JMBA61 –ENTREPRENEURIAL DEVELOPMENT

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JMBA61 –ENTREPRENEURIAL DEVELOPMENT

UNIT I

Entrepreneur – Meaning & definition, Classification of entrepreneurs, Function of Entrepreneurs, Role of Entrepreneurs. Entrepreneurship – Concept of Entrepreneurship, Growth of Entrepreneurship in India, Role of Entrepreneurship in Economic Development, Factors influencing Entrepreneurship.

UNIT II

Generating Innovative Ideas of Business – Brainstorming, focus group, survey, customer advisory boards. Creativity and selection of products. Project profile preparation, matching entrepreneur with the project, steps for starting small industry.

UNIT III

Business Plan Development – Business idea generation technique, identification of business opportunity, feasibility study, marketing, finance, technology and legal formalities preparation of project report, tools of appraisal.

UNIT IV

Awareness of Various Government Schemes for Start-up Business – Start-up India, Stand-up India, "Make in India" Program, MUDRA. Role of women entrepreneurs in economic development. Schemes for Women Entrepreneurs – Annapurna Scheme, Dena Shakti Scheme, Mudra Loan for Women, Stree Shakti Scheme.

UNIT V

Problems and Remedies of Sick Industries – Concept of industrial sickness, signals and symptoms of sickness, magnitude of industrial sickness, causes and consequences of industrial sickness, corrective measures.

UNIT I

1.1Entrepreneur – Meaning & definition,

1.2. Classification of entrepreneurs

1.3. Function of Entrepreneurs

1.4. Role of Entrepreneurs. Entrepreneurship

1.5. Concept of Entrepreneurship

1.6. Growth of Entrepreneurship in India

1.7. Role of Entrepreneurship in Economic Development

1.8. Factors influencing Entrepreneurship.

I.WHO ARE THE ENTREPRENEURS?

The word 'Entrepreneur' is derived from the French word 'Entreprendre' meaning to undertake. In fact, in the 16th century, the Frenchmen who undertook military expeditions were referred to as 'Entrepreneurs.' Later on, in the 18th century, this term got associated with persons who started their own enterprises.

Richard Cantillon, an Irish man living in France, was the first economist who introduced the term 'entrepreneur' referring to the risk-taking function of establishing a new venture.

1.1DEFINITIONS

Various experts have defined the term entrepreneur in different words. Some of the definitions are as follows:

According to Collins Cobuild English Language Dictionary, 1987, "An entrepreneur is a person who sets up business deals in order to make a profit."

According to J.B. Say, "An entrepreneur is the economic agent who unites all means of production"...

Richard Cantillon says, “All persons engaged in economic activity are entrepreneurs.” In the words of Quesnay, “A rich farmer is an entrepreneur who manages and makes his business profitable by his intelligence and wealth.”

J.A. Schumpeter is of the view that, “A person who introduces innovative changes is an entrepreneur and he is an integral part of economic growth.

“**According to Webster,** “Entrepreneur is one who assumes risk and management of business.” In the words of Walker, “True entrepreneur is one who is endowed with more than average capacities in the risk of organising and co-ordinating various factors of production.

“**Peter Drucker says,** “Entrepreneur is one who always searches for change, responds to it and exploits it as an opportunity. Innovation is a specific tool of entrepreneurs, the means by which they exploit change as an opportunity for different business or service.” Dewing has rightly put it as follows: “The function of entrepreneur is one that promotes ideas into business.”

Thus, an entrepreneur is always action-oriented. He has the ability to visualise the necessary steps involved from idea generation to its actualisation. He is both a thinker and doer; planner and worker. He accepts risk and manages it

All the above definitions portray an entrepreneur as an initiator of action, stimulator of social economic change and a harnesser of resources.

1.2.CLASSIFICATION OF ENTREPRENEUR

TYPES OF ENTREPRENEUR

Today various types of entrepreneur are found engaged in different types of activities, not only in industrial activities but also in agriculture and commercial activities. Today we can recognize entrepreneur in industry, service and business sectors which are technically called as ISB sectors.

Entrepreneurs are classified in a number of ways as discussed below. Clearance Danhof's Classifications Danhof classifies Entrepreneur into four types.

1. Innovative Entrepreneur:

This category of entrepreneur is characterized by smell of innovativeness. This type of entrepreneur sense the opportunities for introduction of new ideas, new technology, discovering of new markets and creating new organizations. Such entrepreneur can work only when certain level of development is already achieved and people look forward to change and improve. Such entrepreneur are very much helpful for their country because they bring about a transformation in life style.

2. Adoptive or Imitative Entrepreneur :

Such entrepreneurs imitate the existing entrepreneur and set their enterprise in the same manner. Instead of innovation, he may just adopt the technology and methods innovated by others. Such types of entrepreneur are particularly suitable for under developed countries for imitating the new combination of production already available in developed countries.

3. Fabian Entrepreneur :

Fabian entrepreneurs are characterized by great caution and skepticism, in experimenting any change in their enterprise. They imitate only when it becomes perfectly clear that failure to do so would result in a loss of the relative position in the enterprises.

4. Drone Entrepreneur : Such entrepreneurs are conservative or orthodox in outlook. They always feel comfortable with their old fashioned technology of production even though technologies have changed. They never like to get rid of their traditional business, traditional machineries and traditional system of business even at the cost of reduced returns.

Arthur H Cole Classification Arthur H Cole classifies entrepreneurs as empirical, rational and cognitive entrepreneur.

Empirical : He is an entrepreneur who hardly introduces anything revolutionary and follows the principle of rule of thumb.

Rational : The rational entrepreneur is well informed about the general economic conditions and introduces changes, which look more revolutionary.

Cognitive: Cognitive entrepreneur is well informed, draws upon the advice and services of experts and introduces changes that reflect complete break from the existing scheme of enterprise.

Classification Based on the Scale of Enterprise Small Scale: These entrepreneurs do not possesses the necessary talents and resources to initiate large scale production and to introduce revolutionary technological charge.

Large scale: They possess the necessary financial and other resources to initiate and introduce new technological changes. They possess talent and research and development facilities. Other Classification Following are some more types of entrepreneurs listed by behaviour scientists.

Solo Operators: These are the entrepreneurs who essentially work alone, introduce their own capital and if essential employ very few employees. In the beginning most of the entrepreneurs start their enterprises like them.

Active Partners: Such entrepreneurs jointly put their efforts and resources. They actively participate in managing the daily routine of the business concern. Entrepreneurs who only contribute their funds but not actively participate in the business are called simple 'Partners'.

Inventors: Such entrepreneurs are creative in character and feel happy in inventing new products, technologies and methods of production. Their basic interest lies in research and innovative activities.

Challengers: According to such entrepreneurs, if there is no challenge in life, there is no charm in life. Such entrepreneurs plunge into industry/business because of the challenge it

presents. When one challenge seems to be met, they begin to look for new challenges. They convert odds and adversities into opportunities and make profit.

Buyers: These are the entrepreneurs who do not like to face the hassles of building infrastructure and other facilities. They simply purchase the existing one and by using their experience and expertise try to run the enterprise successfully.

Life Timers: Such entrepreneurs take business as an integral part of their life. Family enterprises, which mainly depend on exercise of personal skill, fall in this category.

Industrial Entrepreneurs: Such entrepreneurs engage in manufacturing and selling products.

Service Entrepreneurs: Such entrepreneurs engage in service activities like repair, consultancy, beauty parlor etc., where entrepreneurs provide service to people.

Business Entrepreneurs: They are also called as trading entrepreneurs which buy and sell goods.

Agricultural Entrepreneurs: They engage themselves in agricultural activities like horticulture, floriculture, animal husbandry, poultry etc.

Corporate Entrepreneurs: Corporate entrepreneurs undertakes their business activities under legally registered company or trust.

Rural Entrepreneurs: Entrepreneur's selecting rural-based industrial opportunity in either khadi or village industries sector or in farm entrepreneurship are regarded as rural entrepreneurs. According to Kkhadi and Village Industry Commission (KVIC) village or rural industry means any industry located in rural areas, population of which do not exceed 10,000, which produces any goods or services in which fixed investment of an artisan or a worker does not exceed one thousand rupees. Women Entrepreneurs : According to Government of India an women entrepreneur is defined as an enterprise owned and

controlled by a woman and having minimum financial interest upto 51% of the capital and giving at least 51% employment to women.

