSIC – National Small Industries Corporation:-

- (a) The NSIC Ltd. Which is wholly owned by the govt. of india and meant exclusively for the development of small scale industries.
- (b) Established in 1956.
- (c) NSIC facilitates credit facilities to small scale industries for their technology Modernization programmes & marketing activities through equipment and market financing schemes.
- (d) Equipment financing the corporation is offering term loan schemes and hire purchase schemes.
- (e) NSIC facilitates financing for marketing activities such as raw material assistance, internet marketing, export and bill discounting.

NRDC –National Research & Development Corporation:-

- (a) NRDC was established in 1953 by the govt. of india and is presently under the department of scientific and industrial research.
- (b) It's objective is to develop nature and commercialize innovative reliable and competitive technologies from R&D institutes.
- (c) To Sensitize R&D institutions and industry about technologies that need to be developed & Commercialized.

It promotes (i) Invention promotion programme (IPP) (ii) Technology Promotion Programme (TPP) (iii) Commercialization of know how/inventions.

MSME – Micro, Small Medium Enterprises.

MSME Micro engaged in the production processing of goods.

- A micro enterprise is an enterprise where investment in plant and machinery does not exceeds Rs. 25 Lakh.
- A small enterprise is an enterprise where the investment in plant and machinery is more than Rs. 25 Lakh but does not exceeds Rs. 5 Crores.
- A medium enterprise is an enterprise where the investment in plant and machinery is more than Rs. 5 Crore but does not exceed Rs. 10 crore.

DC (MSME)

- (i) Entrepreneurship / Skill development.
- (ii) It implements various schemes to face the challenge of globalization through technology upgrading.
- (iii) It ensures better flow of credit to MSME by minimizing the risk perception of financial institutions and banks through various schemes.
- (iv) It launched logistic development of selected MSES clusters through value chain and supply chain management on co-operative basis.
- (v) It provides marketing assistance support.

SIDBI – Small Industries Development Bank of India

Functions

- (a) To initiate steps for technological upgradation and modernization of existing units.
- (b) To expand the channels for marketing the products of SSI sector in domestic and international market.
- (c) To promote employment oriented industries.

Activities

- (a) Refinancing of loans.
- (b) Discounting and rediscounting of bills
- (c) Soft loan assistance
- (d) Granting direct assistance and refinance of financing exports.
- (e) Extending financial support to SSIDC.
- (f) Extending financial support to NSIC

NABARD – National Bank of Agriculture & Rural Development.

NABARD established in 1982 for providing credit for the promotion of agriculture small industries, cottage and village industries, handicrafts and other rural crafts and allied economic activities in rural areas with a view to promote integrated development and security prosperity of rural areas.

Functions of NABARD

- (a) NABARD provides the short term refinance assistance for periods not exceeding 18 months to state co-operative banks regional rural banks and other financial institutions for a wide range of purpose including marketing.
- (b) NABARD can grant medium terms loans to the state co-operative banks and regional rural banks.
- (c) It is empowered to provide by way of refinance assistance long term loans extending upto more period of 25 years.

Commercial Banks

Commercial banks are a very important source or finance for the industry. The industrial sector is getting around 50% of the total bank credit.

The commercial banks provide term credit and subscribing to shares & debentures.

Commercial bank also do underwriting of shares and debentures

Scheduled banks have been permitted to hold in their own investment portfolio shares and debentures of the pvt. Coporate sector devolving on them through their underwriting and merchant bank commitments.

In order to ensure proper co-ordination between commercial banks and state level financial institutions bank were advised to take certain measures which includes joint or simultaneors project appraisal.

SFC's State Financial Corporation

The state financial corporation act 1951 has enabled the state govt. to set up state financial corporations.

The SFCs are meant to finance small and medium industries.

The SFCs do not lend more than Rs. 60 Lakh to a single concern.

Loans or advances are granted primarily for the establishment of new industries or for expansion and development of existing industrial concern.

TCOs (Technical Consultancy Organization)

- (a) Conducting entrepreneurship development programs.
- (b) Carrying out market research for specific products.
- (c) Development of industry clusters.
- (d) Environment and energy research & management
- (e) Industry potential surveys.
- (f) Techno economic viability (TEV) studies
- (g) Infrastructure planning
- (h) Vocation training
- (i) Preparation of project profiles and flexibility study
- (j) Offering consulting for export oriented enterprises

KVIB (Khadi and Village Industries Board)

Functions of Board

- (a) To organize develop and propagate village industries.
- (b) To start, encourage assist and carry on KVIB and trade or business.
- (c) To help the people by providing them with work and monetary help.
- (d) To train unemployed youth.
- (e) To encourage establishment of co-operative societies.

