



SUGGESTED SCHEDULE FOR ENTREPRENEURSHIP AWARENESS CAMP

Day	Morning Session		B R E A K	Afternoon Session	
	Session I	Session II		Session III	Session IV
1 st	Inauguration- Camp Objective, Why Entrepreneurship (general concepts)	Historical background-Indian values vis-à-vis Entrepreneurship and the present scenario		Identification of Business opportunities and Mechanisms of product selection	Technology-assistance from R&D labs and other institutions on choice of technology etc
2 nd	How to start a SSI unit (General concept about the Govt. formalities, rules & regulation, location, and different aspect of an industrial venture)	Technical & commercial aspects of SSI unit (General concept only)		Financial aspects of SSI unit including salient features of a project report	Schemes of assistance and Support available from Govt. agencies, banks, financial institutions, SFCs etc.
3 rd	Creativity and business- the man behind the venture -the behavioural scientist's approach	Communication skills for better results in business		Factory visit and experience sharing by existing entrepreneur	Feedback and discussion on the camp and factory visit

**SUGGESTED READING / REFERENCE MATERIAL
FOR
ENTREPRENEURSHIP AWARENESS CAMP
(EAC)**

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** We owe our sincere thanks and gratitude to the authors of the material placed here. These are only for reading and reference of budding entrepreneurs as well as professionals engaged in promoting entrepreneurship.*

CHAPTER – 1

CHARMS OF BEING AN ENTREPRENEUR

If self-help is the best help, then self -employment is the best employment and entrepreneurship, the most exciting level of self-employment. In employment one works for others, one works as others want one to do. There is no scope for doing as you wish, doing what you wish, doing how you wish. But entrepreneurship is the opposite of employment. You work for yourself, achieve a target or a goal set by yourself and reap the satisfaction of having achieved the goal yourself.

Entrepreneurship is not a matter of heritage, it is entirely a manifestation of such potentialities that any individual born in any caste, community and class can have. As such, any person having a certain set of behavioral traits and mental aptitudes in him/her can become an entrepreneur. Besides, there is no need for such a person to be groomed from the very childhood for becoming an entrepreneur. Even if he is grown-up, has worked on a different line, and has developed these traits or aptitudes, he or she can be groomed and developed as an entrepreneur through counseling and motivational measures.

1. Points in Your Favour

This is applicable to a greater degree to the science and technology graduates and diploma holders for the simple reason that during education period, due to their constant interaction with science and material subjects, they acquire a mentality for objective considerations and evaluation of any issue. Given to hard work, thoroughness and perceiving things squarely, in any moment of crisis, they are better qualified to face a problem and find out a possible solution.

Secondly, the science and technology graduates and diploma holders have a natural aptitude to pick up fast the technicalities normally involved in production process of any enterprise.

With these plus points in their favour, entrepreneurship should naturally be an attraction for science and technology graduates. Some more material reasons for the same are;

- (a) It provides them an opportunity to enter into a process which leads to the realization of an individual's passion for innovation and development. Findings based on a research study done in the western countries have shown that small enterprises have been the origin of many radical innovations.
- (b) It is through science and technology inputs that modern technology can be introduced in the small scale sector and thereby a new cost effectiveness and sophistication can be brought about in the products manufactured in the small scale sector.
- (c) To find a suitable employment, one has to knock many doors and soak many shocks and even then one may not succeed. But to be an entrepreneur one has to knock only one door, that is, one's own self and if the qualities and competencies are there, in whatever small quantity, he has the prospects at his disposal to succeed as such. The shocks are there in entrepreneurship too, but they can be absorbed if one is cast in an entrepreneurial mould.

- (d) The Government of India and the States offer so many facilities, incentives and schemes to help new entrepreneurs and particular technology graduates in taking up entrepreneurial career. This career path is no more as thorny as it is used to be decades ago.
- (e) As an entrepreneur, one is not only employed, but creates employment for others- one is not only realizing the goal in his life but is also a source of livelihood for so many. The pride of being a lord of one's own destiny is coupled with the satisfaction of being the benefactor of so many.

It is not enough to be technically qualified and experienced; one has to let the society, nation at large to benefit from one's technical competence and experience. Entrepreneurship provides an excellent opportunity to realize both the goals- the individual status as well as an individual's contribution to the society.

CHAPTER – 2

SO YOU WANT TO START YOUR OWN ENTERPRISE?

Of course! Why, you wonder, are you being asked such a basic question? Here you are full of ideas, energy and visions of a humming factory and may be your wallet full of the green stuff. You want to get cracking on your venture, rather than waste time in answering silly questions.” Tell me where to start, and let’s not beat around the bush, “Is your reaction”!

But hold on! There’s a reason behind our question. Most people have a misconception about what sort of a person makes an entrepreneur.

So proceed and find out for yourself.

1. Take the Quiz

The following quiz will enable you to seek your own entrepreneurial understanding. Tick mark one alternative you think relevant:

A) An entrepreneur’s primary motivation for starting his own business is:

- a) To make money
- b) To work independently
- c) To find an outlet for unused energy

B) To be successful in an entrepreneurial venture you need in abundance:

- a) Money
- b) Luck
- c) Hard work
- d) good ideas

C) A successful entrepreneur:

- a) Will use his personal resources only
- b) Will take advantage of external resources
- c) Will utilize external; resources having assessed own resources
- d) Will take benefit of all available help

D) Entrepreneurs are:

- a) High risk takers
- b) Moderate risk takers
- c) Small risk takers
- d) Do not take risks

E) The first step in starting business should be:

- a) Find a product
- b) Get some money
- c) Select a partner
- d) Do self-analysis

- F) An entrepreneur should be:
- a) A businessman's son
 - b) An influential man
 - c) From a certain community/caste
 - d) None of the above
- G) An entrepreneur is:
- a) A born gambler
 - b) A born entrepreneur
 - c) Not a self-made man but the one who inherits
 - d) A politician's son
- H) To become an entrepreneur one must have:
- a) Money
 - b) Long experience
 - c) High education
 - d) Initiative to do something
- I) Do you believe that to be successful, an entrepreneur must be:
- a) Dishonest
 - b) Unethical
 - c) A person with integrity
 - d) Perseverant

STOP, THINK, DO SOME SELF-ANALYSIS

1. Get Rid of the Misconceptions

The intention of the exercise is not to say what is right or wrong: but you will observe from your own opinion that many a time a person has wrong perceptions of an entrepreneur. For example, to be successful, what is needed is not luck, influence or high risk. What an entrepreneur achieves is a result of his capabilities to work hard, to take moderate risk and to take advantages of the opportunities. The skills and capability of a person decide the probability of success as an entrepreneur. Though many external factors influence any outcome, understanding and managing the environment with one's own entrepreneurial ability help achieve success.

Many of those who have already become successful entrepreneurs have reached this stage after a long struggle but with determination. Most of them had started their ventures as small entrepreneurs and it is mainly because of their own competence that they reached the top.

2. You Too can Do it

You too can become a successful entrepreneur if you have a keen desire to succeed, initiative and positive problem solving attitude and you identify a sound business opportunity. Many young persons like you have become successful entrepreneurs, even

though they didn't have much money of their own or a business background. What they had was good entrepreneurial capability.

The following example will prove this statement and inspire you.....

(1) Rajendra, A Fresh Science Graduate

After Rajendra's graduation from a science college, his father, a government servant wanted him to look out for a job. Though he did have some openings, Rajendra hesitated to commit himself to a job. He was drifting without direction with only one thought in his mind 'I want to do something'. Day by day he was getting more frustrated when it dawned on him that he would have to search for an opportunity. He enthusiastically started surveying his environment with the aim to find an appropriate project in which to pour his energies.

One day, while talking with his panwalla, Ramlal, he causally asked where Ramlal purchased the dhanadal(corriander seeds) he stocked. Rajendra was surprised when Ramlal told him that the dal was bought from a factory out of town.

Rajendra started asking more Panwallas and retailers of dhanadal and discovered that though there was a high consumption of dhanadal there was not a single unit which produced it in town.

He saw that, if he could produce the dhanadal, he would have an edge over the other out-of-town manufacturers.

He found the names of some manufacturers and went to meet them. But not surprisingly, no one was prepared to even talk to him, leave alone give him advice on how to produce the dhanadal.

As he could not get into the unit he decided to get the information from someone inside, so he started hanging around the unit and talking to the workers when they came out for their tea breaks. He made friendship with Rakesh, a dissatisfied employee of the unit and in between cups of tea and casual talk he got information on where from the 'whole dal' can be procured, the machinery and the names of their manufacturers, the production-process, the number of people employed in the unit etc. Then he roughly estimated the cost of the project and the size of the shed in which to set-up the unit.

He came home elated. But the feeling was short-lived as his family started asking him certain down-to-earth questions like where he was going to find the money to implement his 'fancy ideas'. Rajendra was certainly concerned about this major hurdle. But so set was he on his plans that he decided to approach the nearby bank to get some advice. The manager explained to him about the loan facilities extended, the formalities he would have to undergo and the percentage of capital that he would be required to put in. He was nice enough to guide him to meet another customer of the bank who had premises near an industrial area.

Rajendra was happy to discover that this land-owner was willing to rent premises to him and that the place was just right for his factory. He started writing to the manufacturers and persuaded his family to part with the required capital from their savings.

Very soon he was busy co-ordinating the procurement of his loan, arranging the delivery of machinery, talking to suppliers and customer etc. Within a short span of 10 months his factory was working and in another six months he was able to earn profit. So if you have made the major decision of setting up an enterprise, check up on as many details as possible, and pursue the idea vigorously.

CHAPTER – 3

ARE YOU AN ENTREPRENEURIAL PERSON?

Let us now answer this key question: Who is an entrepreneur and what is his role?

An entrepreneur is a person who takes risk of setting up his own venture for perceived rewards. He is a person who initiates the idea, formulates a plan, organizes resources and puts the plan into action to achieve his goal. Entrepreneurs have specific qualities; they have special strengths which they draw upon for their adventure into business. If you want to start and succeed in your enterprise, you are required to play different roles at different stages of your enterprise. Some of the essential qualities entrepreneurs must possess are briefly described below:

(1) Do you have a strong desire to be a winner? (NEED TO ACHIEVE)

Most people dream of success and achievement, but do not take any actions towards achieving these dreams. Entrepreneurs, on the other hand, have a strong desire to achieve a higher goal and make their dreams come true. For them winning is achievement.

(2) Do you have a quality of stick-to-it? (PERSEVERANCE)

Once committed to a goal and a course of action, entrepreneurs become absorbed in it. They are not deterred by difficulties and problems that beset any project; they work hard until the whole project is successfully accomplished.

(3) Do you prefer a middle of the road strategy when you have analyzed a risky problem objectively and think you can solve it? (MODERATE RISK TAKER)

Entrepreneurs are not high risk-takers; they are not gamblers. They choose a moderate risk rather than play wild speculative gamble. They love a moderate risk situation, high enough to be exciting, but with a fairly reasonable chance to win.

(4) Are you alert to opportunities? Do you seize and convert them to your advantage (ABILITY TO FIND AND EXPLORE OPPORTUNITY)

Entrepreneurial persons are quick to see and seize opportunities. They show an innovative turn of mind and convert difficulties into opportunities. But they are realistic too. They plan and anticipate carefully how to achieve their goals in realising an opportunity.

(5) Are you unaffected by personal likes and dislikes while approaching problem? (ANALYTICAL ABILITY)

Entrepreneurs are realistic. They have a matter of fact approach about business undertakings. They are not likely to let personal like and dislikes stand in their way. When they require assistance, they select experts rather than friends and relatives to help them. They generally do not take an emotional attitude towards their business or a problem.

(6) Do you find it important to know how you are doing, when you are working on a goal or a task? (USING FEEDBACK)

Entrepreneurs like to have immediate feedback of their performance. They like prompt and accurate data and it does not make any difference whether the information they get is favorable or unfavorable. In fact, they are stimulated by unfavorable news to pour more energy into attaining their objectives.

(7) Do you welcome tackling an unfamiliar but interesting situation? (FACING UNCERTAINTY)

Achievement oriented people tend to be optimistic even in unfamiliar situations. The odds may not be clear but the circumstances may be appealing.

Entrepreneurial persons in such situations see no reason why they cannot win through their abilities. They go ahead undeterred, sometimes even without guidelines and frequently make the best of whatever opportunities there are. As they begin to understand their environment they begin to calculate their chances very closely. Thus, paradoxically they present a picture of boldness in the face of the unknown and prudence in the face of the familiar. They usually win by applying their special insight and skill.

(8) Do you have a dislike for working for others? (INDEPENDENCE)

It is found that most entrepreneurs start off on their own because they do not like to work for other people. They like to be their own masters because they do not like to work for other people. They like to be their own masters and want to be responsible for their own decisions.

(9) Are you flexible in your decisions? (FLEXIBILITY)

Most successful people after weighing the pros and cons of a decision, tend to change if the situation so demands. They do not hesitate in revising their decisions. Successful entrepreneurs are persons with open minds, not rigid.

(10) Do you think ahead, plan your future and then make it come true? (PLANNER)

Most successful people tend to set a goal for themselves and plan to achieve that goal in a certain time limit.

(11) Are you comfortable while dealing with people at all levels? (INTERPERSONAL SKILLS)

An entrepreneur is a person who, during the course of his activities, comes across many types of persons, with whom he has to deal. He has to make them work for him, with him and help him to attain his objectives. Hence he should be a person who likes working with people and who has skills of dealing with people.

(12) Can you influence others? (MOTIVATOR)

In the course of his career, an entrepreneur, will be required in many situations As a central figure in your enterprise, you will have to cope up with many situations at the same time and make right decisions which may involve a lot of physical and emotional stress. All this can be done if you have the capacity to work long hours and keep cool under a lot of tension to influence people and make them think in his way and act accordingly. He motivates people to act.

(13) Are you capable of working for long hours and tackling different problems at the same time? (STRESS TAKER)

As a Central figure in your enterprise, you will have to cope up with many situations at that same time and make right decisions which may involve a lot of physical and emotional stress. All this can be done if you have the capacity to work long hours and keep cool under a lot of tension.

14) Are you aware of yourself? (POSITIVE SELF CONCEPT)

An achiever directs his fantasies towards the accomplishment of worthwhile goals and sets standard of excellence in what he is doing. This is based upon the awareness of his strength and weakness. He uses positive knowledge to support his thinking. He is rarely negative.

(15) Do you tend to think ahead? (ORIENTATION TO FUTURE)

Entrepreneurs show a high level of future orientation. They do not allow the past to obsess them. They are oriented towards present and future. "So it was, but now what to do," this is their usual response. No entrepreneurs have all these qualities. But most of them will have many. So the first step for a person aspiring for entrepreneurship is making an inventory of the traits he possesses. This self-awareness and analysis will help define his strength and help overcome his weaknesses.

Rewards and Penalties of owning an enterprise

Though it is an exhilarating feeling to own and run your own enterprise, there are both advantages and disadvantages of being your own master.

- ❖ You enjoy the satisfaction of being your own boss and you have power to do things in your own way. If you have certain quirks in your character as most people do, you have the chance of catering to them. This freedom is exhilarating.
- ❖ You can experience the rewards of ownership in tangible and intangible ways and secure your future by putting aside a substantial retirement fund!

- ❖ You command deference and respect of your immediate family and friends.
Though you are your own boss, in some respects you are not, because you are constrained by various people like your financiers, labourers, customers, suppliers and debtors.
- ❖ The scope of your operations is limited by your limited resources. To be realistic you might often not have sufficient money or resources. This limitation might, sometimes, frustrate you.
- ❖ You work long and hard hours, from day-to-day and your venture absorbs all your energy and time. This in turn can affect your social and family life.
- ❖ Though you have the satisfaction of achieving something on your own, everything may not always work the way you would like it to.
- ❖ And finally, there is the risk of failure. And yet an entrepreneur will prefer the troubles and travails of high seas, and not the security of shallow waters.

CHAPTER – 4

PLANNING FOR YOUR VENTURE

New entrepreneurs often have a misconception that planning is essentially only for large enterprises. Usually they have following doubts:

- a) Is planning in small enterprises as essential as it is in big ones?
- b) Can small entrepreneurs contemplate long term planning when they do not enjoy the advantages of huge finance and expert staff as big ones do ?
- c) Can small enterprises successfully implement long term plans?

But planning for the small entrepreneur is critical for the very same reasons. The entrepreneur has limited resources in terms of time, finance and man power. The small entrepreneur is going to put his life's savings to start the venture and to lose this investment is a risky and unsettling proposition. He normally puts all his stakes in his ventures and expects the business to make reasonable profit and give returns on his investment. The opportunity to be reasonable profit and give returns on his ventures and expects the business to make reasonable profit and give on his investment. An opportunity to be 'your own boss' is part of this return. It is of utmost importance that the enterprise succeeds as the entrepreneur has totally committed himself to the venture.

It is, therefore, necessary that small enterprises select very carefully the fronts for action and formulate all the strategies with due care and calculated risk as the entrepreneur cannot afford to make mistakes which will cost him time, money and mental peace.

1. Why Planning

Planning is essentially choosing course of action from available alternatives. It involves detailing of the course chosen. It differs from other functions not only in form of the activities involved but also in the faculties involved. It forces the entrepreneur to view reflectly, analyze his environment, the enterprise, the people involved and himself in a certain perspective.