1.3.FUNCTION OF ENTREPRENEURS

Functions of an Entrepreneur An entrepreneur is an agent who buys various factors of production with a view to combining them into a finished product which can be sold in the market. While doing so, he has to perform the following basic functions:

1. Risk Assumption Function

2. Business Decision Making Function

3. Managerial Function

4. Function of Innovation

1. Risk Assumption Function:

An entrepreneur has to necessarily act as a 'risk-bearing' agent of production since he has to bear a greater amount of uncertainties in business. The term uncertainty refers to more than an ordinary risk. Ordinary risk can be measured and insured whereas, risk due to uncertainty cannot be insured and it is incalculable also. For instance, risks due to the possibility of changes in the taste of customers, change in fashion and technique of production, new inventions, etc., cannot be ensured. But, an entrepreneur has to undertake and face such uncertainties. The entrepreneur assumes this risk and tries to reduce these uncertainties by his initiative, skill and admirable ability.

2. Decision Making Function: From the very inception of the business till its development, an entrepreneur has to take decisions at various stages. He has to decide the nature and type of goods to be produced, the size of the business, its location, technique of production, etc. A successful entrepreneur is one who takes sound decisions at the appropriate time so that his business may succeed.

3. Managerial Function: An entrepreneur has to perform the managerial functions also. Managerial functions are nothing but functions of coordination, organisation and supervision. An entrepreneur is one who combines the land of one, the labour of another and the capital of yet another, and thus, produces a product. While undertaking an enterprise, he has to perform all managerial functions starting with planning and ending with controlling.

4. Function of Innovation: Innovation is an important function of an entrepreneur. In this context, one should know the distinction between an investor and an innovator. The person who discovers new methods, new materials and machines is called an inventor. But, the person who utilises these inventions so as to make new combinations of products is called an innovator. Innovation is a never-ending process and in fact it is an ongoing function. Thus, an entrepreneur has to be always on the lookout to introduce a new product or a new production technology or open a new market hitherto untapped or discover a new source of supply of new material. Innovators are always successful in their ventures. Entrepreneur

Innovation involves introducing something new. It is not a simple imitation, but an addition however slight it may be. Four Types of Innovation Incremental Innovation This builds on an existing idea or model, product, process or service but innovates a bit on it. The effect is to lower the cost and increase the supply or availability. Generic bulk drugs made in India using a route different from the original is an example. Evolutionary Innovation Here, the innovator builds on what is known and creates significant new value. It is the next step to incremental. The innovation driver is market leadership. Tata Nano exemplifies this well. Breakthrough Innovation This involves the creation of a radically new product, service, process or business model. Breakthroughs or novel products that are derived from experimental innovation. The electric car Reva exemplifies this. The innovation driver here is new technologies that arise from existing information, methods and tools. Experimental Innovation It is close or identical to invention. The driver here is the next practice. — Kiran Mazumdar of Biocon Ltd. Frugal

Innovation The ability to generate more business and social value by significantly reducing the use of scare resources is known as frugal innovation. Resource scarcity can be a catalyst for such innovation. At the current rate of consumption, it is estimated that by 2030 we would require two planets to supply the resources we need and absorb the wastage. Hence there is an urgent need for innovation to reduce the use of scarce resources.

An entrepreneur not only conceives the business idea but also combines various factors of production such as men, money, machines, and methods so as to get finished products which can be sold in the market. While doing so, he performs the following functions:

1. Idea Generation and Choosing the Right Time to Business: Idea generation implies product selection and project identification. Ideas can be generated through various sources such as project profiles, industries, potential surveys, new product development in research laboratories, export statistics, probability studies of selected industries, trade fairs and exhibitions, etc. It is the function of an entrepreneur to generate as many ideas as he can from various sources for the purpose of selecting the right line of business which can be converted into a viable business venture. 6 Entrepreneurship Development

2. Determination of Business Objectives: Determination of the objectives of the proposed business is the next function. An entrepreneur should decide the nature and type of business he proposes to start. This implies whether the enterprises belong to a manufacturing unit, service-oriented one or trading. An entrepreneur must be very clear about the nature of business.

3. Market Research: The success of any business depends upon its ability to market its products/ services. Hence, an entrepreneur should undertake market research to estimate the demand and supply for the products, size of customers, future changes in the volume and patterns of supply and demand for the product, etc.

4. Determination of Form of Organisation: The entrepreneur has to decide the form of ownership/organisation for its new enterprise. The main forms of organisation are sole proprietorship, partnership and joint stock company. An entrepreneur has to decide the organisation based on one's capacity to take decisions and bear the risk, the nature of business, volume of investment, quality of human resource, size and area of operation.

5. Promotional Formalities: Completion of promotional formalities such as obtaining registration certificate, clearances, submitting application for term and working capital loan and the like are the next functions of an entrepreneur.

6. Raising of Funds: Finance is the most important prerequisite to start a business. An entrepreneur has to raise funds for purchase of fixed capital as well as working capital. He must be aware of its various sources of funds, government schemes and type of assistance provided by financial institutions.

7. Procurement of Machinery: Procurement of machinery constitutes an important function of an entrepreneur. He should be careful in the selection and purchase of equipment and machinery.

8. Procurement of Raw Materials: An entrepreneur has to ensure timely and adequate availability of raw materials for continuous production. He must identify the cheap and regular source of supply of raw materials

9. Recruitment of Staff: Recruitment of persons of various cadres such as skilled and unskilled workers, supervisors, etc., and giving necessary training are the other functions of an entrepreneur.

10. Implementation of the Project: The project identified is to be implemented in a time-bound manner by the entrepreneur. The function of the entrepreneur is to accomplish all activities from conception stage to commissioning stage in accordance with the schedule successfully

1.4..ROLE OF ENTREPRENEURS

Entrepreneurs play their role in different capacities such as innovators, generators of employment opportunities, and developers of economy. A brief discussion on these roles of entrepreneurs is made in the forthcoming pages. A. Role of Entrepreneurs as Innovators in Economic Development One of the most important themes in the definition of entrepreneurship is innovation. Entrepreneurship involves changing, revolutionizing, transforming and introducing new approaches. Entrepreneurs as innovators perform an important role in the economic development of a nation. Schumpeter considered the entrepreneurs as the key figure in the economic development of a nation because of their role in introducing innovations. Parson and Smelser described entrepreneurship as one of the two necessary conditions for economic development, the other one being the increased output of capital. Harbison includes entrepreneurs as one of the prime movers of innovation. Saysingh simply describes entrepreneurship as a necessary dynamic force. It is also believed that development does not occur spontaneously as a natural consequence. A catalyst or agent is needed, which requires an entrepreneurial ability. It is the ability that he perceives opportunities, which either others do not see or care about. Essentially, the entrepreneur searches for change, sees need and then brings together the manpower, material and capital required to respond the opportunity what he sees. Innovation helps in coping with the international order and the dynamism of society. Being innovator, entrepreneurs perform a variety of functions to provide for the acceleration of economic growth, which are as follows:

1. Introduces New Combinations in the Means of Production : As an innovator, entrepreneur brings out new products, new techniques of production, opens up a new market, finds out new sources of raw materials, a novel use for existing products, a new type of organisation etc. All these result in growth and development of a country‟s economy through increased supply of products, savings in production cost etc.

2. Enables Progress in Technology: Entrepreneurs make use of potential technical knowledge, which enables continuous technological progress. It removes diminishing returns because technological progress leads to innovation, and consequently results in steady increase in total output and per capita output.

3. Aims at Leadership: As Peter F. Drucker says," a successful innovation aims at leadership" because leadership is a most logical attribute of entrepreneur to bring about economic development

4. Implement Skills: Entrepreneur makes use of his conceptual skills to bring about improvement in the quality of the product. It is a continuous function of an entrepreneur. There is no end to it. In this world of competition, an innovative entrepreneur alone can survive. Lack of innovative spirit may, in due course kill an enterprise. B. Role of Entrepreneur in Generating Employment opportunities : Entrepreneurs play an important role in generating employment opportunity, which is vital to the overall long-term economic health of nations. They initate, stimulate, promote and maintain economic activities as to production and distribution of goods. Hence they are considered as an integral part of socio-economic transformation. Entrepreneurs perform a significant role in establishing tiny, micro, and small scale industrial enterprises. It helps in generating a lot of employment opportunities, which is the need of the hour for a country like ours. It leads to creation of both self-employment and job opportunities, and consequently helps in minimising unemployment problem in the country.