Objective

- (a) The social objectives of providing employment
- (b) The economic objective of producing selectable articles.
- (c) The wider objective of creating self reliance amongst the people and building up of a strong rural community spirit.

DIC (Direct industries centre)

Main activity:- To develop and promote cottage and small scale industries in the district. The SSI means the industries with investment upto Rs. 1 crore in plants and machinery.

Functions of DICs

- (a) Identification of Entrepreneurs:- By conducting entrepreneurial motivation programmes throughout the districts.
- (b) Selection of projects:- Technical advice for the selection of project suitable to them.
- (c) Registration under SSI:- Provides provisional and permanent registration to the new entrepreneurs.
- (d) Clearances from various departments:- It takes the initiatives to get clearances for the project from various departments and take follow up measures to get speedy power connection.
- (e) Recommending applications to various departments:- For availing loans and working capital facilities to commercial banks.
- (f) Arranging Seed Money:- Provides seed money to those who are technically qualified.
- (g) Assistance to raw material supplies
- (h) Financial assistance
- (i) Subsidy schemes
- (j) Grant of purchase preference

TBI (Technology Business Incubators)

- (a) Technology incubator (TBI) is an initiative of department of science and technology (DSI) Government of India.
- (b) It promotes the concept of growth through innovations & application of technology, support, economic development strategies for small business development.
- (c) Such mechanism help not only in the growth of technology based new enterprises but also in improving their survival rate substantially (from 30% to over 70%).
- (d) It also facilitate speedy commercialization of research outputs.

Objectives:-

- (a) Creating of technology based new enterprises.
- (b) Creating value added jobs and services.
- (c) Facilitating transfer of technology
- (d) Fostering the entrepreneurial spirit.
- (e) Speedy commercialization of R&D output
- (f) Specialized services to existing SMES.

STEP (Science & Technology Entrepreneurs Park)

- (a) It helps in creating an atmosphere for innovation and entrepreneurship.
It helps for active interaction between academic institution and industries for sharing jobs, ideas, knowledge, experience and facilities for the development of new technologies and their rapid transfer to the user.

It creates the necessary climate for innovation, information exchange etc. for students, teachers, searchers and industrial management to growth in a trans-disciplinary culture.

Objectives:-

- (a) A create forge a close linkage blw universities, academic and R&D institutions on one hand and industry on the other.

To promote entrepreneurship among science and technology person, many of when were otherwise seeking jobs soon after their graduation.

To promote R&D support to the small scale industry, mostly through interaction with research institutions.

To promotable innovation based interprises.

TBI Services:-

- (a) Market assistance
- (b) Business planning and training
- (c) Technical assistance
- (d) Assistance in obtaining approvals
- (e) Circulation/spreading of information
- (f) Arranging legal and IPR services
- (g) Using facilities of the Host Institute (HI) at nominal charges.

Commercial Bank:-

SBI (State Bank of India)

- (a) This is oldest and largest commercial bank in our country.
- (b) It helps to accelerate to development of backward areas by monitoring potential entrepreneurship to take up risky new ventures.
- (c) It launched EPDs (Entrepreneurship Development Programmes) in 1978. It consist of one month intersive training whose entire cost of boarding and loading is born by the bank.
- (d) It creates awareness about entrepreneurial opportunities.
- (e) It helps in counseling encouragement and infrastructural support for and management skills.
- (f) It runs several schemes of financial assistance to small scale industries.

PNB (Punjab National Bank)

- (a) It study the economic viability and technical feasibility of proposal and help in prepart of market servey.
- (b) It provides assistance to entrepreneurs in obtaining various govt. consents required for industrial project.

- (c) It assists in raising finance in the form debentures, term loans deffered payment guarantees.
- (d) It assists in raising foreign exchange resources required for impart of plant and machinery components, raw mat
- (e) It suggests strengthening the capital of SSI.

Various Institutions Providing Support To Small Entrepreneurs:-

Financial Institutions:-

- i. Industrial Development Bank of India (IDBI)
- ii. Industrial Finance Corporation of India (IFCI)
- iii. Small Industries Development Bank of India (SIDBI)
- iv. National Small Industries Corporation Ltd (NSIC)
- v. State Small Industries Corporation (SSIC)
- vi. Regional Rural Banks (RRBs)
- vii. State Financial Corporations (SFCs)
- viii. State Industrial Development Corporations (SIDCs)
- ix. Cooperative Banks and Gramin Banks