(1) Planning is essential to survive in the most dynamic situations:

Most small entrepreneurs tend to be controlled by the volatile environment of today. Earlier it was possible to avoid developing or evolving your product or process until your competitor successfully established his own product or process. Today this is no longer valid. Such an enterprise would soon ruin itself. To lead in a fast changing environment, an entrepreneur should plan for aggressive strategies to shoulder the inherent risk. These risks can be reduced by continuous planning and re-planning.

(2) Planning strengthens the position of entrepreneurs:

If the small entrepreneurs do not adopt planning they may keep on drifting without purpose or direction, in the belief that their survival in business depends on the mercy of over-powering forces. This will prevent them from taking any decisive steps for their

own development. On the other hand, they may feel tempted to indulge in reckless and blind gambling. Planning hence helps to lead them in the right direction.

(3) Planning gives an overall picture:

Because of constraints on his various resources, it is essential for an entrepreneur to have pre-knowledge of all the steps involved in implementing and running his enterprise that he will be better organised to co-ordinate his limited resources.

(4) Anticipation of problem:

The entrepreneur will have a clear picture of his project and the requirements at various stages, if the project is thoughtfully planned. Planning equips him with the knowledge of the problems that are likely to arise and he can, therefore, rehearse for alternative actions to the many: What if's".

(5) Planning helps in time management:

Again, because a small entrepreneur has to play the multi-faceted role, fulfilling various needs of his enterprise, it is essential for him to define his action in terms of time. This will give him pointers to the areas which should claim his priority and help him to effectively utilize and co-ordinate his resources.

Successful entrepreneurs differ from unsuccessful ones in their method of decision making. They examine all possible options, evaluate all arguments for or against and they keep on looking for new options or alternatives. There is evidence in support of successful ones who adopted planning against those who did not examine any options or alternatives. It has been proved that those who use systematic planning and intelligent implementation are most likely to succeed.

Planning, therefore, should be integrated into the company's system and for the small entrepreneur It should be directed more towards finding and exploiting opportunities rather than waiting to create them.

Most small entrepreneurs are constrained in their planning because:

- a) They believe planning is not needed for them.
- b) As the enterprise is small, they believe they can keep everything in their heads:
- c) They feel that planning is a waste of time as it cannot be implemented.

2. Areas of Planning

For the small entrepreneur planning need not be complex. If he were to put down on paper what is in his mind, a lot of clarity would emerge. He should start planning by defining:

- a) His present status: the resources available to him.
- b) His goal: within the constraints of his resources, what can be achieved?
- c) How best to attain it: co-ordinating and mobilizing the above two factors to achieve his goal in the shortest possible time.

To plan, then, he will have to start posing a few questions.

Internal: To analyze his personal strengths and weaknesses:

- What am I good at?
- Where can I improve?
- What are the resources available to me?
- What is the volume of resources that I can effectively mobilise?

Market: To check if the plans he foresees are supported by demand

- Will what I produce sell?
- Why will people buy it?
- How does my product compete with others in the market?

Environment: A small entrepreneur should always take into account the outside factors over which he has no control but which are likely to affect him.

- What are government policies?
- How do they affect me?
- Will changing trends in social customs and culture affect my product demand?
- Can I diversify if the need arises?

Basically then an entrepreneur should plan for

- a) Survival
- b) Profit
- 3) Diversification

3. Some Principles of Planning For Small Enterprises:

Any noting, no matter how short, for planning is much better than no noting at all.

The most difficult part of planning is to start. Once started it is then easy to proceed ahead.

The factual basis of the venture, its customers and its environment should be thoroughly investigated.

To make planning realistic, it is necessary to have clear understanding of one's business, strength and weakness. Many a time an outsider is more objective and a keener commentator than the owner and inside personnel. Effective planning needs creativity and constructive thinking and many a time insiders are not able to perceive what an outsider can.

Alternative opportunities based on the resources of the venture and the anticipated needs of the customer should be developed.

Planning is a process, not an isolated occasional act, hence plans should always be periodically reviewed and should be kept alive through constant updating and feedback. It should never become a ritual or mere paper work.

For the small enterprise it is essential to have plans that can be implemented as early as possible. Planning should take into consideration the implementation.

Planning should be supplemented by performance reporting. One who wishes to implement his plans successfully must regularly examine the expected progress against actual progress to decide further course of action.

CHAPTER – 5

DECISIONS AN ENTREPRENEUR TAKES

An entrepreneur is a person who initiates and establishes an enterprise. Entrepreneurship refers to the decisions he takes in setting up and running a new enterprise. The individual constitutes the most important element in entrepreneurship. It is an individual who takes a decision to start or not to start an enterprise. And it is 'HE' or 'SHE' who strives to make it a success. Entrepreneurship involves a few major decisions. They can be identified as follows:

- 1) Decision to become an entrepreneur
- 2) Identification and selection of an opportunity
- 3) Business plan formulation and its implementation
- 4) Entrepreneurial continuum

1. **Becoming an Entrepreneur:**

Decision to be on his own in the first major step. The motivational factor, hence, should be considered crucial to entrepreneurship. The inner urge of the individual to do something new, to be on his own has been found to be an important factor. This may now be reinforced by one or more of the following:

- To prove oneself
- To be independent
- To do something unique
- To utilize skills
- To acquire greater economic reward
- To excel

MAJOR MOTIVES THAT INFLUENCE ENTREPRENEURS

- To Be Independent
- To Utilise Talent / Skill
- To Prove Oneself
- To Acquire Greater Economic Rewards
- To Do something Unique
- To Excel

2. **Finding an Opportunity**

For effective coping with his inner desire to be an entrepreneur, the individual starts searching for an 'opportunity', the focus of his entrepreneurial desires. He looks around for different possibilities of business, reads about them, and meets people who could give ideas and inspiration, and collects information on several possibilities.

PROJECT IDENTIFICATION

- What are the chances for diversification later on?
- What is the technology level?
- What are my strengths and weaknesses for the product?
- What is the life of my product?
- What industry group should I select?
- Engineering?
- Electronics?
- How much money can I invest?
- How attractive is the Opportunity?

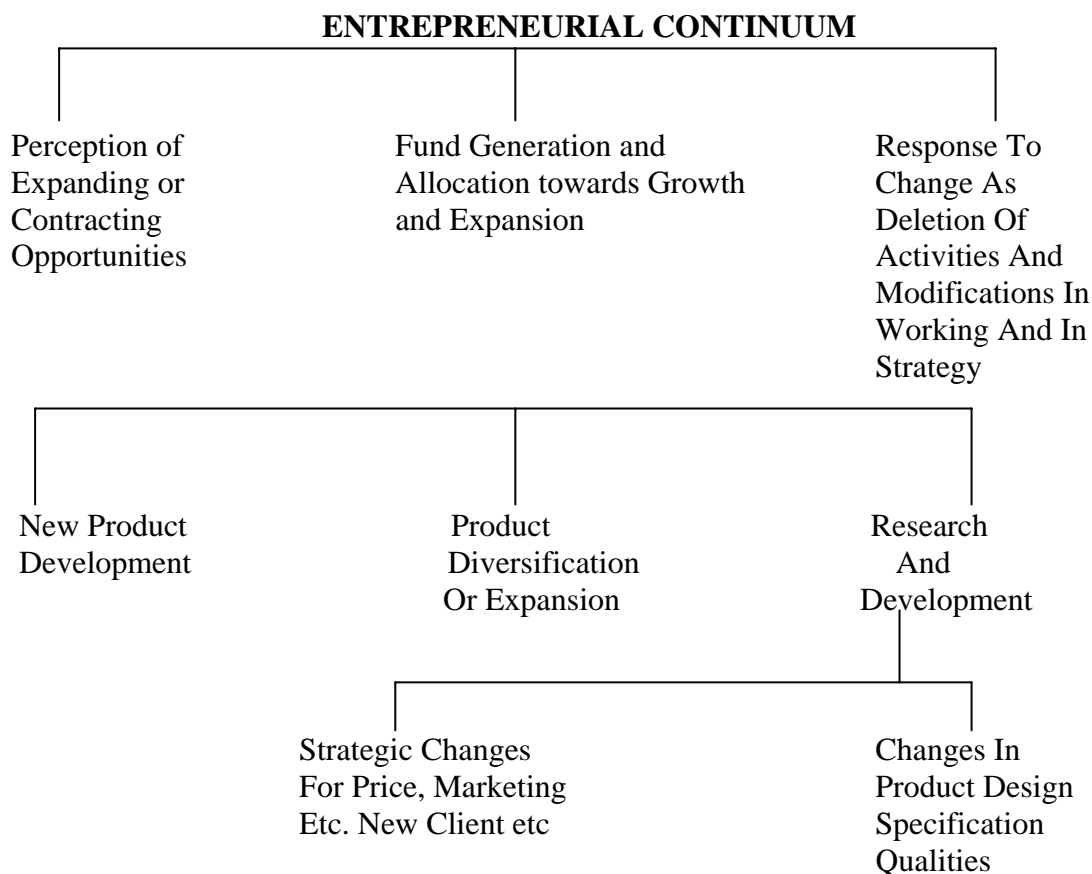
3. Making a Project Plan:

The next stage marks the movements in the direction of project detailing. His efforts are directed towards visualizing the establishment of the enterprise. He studies the feasibility and profitability of the project, which involves all the factors mentioned in the following chart. The entrepreneur takes crucial decisions at each stage.

Entrepreneurial Continuum:

Once the entrepreneur establishes the enterprise, he will have to manage it well by translating problems into opportunities, and must endeavour to mobilize relevant production factors such as capital and human resources.

The entrepreneurial continuum can be achieved through a series of entrepreneurial decision and actions directed towards following factors:



These then are major decisions involved in entrepreneurial activity. They call for right attitude and requisite knowledge and skills.

- 1) Good market scope i.e., gap between present or likely demand and supply;
- 2) An attractive/acceptable return on investment.

Apart from these two criteria, a business opportunity needs to be analyzed from other view points for its viability such as technical; production, commercial and managerial. These criteria are interlinked and a decision about one, affects others.

For entrepreneurs the process may appear to be like a merry – go – around. He may be confused as to where to start and where to end. It is worthwhile here to quote an interesting example. When I was traveling with a successful entrepreneur, I was tempted to ask, ‘How do you select your project?’ His reply came. “It is very simple. I select a project where raw materials are not easily available.”

Surprised by the answer I asked for an explanation. He replied.

“Once I have found out how to procure the raw materials I am not worried about the market, because it will always be good as not many people will go in this line on account of the scarcity of raw materials.” And I learnt he had his own strength in procuring raw materials! Hence the “availability” of raw material was the starting point of the project idea for him.

The case is a classic example of an entrepreneurial decision-making for selecting a product. What it indicates is that out of many criteria one has to select only those where one’s strengths become highly relevant. And secondly, one may not get an idea, which is attractive on all counts. If the market is very good, technology may be complicated or if returns are very good, investments may be high, and so on.

The Process of Selection:

The process of selection of product and the stages, through which an entrepreneur has to pass before reaching the final definition, needs to be carefully understood.

Selection of right business opportunity demands:

- a) Understanding of one’s own capabilities, strengths, limitations and preferences;
- b) Exploring all possible and suitable opportunities available within existing (given) conditions and environment; and
- c) Taking final decisions about product, after comparative analysis of opportunities available; consistent with entrepreneurial capabilities and their relative benefits.

Whether a business opportunity is for manufacturing a product or for providing services, one generally begins by concentrating on one line of activity.

The ideas about projects may be generated by:

- (i) Thinking of new product/services not existing in the town, area/country.

- (ii) Developing existing products/services available in the market in terms of design specifications etc.
- (iii) By selecting products/services which are already being manufactured.

Though ideally new entrepreneurs will be tempted to go for the first group of ideas, it needs to be underlined that these involve a high degree of risk. Hence for the first-timer entrepreneurs who do not have much business experience, it is advisable to take low risk in the initial stage and start their selection process from criteria 3rd to 1st.

Exploring Opportunities

The process of identifying opportunities requires intensive efforts and specialized skills. However, certain indicators or guidelines may help to identify as also assess opportunities.

- (i) Environment
 - Basic features of an area and its resources inventory
 - Population, its composition, occupational pattern, socio-economic background etc.
- (ii) Current Business Scene:
 - Present pattern of trading and business activities in the area with references to inter-regional flow of commodities; local consumption and needs for industrial goods as also services.
 - Emerging trends and patterns of trading and business activities in terms of new demands for consumption of goods and services in the area.
- (iii) Technology Change:
 - Anticipating new opportunities because of technology change like electric engines, computers etc.

To help in identifying business opportunities some of the idea sources are short-listed below:

- a. Resources based ideas:
 - i) Industries based on mineral, agricultural, marine and forest resources
 - ii) Waste-based products such as agro-waste, wood-waste, metal-waste etc.
- b. Linkage related ideas:
 - i) Industries arising out of various types of linkages such as backward and forward integration from existing lines of manufacture
 - ii) Ancillary development projects
 - ii) Industries based on substitution i.e. products which are either obtained from outside the region or the country at large.

c. Export/Import related ideas:

- i) Export oriented activity
- ii) Import substitution

d. Market shift or growth related ideas:

Consumers and industrial products that have growth potential as a result of increased population or changes in composition of population, purchasing power, changes in living style etc.

e. Special product ideas:

- i) Research and Invention-based products
- ii) Skill/knowledge based products
- iii) Products based on Institutional/Government purchases, Hospital/Schools etc.
- iv) Foreign collaboration

f. Service sectors ideas:

Household repair and maintenance, service facilities/workshops/establishments to cater to industrial and households needs.

g. Government policies, priorities and plans:

By exploring these sources, the entrepreneur will have an inventory of various project ideas.

It will be possible to identify such business opportunities on the basis of readily available data/information. The initial process would involve collecting and co-ordinating relevant information from the right sources.

2. Taking a Decision

Having explored the ideas, the decision process may involve following steps:

Step: 1: Understanding the Broad Industry Group

(1) What type of industry you would like to go in Engineering/Plastic/Chemicals etc?

(2) Should you select-

Consumer Products OR Intermediate Goods OR Capital Goods

(Being used and consumed Regularly and directly)

(Goods used to manufacture other products: printing M/c., components, etc.)

(Goods, which need further processing by e.g. detergent, cloth etc.) others to get final pro-duct chemicals, bright bars etc.)

(3) What is the present environment and industrial climate?

(4) What kind of flexibility and possibilities of diversifying in future do you want?

- (5) What are your preferences, technical capabilities and familiarity or possibility of support by others?

On the basis of the above factors, entrepreneurs may select broad industry group like plastics, engineering, chemicals.

Step: 2: Selection of Specific Project

Having decided the industry group, the next is to select a specific project. The suggested process is as follows:

1) Decide the size of the project

Depending upon your own investment capacity and possibilities of getting financial assistance, overall investment size of the project must be decided
e.g. if an entrepreneur wants to invest Rs.10, 000/- and there is scheme of financial assistance giving 90% loans, the maximum size of the project that entrepreneur can think of is up to Rs.1, 00,000/-.

2) Check Government Policy

Before finalizing your project it is very essential to check:

- i) What types of special permissions and licenses are required and whether they will be available easily:
- ii) What regulations and controls exist for required material, price of end product and how it will affect operation of the unit; and
- iii) Whether the proposed project is in the discouraged or banned list of government?

While selecting the project, the entrepreneurs will have to continuously assess his own strengths and capabilities to undertake the specific project. An easy way to make decision is a 'go or no -go' decision. Decide what is not suitable, by eliminating unwanted projects, which will give you, more desirable products.

3) Own strength & limitations:

While selecting the project, the entrepreneur will have to continuously assess his own strengths and capabilities to undertake the specific project. An easy way to make decision is a "go or no-go" decision. Decide what is not suitable, by eliminating unwanted projects, which will give you, more desirable products.

4) Comparing relative advantages & disadvantages:

The assessment of prospects means your general assessment about future scope and feasibility of undertaking the projects. This would include:

- i) Complexity of Technology
- ii) Return on Investment
- iii) Market Potentiality

As such detailed techno-economic feasibility alone could help in making the final decision, but at this stage these three criteria can help in arriving at a tentative selection, to be subsequently followed by detailed feasibility study.

Thus, at the end of this stage, the entrepreneur will have two or three projects which are worth considering for investment.

Step 3: Final Selection of Project

The final selection would involve assessment of all major criteria of viability, namely technical, financial, market and commercial. These have been discussed in detail in the section on feasibility study.

It is important to note that this stage wise process enables entrepreneurs to avoid unnecessary, wasteful and frustrating efforts in exploiting projects that may later on be found unsuitable.

A WORD OF CAUTION

- 1) Do not plunge into a project only because someone else is doing well or someone has assured you to buy products. Someone's assurance may be a good reason to start, but not good enough to survive.
- 2) It is important to generate product ideas, but one must accept a good number of these product ideas may be found incapable of developing into a saleable product.
- 3) By all means consult experts and other people, but remember that you are making the decision, and hence it is your shirt that may be lost in the bargain.
- 4) It is advisable to start with a common product, rather than go for a very specialized product.
- 5) It is advisable to check if many similar projects are coming up.
- 6) Think of future and long-term possibilities of success and select the project which has some flexibility for diversification.