1.5.CONCEPT OF ENTREPRENEURSHIP

Entrepreneurship can be defined as the propensity of mind to take calculated risks with confidence to achieve a pre-determined business or industrial objectives. That points out the risk taking ability coupled with decision making. The word 'entrepreneurship' typically means to undertake. It owes its origin to the western societies. But even in the west, it has

undergone changes from time to time. In the early 16th century, the term was used to denote army leaders. In the 18th century, it was used to denote a dealer who buys and sells goods at uncertain prices. Towards 1961, Schumpeter, used the term innovator, for an entrepreneur. Two centuries before, the concept of entrepreneurship was shady. It is only in the recent years that entrepreneurship has been recognized widely all over the world like in USA, Germany, Japan and in the developing countries like ours. Gunnar Myrdal rightly pointed out that Asian societies lack entrepreneurship not because they lack money or raw materials but because of their attitudes. Till recently, in the west, the entrepreneurship is mainly an attribute of an efficient manager. But the success achieved by entrepreneurs in develoing countries demolishes the 29 contention that entrepreneur is a rare animal and an elusive character. In India the definition of an entrepreneur being the one who undertakes to organize, own and run a business has been accepted in a National Seminar on entrepreneurship organized in Delhi in 1975. Still there has been no consensus on the definition of entrepreneurship and qualities of entrepreneurship. Incidentally, entrepreneurship has engaged the attention of sociologists, psychologists and economists. Sociologists analyse the characteristics of an entrepreneur in terms of caste, family, social status etc. Psychologists analyse their attributes on the basis of their personality traits such as need for achievement, affiliation and power, risk taking, decision making, creativity, leadership etc. The economists analyze them on the basis of occupational background, access to capital, business and technical experiences.

GROWTH OF ENTREPRENEURSHIP IN PRE-INDEPENDENCE PERIOD

Entrepreneurial growth in India is as old as Rigveda but there was no manufacturing as such before 1850. This manufacturing entrepreneurship was too confined to cottage & small scale industry. But it could not grow further due to various reasons such as lack of political unity, capital, network of custom barriers, existence of multiple systems of currency. Emergence of

entrepreneurial class is as old as our ancient history itself dating back to the pre-vedic period when the Harappan culture flourished in India. However, history of entrepreneurship and emergence of entrepreneurial class in India may be viewed under the following periods :

1. Period 1: Entrepreneurship in ancient period
2. Period II: Entrepreneurship in pre-independence era i.e. before 1850.
3. Period III: Entrepreneurship between 1850-1947
4. Period IV: Entrepreneurship after 1947 & onwards i.e. post independence period.

1. Period I : Entrepreneurship in Ancient Period :

As per the ancient literature, the ancient Indians took up a variety of commercial vocations akin to present day entrepreneurial activities. The arrival of Aryans opened the first phase of entrepreneurship, with their innovative new crafts and occupations, evolving division of labour for the new handicrafts, breeding of cattle, & cultivating land which were nearly non-existing before them. The ancient literature like Manusmriti gives a more clear picture about the entrepreneurial class of people during pre-vedic period. According to him, vaisyas were the specialized class of people carrying entrepreneurial activities in agriculture, industry & banking sector. During the Gupta & Post-Gupta period, agriculture, crafts and handicrafts comprised the basic sources of occupation for the people.

2. Period II : Entrepreneurship in Pre-independence Era before 1850 AD : During the pre-independence period, agriculture was the main occupation of the people of India. Besides agriculture, the bania, Parsis, Cherriars & Gujaratis etc., specialized in the manufacturing of handicrafts, metal works, stone carving & jewellery designing etc. had dominated the industrial entrepreneurship sector in rural areas. These communities actually laid the foundation of entrepreneurship by carrying out trade & commerce activities initially & later by establishing manufacturing centers. 34 British colonialism in India dealt a severe below to the Indian entrepreneurship & industrial revolution in Great Britain reduced India to the

status of material supplier for consumer market for the finished products manufacture in Britain. Due to lack of support from the British Government and its discriminatory policies towards Indian made products, the industrial entrepreneurship suffered a great deal.

3. Period III : Entrepreneurship during 1850-1947 : The mid nineteenth century opened up path for rapid industrialization with the introduction of railways in 1853, development of other infrastructural facilities like roads, ports etc. The eastern part of the country witnessed entrepreneurship mainly due to Europeans who engaged in export-oriented industries, like jute, textiles, tea, coal etc. whereas in the western part, entrepreneurship was mostly among the Indians. It is observed that during the last decades of the 18th century, the Parsis along with Marwaris & Gujaritis trading castes, took to entrepreneurial behaviour. The adoption of the concept of swadeshi & boycott in 1905 to counter the discriminatory policies o the British Government encouraged the Indians to plunge into entrepreneurship. Jamshedji Tata established his first iron & steel industry with the help of 'swadeshi contribution'. Due to the swadeshi movement which emphasized on manufacturing & using indigenous goods by the Indian's, indigenous entrepreneurship developed in many types of activities such as textiles, soap, matches, oil, tanneries, potteries, banking, insurance etc. As such, indigenous entrepreneurship grew at a rapid pace with emergence of entrepreneur classes such as Parsis, Marwaris & Gujaratis in the country on the eve of independence of India.

4. Period IV : Entrepreneurship in 1947 & onwards – Post-Independence period : In the post independence period, the Government identified the need for rapid industrialization with the establishment of heavy & basic industries. The post independence period witnessed the emergence of Marwaris as big investors and industrialists. Before independence, where the Marwaris controlled only 6 companies, after independence, they had 618 directorships which rose to 1/4th of the total in 1951. The Monopolies Inquiry Commission in 1964 has mentioned in its report that the Marwaris accounted for 10 large industrial houses out of a

total of 37 showing the strength of the Marwaris in the growth of entrepreneurship during this period. The Marwaris community emerged as a giant entrepreneurial class in the post-independence period. The house of Birla, Singhania, Bajaj & others have created their image in the industrial market in the field of industrial development in India.

1.6.DEFINITIONS OF ENTREPRENEURSHIP

McClelland identifies two characteristics of entrepreneurship. Firstly, doing things in a new and better way (Schumpetrian's innovator). Secondly, decision making under uncertainty (Cantillon's entrepreneur). McClelland emphasized that entrepreneurial manager should have a high need for influencing other (need for power), a low need to establish emotional relationships (low need for affiliation) and a high capacity to discipline one's own self (inhibition). In other words, entrepreneurship means the function of creating something new, organizing and co-ordinating and undertaking risk and handing economic uncertainty.

"Entrepreneurship is meant the function of seeing investment and production opportunity, organizing an enterprise to undertake a new production process, rising capital, hiring labour, arranging for supply of raw materials and selecting top managers for day to day operations of the enterprise". **- Higgins**

"Entrepreneurship is essentially a creative activity or it is an innovation function. The process of innovation may be in the form of

(a) Introduction of a new product

(b) Use of a new method of production

(c) Opening of a new market

(d) The conquest of new source of supplying raw material

(e) A new form of organisation" **- Joseph A. Schumpeter**

“Entrepreneurship is neither a science nor an art. It is a practice. It has a knowledge base. Knowledge in entrepreneurship is a means to an end. Indeed, what constitutes knowledge in practice is largely defined by the ends, that is, by the practice”. – **Peter F. Drucker**

“Entrepreneurship is the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or organize a profit-oriented business unit for the production or distribution of economic goods and services”. - **A. H. Cole**

“Entrepreneurship is that form of social decision making which is performed by economic innovators”. - **Robert K. Lamb**

“Entrepreneurship connotes innovativeness, an urge to take risk in face of uncertainties, and an intuition, i.e. a capacity of seeing things in a way which afterwards proves to be true”. - V.R. Gaikwad

“Entrepreneurship is the investing and risking of time, money and effort to start a business and make it successful”. - **Musscleman and Jakson**

1.7.ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

INTRODUCTION: Entrepreneurs play a significant role in the economic development of a nation. They are the most important input for the economic development of a nation. Economic development is impossible without the existence and development of entrepreneur in a society. A country may possess immense natural resources and a vast population. But these resources cannot be effectively utilized without the touch of the entrepreneur. Hence, The person The organisation Entrepreneurship The task The environment 11 entrepreneurs are considered as most essential for the growth of any economy. They play many roles in the development of a nation‟s wealth and welfare. A brief discussion on the roles played by entrepreneurs is made here under.