Various Institutions Providing Support To Small Entrepreneurs:-

Institutions for Technical Guidance:-

- i. Small Industries Development Organisation (SIDO)
- ii. District Industries Centres (DICs)
- iii. Technical Consultancy Organisations (TCOs)
- iv. Small Industries Service Institutes (SISIs)
- v. State Small Industries Development Corporations (SSIDCs)
- vi. Industrial Development Corporation (IDC)
- vii. Agricultural Promotion and Investment Corporation of Orissa Limited (APICOI)

Various Institutions Providing Support to Small Entrepreneurs:-

Training Institutions:-

- i. Small Industries Service Institute (SISI)
- ii. National Bank for Agriculture and Rural Development (NABARD)
- iii. Council for Advancement of Peoples Action and Rural Technology (CAPART)
- iv. District Industries Centre (DIC)

Questions of Unit – 1

1. Define entrepreneurship.
2. Define entrepreneur.
3. Define entrepreneurship and explain its main characteristics.
4. Explain the main functions of an entrepreneur.
5. Who is an entrepreneur? Discuss the qualities or traits of a successful entrepreneur.
6. Discuss the characteristics of a successful entrepreneur.
7. List the causes of failure of an entrepreneur.
8. List the institutions which provide support to an entrepreneur for establishing an enterprise.
9. Explain the various functions of DICs.
10. Explain the function of small industries development bank of India (SIDBI).
11. What is NABARD? What are its various functions?
12. Write a short note on NSIC.
13. Write a short note on KVIC.

Unit – 2

Scanning of the Business Environment:-

Environmental scanning is a process of gathering, analysing, and dispensing information for tactical scanning process entails obtaining both factual and subjective information on the business environment considering entering.

Types of Market Survey:-

Focus Groups

Customer-Satisfaction Phone Surveys

Mail-In Surveys

Online Surveys

One-on-One Surveys

Considerations in product selection:-

Present Market.

Scope of Growth of Market.

Costs.

Availability of main production factors.

Risks.

Factors for Sales Forecasting:-

Changes in technology.

Government policies.

Factors related to the concern itself.

Competition.

Methods used for Forecasting the Demands:-

1. Survey of Buyer's Intentions.

2. Collective Opinion or Sales Force Composite Method.

3. Trend Projection.
4. Executive Judgment Method.
5. Economic Indicators.
6. Controlled Experiments.
7. Expert's Opinions.

Assessment of demand and supply in potential areas of growth(sales forecasting):-


Sales forecasting is the process of estimating future sales. Accurate sales forecasts enable companies predict short-term and long-term performance. Companies can base their forecasts on past sales data trends.

Questions of Unit – 2

1. Which type of Industry is labour intensive?
2. List the different steps required for starting a small scale industries.
3. Explain different methods used for forecasting the demand of product.
4. Briefly describe the steps involved in planning and establishing a small scale industry.
5. What are the benefits of provisional registration?
6. List the documents required for the permanent registration of a small scale industry?

Unit – 3


PROJECT REPORT PREPARATION

 **Project report:** The document which contains the required details like the personal biodata of the entrepreneur, the product to be manufactured, its design manufacturing process, raw materials, machines and equipments required, staff needed, the amount of money required, the source of finance, cost of goods to be produced market demand of

product and likely profits anticipated etc, is called a project report.

 **Need of Project Report:**

1. The project report is like a Roadmap. It describes the direction the enterprise is going in, what its goals are, where it wants to be and how it is going to get there. It also enables the entrepreneur to know together he is preceding the right direction.
2. It helps the entrepreneur is getting provisional permanent registration the project from the district industries centre.
3. It helps in allotment of industrial plot or shed for the project from state industrial development corporation.
4. It helps the entrepreneur in obtaining working capital loan or term loan from Banks/State Financial Corporation/other financial institution.
5. It helps in securing supply of scare raw materials required for the product to be manufactured.
6. It help the entrepreneur in establishing techno economic viability of the project.

 **Contents of a project report:**

1. Objective and scope of the report.
2. Promotor's profile
3. Location
4. Land and Building
5. Plant and Machinery
6. Production Process
7. Other utilities
8. Raw materials
9. Market Potentials
10. Personal
11. Financial Implications
12. Sources of Finances
13. Financial viability of the project

14. Schedule of project implementation.

■ **Preliminary Project Report (PPR):** A preliminary project report is a brief summary of a project describing the expected inputs and outputs like finance, manpower, machinery, material, technology, expenses, production, sales and profit etc of a project before the project is actually implemented.

■ **Detailed Project Report (DPR):** Detailed project report is a detailed elaboration of each and every information and estimates mentioned in the preliminary project report while preparations a detailed project report (DPR) the entrepreneur may take the help of experts to do the job preparation of DPR requires a lot of time and hence it is a each and every item is necessary in a D.P.R.