3. Illustrative Project Opportunities

Several relevant project ideas are available on different websites. An Indicative list of such websites is included in the later section.

CHAPTER 6

ENSURING YOUR MARKET: MARKET SURVEY AND RESEARCH

1. Why Market Survey?

For a new entrepreneur the risk of setting up an enterprise and managing it successfully depends mainly on how he makes his decision in conditions of uncertainty. Uncertainty involves both risk and opportunity. Market for the product of his venture must therefore be examined and analysed thoroughly before plunging into it. Market Research/Survey is a tool through which though it may not be possible to eliminate the risk or guarantee an opportunity, its intelligent and systematic use can reduce risk and improve the probability of success.

Markets are becoming increasingly dynamic and competitive, their successful exploitation calls for greater investment and more frequent INNOVATIONS. Decision making, therefore, must be faster and less susceptible to many of the needless errors of INTUITIVE judgment. Thus instead of a hasty decision to start ventures, it is advisable that detailed market survey is undertaken to understand the 'market' and feasibility of marketing your products.

2. What does it involve?

Market Research or Survey may be defined as an objective and systematic collection, recording, analysis and interpretation of existing or potential markets, marketing strategies and tactics and the interaction between markets, marketing methods and current or potential products/services. Thus it helps to apply a truly analytical approach to decisions which have been taken.

The objective of the survey should be to answer the following questions:

- a) What is the size of the market and share anticipated for a product/service in terms of volume and value?
- b) What is the pattern of demand?
- c) What is the market structure?
- d) What are the buying habits and motives of buyers?
- e) What will be company's strong points in marketing?
- f) What are past and future trends?

3. Steps in the Market Research/Survey

For new entrepreneurs, the process involves all the following steps.

Though complete sequence may not adhere to, an attempt should be made to cover all information.

- 1) Defining objectives of the study
- 2) Working out details of the study
 - a) Identifying sources of obtaining information.
 - b) Time and cost involvement for the study
 - c) Working out methodology and action plan

- 3) Selecting samples and deciding contacts and visits
- 4) Preparing questionnaires and plans for surveys and interviews. A model questionnaire is given in Annexure - '1'.
- 5) Collecting data and analysis of data.
- 6) Preparation of a report with findings

The operational work can be divided into three major areas :

- a) Table work
- b) Field work
- c) Report writing

For new entrepreneurs a major problem in conducting market survey is not knowing sources and contacts for getting information. The best way is to try for it, without having fear of not getting information. It is because the information itself is not the only important element. What is more important is to get the feel and direct experience of market during personal visits.

The information sources can be divided into:

- (1) Primary Data Sources:

This is information which originates as a result of the contacts with those who are directly involved in relevant activity e.g. in survey for plastic toys, information obtained from toy manufacturers or traders would be a primary data.

- (2) Secondary Data Sources

The data which already exists and may be used for the investigation. They have not been collected for a specific purpose. This information may be obtained from those who are indirectly involved e.g. trade or manufacturer's associations or published data are secondary sources.

4. Tips for conducting market survey

It is important to note that for entrepreneurs the survey and getting information is very important, but not for those who are going to supply the information. Thus, intelligent efforts will have to be made to get information out of them. Following tips can help entrepreneurs in conducting the survey effectively and systematically.

- (1) Do not be prejudiced or status conscious. Your own prejudices towards education, caste, communication and your own status consciousness can act as a negative factor in collecting information from various levels of people.
- (2) Keep cool temperament and be patient during the survey, so as not to unnecessarily enter into hot arguments with others. You will have to continuously try to get information with great persistence.
- (3) Keep in mind that you are going as a surveyor and not to collect information for other's use. Do not pass on information to others.

- (4) Make a habit of writing down the information immediately after you visit someone. But try to avoid writing or referring to your papers when interviewing someone.
- (5) Sequencing of questions, your involvement and commitment to get information are the key factors for your success.
- (6) The best way to approach your competitors is to go there as their client, showing interest in selling their products.

At the end of the survey; detailed report on findings must be prepared in written form. Contents of the report are outlined in Annexure II

This market survey report will not only help you in assessing the feasibility of marketing your product, but will also act as an important document to convince the financial institutions about your understanding of the market and chances of success.’

ANNEXURE - 1

Questionnaire For Market Survey

The following questions and information will help entrepreneurs to collect information and in turn enable them to understand the nature of his business. Here the market survey has been suggested with broader perspective, so that entrepreneur’s may have all-rounded commercial information.

(1) For raw Materials

- (a) Who are the major manufacturers/suppliers of the materials?
- (b) What time is required to get the materials after ordering? Which terms of supply prevail?(Tax structure, price, packing, payment terms etc.)
- (c) What is the standard/minimum packing or minimum order quantity?
- (d) Is the material freely available?
- (e) Are there any shortages (created) in the market at any particular time of the year?
- (f) What was the trend of price changes and availability in the past? (At least for last 2 years)
- (g) Will any government decision affect the availability and the price of the material?
- (h) Will it be advantageous to procure the material locally or purchase from outside?

(2) For Machinery/Equipments:

- a) Who are the manufacturers/suppliers?
- b) What capacity, specification, specifications and makes (brands) are available in the market?
- c) What is the price of machines?(consider all applicable taxes, transport, accessories etc.)
- d) What electrical, like motor, starter, switches etc. are required?
- e) What guarantee/warranty of performance is given by manufacturer?
- f) What is the normal repair/maintenance cost per year? Which spares or parts would be frequently required?
- g) What are the terms for ordering-payment, advance, delivery time etc.?
- h) Before taking delivery of machine, whether inspection can be done at the factory?
- i) What is the market standing of manufacturers and list of parties to whom same type of machines have been supplied?

- j) will special type of transport and handling be required?
- k) What are the overall outer dimensions of machines and working (floor) area requirements?
- l) What average (maximum) quality standards and output (production) can this machine give?

3) For Market:

(A) From Manufacturers-Competitors:

- a) What is the general factory layout and space occupied?
- b) Their range of products, installed capacity and utilised capacity and selling price.
- c) Their normal terms of business.
- d) What are their future plans for expansion/diversification?
- e) Salient features of the units like technical skill, finance, other resources etc.
- f) Their market area and practice
- g) Any other special problems faced by the units?

(B) From Supplier (Trader)

- a) Who are the present principal traders in the item? Range of products dealt with and general business terms, commissions etc.
- b) His market area and annual turnover estimates.
- c) Duration and type of his relations with principal.
- d) Possibility of trading with him and his expected business terms.
- e) Normal level of stock he is maintaining and any specific problems he might have in stocking goods.
- f) His future predictions/comments on business conditions.

(C) From Consumers (Customers)

- a) What is the annual consumption and requirement?
- b) What are the present sources of supply?
- c) Customers' loyalty to Brand (Make) and preferences like price, quality, payment terms etc.
- d) Whether he is satisfied or dis-satisfied with present product and supply?
- e) What are his purchasing criteria and what purchasing power he holds?
- f) What is the consumption pattern? (Basis of calculating his requirement)
- g) What changes in his future consumption is expected? In quantity, quality due to changes in technology etc
- h) What is the size of his average order quantity and at what time and frequency he places orders?

ANNEXURE- II

Key Components of Your Market Survey Report

Introduction	End Products End users Suitability and strength of selecting particular product
Product	Specification, sizes, brands, packing, selling price etc.
Assessment of Demand	Class and type of consumers/clients Patterns of consumption and frequency of purchase Product life cycle and present status Past demand pattern Future anticipated demand projections Buying criteria and influencing factors
Supply Position	Current availability of and production Capacities Vs utilization Present indigenous and imported supply sources, their price comparison service etc.
Marketing Practices	Present prevailing marketing practices Distribution Packing - Forwarding Credit Policy Delivery, After Sales Services Selling price, taxation structure and Commission patterns Purchasing procedures time and practices Prevailing
Own Marketing Plans	Own market share of supply - demand gap and Strategies Strengths and special services to be offered if any Possible clientage and their likelihood of buying from you.

CHAPTER 7

PRELIMINARY PROJECT REPORT

As a prospective entrepreneur, you are required to decide at the outset the product that you have to manufacture. If you decide to get into 'service sector', you must decide the type of 'service activity' for your venture. Having made such a decision tentatively, you must answer certain questions before you spend time and resources required to make a detailed study of the project for getting financial assistance.

The questions that you have to answer are:

- i) Can I do it?
- ii) Can I sell it?
- iii) Can I earn out of it?

1. What is a Preliminary Project Report?

Preliminary Project Report, in short PPR, is a simple brief data-sheet that gives you an insight into the following:

- i) How much money, manpower and material would be required to set up the project?
- ii) What type of machines would be required?
- iii) What are the sources of technology that would be required? and
- iv) What would be the economic gains from the project?

In short, PPR is a brief outline of the project that tells you quickly about the viability of the project, so as to help you decide whether it is worth pursuing further or not.

2. Why Preliminary Project Report?

At the stage of preparing a PPR you may have in mind not just one venture/product, but 3 or 4 ideas to choose from. Since it calls for considerable time and resources to prepare a Detailed Project Report (DPR) it would not be advisable to prepare a DPR for every product idea that may be floating in your mind.

Even if you could prepare DPR for all the product idea that you have in mind, the time required to do so would be so much that it would make the first DPR obsolete or outdated by the time you complete all DPR.

Further, the money, time and information required to prepare DPRs for all the product ideas that you have in mind only to examine their viability may make the very exercise of DPR preparation unviable. This does not mean that PPR can substitute a DPR. It only means that it is desirable to prepare a PPR prior to spending resources on preparation of a DPR.

There are other advantages of preparing a PPR also:

- i) You get enough data quickly to fill up the form required for provisional registration of your unit with the state government. It is a must before

commencing various time consuming formalities connected with planning and setting up of a small - scale unit.

- ii) The data you get from PPR will help you in completing certain formalities in anticipation of setting up a project. For example, if you want to set up an electronic unit, you have to get your production programme approved from the concerned State/Central Government department. For this, you have to supply data about the projected production level and raw-material requirement, which you could get from PPR.
- iii) The data collected by preparing a PPR forms a good take-off point for preparing a DPR when you desire to do so.
- iv) It will help you identify in advance the infrastructural requirement for your project and sound the concerned government agencies accordingly so that you can get necessary facilities such as land/shed at the right time.
- v) Finally, the major contribution of a PPR at the nascent stage of your entrepreneurial career is that it instills confidence in you and motivates you to start the time-consuming process of data collection and preparation of a DPR.

3. How to Prepare a PPR?

To help you prepare a PPR systematically, a proforma is adjoined to this section at Annexure -1. A quick perusal of the proforma will indicate that the information called for could be collected and presented quickly as well as systematically.

Let us, now see how best one can prepare a PPR as per the enclosed proforma. Let us proceed point-to-point as it appears in the proforma.

- a) In this section titled, 'General', there is an item 'location'. You may not be in a position to pinpoint the exact location, but then, you should indicate the city/industrial estate where you want to set up the unit. What is important is that you should satisfy yourself whether the location, in terms of geographical area, is appropriate after taking into account the availability of raw material, labour, marketing etc., and the cost involved in transportation of raw-material/finished goods if they are freight-sensitive. Further, you will have to indicate whether you will be setting up the unit in rented premises or in the industrial area or in a place owned by you. This information will help your adviser/counselor in identifying your requirement of land/shed so as to make certain advance arrangement with concerned agency that provides land/shed.
- b) The information called for under this point pertains to your educational qualification, experience etc. These are readily available and therefore, can be presented easily. This information will help the adviser to understand whether the project proposition vis-à-vis the background is likely to be acceptable to the financial institutions.

- c) This point deals with various details of the proposed project in terms of raw-material requirement, production programme etc. Here, you may be required to move around and collect the information since you will not be having it readily. For example, more often than not, you may not know the specification or even the names of the machinery you need. In such a case, you must approach your adviser/other knowledgeable persons and ask them for their guidance on the sources for getting the necessary information.

You may refer to ready-made project profiles available with the trainer or District Industries Centre or any good library. You can even approach people trading in the product and get information from them. You may visit one or more existing units manufacturing the same product that you have in mind. Though difficult, it is the best source of collecting information that you need.

The manufacturers/suppliers of machinery can also give quite a good amount of information. A chat with the consultants of the State Technical Consultancy Organization (there are 17 such organisations in the country) could prove fruitful.

In short, what is important is that you should identify the sources of information and get into action at the first instance to collect necessary information. You can utilise the time devoted for market survey for collecting such information. You need to keep in mind certain points while collecting and presenting such information pertaining to point No.2 as noted below:

- d) While listing down the machinery, care has to be taken to indicate the power requirement. This could be useful for further calculations. While arriving at the total cost of machinery, you have to take into account the cost of transportation, sales tax, insurance, handling charges etc. In short, you have to consider the 'landed cost' i.e. cost of machinery plus all other expenses till they reach the factory site.

At this stage, it is not necessary to identify in detail each component of the landed cost of the machinery. What can be done is that depending on nature of the machinery and sources of supply, rough estimates in terms of 20% or so the quoted price of the machinery can be made and added to the total cost of the machinery. Any extra charges for installation/erection of the machinery must also form a part of the cost under this head.

- e) Here, the items that you propose to manufacture and the quantity to be produced in a year must be indicated. The moment you have a list of machinery, you can calculate the quantity of goods that can be produced in a year based on the capacity of machinery. Further, while indicating production for the year, it is not advisable to assume that you shall be able to produce 100% of what the machinery can produce at its maximum capacity in a year.

Suppose a machine can produce 100 kgs. of an item per day (8hrs.) , it would be wrong to assume that the annual production would be 30,000 kgs. (we normally calculate annual production on the basis of 300 working days in a year). It is so because that in a given year, the machine may break down calling for repairs and consequently, calling for a shut-down or there may be power-cuts or raw-material shortage. Thus, considering such eventualities the total quantity to be produced in a year may be calculated, as a thumb-rule at 70% or 80%, or so of the equipment capacity.

Col. No. 4 of item 2.2 in the proforma deals with the sales revenue which can be calculated by multiplying the annual production with the selling price per unit. While deciding the selling price, there is no need to go into the details of the product cost at this stage. What you have to do is to look at the market price of the product which you intend to manufacture and deduct any commission or discount at the retailer and wholesaler level so that you can get an idea of ex-factory price.

- f) This point deals with details on raw materials. You are required to indicate item-wise requirements of raw-materials in terms of quantity and value. Further, the sources of procurement of these raw-materials i.e. places from where you intend to buy these materials should be indicated. This exercise will help you in identifying where the raw materials would be easily available and whether it is necessary for you to procure raw-materials from far off places. While giving the list of raw materials required for production, raw-materials required for packing, materials/stores required for maintenance of machinery (for example , grease, cotton, waste etc.) and those materials required for testing (for example chemicals used for testing if your unit needs a testing laboratory).
- g) Under this head 'Utilities' those inputs that do not form a part of the end product but facilitate the production are included. Such items are electricity, coal, furnace oil, diesel/petrol, compressed air, water and the like. Though only three items are mentioned under this head in the proforma you should take care to identify all the utilities that your unit would need and account for the same.

As far as electricity is concerned, you should take into account the power required for lighting of factory premises and to run motors or generate heat.

- 1) The cost you have to incur on purchase and installation of machinery?
- 2) Cost of land/shed irrespective of whether they are already owned by you or whether you have to purchase them on ownership/lease basis.
- 3) Payment, if any, to be made for acquisition of technical know how.
- 4) All expenses other than those indicated above such as preparation of project report, market survey traveling expenses for data collection deposit to be given to electricity board/telephone department etc.

All these expenses can collectively be termed as preliminary and preoperative expenses.

- h) This point deals with manpower requirements. There are just 3 classifications based on skill-level under this head in the proforma. Your man power requirements will be for a) operating machinery, b) assembly of final product, packing and supervision, c) selling/marketing staff d) office work. While taking into account the wages/salaries, you must keep in mind the wages offered by other manufacturers in the field and the Minimum Wages Act. In case you decide to take help or employ your own family members, you must take into account their salaries also. You can safely add 20% or so over and above the wages to the account for additional benefits that you have to provide for your workers.
- i) This point deals with market study which forms the important part of the PPR. Market study/market survey has been dealt with separately elsewhere. The only thing that you have to keep in mind is that the PPR will be incomplete without a market survey report. Such a survey report would tell you where you would stand in the market when you start questions, i.e. "CAN I SELL IT?", while answering

this question the survey coupled with PPR would also answer the other question, i.e. “CAN YOU TAKEN OUT OF IT”.

- j) This point deals with the Cost of the Project and Profitability. By the time you start working on this point, the information that you would have collected so far would help you in making necessary calculations as explained below:
- 1) The cost you have to incur on purchase and installation of machinery;
 - 2) Cost of land/shed irrespective of whether they are already owned by you or whether you have to purchase them on ownership/lease basis.
 - 3) Payment, if any, to be made for acquisition of technical know-how.
 - 4) All expenses other than those indicated above such as, preparation of project report, market survey, traveling expenses for data collection, deposit to be given to electricity board/telephone department etc. All these expenses can collectively be termed as preliminary and pre-operative expenses.
- k) This deals with Working Capital which refers to the value of all other forms of assets such as:
- 1) Stock of raw Materials
 - 2) Stock of Finished Goods
 - 3) Value of goods that are under process i.e., semi-finished goods.
 - 4) Money you have to receive from your customers for the goods you have sold them on credit.
 - 5) The cash you have to maintain to meet day-to-day expenses.