Role of Entrepreneur in increasing Economic Growth : The important role that entrepreneurs play in the economic development of a country can be described as shown here below:

1. Capital Formation : Capital formation is the most crucial element for economic growth. It is always necessary to increase the rate of capital formation so that the economy accumulates a large stock of machines, tools, equipments, which can be geared into production by the entrepreneur. Entrepreneurship promotes capital formation by mobilizing the idle saving of the public.

2. Generates Employment : Entrepreneurs establish small scale industrial units and thereby they generate employment opportunities. It helps in the reduction of unemployment problem, which is the root of all socio-economic problems.

3. Promotes Balanced Regional Development : Entrepreneurs plays a crucial role in bringing about social stability and balanced regional development. In each and every country, entrepreneur is considered as a valuable human resource. Entrepreneur, as a catalyst of change, tries to bring about balanced regional development in the following ways:

- Establishing industries in rural and backward areas.
- Establishing agro-based industries so as to co-ordinate the dispersal process and develop agriculture.
- Utilising indigenous technology for creating of enterprise in backward areas.
- Developing handicraft and cottage industries sector to bring about balanced regional development
- .Establishing industries in rural and backward regions and availing concessional finance, investment subsidy, transport subsidy, etc., provided by the government.

4. Reduces Concentration of Economic Power The responsibility of social stability lies on his shoulder. He brings about it through the following ways:

- Minimising poverty.
- Diffusing prosperity and checking expansion of monopolies
- Equitable distribution of income.
- Creating employment opportunities.

5. Effective Use of Resources Entrepreneurs are needed in a society so that natural resources and human resources can be exploited most effectively for the general welfare of mankind.

6. Induces Backward and Forward Linkages Entrepreneur induce change in the economy by way of forward and backward linkages. Establishment of a large scale unit generates several ancillary industries as well as several other industries, which grow by utilising the raw materials and by-products produced by the mother plant. In this way, entrepreneurs supplement the economic growth.

7. Promotes Country's Export Trade It also promotes country"s export trade, which is an important ingredient to economic development. The role of entrepreneur is of fundamental importance as far as export promotion and import substitution are concerned. Export Promotion: It promotes exports and thereby it ensures the following

1. Minimum dependence on imports from aboard.
2. Exploring of new markets.
3. Foreign exchange earnings.
4. Minimising the burden of debt servicing.
5. Utilising the available resources.
6. Exporting handicraft items.
7. Meeting the balance of payments deficits.

1.8. FACTOR INFLUENCING ENTREPRENEURSHIP

Entrepreneurship is a **complex and dynamic phenomenon** that plays a vital role in economic growth, innovation, employment generation, and social development.

Entrepreneurs are not born in isolation; they emerge and succeed due to the **interaction of several internal and external factors**. These factors shape their thinking, decision-making, risk-taking ability, and overall performance.

Broadly, the factors influencing entrepreneurship can be classified into:

1. **Personality (Personal) Factors**, and
2. **Environmental Factors**.

Both sets of factors are interdependent. While personal factors provide the inner drive and capability, environmental factors create opportunities or constraints within which entrepreneurship operates.

1. Personality (Personal) Factors

Personality factors refer to the individual qualities, traits, attitudes, and competencies that motivate a person to become an entrepreneur and help him or her succeed. These personal factors form the core competencies of entrepreneurs**.**

(a) Initiative

Initiative is the ability of an entrepreneur to take action without waiting for instructions. Entrepreneurs do not wait for opportunities to come to them; instead, they actively seek them.

An entrepreneur with initiative:

- Starts work without being told
- Takes responsibility voluntarily
- Acts quickly when opportunities arise

Initiative helps entrepreneurs move ahead of competitors and convert ideas into reality. Without initiative, even good ideas remain unimplemented.

(b) Proactiveness

Proactiveness refers to the ability to anticipate future needs and opportunities and act in advance. Proactive entrepreneurs continuously scan the environment to identify emerging trends and unmet customer needs.

Proactive behaviour includes:

- Identifying market gaps
- Introducing new products before competitors
- Adapting to changes in technology and customer preferences

Proactiveness enables entrepreneurs to stay ahead in a competitive and uncertain business environment.

(c) Perseverance

Perseverance is the quality of working continuously despite difficulties, failures, and obstacles**.** Entrepreneurship involves uncertainty, risk, and frequent setbacks.

A persevering entrepreneur:

- Does not give up easily
- Learns from failures
- Continues efforts until goals are achieved

Many successful entrepreneurs faced repeated failures before achieving success. Perseverance helps them overcome challenges and sustain long-term growth.

(d) Problem-Solving Ability

Entrepreneurs are effective problem solvers**.** They identify problems as opportunities and develop innovative solutions.

Problem-solving ability involves:

- Creative thinking
- Analytical skills

- Innovation and experimentation

Entrepreneurs often introduce new products, services, or processes to solve customer problems. This ability differentiates entrepreneurs from ordinary businesspersons.

(e) Persuasion

Persuasion is the ability to influence and convince others. Entrepreneurs must persuade:

- Customers to buy their products
- Financiers to invest or lend money
- Employees to work towards organizational goals

Strong persuasion skills help entrepreneurs build trust, maintain relationships, and gain support from various stakeholders.

(f) Self-Confidence

Self-confidence is the belief in one's own abilities and judgments. Entrepreneurs often make decisions under uncertainty and risk.

A self-confident entrepreneur:

- Takes bold decisions
- Accepts responsibility for outcomes
- Stands by decisions even under pressure

Self-confidence enables entrepreneurs to face challenges courageously and inspire confidence among others.

(g) Self-Critical Attitude

Being self-critical means the ability to evaluate one's own actions and learn from mistakes**.** Successful entrepreneurs do not blame others for failures.

A self-critical entrepreneur:

- Analyses failures objectively
- Learns from personal experience and others' experiences

- Continuously improves performance

This quality helps entrepreneurs grow personally and professionally.

(h) Planning Ability

Planning is a crucial entrepreneurial skill. Entrepreneurs must collect information, set objectives, prepare plans, and monitor performance**.**

Planning includes:

- Market analysis
- Financial planning
- Resource allocation
- Performance evaluation

Effective planning reduces uncertainty, minimises risks, and improves chances of success.

(i) Risk-Taking Ability

Risk-taking is considered the basic and most essential quality of entrepreneurship**.** Entrepreneurs invest time, money, and effort in uncertain ventures.

Entrepreneurial risk-taking involves:

- Calculated risks, not blind gambling
- Willingness to face uncertainty
- Decision-making under incomplete information

Entrepreneurs who avoid risk cannot innovate or grow. However, successful entrepreneurs manage risks carefully through planning and analysis.

2. Environmental Factors

Environmental factors refer to the external conditions and forces that influence entrepreneurial activity. These factors create either a supportive or restrictive environment for entrepreneurship.

(a) Political Environment

Political stability is a crucial factor influencing entrepreneurship. A stable political system ensures:

- Continuity of economic policies
- Protection of property rights
- Law and order

Frequent political protests, strikes, bandhs, and instability disrupt economic activity and discourage entrepreneurial ventures. Entrepreneurs prefer politically stable environments for long-term investment.

(b) Legal and Regulatory Environment

The legal system determines the ease of starting and operating a business. Simple laws, transparent regulations, and efficient enforcement encourage entrepreneurship.

Factors such as:

- Ease of business registration
- Labour laws
- Tax regulations
- Contract enforcement

play a significant role. Complex procedures, corruption, and rigid regulations discourage entrepreneurial initiatives.

(c) Economic Environment

The economic environment includes factors such as:

- Income levels of people
- Economic growth
- Availability of finance
- Inflation and interest rates

Higher income levels increase purchasing power and demand for new products, encouraging entrepreneurship. Availability of credit and venture capital further supports entrepreneurial growth.

(d) Social and Cultural Environment

Social attitudes and cultural values strongly influence entrepreneurship. Societies that:

- Respect entrepreneurs
- Encourage innovation and achievement
- Accept failure as learning

tend to produce more entrepreneurs. Family support, education, and role models also play a vital role in shaping entrepreneurial behaviour.

(e) Market Conditions

Market conditions determine the availability of opportunities. Factors such as:

- Size of the market
- Nature of competition
- Customer preferences

influence entrepreneurial decisions. Growing markets with unmet needs encourage new ventures.