■ **Project Appraisal:** The exercise of project appraisal simply means the assessment of a project in term of its economic technical social and financial viability.

■ **Need of Project Appraisal:** Project appraisal is a costs and benefits analysis of different aspects of proposed projects with an objective to adjudge its viability. A project involves employment of scare resources and entrepreneur needs to appraise various alternative projects before allocating the scare resources for the best project. Thus, project appraisal helps selecting the best project among available alternative projects. For appraising a project its economic, financial technical market managerial and social aspect are analyzed.

■ **Economic Analysis:** The economic aspects of appraisal are functional as they logically precede all other aspects. This is so because the bank will not finance a project unless it stands assured that the project represents high priority use of a region's resources. An economic and social analysis looks at the project from the view pint of the whole economy, asking whether the latter will show benefits sufficiently greather than project costs to justify investment in it.

- i. Increased employment
- ii. Increased output
- iii. Increased services
- iv. Increased Govt. Revenues
- v. Higher Earning
- vi. Improves income distribution
- vii. Higher standard of living
- viii. Increased national income

2. **Financial Analysis:** Finance is one of the most important pre-required to establish an enterprise. It is finance only that facilities an entrepreneur to bring together the labour of one machine of another and raw materials of yet another to combine them to produce goods. An entrepreneur conceives the idea of starting a new enterprise with the ultimate objectives of proposed project are required to be analyzed with the help of various financial statements.

Fixed capital normally called fixed assets are those tangible and material facilities which purchased once are used again and again.

- i. Financial soundness
- ii. Efficient operation
- iii. Cost production
- iv. Return on Investment
- v. Prospects of marketing
- vi. Profitability
- vii. Effective controls
- viii. Budgeting
- ix. Pricing

3. Technical feasibility: While making project appraisal the technical feasibility of the project also needs to be taken into consideration implies to mean the adequacy of the proposed plant and equipment to produce the product within the prescribed norms. As regards know how it denotes the availability of technical knowledge for the proposed assets and machinery. It should be ensured whether that know how is available with the entrepreneur or is to be procured from elsewhere. If the project requires any collaboration then the terms and conditions of the collaboration should also be spelt and comprehensively and carefully.

While assessing the technical feasibility of the project, the following aspects need to be covered in the report.

- a. Process technology
- b. Economic size of the project.
- c. Technical know-how and consultancy.

4. Managing competence: Managing ability or competences play an important role in making an enterprise a success or otherwise strictly speaking in the absence of managing competences, the project which is otherwise feasible may fail. On the contrary even a poor project may become a successful one with good managerial ability. Hence, while doing project appraisal the managing competence or talent of the promoter should be taken into consideration. Research studies report that most of the enterprises fail because of lack of managerial competence or mismanagement.

5. Market/Commercial Analysis: Before the production actually starts the entrepreneur needs to anticipate the possible market for the product. He has to anticipate who will be the possible customers for this product and where and when his product will be sold. This is because production has no value for the producer unless it is sold.

In the life cycle; segmentation analysis, the product life cycle passes through following five stages:

1. Introduction
2. Growth
3. Maturity
4. Saturation
5. Decline

Questions of Unit – 3

1. Explain the content of a project report.
2. Write a short-note on Preliminary Project Report(P.P.R.).
3. Write a detailed note on technical feasibility and financial viability of a Project.

Unit- 4

ROLE OR IMPORTANCE OF MANAGEMENT

1. Group goals

Managers give common direction to the individual effort in achieving the overall goal of the organization.

2. Optimum utilization of resources

Increase efficiency by using resources in the best possible manner to reduce cost of increase productivity.

3 Dynamic organizations

Management helps in creating dynamic organization which could adopt changing situations easily. Take steps in advance to meet challenges and risks.

4. Minimization o cost

Management directs day to day operations in such a manner that all wastage & extravagance are avoided.