As regards the stock of raw materials, you must find out how much time it takes to procure the raw-materials and accordingly decide how many days, requirements of raw-materials you need to stock. The same is to be shown under Col. No. 3 of Point No.4.2. With this information and the information that is already available under item No.2.3 which tells you the annual raw material requirement, you can easily decide the quantity and value of raw-material requirement, you need to stock.

You have to do the same exercise keeping in mind how many days of output i.e. requirements of buyers will enable cost savings/convenience in transportation of finished goods from your factory. While indicating the value of finished goods, you can take its ex-factory price into account at this stage without going into the intricacies calculating the ‘cost value’ of the finished goods. As far as semi- finished goods are concerned, you must find out how many days it takes to convert raw-materials into finished goods. While assessing the value of semi - finished goods, you can take the average of raw material cost and the ex- factory price of finished goods with out going into the details of calculations.

As regards debtors you must find out to what extent the existing manufacturers in the field offer credit to the buyers (normally such credit facilities range from 30 to 50 days). For example, if the existing manufacturers are offering 30 days credit facility, you can safely assume that your buyers will be expecting at least 30 days credit. In other words, you would get the payment for the goods that you sell today only after 30 days. Since you know the annual production from point No.2.1, you can calculate production in terms of quantity and value for 30days period which gives you the figure pertaining to the total ‘debtors’ for calculation of working capital. As regards cash on hand, you have to make a

rough estimate of how much cash you would require i.e., payment to workers, conveyance expenses etc. which forms a part of working capital.

- l) This point deals with the total cost of the project which is the summation of Fixed Capital and Working Capital. The total of Point 4.1 and 4.2 will give you the necessary figure.
- m) Having worked out the total cost of the project, you must identify the sources of financing the project. The fixed capital can be financed to the extent of say about 75% to 80% by way of 'long term loan' from State Finance Corporation of Commercial Banks. The funds for working capital to the extent of say about 60% to 75% of the requirements would come from commercial banks. The funds for working capital to the extent of say about 60% to 75% of the requirement would come from commercial banks as 'Working Capital Loan'. If your unit is coming up in a backward area, you will be eligible for capital subsidy to the extent of 10% to 25% of the Fixed Capital depending upon the location and the government policy for that location. Your own investment which should be around 10-20% of the projected cost will also from a source such as, deposits/loans from friends and relatives. You have to keep in mind that the loan component as far possible should not exceed 70-80% of the total 'Cost of the Project' as it appears in Point No.4.2.
- n) This point deals with the project profitability. There are 9 items under this need.
 - i) This deals with the manufacturing expenses. Here, you have to include commission payable to the salesmen in case you have to appoint sales staff under such persons. Further, you may have to add a lump sum amount towards advertisement and publicity expenses. In case you are supplying the goods at the door-steps of the buyers you have to take into account the transportation cost from the factory to the buyers' place. All these items of cost together constitute 'Sales and Distribution Expenses'.
 - iii) As regards, 'Administrative Expenses', the various expenses on postage, stationary, telephone and telegram charges etc. will have to be included.
 -) This deals with interest which is in two parts one is the interest on Term Loan and the other on Working Capital. From point No.4.4, you know the amount on Term Loan. You can calculate on the interest on that amount @ 12.5% to 14.5% depending upon the quantum of loan, the lending agency and scheme under which you avail the loan. Further, the interest on Working Capital can be calculated on the amount that appears in point No.4.4, @ 13.5% to 16.5% the interest being stipulated by the lending agency.
 - v) As regards, depreciation, a flat rate of 15% of the value of machinery and 5% of the value of buildings may be taken into account.
 - vi) Further you have to make a provision for certain expenses which cannot be put under the title Miscellaneous Expenses. For this purpose, you can make an estimate on lump sum basis.
 - vii) All the aforesaid items of cost put together will give you the total cost per year which is to be indicated in Point No.7 under item No.4.5

- viii) This deals with Sales Revenue which can be obtained from Point No.2.2
- ix) The gross profit can be calculated by deducting the Total Cost (vii) from the total Sales Revenue (viii)
- x) As regards Income, you should find out the appropriate rate of tax applicable to you from your tax adviser. Accordingly, the tax is to be calculated for which you may need trainer's help.
- xi) The Net Profit is arrived at after deducting the Tax from the Gross Profit.
- o) This point deals with certain details about the promoter of the project, relevant to the financing institution. These details will help the counselor as well as the representative from the financial institution to ascertain whether the project proposal vis-à-vis the promoter's background is acceptable for funding.

Having prepared PPR based on the methodology so far discussed, you must not forget to append the market survey report so that the PPR becomes a complete document for further action towards realizing your dreams of becoming an entrepreneur.

ANNEXURE – 1
PRELIMINARY PROJECT REPORT PROFORMA

1.0 GENERAL

Name of the Entrepreneur -----

Birth date----- Age -----

Project -----

Location ----- Rented/Shed

Type of the organisation: Proprietary/Partnership/-----

Name of the Firm -----

Address -----

1.1 Educational Qualification:

S.S.C. or Below	Degree/Diploma	Institute	Major Subject	Year of Passing

1.2 Special Training

Training in	Institution	Duration	Achievement

1.3 Work Experience (Past and Present)

Organization	Position	Nature of Work	Duration

2.0 DETAILS OF PROPOSED PROJECT: MANUFACTURING/SERVICING

2.1 Production Programme:

Sr. No.	Item	Total Quantity	Sales Year Revenue/Year	Capacity Utilization

2.2 Machineries/Equipments

Sr. No.	Description	Nos. required	Price	Total value	Names and Addresses of the suppliers
	Total :				

2.3 Raw Materials

Sr. No.	Item	Total Annual Requirements		Source
		Quantity	Value Rs.	
	Total :			

2.4 Utilities

Sr. No.	Particulars	Annual increments	Total Annual Expenses Rs.	Remarks
1.	Electricity			
2.	Water			
3.	Coal/Oil			
4.	Any Other			
	Total:			

2.5 Man Power

Sr. No.	Particulars	No.	Total wages & salaries Rs. (per year)	Remarks
1.	Skilled			
2.	Semi-skilled			
3.	Unskilled			
4.	Office staff			
	Total:			

3.0 MARKET STUDY: INCLUDE DETAILS IN APPENDIX

4.0 COST OF THE PROJECT

4.1 Fixed Capital

Sr. No.	Item	Valuable Rs.
1.	Land/Building	
2.	Machinery/Equipment	
3.	Furniture & Fixtures	
	Total:	

4.2 Working Capital

Sr. No.	Item	Duration	Quantity	Value (Rs.)
1.	Raw Materials Stock			
2.	Semi-finished Goods Stock			
3.	Finished Goods Stock			
4.	One month production expenses (Utilities+Wages+Salaries)			
	Total:			

4.3 Total Cost of Project

Sr. No.	Particulars	Valuable Rs.
1.	Fixed Capital	
2.	Working Capital (Total of item No.4,2)	
3.	Preliminary and Pre-operative Expenses	
	Total:	

4.3 Means of Finance

Sr. No.	Particulars	Value (Rs.)	Remarks
1.	Term Loan		
2.	Working Capital Loan		
3.	Own Investment		
4.	Subsidy		
5.	Any other		

4.4 Project Profitability Analysis

Sr. No.	Description	Valuable Rs.
1.	Sales Revenue	
2.	Manufacturing Expenses (2.3x2.4x2.5)	
3.	Selling & Distribution Expenses	
4.	Administration Expenses	
5.	Interest	
6.	Depreciation	
7.	Gross Profit (1-(2x3x4x5x6))	
8.	Income Tax	
9.	Net Profit (7-8)	

5.0 SUPPLEMENTARY DETAILS:

5.1 Do you own House/Property etc?

5.2 Own Insurance Policy

5.3 Any Interest in other firms:

5.4 Do you belong to S.C./S.T./O.B.C/General (Please Tick which ever is applicable)

5.5 Present monthly income Rs.

6.0 References: -

Sr. No.	Name	Address	Occupation

Date:

Place:

Signature

CHAPTER 8

SOURCES OF FINANCE

When seeking money for business, one need not only look at the easily available sources, but must explore possible sources and then decide about the most suitable and proper mix of getting finance. A major problem that entrepreneurs face is either lack of knowledge about sources of funds or inability to decide from where to get funds

Though availability of funds will be the main attraction for an entrepreneur, the terms and procedures involved in procuring these funds should be carefully examined in deciding the effectiveness and usefulness of getting this loan. In deciding about availing financial assistance one must consider:

- a) Cost of borrowings
- b) Time factors
 - i) Period for which funds are needed
 - ii) Time taken to obtain money
- c) Purpose for which funds are needed
- d) Norms of financial institutions or govt. regulations
- e) Repayment capacity and pattern

The sources of finance can be divided into two major heads

- 1) Internal Sources.
- 2) External Sources

1. Internal Sources

Internal Sources of Funds include the following:

- a) Own savings and investments
- b) Personal loans from PF/LIC/Cooperative Bank etc
- c) Personal borrowings from relatives and friends
- d) Money raised through mortgage of personal assets like shares, land, building etc
- e) Profit earned on transferred from existing business/investment or trade

Though it is necessary to explore all resources, it is not advisable to use up all these sources in the initial stage of setting up an enterprise, so as to exhaust them all. Also stretching and unnecessarily exploring all sources will overburden the entrepreneur.

The tapping of resources and raising finance through these sources is one's own decision and it depends upon availability from and willingness of the source.

2) External Sources

Any external source of finance should be welcome. And in fact, many such sources do exist. It is not the source alone, but the need of the entrepreneur is also important. A needy person has no choice except to avail whatever is offered. The Entrepreneur makes his decision considering all the pros and cons of available sources. Information on some of the external available sources given below will help the entrepreneur in deciding and exploring:

a) Term-loan –Long Term Loan

In order to acquire fixed assets for setting up an enterprise, finance requirements will be for long time. Financial institutions and Banks give loans for such purposes depending upon the type of assets and amount desired. The duration varies from three years to eleven years.

b) Short Term Loan

When finance requirement is temporary, Banks or other private financial companies give finance for temporary (short) period varying from 2 days to one year.

c) Plant Leasing

Leasing of plant and equipments is the most recent and popular sources of external finance. The finance companies or leasing companies provide the needed equipments or plants on lease basis i.e. they purchase on behalf of the client and give them on lease. Clients pay some nominal deposit and monthly rent for the equipments taken on lease. Its real advantage lies in the conversation of capital and for this reason it is invaluable. Leasing should never be undertaken where there is any doubt as to the company's abilities to meet lease payments regularly. Lease rents are fully tax deductible. "Pay as you go" is a convenient scheme for acquiring the use of all kinds of capital equipments.

d) Hire-Purchase

The fixed assets are given on Hire Purchase basis to clients, where some initial (down) payment/deposit is required to be made and rest of the amount is payable to installments. However, the ownership is not transferred to the client till all amount is repaid. The agreement has the necessary provisions for repayment and at the end of the agreement validity of the title passes to the client. Although the financier is the legal owner, the hirer is permitted to depreciate the goods in his own book of accounts and get tax advantages. Many types of equipment, machinery and buildings/ sheds are provided on the hire purchases basis.

e) Working capital Loan:

For the day –to day working of the unit, Banks give finance for working capital needs of the unit. The amount and time vary with the finance needs and types of assets. This facility is normally available for a period of one year; renewable every year and is given against hypothecation or mortgage of assets. The various facilities and types of external sources are described in the following Table3.

You need a long-term loan of 5-10 years to purchase land, building and machinery or equipment for your project. If someone asked you a simple question: "Would you lend me Rs.5, 000?" First thoughts that would occur in your mind might be: - Do I know him? - Do I trust him? - Why does he need it? Is his demand genuine? - Will he return my money? Certain questions and doubts are bound to arise whenever financial matters are involved even in our everyday lives. Therefore, it is only natural that when you approach your bank or a financial institution for a loan there would definitely be more questions to

be answered and doubts to be clarified. It only means that they would like to assess your capabilities and genuineness before they take the risk of loaning finance to you.

SUMMARY OF FINANCE SOURCES

TYPE	DESCRIPTION	SOURCE	COMMENTS
Over drafts	Provides essentially short-term finance for such requirements as working capital, especially where Seasonal fluctuations occur.	Banks	Should not be used for long-term purposes.
Mortgage loans equipment	For purchase of land, buildings, plant and equipment	Finance Companies, Insurance Companies	Usually secured on a first charge on land and buildings
Leasing Finance	Available for lease of plant & equipment. Generally for the 'economic' life of the leased goods	Banks leasing companies	Allows lease use of Productive equipment without capital outlay. Interest tends to be above medium and short term loans but payment may be fully deductible from pre-tax income
Hire purchase	Used for financing the purchase of plant and equipment	Finance companies, National small Industries corporation (NSIC) and State Small Industries Corporations	Ownership is vested with the lender until final payments are made. Interest usually charged at a flat rate over the life of the loans, borrower required to place a deposit on purchased goods.
Bridging Finance	Provided as an interim form of finance secured to land or buildings or against sanctioned loans	Bank, finance companies, state finance corpn.	Useful only for short-term periods. Interest rates tend to be above other medium to short-term loans.
Commercial Bills	Short-term finance generally used for bridging finance and seasonal fluctuations.	Banks, private discounting agencies	Generally available only to Companies with solid credit rating.

Loans	Secured by the borrower's assets or by income stream, these loans have a wide variety of applications.	Banks, Finance companies, shrofs (private money lenders)	Interest usually charged at a flat rater over the medium term length of the loan.
Equity & Venture Capital	Source of equity funds of medium 'to long terms debt capital usually with provision for conversion into equity	Banks, State level financial institutions	Low interest rate. Eligibility criterion of product or experience.
Working Capital	Various facilities of financial assistance to fund working capital usually with provision for conversion into equity	Banks	Financial limits sanctioned, renewable annually.

PRESENTING YOUR CASE FOR A TERM LOAN

1. A Business Proposition on Either Side

Regardless of the amount of finance involved, the information required by each lender will be basically the same. Please remember that you are not looking for a favour, this is a business deal from which you expect to make money. The financial institution will have to make sure about your intentions and capacity to pay back the loan; they would like to know your commitment and involvement in the project; since you and the financial institutions will have long-term relations they would also want to see how you will fit into their plans.

Details of the project and the documents required to satisfy the financial institutions will be different for different enterprises. However; it is important to know that it is not the volume and content of the report alone that can satisfy a financial institution but they will also like to assess as you as an 'entrepreneur'

2. Expectation of a Financier:

Let us anticipate and understand the kind of questions you will have to answer and expectations a financial institutions will have of you when you are taking a loan.

(1) Who are you?

Who you are, gives the term lender an idea of what kind of management you are capable of giving to your business. Your education your experience or lack of it' your accomplishments, your short-comings and your managements skill, all of these are interest to him. He can also compare on the basis of his experience the relative strength of your management with other business of your kind. Obviously your diligence and determination to make your venture a success will be a major factor to be taken into account. What as an entrepreneur; therefore; you should try to establish is why you have taken up this specific project. At this stage it will be in your interest and to your advantage; if you can justify your business for taking up this project and present your own strengths to handle the same.

(2) How will your business perform?

One thing of great concern to financial institutions will be the chances of the success of your new project. They would definitely like to analyze the possibility of its failure to generate profit and in that event; to judge your capability to manage the project. You can satisfy the financial institutions on the basis of the following details:

- (a) Products or services proposed Justification for selecting the product'. Special features of the product.
- (b) How you have made your estimates and which are the assumptions you have made for the same. You will have to convince financial institutions about the kind of estimates you have made. As for example, sales estimates and cost estimates can be supported by quotations or letters indicating intentions of potential clients to purchase.
- (c) An understanding of competition from home or from outside your region. The possibility of sales will depend on the kind of competition you are going to face. You can help the financial institutions in taking a decision in your favour, if you can convince them that you have understood the competition and that you know how to cope with it.
- (d) Complete/realistic calculations of financial liability. These calculations alone can give real picture of your financial position. Formulation of the project will also play a very important role in convincing the financial institutions of the care that you have taken to make your project successful. Your case will be stronger if you provide evidence that you have already considered alternatives and counter measures to cope with an adverse situation.

(3) What will your plan do for your Business?

How you have planned to manage your business is the most important part of the project. It is not only the project but it is 'YOU' who is going to manage the show and therefore, it will be very essential for you to prove that you are taking adequate actions to make the project a success. Your actions and sincere efforts to implement the plan can satisfy the financial institutions. Your plan to steadily implement the project and the actions already taken in that direction are two areas, which can really convince really financial institutions. Therefore, visualize what your plan will do to each item on your income statement and also the various possibilities of actions that might affect the chance of success.

(4) What is your financial strength?

Your financial strength will be assessed on the basis of:

- (a) Your own financial strength:
- (b) Financial strength of the project.