(f) Technological Environment

Advancements in technology create new entrepreneurial opportunities. Innovations in information technology, communication, transport, and manufacturing enable entrepreneurs to:

- Reduce costs
- Improve quality
- Reach global markets

Entrepreneurs who adopt and adapt to new technology gain competitive advantage.

(g) Infrastructure Facilities

Availability of infrastructure such as:

- Power
- Transport
- Communication
- Industrial estates

supports entrepreneurial activities. Poor infrastructure increases costs and reduces efficiency, discouraging entrepreneurship.

(h) Government Policies and Support

Government initiatives such as:

- Startup schemes
- Subsidies and incentives
- Skill development programmes

encourage entrepreneurship. Supportive policies reduce risk and motivate individuals to start businesses.

Interplay Between Personal and Environmental Factors

Entrepreneurship does not depend on personal qualities or environmental conditions alone. It is the interaction between the two that determines entrepreneurial success.

- A highly motivated individual may fail in an unfavourable environment.
- A favourable environment may remain underutilised without capable individuals.

Thus, entrepreneurship flourishes when enterprising individuals operate in a supportive environment.

Impact of Entrepreneurship on Society

When personal and environmental factors align, entrepreneurship leads to:

- Economic growth

- Employment generation
- Innovation and technological progress
- Balanced regional development
- Improved standard of living

Entrepreneurship benefits not only the individual entrepreneur but also the organisation and society at large.

Entrepreneurship is influenced by a combination of personality factors and environmental factors**.** Personal qualities such as initiative, perseverance, problem-solving ability, planning, and risk-taking provide the internal drive for entrepreneurship. Environmental factors such as political stability, economic conditions, market opportunities, technology, and government support create the external framework within which entrepreneurship operates. The successful interaction of these factors results in sustainable entrepreneurial growth, benefiting individuals, organisations, and society as a whole.

Check Your Progress

Choose the Correct Answer:

1. **An entrepreneur is a person who:**
   a) Works only in government offices
   b) Starts and manages a business by taking risks
   c) Only invests money in banks
   d) Works as an employee in a company
   Answer: b
2. **Who is known as the person who organizes and manages a business venture?**
   a) Manager
   b) Entrepreneur
   c) Worker
   d) Consumer
   Answer: b
3. **Entrepreneurs can be classified based on:**
   a) Age and gender only

b) Nature of business and innovation

c) Height and weight

d) Education level only

Answer: b

4. **One of the main functions of an entrepreneur is to:**

a) Avoid taking risks

b) Organize factors of production

c) Only follow orders

d) Reduce business activities

Answer: b

5. **The role of an entrepreneur in economic development is to:**

a) Increase unemployment

b) Reduce production

c) Create employment opportunities

d) Stop industrial growth

Answer: c

6. **Entrepreneurship refers to:**

a) The process of starting and running a new business

b) Working only in a government job

c) Saving money in banks

d) Buying goods from markets

Answer: a

7. **The growth of entrepreneurship in India is supported by:**

a) Government schemes and policies

b) Lack of education

c) Decrease in industries

d) Reduction in technology

Answer: a

8. **Which of the following is a factor influencing entrepreneurship?**

a) Economic conditions

b) Social environment

c) Government policies

d) All of the above

Answer: d

9. **Entrepreneurs help economic development by:**

   a) Increasing production and innovation

   b) Reducing employment

   c) Closing industries

   d) Avoiding new ideas

   Answer: a

10. **Innovation in business is commonly associated with:**

    a) Entrepreneurs

    b) Customers

    c) Employees

    d) Traders

    Answer: a

Small Questions – LOCF Mapping Table

S.No	Small Question	CO	Bloom's Level	PO
1	Define an Entrepreneur.	CO1	Remember	PO1
2	List any two features of Industry 4.0.	CO2	Remember	PO1
3	What is meant by Joint Family System?	CO1	Understand	PO2
4	State any two factors influencing entrepreneurship.	CO3	Understand	PO2
5	What is Cloud Computing?	CO2	Remember	PO1

Big Questions – LOCF Mapping Table

S.No	Big Question	CO	Bloom's Level	PO
1	Explain the fundamental concepts and principles related to the subject area.	CO1	Understand	PO1
2	Apply theoretical knowledge to solve practical problems in the domain.	CO2	Apply	PO2
3	Analyze different methods/approaches used in the field and compare their effectiveness.	CO3	Analyze	PO4
4	Evaluate real-world case studies or scenarios using appropriate tools or techniques.	CO4	Evaluate	PO5
5	Design or propose solutions/strategies to address domain-specific challenges.	CO5	Create	PO3

UNIT II

2.1. Generating Innovative Ideas of Business

2.2. Brainstorming, focus group, survey, customer advisory boards.

2.3. Creativity and selection of products.

2.4. Project profile preparation,

2.5. Matching entrepreneur with the project,

2.6. Steps for starting small industry.

2.1.Generating Innovative Ideas of Business

INTRODUCTION BUSINESS IDEAS

Every business needs a good business idea. It is the idea which can help them to move in the right direction. The success and failure of a business depends on its business ideas. If the idea of a business is good, the business will survive otherwise it will fail in the market of competition. Good business ideas, if introduced at the right time, can make a business very successful. The ability to come up with a good business idea can be transformed into a viable business.

SOURCES OF BUSINESS IDEAS

There are many sources of business ideas. The most important sources of business idea have been discussed **below:-**

(A) PRIMARY SOURCES OF BUSINESS IDEAS

1. **Hobbies:** While having fun at what they enjoy doing, many people have started businesses. Converting hobbies into money making opportunities has worked for many entrepreneurs. For instance, if you love to travel, perform arts or into hospitality you can look at starting a business venture in the tourism sector. Examples of hobbies that make money include sports, cooking, piano playing, photography etc.

2. Self Experience: Many investors find it convenient to choose business ideas in line with their background. This because of them understands the terrain better. More than half of business ideas come from experiences at work place only. A survey of entrepreneurs found that most of the new start-up companies are involved in industries where they had significant work experience. The personal contacts and domain expertise developed on the job have proven to be valuable to many individuals who contemplated launching a business of their own. Anybody who intends to start a business in a new industry are therefore, encouraged to firstly becoming an "apprentice" for a suitable period of time. By doing this he could avoid costly mistakes and the same time be able to assess whether he enjoy the work before making a serious financial commitment.

3. Mass Media: The Mass Media is also a platform for the generation and sources of business ideas in the following ways:

(a) Study commercial advertisements on business needs and sales of entire business.

(b) Extract information from reports on changes in fashions or consumer needs e.g healthy eating, weight loss, etc.

(c) Sieve through advertisements for popular skills demanded e.g security, catering, web design.

4. Exhibitions: If we take time to study most exhibitions, we would be able to discover the nature of new products and re-branding ideas of existing products. Through talking with sales representatives, manufacturers and end users, we will be able to find a gap to fill to start our own business.

5. Surveys: Surveys can either be done online or offline. Talking to neighbours, co-workers and family members about a particular product or service is a form of informal survey. The essence of carrying out surveys is to gather complaints from dissatisfied customers of new

and existing products. We will be able to 101 generate new ideas to fine-tune our own investment so as to include improvements and changes most people would like to see.

6. Complaints: Anytime we hear a customer complaint about a product such as; I wish there was....., if they had....etc., there lies an idea for investment. We can either set up competitor business with such firms offering a better product or sell that idea/product for improvement to the company directly. Talk to people, read comment and reviews on blogs and browse popular forums to gather complaints about that product. Complaint is one of the most practical primary sources of business ideas.

7. Brainstorming: Brainstorming involves using creative thinking to generate business ideas to solve problems. The first step is to identify a problem or question and then Brainstorming is a technique of creative problem-solving as well as for generating ideas. The overall idea is to come up with solutions as many as possible. When looking for sources of ideas for new business start ups, through brainstorming you should avoid criticizing the ideas of others on our team, allow even the wildest of ideas, allow large number of contributions and don't hesitate to merge and improve upon other people's suggestions.

(B) SECONDARY SOURCES OF BUSINESS IDEAS

1. Consumers: Potential entrepreneurs should continually pay close attention to potential customers. This attention can take the form of informally monitoring potential ideas and needs or formally arranging for consumers to have an opportunity to express their opinions. Care needs to be taken to ensure that the idea or need represents a large enough market to support a new venture.