5. Generation of employment

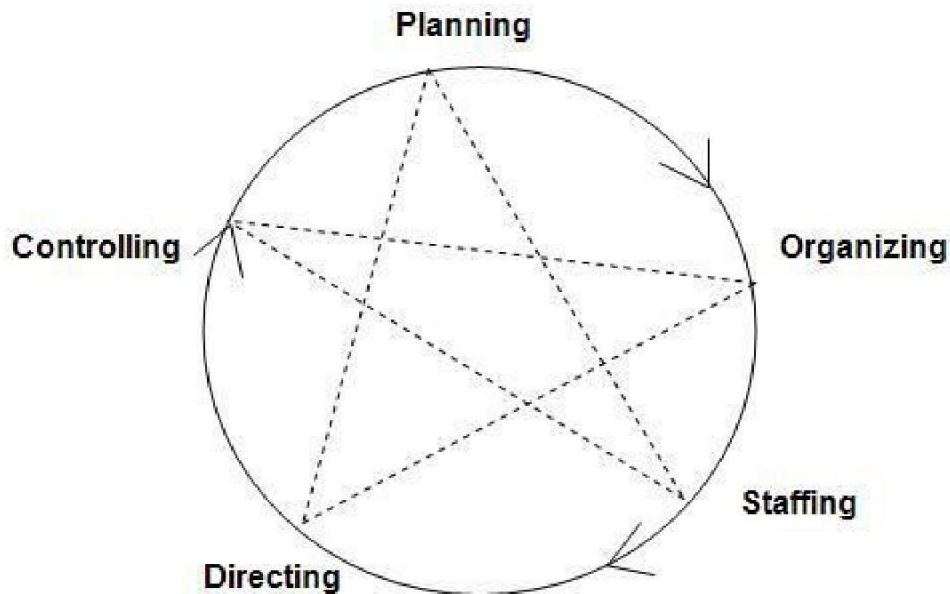
By expanding business enterprises managers create employment opportunities.

6. Development of the Nation/Society

Management helps in the development of society by

- Producing good quality products
- Creating employment opportunities
- Adopting new technology

Functions of management



1. Planning

It is the basic function of management.

- What to do, when to do & how to do.
- It bridges the gap from where we are & where we want to be".
 - It is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

2. Organizing

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them achieve goal.

- Identification of activities.
- Classification of grouping of activities.
- Assignment of duties.
- Delegation of authority and creation of responsibility.
 - Coordinating authority and responsibility relationships.

3. Staffing

The main purpose of staffing is to put right man on right job.

- Manpower Planning
- Recruitment, Selection & Placement.
 - Training & Development.
 - Remuneration.

- Performance Appraisal.
- Promotions & Transfer.

4. Directing

Direction of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals.

Direction has following elements:

Supervision- Implies overseeing the work of subordinates by their superiors.

Motivation- Means inspiring, encouraging the sub-ordinates

Leadership- Guides the work of subordinates in desired direction.

Communications- Is the process of passing information, experience, opinion etc from one person to another.

5. Controlling

The purpose of controlling is to ensure proper progress is being made towards the objectives and goals and to correct any deviation. Therefore controlling has following steps:

- a. Establishment of standard performance.
- b. Measurement of actual performance.
- c. Comparison of actual performance with the standards and finding out deviation if any.
- d. Corrective action.

Objectives of Management

The main objectives of management are:

Getting Maximum Results with Minimum Efforts - The main objective of management is to secure maximum outputs with minimum efforts & resources. Management is basically concerned with thinking & utilizing human, material & financial resources in such a manner that would result in best combination. This combination results in reduction of various costs.

Increasing the Efficiency of factors of Production - Through proper utilization of various factors of production, their efficiency can be increased to a great extent which can be obtained by reducing spoilage, wastages and breakage of all kinds, this in turn leads to saving of time, effort and money which is essential for the growth & prosperity of the enterprise.

Maximum Prosperity for Employer & Employees - Management ensures smooth and coordinated functioning of the enterprise. This in turn helps in providing maximum benefits to the employee in the shape of good working condition, suitable wage system, incentive plans on the one hand and higher profits to the employer on the other hand.

Human betterment & Social Justice - Management serves as a tool for the upliftment as well as betterment of the society. Through increased productivity & employment, management ensures better standards of living for the society. It provides justice through its uniform policies

Fayol's 14 Principles of Management

There are 14 Principles of Management described by Henri Fayol.

1. Division of Labour

- Work of all kinds must be divided and allotted to various persons according to their expertise in a particular area.
- Subdivision of work makes it simpler and results in efficiency.
- It also helps in increasing speed, accuracy in performance.
- Specialization leads to efficiency.

2. Party of Authority & Responsibility

- Authority & responsibility are co-existing.
- If authority is given to a person, he should also be made responsible.
 - In a same way, if anyone is made responsible for any job, he should also have authority.
- Authority without responsibility leads to irresponsible.

3. Principle of One Boss

- A sub-ordinate should receive orders and be accountable to one and only one boss at a time
- Unity of command provides the enterprise a disciplined, stable & orderly existence.
- It creates harmonious relationship between superiors and sub-ordinates.

4. Unity of Direction

- There should be one plan for a group of activities having similar objectives.
- Related activities should be grouped together.
- Efforts of all the members of the organization should be directed towards common goal.
- Without unity of direction, unity of action cannot be achieved.