(a) Your own financial strength:

A financial institution would definitely like to make sure that you are capable of raising necessary funds required for the margin money (your contribution) that you will have to invest. It is not only the quantum of money which they would like to ensure but they would also like to know the sources through which you are raising the finance and what probability there is of getting this finance as and when required. At this stage they might ask for supporting documents to prove your own financial strength (since oral commitment of funds is not always reliable). They would also like to assess your capacity to procure additional funds whenever needed in case of emergency or in case of over-run of projects.

(b) Financial Strength of the Project:

The vulnerability of the project will depend on the ratio of the investment that you are making and the amount that you are going to borrow, because the borrowing is also at a cost. If a financial institution feels that your borrowings are much higher than your own funds (i.e. equity) can stand; your project becomes very vulnerable. The financial strength of the project will also reflect the profit and the cash generated in each year. The profit will enable the financial institution to assess your repayment capacity and the cash generated will ensure the liquidity of the funds for continuous running of your business. So you will need to establish that your project can generate sufficient funds and will not have liquidity problems, so as to take care of repayments after your personal needs.

(5) Your own strength as an entrepreneur:

The greatest strength of the project is you, the “Entrepreneur”. You must try to convince your financial institutions that you are the person who is going to manage the show and well. Your own strengths in handling the project should be stressed very clearly. The strength may be in the area of technical competence or in making, managerial or entrepreneurial capability. You should state this effectively in your report and stress upon it during your personal interview.

3 Some Useful Tips:

After having understood what a financial institution normally expects, you will find the following tips useful to present your case convincingly to your financial institution:

- (a) Present your case or report in a good written or typed form and it should be readily available to both you and the officer making the appraisal of your cases.
- (b) Know your report thoroughly so that you can explain all its content without fumbling with papers or figures.
- (c) Keep your presentation business-like because you are not asking for a favour. Do not compromise on any of your demands but be confident to defend your case.
- (d) Be honest to the lender; he will have his own ways to counter-check the information you give him. The slightest doubt about your honesty can close all doors for financial assistance.
- (e) Do not doubt the capacity or skill of the interviewer but try to understand his needs and help him to assess your case
- (f) Do not try to hide information. Be frank. If your proposal is good then he may even choose to help you out when in difficulty.
- (g) Remember that will all finance are looking for good entrepreneurs with good projects. So just prove that you are the one and you will get your share of their finance.

REVISED GUIDELINES - 2007
PRADHAN MANTRI ROZGAR YOJANA (PMRY)

SALIENT FEATURES

Prime Minister's Rozgar Yojana (PMRY) for providing self-employment to educated unemployed youth of economically weaker sections has been in operation since October 2, 1993. The scheme aims at assisting the eligible youth in setting up self-employment ventures in industry, service & business sectors. The scheme intends to cover urban and rural areas.

PARAMETERS FOR ELIGIBILITY

1. Age –

- (i) 18 to 35 years for all educated unemployed. (ii) 18 to 40 for all educated unemployed in North-East States, Himachal Pradesh, Uttarakhand and J&K. (iii) 18 to 45 years for Scheduled Castes /Scheduled Tribes, Ex-servicemen, Physically Disabled and Women.

2. Educational Qualification –

8th pass. Preference will be given to those who have been trained for any trade in Government recognized/ approved institutions for duration of at least six months.

3. Family income –

Neither the income of the beneficiary along with the spouse nor the income of parents of the beneficiaries shall exceed Rs.1, 00, 000/- p.a.

4. Residence -

Permanent resident of the area for at least 3 years. (Relaxed for married men in Meghalaya and for married women in rest of the country. For married men in Meghalaya and for married women in rest of the country, the residency criteria apply to the spouse or in-laws.

5. Defaulter -

Should not be a defaulter to any nationalized bank/ financial institution/cooperative bank. Further, a person already assisted under other subsidy linked Government schemes would not be eligible under this scheme.

6. Activities covered -

All economically viable activities including agriculture and allied activities but excluding direct agricultural operations like raising Crop purchase of manure etc.

7. Project Cost -

Rs.2.00 Lakh for business/ service sector and Rs.5.00 Lakh for industry sector, loan to be of composite nature. If two or more eligible persons join together in a partnership, project up to Rs.10.00 Lakh are covered. Assistance shall be limited to individual admissibility.

Self Help Groups can be considered for assistance under the Scheme provided:

- Educated Unemployed Youth satisfy the eligibility criteria laid down under the Scheme volunteer to form SHG to set up self-employed ventures (Common Economic Activity).
- A Self Help Group may consist of 5-20 educated unemployed youth.
- No upper ceiling on project cost.
- Loan may be provided as per individual eligibility taking into account requirement of the project.
- SHG may undertake common economic activity for which loan is sanctioned without resorting to onward lending to its members.
- The subsidy ceiling for Self Help Group is Rs. 15,000/- per beneficiary subject to a maximum of Rs. 1.25 Lakh per Self Help Group.
- Subsidy may be provided to the SHG as per the eligibility of individual members taking into account relaxation provided in North Eastern States, Uttarakhand, Himachal Pradesh and Jammu & Kashmir.
- Required margin money contribution (i.e. subsidy and margin to be equal to 20 per cent of the project cost) should be brought in by the SHG collectively.
- The exemption limit for obtaining of collateral security will be Rs.5.00 Lakh per borrowal account for projects under Industry Sector. Exemption from collateral will be limited to an amount of Rs.2.00 Lakh per member of SHG for projects under Service & Business Sectors. Banks may

consider enhancement in limit of exemption of collateral in deserving cases.

- Implementing agencies may decide necessity of pre-disbursal training for all the members/majority of the members of the group.

8. Subsidy & Margin money –

Subsidy will be limited to 15% of the project cost subject to ceiling of Rs.12,500/- per entrepreneur. Banks will be allowed to take margin money from the entrepreneur varying from 5% to 16.25% of the project cost so as to make the total of the subsidy and the margin money equal to 20% of the project cost.

For North Eastern States, Himachal Pradesh, Uttarakhand and J&K. Subsidy @ of 15% of the project cost subject to a ceiling of Rs.15, 000/- per entrepreneur for north- eastern States, Himachal Pradesh, Uttaranchal and Jammu & Kashmir. Margin money contribution from the entrepreneur may vary from 5% to 12.5% of the project cost so as to make the total of the subsidy and the margin money equal to 20% of the project cost.

9. Collateral -

No collateral for units in industry sector with project cost up to Rs.5.00 Lakh (the loan ceiling under the PMRY). For partnership projects under Industry Sector, the exemption limit for obtaining of collateral security will be Rs.5.00 Lakh per borrower account. For units in service and business sector no collateral for project up to Rs.2.00 Lakh. Exemption from collateral in case of partnership project will also be limited to an amount of Rs.2.00 Lakh per person participating in the project cost.

10. Rate of interest & Repayment Schedule -

Normal rate of interest shall be charged. Repayment schedule may range from 3 to 7 years after an initial moratorium as may be prescribed.

11. Reservation -

Preference should be given to weaker sections including women. Assistance to SC/ST beneficiaries should be targeted in such a manner that they are benefited in proportion to their population in the respective district/State. However, the number of SC/ST beneficiaries should not be less than 22.5% and 27% for Other Backward Class (OBCs) as is currently envisaged in the PMRY. In case SC/ST/OBC candidates are not available, States/UTs Govt. will be competent to consider other categories of candidates under PMRY.

12. Training -

Each entrepreneur whose loan is sanctioned is provided training as per details given below:

- i) For industry sector: Duration: 15-20 working days. Stipend: Rs.750/- Training expenditure: Rs.1750/-
- ii) For service and business sector: Duration: 7-10 working days. Stipend: Rs.375/- .Training expenditure: Rs.875/-

13. Motivational Campaigns -

To improve the success rate of eligible applicants, States/UTs will be allowed reimbursement of cost of counseling and guiding the applicants @ Rs.200/- per applicant, for 125 per cent of the allocated target of cases.

14. Recovery of loans -

- (i) Panchayati Raj Institutions like Gram Panchayats be empowered to identify and sponsor candidates located in the same area to the District Task Force Committee so as to ensure disbursement of loan to genuine persons and better recovery of loan.
- (ii) To reduce the level of sickness/closure of PMRY units, the District Level Selection Committee/Task Force Committee be made accountable for the proper scrutiny of applications and selection of viable projects.

15. Implementing Agency -

The District Industry Centre's and Directorate of Industries are mainly responsible for implementation of the Scheme along with the banks.
Check List of documents required while applying for loan under PMRY

1. Application form in prescribed format along with passport size photograph in duplicate.
2. Enclose Affidavit in prescribed format duly counter signed by Executive Magistrate (Tashildar) in duplicate.
3. Enclose two attested copies of Local Certificate
4. Enclose two attested copies of Employment Exchange Card
5. Enclose two attested copies of Islander Identity Card
6. Enclose two attested copies of Election Identity Card.
7. Enclose two attested copies of Family Identity Card (Ration Card).
8. Enclose two attested copies of Certificate of Academic.
9. Enclose two attested copies of Technical Qualification (if any).
10. Enclose two attested copies of any Trade Training Certificate.(if any)
11. Project Profile of the proposed activity.
12. No Objection of Issuance of Route Permit from the Office of the Deputy Commissioner (South Andaman) and valid driving license, in case the applicant is applying for loan for plying of Auto rickshaw/commercial vehicle.
13. Copy of rent / lease agreement (or) Consent letter from the owner of the premises where the proposed project is to be setup.

SWAROJGAR CREDIT CARD

The Scheme is called Swarojgar Credit Card Scheme (SCC Scheme)

Objectives

SCC Scheme aims at providing adequate and timely credit i.e. working capital of block capital or both to small artisans, handloom weavers, service sector, fishermen, self employed persons, rickshaw owners, other micro-entrepreneurs, etc from the banking system in a flexible, hassle free and cost effective manner. The facility may also include a reasonable component for consumption needs.

Participating banks

The Scheme is to be implemented by all Commercial Banks, RRBs State Cooperative Banks DCCBs / PACS, SCARDBs/ PCARDBs and Scheduled Primary Cooperative banks. The banks will have to actively market the scheme to the eligible clientele.

Nature of financial accommodation

The credit facility extended under the Scheme is in the nature of a composite loan including term loan/ revolving cash credit.

Sanction of term loan / Fixation of working capital limit

- The term loan will be provided for meeting the investment requirements and it will be repaid within five years in suitable installments.
- The Revolving cash credit will be fixed taking into account the operating cycle/nature of the investment and shall be fixed based on available balance after sanction of term loan.

Quantum of limit

Rs. 25,000/- per borrower as composite loan. The initial investment in fixed assets and /or working capital requirement/recurring expenditure of the borrower is to be taken as the base for fixing the limit. The working capital/ recurring expenditure limit may be in the form of a revolving cash credit and fixed as percentage of the turnover divided by the turnover of operating cycles per annum. A component for consumption credit could be built in keeping in view the value of the family labour in the productive activity. The total limit would have a relationship with the projected net earning and the repayment capacity of the borrower.

Validity

SCC is normally valid for 5 years subject to satisfactory operation of the account and turnover on a yearly basis through simple review process. The operation in the account should be regular.

Issue of cards

- The beneficiaries under the scheme will be issued with a laminated credit card and a pass book as per specimen enclosed (Appendix). This will serve as an

identity card as well as facilitate recording of the transactions on an ongoing basis. The pass book would contain the repayment schedule of the term loan also. A passport size photograph of the holder will be affixed on the card at the space provided for. The card holder would be required to produce the card and pass book whenever he/she withdraws cash from the account.

- Self Help Groups (SHGs) can also be issued cards in their name and they will be liable jointly and severally for repayment.
- As far as possible cluster approach will be followed in implementing the scheme.
- Fees towards issue of card/processing may not exceed Rs. 50/-

Renewal of Working Capital Limits

- Limits will be renewed annually based on the amount credited to the cash credit Account and the repayment performance in the term loan account.
- Under the Scheme, term loan component could be enhanced within the over all limit in case of need subject to satisfactory repayment performance of the borrower.
- The Revolving cash credit to the extent of working capital repaid may be renewed within the overall ceiling of Rs. 25,000/- and it should be normally repaid within 12 months from the date of drawl, however, the minimum discipline expected is that applicable to cash credit accounts. Where necessary, the working capital component could be enhanced within the overall ceiling to provide for escalation in the cost of inputs, etc subject to satisfactory repayment performance.
- Withdrawal will be permitted if revolving cash credit remains outstanding for more than 12 months.
- The aggregate credits in the account during the 12 months period should normally be equal to the maximum outstanding in the working capital component plus the installment of the term loan availed of, if any.

Insurance

Beneficiaries under the scheme would automatically be covered under the group insurance scheme and the premium would be shared by the bank and the borrower equally. Each bank may negotiate the terms of insurance with a company of its choice on a national or regional basis.

Security / Margin / Rate of interest / Prudential norms

Security, Margin /Rate of interest and Prudential norms are applicable as per RBI / NABARD norms. The interest rate would not exceed that for comparable farm loans. At present the rate is 9 % per annum. The rate of interest may be linked to BPLR as per RBI directives. Interest linked incentives may be given for timely repayment. Women borrowers may be given preference and some concession in the rate of interest. Joint liability groups could be encouraged as a collateral substitute.

**2. KHADI AND VILLAGE INDUSTRIES RURAL EMPLOYMENT
GENERATION PROGRAMME (GRAMODYOG ROJGAR YOJANA)
THROUGH PUBLIC SECTOR BANKS AND REGIONAL RURAL BANKS**

THE SCHEME:-

The scheme envisages that:-

25 % of the project cost for the project up to Rs. 10.00 lakhs will be provided as “Margin Money”

For project above Rs. 10.00 lakhs and up to Rs.25.00 lakhs, rate of Margin Money will be 25% of Rs.10.00 lakhs plus 10% of the remaining cost of the project .(Project cost beyond Rs.25.00 lakhs not eligible for financing under the Scheme)

In the case of weaker section beneficiary, viz. SC/ST/OBC/Women/Physically Handicapped/Ex-servicemen and Minority Community beneficiary and for Hill, Border and Tribal Areas, North Eastern Region, Sikkim, Andaman & Nicobar Islands, Lakshadweep, Margin Money grant will be at the rate of 30% of the project cost up to

Rs.10.00 lakhs and above this amount up to 25 lakhs it will be 10% of the remaining cost of the project. A certified copy issued by the Competent Authority is required is required to be produced with the Margin Money Claim,

The Institutions/Co-operative Societies/Trusts specifically registered as all SC/ST/OBC/Women/PH/Ex-Servicemen and Minority Institutions with necessary provision in the bye-law to that effect alone are eligible for Margin Money @ 30% of the project cost up to Rs.10.00 lakhs. Certified copies of by-laws are to be appended to Margin Money Claim,

Project cost will include Capital Expenditure and one cycle of Working Capital. Projects without Capital Expenditure are not eligible for financing under the Scheme. Projects of more than Rs.5.00 lakhs, which do not require working capital, need clearance from the Reg. Office or Controller of the Bank’s Branch and claims are required to be submitted with such certified copy of approval from Regional Office or Controller as the case may be

Cost of the land should not be included in the Project. Cost of the ready built as well as long lease or rental Work shed/Workshop/Building/Shop can be included in the project.

Gramodyog Rojgar Yojana is applicable for all viable Village Industries projects except village industries as given in the negative list of Village Industries (**Annexure-A**).

Only one person from one family is eligible for obtaining finance under the Gramodyog Rojgar Yojana.

THE BENEFICIARIES

1. Individual Entrepreneurs;
2. Self Help Groups;
3. Institutions;

4. Co-op. Societies;
5. Trusts and
6. Public Limited Companies owned by State/Central Government.

(Partnership firms/Private Limited Companies/Joint Borrowers/Co-Borrowers/Co-obligators/Joint Ventures/HUF do not come under the ambit of Gramodyog Rojgar Yojana)

OWN CONTRIBUTION :-

10% of the Project cost in respect of beneficiary of General Category. 5% of the project cost in respect of beneficiaries belonging to C/ST/OBC/Women/PH/Ex-Servicemen/Minority/HBT Area/N.E. Region/Sikkim/A.& N. /Lakshadweep.

FINANCIAL INSTITUTIONS :-

- 1) 27 Public Sector Banks and their sponsored Regional Rural Banks
- 2) Private Sector Banks approved by the State/UT KVI Boards and
- 3) Co-op. Banks approved by the State/UT KVI Boards.

BANK FINANCE:-

The Bank will sanction 90% of the project cost in case of General Category of beneficiary/Institution and 95% of the project cost in case of Weaker Section beneficiary/Institution and disburse full amount suitably for setting up of the project.

Bank will finance Capital Expenditure in the form of Term Loan and Working Capital in the form of Cash Credit. Project can also be financed by the Bank in the form of Composite Loan consisting of C.E. & W.C.