2. Existing Products and Services: Potential entrepreneurs and intrapreneurs should also establish a formal method for monitoring and evaluating competitive products and services on the market. Frequently, this analysis uncovers ways to improve on these offerings that may result in a new product or service that has more market appeal.

3. Existing Distribution Channels: Members of the distribution channels are also excellent sources for new ideas because of their familiarity with the needs of the market. Not only do channel members frequently have suggestions for completely new products, but they can also help in marketing the entrepreneur's newly developed products. One entrepreneur found out from a sales clerk in a large departmental store that the reason his hosiery was not selling was its colour. By heeding the suggestion and making the appropriate colour changes, his company became one of the leading suppliers of non-brand hosiery in that region of the United States.

4. Government and Industrial Policies: The Government and Industrial policies can be a source of new product ideas. New product ideas can come in response to Government regulations and new industrial policies. The files of the patent office contain numerous new product possibilities. Although the patents themselves may not be feasible, they can frequently suggest other marketable product ideas. Several Government agencies and publications are helpful in monitoring patent applications.

5. Research and Development: The largest source of new ideas is the entrepreneur’s own "research and development", efforts, which may be a formal endeavour connected with one's current employment or 102 informal lab in a basement or garage. The research and development wing of the enterprise will continue the research to find the suitable products according to the need and requirement of the customers.

3.3 IDEA AND INFORMATION SOURCES

(B) Periodicals and Technical Reports

1. Trade Magazines: There are a number of trade magazines that cover general design issues or are targeted at a specialized technical field. These magazines are often a source of solutions for current problems. Besides the articles in these magazines, the advertisements can provide a fruitful source of ideas. As it is difficult to pinpoint specific information in

trade magazines, it is a good practice to make a habit of regularly reading or at least scanning these publications so that information can be located when required.

2. Research Journals: Research journals directly related to the specific area of the problem which is to be solved may provide modelling and analysis of specific problems as well as more general information that can lead to a design solution. Examples of these journals are Journal of Engineering Design, ASME Journal of Seat Transfer, and Artificial Intelligence in Engineering, Design and Manufacturing etc

3. Databases: Databases provide a mechanism by which articles from hundreds of technical journals spanning numerous years can be searched for a specific subject. The usability of these databases has been greatly enhanced in recent years by computerization. Examples of these databases include "The Engineering Index and The National Technical Information Service" etc. These databases can be searched by general categories or specific key words can be used for more targeted searches.

(C) Directories

1. Thomas Register: The Thomas Register of American Manufacturers is a set of volumes that provide information about manufacturers of a multitude of products and services. It can typically be found in the library but is now conveniently available on the Internet at www.thomasregister.com.

2. Fraser's Canadian Trade Directory: Similar to the Thomas Register, Fraser's Canadian Trade Directory provides information about Canadian providers of products and services. It is available in both hard copy and CD-ROM formats, and can also be accessed through the Internet at www.frasers.com where searches can be conducted .within the categories of company, product/service or brand name.

3. Yellow Pages: The yellow pages are another source for suppliers and manufacturers. If availability from local suppliers is insufficient, yellow pages for other cities can often be found at the library or on the Internet.

4. Catalogues: There are hundreds of catalogues of parts, assemblies and materials available through vendors. These catalogues are often available through workshops and resource centres, or can be ordered by mailing away request cards often included in trade publications.

(D) Other Literature Sources

1. World Wide Web: Searching the Internet can lead to websites belonging to vendors, manufacturers, consultants, design companies, professional organizations and educational centres etc. Almost every 103 organization of one type or another has a website and the information that is often provided on these websites is remarkable. Information found on the Internet is often more current than what is published, and often provides an e-mail address to which questions and requests for additional information can be sent. As anyone can create a website, caution should be used when utilizing information that it has been obtained from a reputable source.

2. Brochures: Marketing publications available from competitors or for related products can sometimes provide valuable information.

2. PEOPLE AS IDEA AND INFORMATION SOURCES

An extremely valuable source of ideas that often gets overlooked is people. It is truly amazing that the viable ideas can come from not only subject experts, but also the most unlikely sources including the person sitting next to you on the plane or a small child. Designers should never be afraid to ask others for ideas. Even if someone does not have any solutions to offer, they may know where to locate information or a person who can provide information. This is called networking and can be one of the most powerful tools in business today. We can find the new ideas from the people like Colleagues, Consultants, Business

Vendors, Existing Customers, Lead Users of our products and Friends and our Family Members.

1. Colleagues: Colleagues are usually a very approachable source of ideas. They may be people within the same company, contacts within other organizations or former classmates etc.

2. Consultants: Consultants are generally people who are experts in a certain area. Although mostly paid for their expertise, many willingly answer the questions and provide information as long as it is not in conflict with their commitments and doesn't require a great deal of time. Consultants can generally be located through word-of-mouth, professional directories, yellow pages, educational institutions or the Internet.

3. Vendors: Although the business vendors typically are interested in selling their product, many, value the development of relationships and will therefore often be a willing source of ideas and even samples. Vendors are an excellent resource as they often are current in technology and have the opportunity to visit a variety of companies where they can view different ways of doing things.

4. Customers: Customers are an excellent source of ideas. Often they have conducted their own research before committing to working with a team of designers on a specific project. They may have seen similar products in use and have ideas on different concepts that could be employed.

5. Lead Users: These people are those that had a need for a product long before the general population. Lead users have often created adaptations or invented their own solutions to satisfy their requirements until a new product comes along.

6. Friends/Family: Many designers find ideas for projects when casually talking to friends and family. Sometimes people who have little knowledge of the technology or the specific

problem to be solved may look at things from a different perspective and propose creative solutions.

3. ORGANIZATIONS AS IDEA AND INFORMATION SOURCES

The Government and business organization including various departments, laboratories, associations and other professional groups are also major sources of ideas and information.

1. Government: There are numerous sources within all levels of government. Many departments, including the Transportation and Safety Board, the National Bureau of Standards and the Department of National Defence, have standards and guidelines based on extensive research. Engineering organizations throughout the world make extensive use of the Military Standards produced by the U.S. Department of Defence, many of which can be accessed through libraries or downloaded from the Internet. The National Technical Information Service, a branch of the U.S. Department of Commerce, is a source for worldwide scientific, technical, engineering and business related information. Much of this information can be obtained through their Internet site www.ntis.gov.

2. Non-Profit Laboratories and Associations: Organizations such as the Canadian Standards Association, Underwriters Laboratories, American Society for Testing and Materials, and American Standards Association can provides standards and guidelines at a nominal fee. Often products must be tested against and comply with these standards before they can be offered commercially

3. Professional Organizations: Groups such as Association of Professional Engineers, /Geologists and Geophysicists of Alberta (APEGGA) and Society of Manufacturing Engineers (SME) often have publications and codes available. These organizations typically can identify and provide contact information for experts on a given subject.

4. . OTHER IDEA AND INFORMATION SOURCES

Generally, the innovative business ideas and its related information are available in the nature itself. The patents, analogies are other sources of ideas and information to start the enterprise.

1. Nature: Many innovative technical solutions are based on principles found in nature. Birds have provided concepts for winged flight as fish have for submarines. Honeycombs have provided examples of lightweight but strong structures and the arch of the human foot demonstrates the effectiveness of a keystone bridge structure for supporting heavy loads. Velcro an extensively used fastening device was based on the gripping capabilities of a burr.

2. Patents: Patents are an excellent source of technical ideas. Although the use of protected products may be prohibited or require the payment of a royalty, expired and foreign patents without global coverage can be used. Reviewing restricted patents may spawn innovative new ideas that do not fall under the restriction of a patent. The Mechanical Design Process explains the process for researching patents.

3. Analogies: The creative technique of using analogies involves examining the similarities between the current design problem and another similar problem. Basically, the design team completes the phase "This situation is like..." collects solution ideas for the analogous problem then transfers these ideas to the original problem. The analogous problem can be another technical example or one from nature. 105 The book Guide to Basic Information Sources in Engineering by Mount is one reference that highlights additional sources for information. Many engineering design books also provide suggestions for sources of ideas and information.

2.2. Brainstorming, focus group, survey, customer advisory boards.

TECHNIQUES FOR GENERATING NEW IDEAS

Generally, the entrepreneurs identify more ideas than opportunities because many ideas are typically generated to find the best way to capitalize on an opportunity. The following are

different types of techniques which can be used to stimulate and facilitate the generation of new ideas for products, services and businesses.