5. Equity

- Equity means combination of fairness, kindness & justice.
- The employees should be treated with kindness & equity.
- It implies that managers should be fair and impartial.
- They should give similar treatment to people of similar position.
- They should not discriminate with respect to age, caste, sex, religion, relation etc.

6. Order

- Proper & systematic arrangement of things and people.
- Arrangement of things is called material order and placement of people is called social order.
- Material order- There should be safe and specific place for every article.
- Social order- Selection and appointment of most suitable person on the suitable job.

7. Discipline

- Discipline means sincerity, obedience, respect of authority & observance of rules and regulations of the enterprise.
- Subordinate should respect their superiors and obey their order.
- It is an important requisite for smooth running of the enterprise.
- Discipline is not only required on path of subordinates but also on the part of management.

8. Initiative

- Workers should be encouraged to take initiative in the work assigned to them.

- Initiate actions without being asked to do so.
 - Management should provide opportunity to its employees to suggest ideas, experiences & new method of work.
 - It helps in developing an atmosphere of trust and understanding.
 - They can be encouraged with the help of monetary & non-monetary incentives.

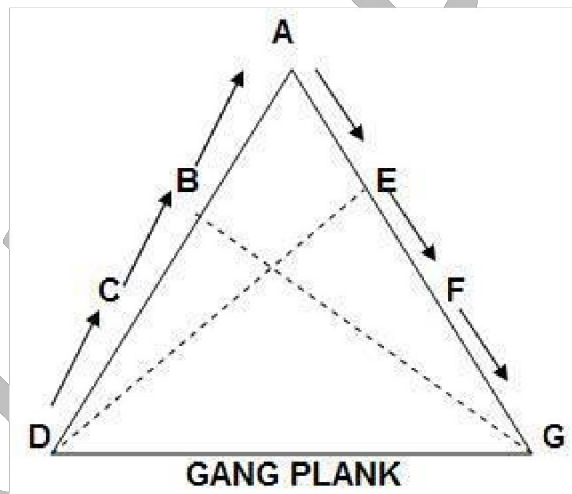
9. Fair Remuneration

- Remuneration to be paid to the workers should be fair & rewarding of the efforts.
- It should accord satisfaction to both employer and the employees.
- Logical & appropriate wage rates.
 - Fayol also recommended provision of other benefits such as free education, medical & residential facilities to workers.

10. Stability of Tenure

- Employees should not be moved frequently from one job position to another.
 - Employees should be appointed after keeping in view principles of recruitment & selection procedure.
 - Time is required for an employee to get used to a new work and to succeed. And if he is removed the time, effort and money spent on training the worker will go waste.
 - Stability of job creates team spirit and a sense of belongingness.

11. SCALAR CHAIN



- Fayol defines scalar chain as The chain of superiors ranging from the ultimate authority to the lowest.
- Every orders, instructions, messages, requests, explanation etc. has to pass through Scalar chain.
- For the sake of convenience & urgency, this path can be cut short and this short cut is known as Gang Plank.
- A Gang Plank is a temporary arrangement between two different points to facilitate quick & easy communication.

12. Sub-Ordination of Individual Interest to General Interest

- An organization is much bigger than the individual.
 - As far as possible, reconciliation should be achieved between individual and group interests.

- But in case of conflict, individual must sacrifice for bigger interests.

13. Espirit De'Corps

- It refers to team spirit i.e. harmony in the work groups and mutual understanding among the members.
- Spirit De' Corps inspires workers to work harder.
- Fayol cautioned the managers against dividing the employees into competing groups because it might damage the moral of the workers and interest.
- There should be proper co-ordination of work at all levels
- Efficient employees should be rewarded and those who are not up to the mark should be given a chance to improve their performance.

14. Centralization & De-Centralization

- Centralization means concentration of authority at the top level. In other words, centralization is a situation in which top management retains most of the decision making authority.
- Decentralization means disposal of decision making authority to all the levels of the organization. In other words, sharing authority downwards is decentralization.

According to Fayol, Degree of centralization or decentralization depends on no. of factors like size of business, experience of superiors, dependability & ability of subordinates etc

Unit – 5

MOTIVATION

Definition of Motivation

Motivation is the word derived from the word 'motive' which means needs, desires, wants or drives within the individuals. It is the process of stimulating people to actions to accomplish the goals.

- Desire for money
- Success
- Recognition
- job-satisfaction
- Team work, etc

One of the most important functions of management is to create willingness amongst the employees to perform in the best of their abilities.

Characteristics Of Motivation

Motivation is a process through which individual does something in order to satisfy some basic needs.

1. Motivation Is Personal And Psychological Concept

Motivation is a personal as well as psychological concept; hence, the managers have to study the mental and psychological aspects of individual.