For further details and downloading different forms to be filled in for availing loan under the scheme you can visit following sites.

www.kvic.org.in

http://update.kvic.org.in/regp/REGP_for_CKVI_Web1.doc

3. Credit Guarantee Fund Trust for Small Industries

SSI units particularly the first generation of entrepreneurs face difficulties in accessing bank credit because of their inability to provide adequate collateral security for loans. Considering this, the Government hence launched the Credit Guarantee Fund Scheme for Small Industries on 30th August, 2000 with a view to alleviating the problem of collateral security and impediment to flow of credit to Small Scale Industries (SSI) sector

Background:

The Government approved Credit Guarantee Fund Scheme for Small Industries on 19th May, 2000 with the objective of making available credit to SSI units. The Scheme is being operated by the Credit Guarantee Trust Fund for Small Industries

(CGTSI) set-up by Government of India and SIDBI. The Trust was incorporated on 27.7.2000. The Scheme has been operationalised with effect from 1st January, 2001. The eligibility limit of loans to be guaranteed is up to Rs. 25 lakhs.

Salient Features of the Scheme:

A. Eligibility and Coverage

Any collateral free credit facility (both in terms of loan as well as working capital) extended by lending institutions on or after 1st June, 2000 to new as well as existing manufacturing SSI units, including Information Technology and Software Industry, particularly in the tiny sector, with a credit cap of Rs. 25 lakhs per operating unit, can be extended guarantee cover. With effect from September 1, 2003, the credit facilities up to Rs. 25 lakhs sanctioned without collateral security and/or third party guarantee by the lending institutions to the new and existing Small Scale Service and Business (Industry Related) Enterprises (SSSBEs) have also been made eligible for coverage under the scheme. Any credit facility which has been sanctioned by the lending institution against collateral security and/ or third party guarantee, however, is not eligible for guarantee cover under the scheme. The guarantee cover available is up to 75% of the loans extended by the lending institutions. The Guarantee cap per borrower is Rs. 18.75 lakh. The rate of interest that can be charged to the borrower by the lending institution shall not be more than 3% over the prime lending rate of the lending institution Complete details of the scheme could be obtained from the website address given below :

www.cgtsi.org.in

4. Direct Credit scheme of SIDBI

SIDBI is the apex development financial institution of country for the development of SSI sector. The bank also extends direct credit to SME entrepreneurs. The details are as under:

	<ul style="list-style-type: none"> • SSIs • Service sector units with Project cost up to Rs. 2.5 Crore 	<ul style="list-style-type: none"> • Medium Sector • Enterprises (MSE) and Service sector units with project cost above Rs. 25 crore and up to Rs. 250 crore.
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Eligible Borrowers	<ul style="list-style-type: none"> i) New or existing SSI units ii) SSI unit graduating to medium scale, and iii) Service sector units with an overall project cost not exceeding Rs. 25 crore. 	<ul style="list-style-type: none"> i) New or existing medium sector enterprises, and ii) Service sector units with an overall project cost above Rs. 25 crore and up to Rs. 250 crore with Bank's assistance not exceeding Rs. 50 crore
Constitution	The unit should generally be a private limited/public limited company. However, partnership firms, sole proprietorship concerns and Societies and Trusts would also be considered on a case to case basis	The unit should generally be a private limited/public limited company.
Nature of assistance	Term loan and other forms of assistance such as Working Capital Term Loan and bills discounting (on selective basis).	Term loan and other forms assistance such as Working Capital Term Loan; suppliers' & purchasers' bills discounting. Investment products such as debentures, optionally convertible cumulative preference shares, zero coupon bonds, etc.

The complete details of the available schemes and forms could be downloaded from the website

<http://www.sidbi.in>

5. Credit schemes of NSIC Ltd.

National small Industries Corporation Ltd (NSIC), an ISO 9001:2000 certified company, since its establishment in 1955, has been working to fulfill its mission of promoting, aiding and fostering the growth of small scale industries and industry-related small scale services/business enterprises in the country.

NSIC facilitates credit facilities to small-scale industries for their technology modernization programmes and marketing activities through Equipment Financing and Marketing Financing Schemes.

Under the Equipment Financing the Corporation is offering Term loan scheme and Hire purchase Scheme.

For financing the Marketing Activities (short term) NSIC facilitates financing for marketing activities such as Raw Material Assistance, Internet Marketing, Exports and Bill Discounting.

The main features of the financial services offered are:

- Financial assistance for the equipment and marketing activities under one roof with speed and efficiency.
- Prompt clearance of the proposals with minimum processing time and without cumbersome paper work.
- Assistance in preparing the proposals and completion of document formalities.
- Market oriented interest rates and service charges with liberal terms of margin, level of assistance and repayment schedules.
- Arrangement with commercial banks for sanction of loan proposals received by NSIC from small enterprises

For further details about facilities extended by NSIC Ltd. you can visit the following link

<http://www.nsicindia.com/working/homelinks/FINANCE.asp>

6. Credit extended by scheduled commercial banks

All the scheduled commercial banks specially the public sector banks have specialized credit schemes for the SSI sector

The list of public sector commercial banks, private sector banks and financial institutions in India along with their hyper links can be obtained from the link specified below

<http://www.banknetindia.com/banklinks.htm>

The largest bank of India SBI has got a whole gamut of schemes for SSI the salient features of the schemes are as under:

- Acknowledgements for receipt of loan application by branch by affixing date stamp.
- Time Norms for disposal of loan applications:
 - a. Up to Rs. 25,000 2 weeks
 - b. Over Rs. 25000 & up to Rs. 5 lacs 4 weeks
 - c. Over Rs. 5 lacs 8-9 weeks
- No collateral security for advances up to Rs. 5 lacs.
- No collateral for advances over Rs. 5 lac and up to Rs. 15 lakh based on good track record and financial position.
- For loans sanctioned without collateral security /third party guarantee for advances between Rs. 5 lakh and Rs. 25 lacs guarantee is available under

Credit Guarantee Scheme floated by CGTSI for SSI. For obtaining of guarantee, a guarantee fee of 2.5 % of credit facility sanctioned for a period of 5 years (borne by bank) and Annual service fee @ 1% of outstanding amount as on 31st March every year is payable.

- Composite loan up to Rs. 25 lakh is sanctioned to SSI units.
- Loan quantum: Minimum 20% of projected annual sales turnover (Nayak committee norms)
- Margin (Stake of borrowers)
Up to Rs. 25,000: Nil
Between Rs. 25,000 and Rs. 5 Crore: 20%
Over Rs. 5 crore: 25%
- Under Stree Shakti Package (Scheme for women) margins are reduced by 5% and interest reduced by 0.5 % in respect of loans above Rs. 2 lacs.
- Small Business Credit Card: Hassle free credit up to Rs. 5 lacs based on scoring model and simplified application form.
- Simple loan application form as per Kapoor committee recommendations introduced.
- SME CREDIT PLUS' Additional limit @ 20 % of original limit, to meet the unforeseen requirements of SSIs is sanctioned which can be availed 12 times in a year.

Further details may be obtained from the link

http://www.statebankofindia.com/view_section.jsp?lang=O&id=0,203

7. Facilities extended by state level institutions

7.1 UP State Industrial Development Corporation Ltd.

The role of UPSIDC is to provide industry related infrastructure. The corporation's mission is to attract substantial investment in infrastructure and manufacturing sectors in U.P. Its major promotional and developmental activities are:

- Development of Industrial Areas equipped with all the necessary industrial environs.
- Identification and promotion of infrastructure related projects.
- Execution of civil construction works for public and semi-public organizations.
- Acquisition of land on demand for large projects.
- Consultancy Services in architecture and town planning works.

The Corporation has so far developed 134 industrial areas in 58 districts of the state. More than 5000 industrial units in the large, medium and small scale have been set up with an estimated investment of over Rs. 17, 5000 million.

UPSIDC has developed a host of technology parks, export promotion parks and industrial townships. The Corporation has been following the State Industrial

Policy to make Uttar Pradesh the most preferred location for investment. It is all set develop a series of new industrial areas, integrated township and technology parks at prominent locations for promoting industries such as Agro/Food Processing, Information Technology, Apparel, Chemicals, Handicrafts, Gems/Jewellery, Electronics, Textiles, Plastics, Leather and Leather Products etc.

The details would be available from the link

<http://www.upsidc.com/index.asp?location=About.html>

7.2 Pradeshiya Industrial & Investment Corporation of Uttar Pradesh Limited

Set up in the year 1972, the Pradeshiya Industrial & Investment Corporation of Uttar Pradesh Limited or as it is popularly known, PICUP has been extending broad based financial services to facilitate industrial investment in Uttar Pradesh

The services include Project Identification to preparation of Feasibility Report, from extending Term Loans to Equity Participation; PICUP has grown indeed to be vibrant industrial development organization.

For further details you case refer to

<http://www.picupindia.com/services/index.htm>

8. Financial Incentives for setting up of SSI

*** Extended by the state Govt.**

UP - Incentives to Industry

Nature and people are the biggest strengths of a state. And Uttar Pradesh, with its vast population and endowed with blessings of nature, is truly the land of unlimited potential. Industrial Development Commissioner and Principal Secretary (Industrial Development), Government of Uttar Pradesh, Lucknow, says it is set to become the entrepreneurs' "Most Favored Destination in India".

What Uttar Pradesh has to offer!

- Procedures to sanction land, power and NOCs are further simplified. Time-bound decision will be taken for basic inputs.
- Empowered Committee headed by Chief Secretary constituted to consider special Incentives/facilities for units with an investment of more than Rs. 500 million.
- Industrialists participate in policy formulation. Five working groups, comprising industry representatives are already on job.
- An investor-friendly industrial policy
- Octroi abolished
- Attractive Trade Tax Benefits.
- Rebate available up to the limits mentioned in districts divided into three categories:

- o CATEGORY 'A' : 250% of Fixed Capital Investment
- o CATEGORY 'B' : 200% of Fixed Capital Investment
- o CATEGORy 'C' : 150% of Fixed Capital Investment
- Exemption/deferment of trade tax for expansion/diversification/modernization has been proposed under this scheme.
- Easy availability of institutional Finance from 'PICUP' and 'UPFC'
- Equity Participation by 'PICUP' and 'UPSIDC'and much, much more

For further details the following link may be referred to

<http://www.upsidc.com/index.asp?location=About.html>

* **Extended by the Central Govt.**

The Central Government offers many incentives to investors in India with a view to stimulating industrial growth and development. The incentives offered are normally in line with the government's economic philosophy, and are revised regularly to accommodate new areas of emphasis. For further details the following link may be referred to

<http://india.gov.in/business/incentive.php>

SOME IMPORTANT WEBSITES

Project ideas and Project profiles

<http://www.nstedb.com/nstedb/index.htm>
<http://www.techno-preneur.net/new-timeis/main.htm>
www.smallindustryindia.com
 (http://www.smallindustryindia.com/publications/pmryprof/vol5.htm)
<http://www.tifac.org.in/>
<http://mofpi.nic.in/projectprofiles/profiles.htm>

Technology

<http://www.csir.res.in/>
www.techsmall.com
<http://www.cftri.com/>
<http://www.tifac.org.in/>
http://www.apctt.org/focus_area/tech_transfer.html
 Training Programmes
<http://www.ediindia.org>
<http://www.smallindustryindia.com/sido/sisi.htm>
<http://www.nstedb.com/nstedb/index.htm>

Other important links

www.sidbi.com
www.indiatradepromotion.org
www.dnb.co.in
www.eximbankindia.com
<http://www.ciionline.org/>

<http://www.ficci.com>
<http://indiaimage.nic.in/>

CHAPTER 9

MARKETING MANAGEMENT FOR SMALL BUSINESS

A number of new units are planned and started by the entrepreneurs based on the following factors:

- 1) Success of other entrepreneurs in a particular field of manufacture
- 2) Some large or medium scale unit indicating its requirements for a particular item and encouraging the entrepreneur to set up an ancillary manufacturing unit for the said item.
- 3) The entrepreneur noting a shortage of a particular item in the market and premium being paid by customers for the said items.

When units have been set up based on any of the above, more often than not they end up with problems.

In the first case, the entrepreneur jumps into a particular field on seeing the success of one or more units since he has finance to invest. However, he forgets that there may be many others like him with same idea and also with money to invest. As a result too many people enter the same field of manufacture and a situation of over-capacity arises. This leads to an undercutting of selling prices, reductions in margins and eventually even closing down of several of the units.

In the second case one would feel that since the sales are assured the ancillary SSI unit must do well. In most cases this would be true, but here also there are pitfalls which often bring grief to the ancillary units. For example, if the ancillary unit is supplying its full production to only one consumer, he can often dictate the prices. Further if the unit has to reduce production or has to close down for any reason, the ancillary unit would be equally affected.

The third case may present a very rosy picture in the early stages but the situation can change very quickly. A change in Government's Import Policy or an increase of capacity by establishment or expansion of a large unit or the restarting of a shut down unit can make shortage disappear and can create difficulty for the SSI Unit.

The suggested process to follow when setting up a new SSI unit is to first have a market survey conducted to ascertain the true demand and supply position, and also collect information on the other entrepreneurs planning to enter this field. Once it is established that there is good possibility of the unit being able to establish itself, a pre-production market development programme should be undertaken. This is essential in order to ensure that the unit does not suffer for want of sales once the production has commenced. The role of marketing therefore, commences even before you take a decision to put up a manufacturing plant for a particular item.

1. Multiple Facets of Marketing

A layman normally confuses marketing with sales. However, sales are only one of the activities of small business marketing. Marketing encompasses the following activities:-

- | | |
|-----------------|-------------------------|
| 1) Research | 7) Packaging |
| 2) Planning | 8) Merchandising |
| 3) Branding | 9) Ware-housing |
| 4) Pricing | 10) After-sales service |
| 5) Distribution | 11) Sales promotion |
| 6) Selling | 12) Advertising |
| | 13) Credit control |

Research:

This would be a never-ending activity throughout the existence of the SSI unit. It starts with a market survey to establish the demand and supply position in order to determine the feasibility of setting up a unit for the manufacture of a particular item. Once the feasibility is established, research is required to identify the consumer needs that remain unsatisfied, and to show how the product planned to be manufactured can be modified or designed to meet the un fulfilled needs. In short, one has to see the product as the consumer sees it and “consumer satisfaction” must be the main criteria for evaluation of all policies and actions.

Even after the unit has gone into production, research must continue on how to improve the product, packaging, distribution, improvement in the packaging etc.

Planning:

This activity starts at the project stage and is extremely necessary throughout the life of the project. At the project stage this would include activities such as planning, market development, development of packing, setting up distribution networks, warehousing, short- term and long-tem sales planning. After the unit is in production it will include sales planning. The sales plan will include a forecast of sales for the future, a plan for territorial coverage, a programme to achieve the forecasted sale and sale promotion plan if required.

Branding:

Branding is absolutely essential in consumer products as well as consumer durables and industrial products. This is so because the same product having widely diverse qualities is available from different manufacturers. Besides it helps the manufacture, retailer and consumer in the following manner.

- 1) It enables the consumer in effective and easy identification of the product of a particular manufacturer.
- 2) The manufacturer benefits since the consumer also asks for his specific brand.
- 3) It enables the manufacturer to have a better control over the sales outlet and price of the product.
- 4) If the brand is popular it benefits the retailer by attracting consumers to his sales outlet enabling him to sell other products as well.

When selecting a brand name keep in mind the word RIPPS where

R - Stands for Remember. The name should be such that it is easy to remember

I - Stands for Image. The name should be such that it creates an image of the product in the consumers mind.

P - Stands for Pronounce. The name should be such b such that it is easy to pronounce.

P - Stands for Protect able. The name should be such that it cannot be easily copied without infringing patents.

S - Stands for Short. The name should be short.

Pricing:

The price is usually associated with

- 1) Value
- 2) Status
- 3) Quality
- 4) Durability

The point to remember is that a consumer is more sensitive to price when the purchase frequency is high or when the quality of competing products is more or less the same. Examples of this are hardware, matches, gums, stationery, chemical petroleum products, etc.

However, where a consumer detects quality variations in brands, the price is immaterial. Examples of these would be Razor Blades. Toilet Soaps, Cars, Machinery etc

There are five different methods that can be employed in pricing products:

- 1) Pricing in line with similar products already in the market.
- 2) Pricing slightly higher than the price leader in the market.
- 3) Pricing slightly lower than the price leader in the market.
- 4) Pricing on a cost plus basis
- 5) Pricing on the basis of profit yield at different sales levels.

When fixing the price of your products always ask yourself the following questions:

- 1) At what range of price will the product be economically attractive to the consumer?
- 2) What sales volume can you expect at different price levels?
- 3) What will be the competitors' reaction to your price?

The section of sale outlets will depend on nature of product, number of consumers, and the financial resources¹ Attempts at answering these questions will help the entrepreneurs in price fixing

Distribution:

The objective of a distribution network is to conveniently make available goods to the largest number of consumers in required quantities where and when they are needed. This can be achieved through

- | | |
|-----------------|-----------------------|
| 1) Agents | 5) Manufactured shops |
| 2) Stockiest | 6) Retailers |
| 3) Whole-Sales | 7) Street vendors |
| 4) Distribution | 8) Mail-order |

The selection of sale outlet will depend on nature of product, number of consumers, and the financial resources.

Selling:

A sale can be described as “converting goods into cash”. Most people confuse a sale to booking of an order. However, no sale is complete till then goods have been delivered and their value recovered. This must be kept in mind when assessing the performance of your own sales staff and also when finalizing terms with agents, distributors etc

The most effective method of selling is personal selling, i.e. through your own trained staff. This is so since no agent, distributor, stockiest or dealer would know your product or its plus points as well your own sales staff would.