1. Brainstorming
2. Focus Groups
3. Observations
4. Surveys
5. Emerging Trends
6. Research and Developments
7. Trade Shows and Association Meetings
8. Other Techniques

1. Brainstorming

Brainstorming is a process in which a small group of people interact with very little structure, with the goal of producing a large quantity of novel and imaginative ideas. The goal is to create an open, uninhibited atmosphere that allows members of the group to "freewheel" ideas. Normally, the leader of the group asks the participants to share their ideas. As group members interact, each idea sparks the thinking of others, and the spawning of ideas becomes contagious.

Brainstorming technique was originally adopted by Alex Osborn in 1938 in an American company for encouraging creative thinking in groups of six to eight people. According to Osborn, brainstorming means using the brain to storm the issue/problem. Brainstorming ultimately boils down to generating a number of ideas to be considered for dealing with the issue/problem. However, brainstorming exercise, to be effective, needs to follow a modus operandi involving four basic guidelines:

1. Generate as many ideas as possible.
2. Be creative, freewheeling, and imaginative.

3. Build upon, piggyback, extend, or combine earlier ideas.
4. Withhold criticism of others' ideas.

There are two principles that underlie brainstorming. One is deferred judgment, by which all ideas are encouraged without criticism and evaluation. The second principle is that quantity breeds quality. The brainstorming session, to be effective, needs to work like a fun activity, free from any type of compulsions and pressures. Each member needs to have willingness and capacity to listen to others' thoughts, to use these thoughts as a stimulus to spark new ideas of their own, and then feel free to express them. As such, efforts are made to keep the brainstorming session free from any sort of dominance and obstruction derailing and inhibiting discussion to proceed in a desired manner to serve its purpose. A normal brainstorming session lasts from ten minutes to one hour and does not require much preparation.

Here is an example of brainstorming used to generate ideas to make the organization's presence noticed. A national-level institute of the Government of India took its faculty to a resort in Himachal Pradesh for a brainstorming session for two days to generate ideas on what it can do to be known, noticed, and recognized at the national and international arena. The seven major ideas generated were to:

(i) Open courses like PGDM for the general public,

(ii) Introduce new courses to meet the emerging market requirements,

(iii) Introduce research activity in terms of research projects and fellow programmes,

(iv) Sign Memoranda of Understanding (MOUs) with reputed national and international academic institutions,

(v) Start courses in collaboration with the Government and industry,

(vi) Nominate especially young faculty members to join the Faculty Development

Programmes conducted by the Indian Institute of Management, Ahmedabad (IIMA), and

(vii) Publish the Institute's research journal.

2. Focus Groups:

A group called a "focus group," consisting of 6–12 members belonging to various socio-economic backgrounds, is formed to focus on some particular matter such as a new product idea. The focus group is facilitated by a moderator to have an open, in-depth discussion. The mode of discussion of the group can be conducted in either a directive or a non-directive manner.

The comments from the members are supplied with the objective of stimulating group discussion and helping to conceptualize and develop a new product idea to meet market requirements. While focusing on a particular matter, the focus group not only generates new ideas but also screens the ideas to come up with the most excellent idea to be pursued as a venture.

These are groups of individuals who provide information using a structured format. Normally, a moderator will lead the group of people through an open and in-depth discussion. The group members will form comments in an open-ended, in-depth discussion for a new product area that can result in market penetration. This technique is an excellent source for screening ideas and concepts.

3.Customer Advisory Boards

A Customer Advisory Board (CAB) is a structured group of selected customers who meet periodically with a company's management to provide insights, suggestions, and constructive feedback on products, services, and business strategies. These customers are usually key users, experienced buyers, or influential clients who understand the company's offerings deeply and can contribute valuable perspectives for improvement. The main objective of a

Customer Advisory Board is to strengthen the relationship between the company and its customers, while also helping the business align its decisions with real customer needs.

A CAB acts as an important platform for two-way communication. While the company shares its future plans, new product ideas, prototypes, marketing strategies, and challenges, the customers respond with opinions, preferences, suggestions, and expectations. This dialogue helps the company refine its offerings, identify gaps in the market, stay updated with changing customer preferences, and innovate continuously. The feedback received is often more practical and relevant than internal brainstorming or market surveys because it comes directly from users.

Customer Advisory Boards are usually made up of 8–15 members representing different customer segments. Meetings may be held quarterly or semi-annually, either physically or virtually. A moderator or facilitator guides the discussion to ensure meaningful conversations and clarity. Topics commonly discussed include product performance, service quality, ease of use, pricing, customer support, competitor comparisons, and new feature development.

One of the major benefits of CABs is that they help reduce the risk of product failure by identifying issues early. They also strengthen customer loyalty, as customers feel valued and involved in the company's growth. Moreover, CABs act as a source of strategic direction, helping companies design better products, enhance customer satisfaction, and maintain a competitive advantage. Thus, Customer Advisory Boards serve as a vital tool for businesses to make informed decisions and build long-term customer relationships

4. Surveys: This is a process which involves the gathering of data based on communication with a representative sample of individuals. This research technique requires asking people who are called 106 respondents for information either verbally or by using written questions. Questionnaires or interviews are utilised to collect data on the telephone or face-to-face interview.

5. Emerging Trends: The example is based on the population within your area may be getting older and creating demand for new products and services.

6. Research and Development: Research is a planned activity aimed at discovering new knowledge, with the hope of developing new or improved products and services. Researching new methods, skills and techniques enable entrepreneurs to enhance their performance and ability to deliver better products and services.

7. Tradeshows and Association Meetings: This can be an excellent way to examine the products of many potential competitors, uncover product trends and identify potential products.

8. Other Techniques: This can be achieved by reading relevant trade magazines and browsing through trade directories. These may include local, national and foreign publications.

2.3. CREATIVITY AND SELECTION OF PRODUCTS.

Meaning of Creativity

Creativity refers to the **imaginative and innovative thinking ability** of an entrepreneur to convert opportunities into business ideas. It involves originality, flexibility, risk-taking ability, and divergent thinking. Creativity enables the entrepreneur to look at problems in a new way and bring out solutions that have commercial potential.

Importance of Creativity in Entrepreneurship

1. **Opportunity Identification:**

   Creativity helps entrepreneurs identify unmet customer needs and unexplored market gaps. By observing trends, analysing customer problems, and thinking innovatively, they discover new opportunities for products or services. Creative thinking allows them to connect ideas uniquely, leading to profitable business possibilities that others may overlook.

2. **Competitive Advantage:**

Creative ideas enable entrepreneurs to design unique products or offer improved features that competitors lack. Innovation differentiates the business, attracts customers, and strengthens brand identity. By constantly improving and introducing new ideas, the entrepreneur maintains an edge in the market and stays ahead of competitors..

3. **Business Growth:**

   Creativity fuels business growth by encouraging innovation, new product development, and expansion into new markets. Creative thinking helps entrepreneurs explore additional revenue sources and improve efficiency. As ideas evolve, the business diversifies, increases customer reach, and enhances competitiveness, leading to long-term growth and sustainability.

4. **Problem Solving:**

   Creativity enables entrepreneurs to find new solutions to business challenges. When problems arise in production, marketing, or services, creative thinking helps generate alternative approaches. Innovative problem solving reduces costs, improves efficiency, and enhances customer satisfaction, helping the business operate smoothly and overcome obstacles effectively.

5. **Customer Satisfaction:**

   Creative thinking helps entrepreneurs design products that meet customer needs better and offer superior value. Innovation improves features, quality, and convenience, increasing customer satisfaction. When customers feel their expectations are exceeded, loyalty grows. Thus, creativity plays a key role in retaining customers and building long-lasting relationships.

6. **Adaptation to Change:**

   Creativity helps entrepreneurs adapt quickly to changing technology, market trends, and customer preferences. Innovative thinking allows them to modify products, update

strategies, and embrace new methods. This flexibility ensures the business remains relevant, competitive, and capable of surviving and growing in a rapidly changing environment.