2. Motivation Is A Process

Motivation is a process of inspiring, energizing, reducing and activating the employees for higher level of performance.

3. Motivation Is A Continuous Process

Motivation is continuous on-going process rather than one shot affair. Because and individual has unlimited wants and needs. As soon as the existing need is fulfilled, another will appear. Hence, motivation should go continuously.

4. Motivation Is A Complex Subject

Motivation is a complex subject in the sense that the individual's needs and wants may be unpredictable. The level of need of a person depends on his/her psychological and physiological aspects.

5. Motivation Is Goal Oriented

Motivation should be directed towards the achievement of stated goals and objectives. From the view point of organization, the goal is to achieve high productivity through better job performance.

6. Intrinsic And Extrinsic Motivation

As individual can be motivated either by intrinsic factors or extrinsic factors. The intrinsic factors include recognition, social status, self-esteem and self-actualization needs which are related to inner aspects of individual. On the other hand, the extrinsic factors are physiological and social needs such as food, shelter, health, education, salary and benefits etc

7. Positive And Negative Motivation

By the term motivation we mean positive motivation which is related to the process of stimulating employees for good performance. But it is not necessary that all the time motivation must be positive, rather sometimes it can be negative also. The negative motivation is also known as punishment which is not desired by the employees.

8. Motivation Is Behavior-oriented

As motivation is person specific, it is related with the personal behavior of an employee. Behavior is a series of activities undertaken by an individual in the organizational work place. The behavior is directed towards the attainment of goals and objectives.

Factors of Motivation

Let's begin with the four factors that are the basics of motivating anyone, in any organization. These four factors are (1) leadership style, (2) the reward system, (3) the organizational and (4) The structure of the work.

Leadership style. This is a key factor in determining how people feel about the company and how motivated they are. Very often, just changing the leader changes the psychological climate of the company and, in turn, the whole performance of people in the organization.

The Reward system. Every organization is characterized by a particular type of reward structure, often differing from person to person and from department to department.

Organizational climate. Is your company a great place to work ? The organizational climate is deliberately created and maintained by management. It largely consists of the way that people treat each other up and down the line. It starts at the top, with leaders who inspire and set the tone for the rest of the organization.

The structure of the work. Some work is inherently motivational, requiring creativity, imagination, and high levels of energy. Work that involves communicating, negotiating, and interacting with other people in order to gain their cooperation to get the job done quickly and well brings out the best energies of the individual. It is exciting and challenging. It is usually highly rewarding as well.

Theories of motivation

Maslow theory of motivation

Abraham Maslow is well renowned for proposing the Hierarchy of Needs Theory in 1943. This theory is a classical depiction of human motivation. This theory is based on the assumption that there is a hierarchy of five needs within each individual. The urgency of these needs varies. These five needs are as follows-



Physiological needs- These are the basic needs of air, water, food, clothing and shelter. In other words, physiological needs are the needs for basic amenities of life.

Safety needs- Safety needs include physical, environmental and emotional safety and protection. For instance- Job security, financial security, protection from animals, family security, health security, etc.

Social needs- Social needs include the need for love, affection, care, belongingness, and friendship.

Esteem needs- Esteem needs are of two types: internal esteem needs (self- respect, confidence, competence, achievement and freedom) and external esteem needs (recognition, power, status, attention and admiration).

Self-actualization need- This include the urge to become what you are capable of becoming / what you have the potential to become. It includes the need for growth and self-contentment. It also includes desire for gaining more knowledge, social- service, creativity and being aesthetic.

Maslow grouped the five needs into two categories -

Higher-order needs

- The social, esteem, and self-actualization needs constituted the higher-order needs. These higher-order needs are generally satisfied internally.

Lower-order needs.

- The physiological and the safety needs constituted the lower-order needs. These lower-order needs are mainly satisfied externally.

Limitations of Maslow's Theory

- It is essential to note that not all employees are governed by same set of needs.
- Different individuals may be driven by different needs at same point of time.
- It is always the most powerful unsatisfied need that motivates an individual.
- The theory is not empirically supported.
- The theory is not applicable in case of starving artist as even if the artist's basic needs are not satisfied, he will still strive for recognition and achievement.

Herzberg's Two-Factor Theory of Motivation

- In 1959, Frederick Herzberg, a behavioural scientist proposed a two-factor theory or the motivator-hygiene theory. According to Herzberg, there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction. According to Herzberg, the opposite of Satisfaction is No satisfaction and the opposite of Dissatisfaction is No Dissatisfaction.
- Herzbergs view of satisfaction and dissatisfaction

following figure shows Herzberg's view of satisfaction and dissatisfaction

Dissatisfaction

Herzberg classified these job factors into two categories-

Hygiene factors-Hygiene factors are those job factors which are essential for existence of motivation at workplace. If these factors are absent at workplace, then they lead to dissatisfaction. In other words, hygiene factors are those factors which when reasonable in a job, pacify the employees and do not make them dissatisfied. The hygiene factors symbolized the physiological needs which the individuals wanted and expected to be fulfilled.