However, it is seldom possible for a SSI unit to resort to personal selling since it cannot afford a large sales organization to cover the vast geographical area of our country. The only expectations would be if-

- 1) The product is to be sold to small limited number of customers.
- 2) The demand for the product is so large that the sales are restricted to a small area in the vicinity of the manufacturing unit.
- 3) Salesmen’s meetings
- 4) Contests

Wherever personal selling is resorted to compensation to salesmen can be in terms of:

- 1) Salary
- 2) Salary—cum-commission
- 3) Commission-cum-retainer
- 4) Commission

While commission on sales is one of the biggest motivational factors, other motivational methods are

- 1) Merit awards
- 2) Salesmen’s meetings
- 3) Contests

In case of operating through your own sales force the different methods for maintaining effective control are:

- 1) Sales reports
- 2) Personal meetings
- 3) Field visits

- 4) Fixing of sales quotas
- 5) Evaluation on basis of compensation earned
- 6) Territorial development

However, where selling through outside agencies is involved it is essential that the sales staff of such agencies be given suitable product training and also sufficient sales aids to make them more effective.

To motivate outside agencies methods can be employed are:

- 1) Volume discount in addition to normal discounts.
- 2) Contests
- 3) Dealer Meetings

Packaging:

The basic reasons for using packaging are:

- 1) To hold the product
- 2) To protect the product
- 3) To attract customers

When selecting the kind of packaging to be used besides keeping the above aims in mind, one must look into cost of using such packaging.

Merchandising:

Merchandising is the art of displaying your products at a point of sale so as to catch the consumer's attention, highlighting the plus points of your product and luring the consumer into buying the products. This art is mainly applicable in case of consumer goods and consumer durables. Use of display windows, attractive and eye-catching display of the products on the shelves and sales counters, hoardings and billboards outside the sales outlet are some of the methods used in merchandising.

Ware-Housing:

The normal concept of ware-housing is to have a store where goods are kept for safety against theft, weather, rodents and insects etc. While all these reasons for warehousing are certainly applicable, there are other equally important reasons such as:

- 1) Where the consumers of the goods are located both inside and outside octroi limits and manufacture is himself outside octroi limits, storage of products outside octroi limits results in financial savings.
- 2) Where high local sales tax is prevalent in one state and the manufacturer is located in another state, ware-housing in the state where in the state where Manufacturer is located and is selling inter-state, results in financial savings.
- 3) Where transit times are considerable and consumers are not likely to wait for extended delivery periods, warehousing of goods in the proximity of the market will result in increased sales.

- 4) Where storage cost at location manufacturer is high and warehousing at lower cost is possible near the consumers, financial savings can be affected.
- 5) Where excise duties on the product are high and a substantial stock is required to be maintained, operating excise-bonded warehouses can result in financial savings in terms of interest on the duty value or duration of storage.

The above factors and some others, which may affect specific cases, have to be considered when finalizing warehousing arrangements.

After Sales Services:

This is a very important activity, which is completely ignored by many organizations. Most of our new SSI units are set up by traders who have made money in trading, decided to enter manufacturing field. In trading each transaction is an individual deal and once the value of the sales has been recovered the matter is retreated as closed. However, a manufacturer cannot afford to take this attitude since he has to manufacture same product continuously and make repeat sales to the same consumers. Hence any dissatisfaction of the consumer will seriously affect his further sales. Always remember that a dissatisfied consumer will be very vociferous and adverse reports spread very fast. In case of any complaint by a customer prompt action in solving the complaint will usually result in the customer singing praise and or getting the initial complaint.

Sales Promotion:

This activity is normally resorted to in order to create a temporary spurt in sales. This situation may arise when certain financial commitments make it necessary to raise finances in a short time. The methods usually employed are as follows:

- (1) In case where there are more than one products and one of them happens to enjoy a seller's market, trying up sales of the product in demand with slow moving items.
- (2) Offering a special discount for a particular time period.
- (3) Offering some other manufacturer's fast moving product at a discounted price tied to the purchase of your product.
- (4) Starting a contest with attractive prizes for the winners and the entry fee being the cash-memo, wrappers etc. of your product.
- (5) Affixing identification numbers on your products and holding a raffle where lucky numbers are picked and the winning buyer as well as the dealer who sold the winning numbered article are both given attractive prizes.

There can be many more types of promotions depending on the product, the circumstances and the class of consumers that one is aiming to attract. One's own ingenuity must be exercised to determine the best possible promotion.

Advertising:

There is a misguided impression in the minds of most people that advertising is an expensive proposition and can only be resorted to by large units. This impression arises because most people associate advertising with dailies and magazines and radio and television. There are, however, other less expensive avenues as well. The different media are:

- (1) News papers and magazines
- (2) Radio

- (3) Television
- (4) Hoardings and Neon signs
- (5) Bus and Train panels
- (6) Bill-Boards
- (7) Cinema slides and short film advertisements
- (8) Stalls at exhibitions and fairs
- (9) Directing mailing of literature
- (10) Demonstrations

When the annual sales budget is prepared a certain provision must be made for this activity and then the available funds must be spent in the most effective manner based on the class of consumers one wants to send the message to, and the cost of the media used in relation to results expected.

Credit Policy:

An SSI unit can succeed or fail based on the credit policy it adopts or fails to adopt. They are the most vulnerable since they have limited finance and the Banks quite often are also very stringent when it comes to granting facilities to small units. The more the money is tied up in credit the less the money available for purchase of raw materials and other inputs are resulting in reduced turnovers. In short it is better to let go 2 or 2.5% margin as cash discount if cash sales are possible in preference to extending credit of 30 days or more.

When it comes to extending credit you place yourself at the mercy of the buyer. You may have agreed to 30 days credit and the buyers may stretch it out to any period he desires, and you would have no resources. Even when dealing with distributors, dealers, stockiest etc do not extend credit without security. Credit must only be extended after one has had business relations with the party for some length of time and one judge that the party, besides having the ability, also has the desire to pay.

As and when credit is extended one must always fix the value limit and time for each debtor. Under no circumstances must the debtor be allowed to stretch the agreed terms. A single relaxation will become a permanent feature. Regular reminders seven days before a payment is due and on due date of payment, must form a part of the routine credit policy. Regular statements of accounts must also be mailed at the end of each month so that the party has no opportunity of pleading differences between the accounts of the seller and buyer.

2. Conclusion

In conclusion, given below are some tips that can make difference between profit and loss for SSI Units.

- (1) A rupee saved is a rupee earned, irrespective of which field of activity you have it in; the rupee multiplied by the number of items sold can result in a tidy sum.
- (2) Once you have prepared an annual budget, the same should be broken down to a monthly budget and the actual performance of each month must be evaluated against the budget by the 10th of the following month. In case of a variance of more than 5% necessary steps should be taken to correct the situation.

(3) Quality consciousness and building up the reputation of one's brand will pay dividends in the long run.

(4) Clean and honest dealing with suppliers and customers will build up your reputation and help in all spheres in the long run.

SELLING AND SALES PROMOTION:

When a customer makes purchase he does not buy a product but he buys an idea or a benefit.

He buys a CASHED

- Comfort
- Approval
- Safety
- Health
- Economy
- Desire

When does a customer buy? When he/she gives 'YES' answer for (NPSTP)

- Need
- Product
- Source
- Time
- Price

- Do I need product 'Yes'
- Do I have a right product? 'Yes'
- Do I get easily? 'Yes'
- Is it right time to buy? 'Yes'
- Can I afford this price? 'Yes'

If a salesman gets 'YES' answer to all the above questions then only the customer would be making the purchase.

Try to get 'YES' to N.P.S.T.P.e.g.

- I want to take a bath Yes Need
- Do I need soap?
- Do I want a bathing soap? Yes Product
- (Washing soap cannot do?)
- Do I need it now? Yes Time
- Do I have it a right price? Yes Price
- Do I get it at the nearest shop? Yes Source
- (If soap is very far buying Will be postponed)

Do I need it now?	Yes	Time
Do I have it at a right price?	Yes	Price

1. Unique Selling Proposition:

Your product must have uniqueness. It must have one strong selling point, which your product alone will have. That is called Unique selling Proposition (USP). For example

Colgate	“removes bad breath”
Forhans	“protect gums”
Lux	“a soap-favorite of film stars”
Hamam	“an economical soap”
Cinthol	“deodorant soap of India-A body guard”
Aspro	“it is micro fined-very speedy remedy”
Anacin	“reacts four ways”
Saridon	“one tablet is enough”

Use effective U.S.P. for your product. It should be:

- Easy to understand
- Customer oriented
- Easy to remember

2. How to Sell

Customer oriented selling gives result. When customer buys products, he wants to get some benefit (CASHED). To sell well remember the following points:

Reception

- Attention
- Interest
- Desire
- Conviction
- Action

Reception: When a customer comes to your place, Give him warm reception.

Attention: Try to attract maximum attention of your customer (It is easy to keep a person physically present but it is difficult to keep him mentally present)

Interest: Create your interest in your products. Show, which Benefit your customer is going to get. (Don't sell the Product – sell the idea)

Desire: Create desire to buy your products. Show your customer the disadvantage of not buying the product.

Conviction: Try to convince your customer that your product Is the best to satisfy his need?

Action: Show what delay in buying will cost him. Make him

Active. Let him use the product by a good demonstration.

3. How to Handle Competition:

Wherever there is competition in the market, salesmanship has a value. Welcome competition.

- Know about your competitor, (+ v points as well as -v points)
- Don't keep your eyes closed towards competition
- Don't be over confident.
- Don't say "That product is bad-Our product is good," Say, "That product is good-Our product is better."-:
Over price is not the only solution to handle competition. Think about other factors also.
- Create an image about your product. Try to sell image and not the product (SONY T.V has created an image. price is not the consideration for a customer).

4. Towards becoming A Good Salesman:

A good salesman always tries to get maximum knowledge about his competitor and their product. He should have knowledge about customers, their liking etc.

Know	about product - customers
Negotiate	the sale with - customers
Observe	Customer's likes, dislikes and working of product
Work	on different methods
Learn	about techniques and details of product
(Be) Eager	To know new things
(Have) Desire	To satisfy his eagerness
(Possess)Goal	To achieve sale
Educate	yourself and your customers

A professional salesman should:

- Have ability to sell
- Be loyal
- Take interest in selling
- Be skilled in his work
- Have through knowledge
- Stay-up-to-date and never stop learning
- Be hard-working
- Understand the value of self respect
- Give good service to customers
- Be creative.

CHAPTER 10

SOFT SKILLS FOR LAUNCHING AND MANAGING YOUR BUSINESS PROBLEM SOLVING: A MATTER OF ATTITUDE & SKILL:

All of us experience problems of different nature and magnitude at different times. In our daily life problems come so often that we do not even notice their occurrence. This is so because our desire to solve these problems and our experience of dealing with them has equipped us with spontaneous reactions, which usually result into solutions. However, sometimes when we face an unusual or a difficult problem we get as stuck our routine reaction fails to produce a solution. In such cases, various approaches and ways have to be tried.

An entrepreneur is likely to face a variety of problems in the course of implementation and management of his small-scale enterprise. If an appropriate system, approach and methodology is developed for solving problems, it will help him to manage his affairs smoothly and he would not remain under stress and tension when he encounters problems.

There are various qualitative and quantitative approaches developed in management science which help us in solving problems. The basic objective of this note is to suggest a non-quantitative approach based on commonsense and experiences in dealing with small-scale entrepreneurs and their problems.

In fact, the right strategy would be to understand one's own environment, resources, capabilities, limitations, strengths and weakness in order to design an appropriate approach for solving problems. However, the approach suggested here will help you, initially, in working on problems and, at later stage, in formulating your own strategy for solving them. The following steps are suggested for developing problem solving attitude and problem solving mechanism.

1. Build A Problem Solving Attitude:

We all have certain skills, traits and motives. Our psychological make up tells us what traits and motives we possess. These traits and motives can be identified and developed. Some people do have traits and motives to work with the problems and they always make attempts to solve them, while some do not have traits and motives to do this and therefore they sometimes unconsciously try to avoid problems. Here is an example.

Mr. Sikand was the owner of a small restaurant. Once he got a notice from the Department of Food and Drugs Administration. In his restaurant necessary provision was not made as per Food and Drugs Act and for which he received a notice. When he received the first notice he read and it filed it without taking any action. After a few days he got another notice. This time unconsciously he decided not open the envelop and did not read the contents of the letter. Subsequently he started receiving notices frequently and kept doing the same thing. After approximately one year a team from the Food and Drugs department came to the restaurant and locked it. The Department suspended the license of the entrepreneur for not responding to the notice and thus failing to take corrective action. Mr. Sikhand's psychological composition directed his actions for problem-avoidance.

You must have experienced the attitude in some of the government departments where people try to avoid taking decisions and solving problems. We would like you to go back to your past and identify some situation where your behaviour was comparable to what is started above.

If you identify many incidents like this you must take note that you are in the process of developing a personality which is prone to avoid problems. But do not get stuck here. There is a way to change your attitude. What you need to do is to be “aware of this facet” of your personality and make conscious efforts to seek solutions rather than succumb to your tendency to avoid problems.

2. Recognize The Problem and Its Seriousness:

It is important not only for entrepreneurs but all of us to recognize a problem when it occurs. If you have a clear understanding of what is a normal situation, you will be able to identify the deviations and therefore, a problem for example, If you know that the standard production level of your unit should be one ton per day and if it is 3/4 of a ton, you know that there is a deviation and therefore there must be a problem.

Since some problems will be of qualitative nature it may not be always possible to find out the deviation in terms of number. For example, you may experience that industrial relations in your plant are not harmonious, but you may not be able to quantify this problem. Therefore, it is very important for an entrepreneur to continuously observe all the situations that the encounter's.

Once you have recognized the problems, your next step is to examine the seriousness, growth, trend and urgency of the problem. The seriousness of the problem will help you to decide whether you need to work on the problem for solution right away or you can wait for sometime. It will also help you to decide about some temporary solution, till you complete the study of the problem and come out with a course of corrective actions. Let us understand the whole process with the following example.

Zenith Dyes, a small unit manufacturing pigments, after 2 years of its operation, started experiencing approximately 30% rate of absenteeism in its factory.

The owner immediately realized that the problem was serious and needed immediate action. First of all in order to meet the customers' demands he made arrangements for additional workers while studying the cause and correction for the problem of absenteeism. His understanding of the seriousness of the problems helped him to take interim corrective action, which avoided the occurrence of another problem in sales. If Zenith Dyes had not made arrangements for temporary staff in order to sustain the production level they would have probably faced the problem in marketing. Sales might have dropped and they might have lost a few customers too.

The growth trend of the deviation is also important. If the intensity of the problem is increasing then one will have not only to worry about the interim solution but will have to work for a permanent solution immediately. The same is true in case of urgency of a problem.

3. Specify And Understand a Problem:

If one can clearly identify, the deviation or specify a problem, he is well on his way to solving the problem. The important step is how to specify a problem. Many of you must have consulted physicians for a physical problem. I would like you to think about one of your meetings with a physician and the discussion you had with him about your illness.

When you go to a physician, he will usually ask you questions about what is happening, where it is happening, when it is happening and the extent of which it is happening. The physician will also ask you what is not happening, where it is not happening. The physician is in fact trying to understand a problem.

The same way an entrepreneur, when faced with a problem must ask questions to himself and others concerned as to what is happenings and what is not happening etc. When Zenith Dyes experienced 30% absenteeism, the entrepreneur called the heads of each department and persons concerned and asked them the above questions. On probing he got a lot of information and he found there was no strike, no agitation or go slow all over the company and the absenteeism had only occurred in the production department, usually on Friday. Thus he found that the rate of absenteeism was more on Friday and was almost normal on other working days.

4. Formulate Possible Causes:

Let us go back to the physician's examination process. The physician gets an idea whether the fever is 'influenza', 'malaria', 'typhoid' or hay fever. Once he identifies the type of fever, he starts working on formulating causes of the fever such as cold, virus, allergy etc. The same way when you are faced with a problem you must try to formulate possible relevant causes. In the case of Zenith Dyes the following probable causes for higher rate of absenteeism were thought of by the owners. -

- (a) There were a higher proportion of Muslim workers in the factory. Friday is a day of social prayers for the Muslims.
 - (b) It was the Company's policy to make the payment to workers on Thursday. If the wages are paid on Thursday, it is likely that the workers would remain absent on Friday as they are loaded with money.
 - (c) There is a change in the films in the movie houses every Friday. If the proportion of young workers is high, it is possible that some of them may like to watch the film in the first show and therefore choose to remain absent.
 - (d) Perhaps the supervisor in-charge of the shift on Friday was tough and not much liked by the workers.
 - (e) There is higher work load in the factory usually on Friday as Saturday being a holiday all shipment for customers must go out on Friday evening
- Many such possible causes were developed by the owner. It is not important how many causes you are able to develop but how relevant are they. The objective here is to get more insight into the possible reasons for the occurrences of a problem. Once you have developed examined the possible causes, you have completed the analysis of the problem. After developing the causes, you would like to test these causes-not as we test substance in the laboratory-but through analysis, reasoning, data and intuition.