Hygiene factors include:

- ~~Pay~~ - The pay or salary structure should be appropriate and reasonable. It must be equal and competitive to those in the same industry in the same domain.
- **Company Policies and administrative policies** - The company policies should not be too rigid. They should be fair and clear. It should include flexible working hours, dress code, breaks, vacation, etc.
- **Fringe benefits** - The employees should be offered health care plans (medicclaim), benefits for the family members, employee help programmes, etc.
- **Physical Working conditions** - The working conditions should be safe, clean and hygienic. The work equipments should be updated and well-maintained.
- **Status** - The employees' status within the organization should be familiar and retained.
- **Interpersonal relations** - The relationship of the employees with his peers, superiors and subordinates should be appropriate and acceptable. There should be no conflict.
- **Job Security** - The organization must provide job security to the employees.

Motivational factors- According to Herzberg, the hygiene factors cannot be regarded as motivators. The motivational factors yield positive satisfaction. These factors are inherent to work. These factors motivate the employees for a superior performance. These factors are called satisfiers. These are factors involved in performing the job. Motivational factors include:

- **Recognition** - The employees should be praised and recognized for their accomplishments by the managers.
- **Sense of achievement** - The employees must have a sense of achievement. This depends on the job. There must be a fruit of some sort in the job.
- **Growth and promotional opportunities** - There must be growth and advancement opportunities in an organization to motivate the employees to perform well.
- **Responsibility** - The employees must hold themselves responsible for the work. The managers should give them ownership of the work. They should minimize control but retain accountability.

- **Meaningfulness of the work** - The work itself should be meaningful, interesting and challenging for the employee to perform and to get motivated.

Limitations of Two-Factor Theory

- The two factor theory is not free from limitations:
- The two-factor theory overlooks situational variables.
- Herzberg assumed a correlation between satisfaction and productivity. But the research conducted by Herzberg stressed upon satisfaction and ignored productivity.
- The theory's reliability is uncertain. Analysis has to be made by the raters. The raters may spoil the findings by analyzing same response in different manner.
- No comprehensive measure of satisfaction was used. An employee may find his job acceptable despite the fact that he may hate/object part of his job.
- The two factor theory is not free from bias as it is based on the natural reaction of employees when they are enquired the sources of satisfaction and dissatisfaction at work. They will blame dissatisfaction on the external factors such as salary structure, company policies and peer relationship. Also, the employees will give credit to themselves for the satisfaction factor at work.
- The theory ignores blue-collar workers. Despite these limitations, Herzberg's Two-Factor theory is acceptable broadly.

Theory X and Theory Y or Douglas McGregor Theory

In 1960, Douglas McGregor formulated Theory X and Theory Y suggesting two aspects of human behaviour at work, or in other words, two different views of individuals (employees): one of which is negative, called as Theory X and the other is positive, so called as Theory Y. According to McGregor, the perception of managers on the nature of individuals is based on various assumptions.

Assumptions of Theory X

- An average employee intrinsically does not like work and tries to escape it whenever possible.
- Since the employee does not want to work, he must be persuaded, compelled, or warned with punishment so as to achieve organizational goals. A close supervision is required on part of managers. The managers adopt a more dictatorial style.
- Many employees rank job security on top, and they have little or no aspiration/ ambition.
- Employees generally dislike responsibilities.

- Employees resist change.
- An average employee needs formal direction.

Assumptions of Theory Y

- Employees can perceive their job as relaxing and normal. They exercise their physical and mental efforts in an inh
- Employees may not require only threat, external control and coercion to work, but they can use self-direction an the organizational objectives.
- If the job is rewarding and satisfying, then it will result in employees' loyalty and commitment to organization.
- An average employee can learn to admit and recognize the responsibility. In fact, he can even learn to obtain res
- The employees have skills and capabilities. Their logical capabilities should be fully utilized. In other words, the cr employees can be utilized to solve organizational problems.

Conclusion

Thus, we can say that Theory X presents a negative view of employees' nature and behaviour at work, while Theory Y pre behaviour at work. If correlate it with Maslow's theory, we can say that Theory X is based on the assumption that the em safety needs; while Theory X is based on the assumption that the social needs, esteem needs and the self-actualization n

McGregor views Theory Y to be more valid and reasonable than Theory X. Thus, he encouraged cordial team relations, respons making process.