5. Test Possible Causes:

The process of testing the formulated causes calls for intuition, creativity, analytical skill, reasoning,. An individual with these qualities will be able to test the cause without using a laboratory type approach.

The causes of absenteeism as indicated earlier in the case of Zenith Dyes can be tested in the following manner:

(a) The cause 'higher proportion of Muslim employees' could be tested by going through the list of the employees.

After verifying the profile of the employees working in the production department the owner found that there were Muslims in this department but they were not remaining absent on Friday.

Therefore, there was no reason for him to worry about this or to take a corrective action affecting this segment of workforce.

(b) Regarding the wages, he found that the factory had fortnight wage payment system and therefore this could not be possible cause of the problem.

(c) Although new movies were coming in town every Friday, it was found by personal inquiry that the work force was not movie- oriented.

(d) The profile of superior was studied in detail and the owner learnt that the supervisor was very competent but tough in handling people. He was particularly tougher on Friday as he had the responsibility of loading goods on Friday to the customers. Friday being the last working day of the week. After getting detailed information on this supervisor's way of handling people, the owner determined the occurrence of the problem of absenteeism.

6. Develop Alternate Solutions.

Once a cause is determined, the next step is to look for a solution. Since every one possesses different levels of information, knowledge, skills, traits and motives, it is likely that everyone would come up with different solutions for a problem. Therefore there is no right or wrong solution to any problem. The solution which fits into your objectives, your resources, your strengths limitations, constraints etc. is the best solution in the circumstances. Therefore, I suggest that once you determine the cause or causes for a problem that you face, it will be worthwhile to develop various solutions and relate them with your objectives.

7. Establish Objectives:

Once various alternate solutions are developed, it will be necessary to establish your objectives. Clarity regarding objectives will help you to classify them in relation to the problem into two categories listed below:

(1) Results to be produced

(2) Resources to be used.

In case of Zenith Dyes the entrepreneur clearly indicated the following objectives.

Results to be produced:

- (a) The rate of absenteeism must be brought down to 8%, which is normal in chemical industry.
- (b) The workload cannot be reduced as we must cater to the needs of our customers and must ship the goods on Friday.
- (c) We cannot remove the supervisor because he is our best employee.

Resources to be used :

- (a) Cannot spend more than Rs.100/- per week to solve this problem
- (b) Cannot put more than four extra persons to complete the task
- (c) Cannot use incentive payment system
- (d) Cannot provide over-time to the workers.

After establishing objectives be classified them into three different categories such as 'MUST, DESIRABLE AND IGNORABLE'.

Such a classification of objectives about the result to be produced and resources to be used helped in selecting an appropriate solution from the cluster of solutions that were thought of.

8. Compare Solutions:

When there is more than one solution, it may become problem to select the best solution and therefore we get caught into another problem. In such a situation, the right way will be to compare various solutions in terms of results produced and resources used etc. That does not mean that one will have to experiment with each solution and decide. The best course of action would be to use your reasoning judgment, intuition, to decide the advantages and adverse consequences of each solution.

The analysis of effect of each possible solution should be quantitative wherever it is possible. Certain non-quantitative effects such as the impact on worker's moral, human relation etc. should also be thought of. Once all the solutions have been compared one will be able to choose the best solution to the problem.

But remember, you may not be able to solve problem completely. You can quite often only reduce the magnitude of the problem and perhaps create another problem but of a smaller magnitude. In the case of Zenith Dyes, the entrepreneur implemented the solution of employing 3 to 4 more workers on Friday, but he created another problem of generating resources for paying extra wage to this additional man-power.

9. Summing Up: 3

The above approach can be summarized as follows:

- 1) Create a desire to solve problems
- 2) Recognize the problem
- 3) Formulate the possible causes
- 4) Specify the problem
- 5) Test each cause
- 6) Explain each cause with minimum of assumptions
- 7) Verify your explanation
- 8) Determine the cause
- 9) Establish objective about the resources to be produced and resources used
- 10) Classify objectives into 'MUST, DESIRABLE' and 'CAN BE IGNORED' Categories
- 11) General alternative solutions
- 12) Choose one solutions
- 13) Compare each solution in terms of positive and adverse consequences
- 14) Make a decision to implement
- 15) Be ready for a problem of less magnitude
- 16) Internalize the process
- 17) Be creative

BE A GOOD PROBLEM SOLVER

INTER – PERSONAL SKILLS:

Working with, for, and through people is the way in which an entrepreneur accomplishes his goal. Maintaining good human relations is a major factor in achieving smooth operation of the enterprise and its continued success. Managing manpower, guiding it in the direction of getting things done and achieving the desired objectives with maximum efficiency are the primary responsibilities of a successful entrepreneur.

In order to supervise effectively, sound knowledge of human behaviour is essential. The entrepreneur should adopt a human relation approach, which will help build morale, getting co-operation and finally achieving the performance. An entrepreneur interested in improving his ability to understand others and deepening his understanding of himself needs to make special efforts for improving inter-personal relationship. The following three suggestions will help the entrepreneur to improve his relationship in a positive way.

1. Understand Individual Differences.

Now two people are exactly alike. They differ in many ways. If there are 20 people working for you, you will have to deal with 20 different personalities. Each one will have a different attitude. So do not treat them all in the same manner. Each person requires a different approach. People are basically and irrevocably individualists at heart.

Recognizing that individuals are not all alike, knowing their limitations and weakness is the first step in understanding people.

Each person has his own set of values which is a result of his socialization, training and associations that have been shaped over a lifetime by his parents, teachers, peer groups and some unique experiences. A good entrepreneur is the one who is able to match employees' abilities and interest to the requirements of the job. The better he does this, more productive he will be. Failure to know the man under you as an individual will deteriorate your relationship with that particular employee in the long run. But treat all your employees in the same way. There should not be any favoritism or bias.

2. Supervision with empathy:

In working with people, the ability to empathize is an important attribute of an effective entrepreneur. Empathy enables the entrepreneur to consider feelings and viewpoints other than his own. This ability can be very helpful to the supervisor in area of discipline, labour relations and grievance handling. The challenge facing most entrepreneurs is to understand the reasons that prompt employees to behave in certain manner and not to label their actions as unreasonable. Empathy equips the entrepreneur with the ability to understand why people feel and act the way they do. Empathy can make entrepreneurs richer.

3. Know All About Your Employees.

The better an entrepreneur knows his employees the better are the results that he can produce through them. Apart from the personality component of each worker the entrepreneur should know something about his family. Is he married? Where does he stay? How many children does he have? What is his education level? Is he doing any part time or correspondence course? In guiding and counseling employees on their careers with the company, it is necessary to know his educational background. The entrepreneur should also collect such information as his employee's previous work experience, pattern of his previous employment and his performance in the past is a way to know his outside interest. Knowing an employee's interests may help the entrepreneur to establish a communication bridge with him. The entrepreneur should know what his employees want out of their lives. Do they want to progress in their career? Do they want to rise to supervisor or management positions? These aspects reveal his employees goal and aspirations. A successful entrepreneur tries to understand his workers' ambitions and gives them stimulation and encouragement which produce wonderful in the enterprise.

4. How to Keep Relationship with Employees:

The following passage (in juxtaposition) focuses on the logic behind the employees' behaviour and suggests an effective approach to the entrepreneur to rectify his expectations.

5. Conclusion:

A successful entrepreneur today must be a practical industrial psychologist, well versed in guiding, developing and controlling the actions of his men to the expected directions. To be successful in entrepreneurial role, he should adopt such principles towards his employees, which would help him in achieving the desired goals at the right time. These principles will not only help within the organization but also outside the organization i.e. with customers, suppliers and government officials.

CHAPTER 11

LIGHT THE FLAME OF INNOVATION IN YOU'RE ENTERPRISE: A MANAGERIAL WAY

Small size encourages not only manageability but even more important commitment. In a small group, an individual still counts and this is vital. Small size seems to favour innovation and in this respect, practice has proved the experts wrong. For example, Galbraith's arguments that only large corporations could induce technological change in USA are now being seriously questioned. A survey conducted by the National Science Foundation showed that small firms produced about four times as many innovations per research and development dollar as medium sized firms and about twenty four times as large firms:

1. Innovations at All Stages of Growth:

One of the essential characteristics of a successful entrepreneur is his innovativeness. There are precedents in history that most of the successful enterprises got into a very bad shape because they could not innovate. For example, the American Automobile industry (General Motors, Ford Motors, etc) got into difficulties because it could not innovate a 'small car' when there was an astronomical oil price hike. This led to the import of Japanese' small cars'. Another popular example is of Swiss Watch Maker. The Swiss Watch Maker went on manufacturing the same product for a very long time and got alarmed when Japanese watch industry captured the market.

There are plentiful examples of successes too. Mr. Kirti Sarvaiya of Waxoils (P) Ltd. Who has been in the business for the last 20 years, has now come out with a special vaporizing decongestion ointment exclusively for children. Mr. Sarvaiya feels confident enough to sell 100 tonnes of product in the country. Mr. K.L. Verma, an engineer by profession, is the person behind the innovative success of sun flame industries. The unit has come a long way from producing mere gas stoves. Today its product range encompasses almost every type of domestic kitchen gas appliances. Now, the unit has come out with a full-fledged cooking range. It includes a number of novel and useful features in its design such as a top cover. Removable to plate, wire net at the rear and design such as atop cover, removable top plate, wire net at the rear and adjustable grill tray. This product has attracted more than its due share of attention.

All the cases mentioned above illustrate a greater need for innovation not only at initial stage but also at various growth stages.

Growing sickness in small scale industry is often indicative of poor innovative base. Some of these were operating in areas which were already exploited or they could not adopt well in face of late growth, competition and scarcity of material, fast changing fast, technology and human values. This note provides a framework for your enterprise to function innovatively and for increasing your responsiveness to changing market situations.

2. At Project/Process Choice Stage:

The first major task which you should perform is to search out for a product or a process which is not yet fully exploited. At this stage you may use your knowledge and

imaginative faculty to identify a new process of producing an already existing product more effectively or may explore a product which is not being produced.

If you approach product or process selection this way, you would certainly set a strong foundation for your enterprise. But this strong foundation does not guarantee success all the time. In order to be successful at later stages, you have to discharge managerial function with equal innovative emphasis. The rest of the paper has been developed to deal with how you can manage your enterprise innovatively once it is established.

3. Managing Innovatively:

Innovation for any small enterprise may mean not only a new product or a new technology but also a new procedure, a new way of supervising and motivating employees, a new objective, a new style of management, a new incentive system, a new controlling system and so on. You as an entrepreneur manager must keep the following strategy in mind while managing your enterprise.

(1) Clear Objective:

When you set your enterprise, you also lay down certain objectives for which your enterprise would strive for, like high profitability, capturing of market share etc. These objectives in fact become guide-posts of your future course of action. You must formulate such objectives which incorporate undertaking of challenging and new tasks, growth, diversification and self reliance. They may also be further quantified in terms of units or activities in order to make them clearer. For example, Jyoti Ltd., a pioneer in the field of laser and solar technology, set its objective of developing its own product “without importing technology”. In order to achieve it they decided to spend at least 5% sales revenue on R and D.

(2) Management Style:

You as an entrepreneur have also to adopt a conducive management style in order to cope up with the day to day demanding and changing situation and for effective coordination. If you choose a management style which has tight control, one-way communication, centralized decision-making, rigid to follow established norms, procedures (traditional or authoritarian style), this may cause poor communication, cooperation, non-collaboration among people, less risk taking etc. You are, therefore, advised to adopt an organic style which will provide for flexibility, adaptability, two-way communication and participation. This is likely to encourage a collaborative working relation, new idea generation, grabbing of growth opportunity and innovation.

(3) Rewarding Excellence:

After you hire the needed number of employees (at start-up or at later growth stages) your first task is to develop a work culture in which differentiation in treatment between categories of employees like full time employees and daily wage employees should be eliminated. This would lead to a state of openness, trust and involvement. All employees including temporary ones should be rewarded for achieving standard of excellence. Their experiences may also be utilized in problem solving related to their work.

(4) Matrix Structure:

Every enterprise has to discharge several functions which may be classified into two: technical and non-technical. Technical functions are those which are related to manufacturing process of product, while non-technical includes marketing, finance research and development and personnel. In order to achieve greater harmony, coordination, collaboration and quick decision making, you are advised to structure your enterprise into a matrix structure.

In such a structure, one person carries at least two responsibilities, one of primary interest and another may be of his secondary interest. If you structure your enterprise this way it would have to pursue the following form.

**FIG. 1 MATRIX STRUCTURE
PRIMARY RESPONSIBILITY
SECONDARY RESPONSIBILITY**

MANUFACTURING PERSONNEL	MARKETING	FINANCE	R&F
Mr. A	X	-	-
Mr. B	-	X	-
Mr. C	-	-	X
Mr. D	-	-	X

This would mean avoidance of duplication of activities and decisions and would also lead to better coordination of work.

(5) Information Control System:

A good control system acts like thermostat to keep your enterprise more or less on the chartered path (i.e. towards the accomplishment of stated objectives). For this you will have to develop a good intelligence system in order to keep the key people of your enterprise informed of commercial, technical and economic development concerning the task of your enterprise. This would facilitate realistic decisions, grabbing of new opportunities and planning of the work in advance.

Another important element of your control system is budgeting. You are advised to avoid excessive budgeting, which requires justification of any expenditure. Due to this sometimes it becomes difficult to get money for new ventures even if it involves cost cutting.

(6) Incentive system:

In any enterprise an ineffective incentive system may cause absenteeism, high turnover of personnel and their dissatisfaction. They lead to poor productivity; in order to encourage productivity you may adopt piece rate system, work-study incentives, pay-by-results. This takes care of extrinsic (monetary) motivation. In order to provide intrinsic motivation (non –monetary) you may prepare the task in such a way that it is taken by employees as challenging, interesting, has prospects for personnel growth (in terms of new skill and new experience) and involves responsibility and autonomy. It

is intrinsic motivation along with the sufficient amount of extrinsic motivation that generally lead people to contribute innovative ideas at work.

(7) Suggestion Box:

In order to encourage ideas to solve day-to-day problems, it is desirable to set up a suggestion box in the centre of the work place. Invite everybody to drop their suggestion in the box for effective functioning of the enterprise.

The suggestion box may be used for solving problems, which are spotted. You may also form a creative club (now very commonly used in professional enterprises) in the club, employees may be encouraged to make new experimentation of their ideas, have exchange of new ideas about opportunities for the growth of the enterprise. This activity may be supported by creation of a 'special fund for innovation'. Out of this fund, a man may also be rewarded for his an innovate idea for further stimulation.

BACK AGAIN WHERE WE BEGAN -DO'S & DON'TS

- Do not overburden yourself right from the beginning. You will have plenty to do later on.
- An entrepreneur should be a moderate and calculated risk taker, so take your decisions considering this fact at all times.
- An Entrepreneur's work is not to do all the work by himself, but also to get result from the work done by others.
- Proper and planned utilization of time can yield better performance.
- Keep yourself fully informed about the market developments and think out the adjustments when required in advance.
- Do not avoid or run-away from your problems, be they the creditors/money lenders in bad times, but take them into confidence and keep them informed about your real position. This is unpleasant but it can be very helpful.
- The best way to face competition is to know more about competitors, by meeting and talking to related persons. Don't keep yourself in the dark about them.
- Do not hesitate to take advice of experts. Learn to use their advice to your advantage. Develop all-rounded managerial understanding.

Do not promise immediate repayments of private borrowings from your relatives or friends, especially if they have been put into long term assets. Spread out your payments and make promises based on expected receipts. Do not delay. A day's delay in decision can multiply in weeks/months.

Any decision will always, have many implications, both short-term and long term. So weigh them, evaluate them and then do not be afraid to take hard and unpleasant decisions.

You must have your own information system to know where your business is leading.

- Don't depend too-much on your memory. Make a habit of writing points down and maintain the records regularly. A simple way is to spend at least 15 minutes a day to do this. This can save spending days at the end of the year to write them. Make recording a regular practice.

- Cost consciousness does not mean accurate calculations of cost up to last decimals. But it is awareness about your commitments, priorities, implications, commensurate with your resources and returns.
- Though financial results and problems are your major concerns, these may not always be the only cause or factor for improving your performance.
- Anticipate changes and problems and prepare yourself to face them.
- You will be surprised to know that the majority of SSI Units have failed in the first year itself. Work hard and cautiously in the initial period in order to lay a solid foundation.
- A majority of the reasons that cause failure can be avoided if proper planning is done in advance.
- Only plan for likely difficulties/uncertainties over which you have reasonable control. Do not worry about uncertainties over which you have little control. Just make provision for them and then forget about them. For instance, take insurance against fire and then stop worrying.
- If you think someone can do your work, delegate it to him and monitor his performance. This will give you more time to do some more important work.
- Develop the habit of spending half-an-hour everyday to plan your activities and to assess your day's work. I will keep you free of tensions and your unit healthy.
- Managerial success is not keeping oneself totally busy and involved in the day-to-day work, but to have adequate free time to think, plan and work for future also.
- Keep yourself aware about technology by visiting factories, exhibitions markets and by being members of trade/industry associations.