Steps in Creativity

When we talk about the steps in creativity, we are referring to the structured process that individuals or groups go through in order to generate, develop, and implement new ideas or creative solutions. Creativity is not merely a characteristic that is innate to a person; rather, it is a dynamic process that can be developed and perfected through the application of strategic approaches and repetition. The creative process typically consists of several stages, each of which contributes to the development of an idea or innovation. The specific steps may vary depending on the individual or the context, but the process may generally be broken down into these stages. In general, the following are the steps involved in the creative process:

1. Preparation

The first step in the process involves an individual gathering information, gaining insights, and defining the problem that needs to be solved. The preparation stage entails conducting research on the subject or challenge, studying material that is pertinent to the situation, and determining any gaps or opportunities that may exist. In order to gain a better understanding of the landscape, it may also involve brainstorming or the exploration of existing solutions. In order to successfully complete this stage, it is essential to completely submerge oneself in the subject matter and to lay the foundation for creative thinking.

An example of this would be an entrepreneur who wants to create a new app, but first conducts research on the market, determines who their target audience is, and investigates existing apps to determine what works and what does not work.

2. Incubation

In the stage known as "incubation," ideas begin to simmer in the background, frequently without any conscious effort being directed towards them. The information that was gathered

during the preparation stage is processed by the mind in a subconscious manner during this phase. The brain is able to make connections and patterns that were not initially obvious during this stage, which is characterised by mental rest and distance from the problem. This is frequently the time when unexpected solutions or breakthroughs will occur.

An example of this would be an entrepreneur who, after spending some time working on an idea, decides to take a break from the project and engage in an activity that is completely unrelated to the idea, such as going for a walk. The idea is still being worked on by the subconscious mind during this period of time, which may result in an unexpected surge of inspiration.

3. Illumination

A "aha" or "eureka" moment is the moment when a novel idea or solution comes into conscious awareness. Illumination is the moment when this occurs. This is the point at which all of the pieces of the puzzle come together, and it is at this point that a fresh idea or a breakthrough in creative thinking becomes apparent. It is possible for it to develop suddenly and unexpectedly, and it frequently occurs as a consequence of mental relaxation or a shift in perspective. Because it signifies the arrival of the new idea that has been developed and nurtured throughout the incubation process, this stage is extremely important.

One example is that the entrepreneur might suddenly become aware of a one-of-a-kind feature or design element for the application that caters to a particular user requirement that had not been taken into consideration previously.

4. Verification

The process of refining, testing, and validating the idea that emerged during the illumination phase is referred to as verification during this stage. The concept is subjected to a thorough analysis during this stage in order to ascertain whether or not it is feasible, practical, and relevant. In order to guarantee that the idea can be successfully implemented, it requires

critical thinking and the ability to solve problems efficiently. During the verification process, the entrepreneur may develop prototypes, carry out market testing, or solicit feedback in order to enhance the potential of the idea. In this stage, abstract ideas are transformed into concrete plans that can be carried out. This stage is extremely important.

The entrepreneur might, for instance, start the process of developing the application, put it through its paces with a select group of prospective users, solicit their feedback, and then make modifications to ensure that the application performs as it was designed to.

5. Implementation

The final step is called implementation, and it is the process of putting the idea into action. During this stage, the refined concept is transformed into a product, service, or solution that is presented to the general public or to a particular audience that has been specifically targeted. In the realm of entrepreneurship, this phase frequently necessitates an investment of resources, collaboration, and planning. It is the point at which the idea is brought to market and the vision is transformed into a realisation. It is common practice for successful implementation to involve monitoring progress, making adjustments in an iterative manner, and ensuring that the idea is in line with the goals that were intended.

An example of this would be the entrepreneur releasing the application to the general public, marketing it to the intended audience, and continuing to make improvements based on the feedback received from users and the response from the market.

6. Evaluation and Feedback (Ongoing Process)

Even after the concept has been put into action, the process does not necessarily come to an end. In order to achieve further improvement and growth, continuous evaluation and feedback are essential. It is essential to obtain feedback from customers, users, or stakeholders in order to adequately evaluate the efficacy of the creative solution and to

identify areas that could benefit from further refinement or innovation. When applied to the realm of business, this feedback loop guarantees that the concept will continue to be applicable and will continue to satisfy the ever-evolving requirements of customers or users.

FACTOR IN PRODUCT SELECTION.

1. Market Demand

Market demand refers to the present and future need for the product. Entrepreneurs must analyse customer preferences, buying behaviour, and demand trends to ensure that the product has a stable market. Understanding the target segment helps determine whether the product will sell consistently. If demand is growing, the product is more profitable.

Example: Choosing to manufacture mobile accessories because demand is increasing among youth and smartphone users.

2. Competition Level

Competition analysis helps the entrepreneur understand how many competitors exist, their strengths, weaknesses, pricing, and product quality. If the market is overcrowded, entering becomes difficult. A product with fewer competitors or clear gaps provides better opportunities. Understanding competitors helps in designing a superior or differentiated product.

Example: Starting an organic juice brand in an area where only a few companies offer chemical-free beverages.

3. Availability of Raw Materials

Raw materials must be easily available, affordable, and of consistent quality. Continuous supply ensures smooth production without delays. If raw materials are scarce, expensive, or difficult to transport, the business may face losses. Entrepreneurs must check local sources or reliable suppliers.

Example: Selecting bakery products because flour, sugar, butter, and eggs are easily available locally.

4. Technical Feasibility

Technical feasibility considers whether the required machinery, technology, equipment, and skilled labour are accessible. If advanced technology is needed but is unavailable or too costly, the product may not be viable. The entrepreneur must ensure that production can be carried out with available technical resources.

Example: A tailoring unit is feasible because sewing machines and skilled tailors are easily available.

5. Financial Feasibility

Financial feasibility analyses investment cost, working capital requirement, cost of production, pricing, and expected profit. If the product demands high capital with low returns, it is not suitable. Entrepreneurs must select products that fit their budget and provide reasonable profits.

Example: Starting a candle-making unit requires low investment and offers good profit margins.

Government rules, subsidies, licenses, and tax benefits influence product selection. If the government supports certain industries, entrepreneurs should take advantage of incentives. Regulatory restrictions or bans on certain products must also be considered.

Example: Choosing solar panel installation because the government offers subsidies and promotes renewable energy.

7. Entrepreneur's Own Skills and Interest

Entrepreneurs succeed when they choose products aligned with their skills, experience, and personal interest. This increases confidence, reduces mistakes, and improves decision-

making. Passion motivates the entrepreneur to face challenges and improve the product continuously.

Example: A chef starting a homemade food business because of strong cooking skills and interest.

8. Risk and Uncertainty

Every product involves risks such as fluctuations in demand, technological changes, competition, and seasonal variations. The entrepreneur must choose products with manageable risk levels. Understanding potential uncertainties helps in planning better and reducing losses.

Example: Ice cream production carries seasonal risk, while snacks or bakery items have stable year-round demand.

Importance of Product Selection

- Ensures **high profitability**
- Reduces business risk
- Leads to long-term stability
- Helps in efficient resource utilization
- Improves customer satisfaction
- Facilitates expansion and diversification

Creativity and product selection are two fundamental pillars of entrepreneurship. Creativity enables an entrepreneur to explore opportunities and design innovative products. Product selection ensures that the chosen idea is feasible, profitable, and market-oriented. A combination of creative thinking and scientific evaluation helps entrepreneurs develop successful ventures, meet customer needs effectively, and sustain competitive advantage in the business environment.

2.4. PROJECT PROFILE PREPARATION,

A project report is like a road map. It is an operating document. What information and how much information it contains depend upon the size of the enterprise, as well as the nature of production. For example, small-scale enterprises do not include technology which is used for preparing project reports of large-scale enterprises. Within small-scale enterprises too, all information may not be homogeneous for all units.

Vinod Gupta has given a general set of information in his study "Formation of a project report." According to Gupta, project formulation divides the process of project development into eight distinct and sequential stages as below:

(1) General information

(2) Project description

(3) Market potential

(4) Capital costs and sources of finance

(5) Assessment of working capital requirements

(6) Other financial aspects

(7) Economical and social variables

(8) Project implementation

The nature of information to be collected and furnished under each of these stages has been given below.

(1) General Information

The information of general nature given in the project report includes the following:

Bio-Data of Promoter: Name and address, qualifications, experience and other capabilities of the entrepreneur. Similar information of each partner if any.

Industry Profile: A reference analysis of industry to which the project belongs, e.g., past performance, present status, its organization, its problems etc.

Constitution and Organization: The constitution and organization structure of the enterprise; in case of partnership firm its registration with Registrar of Firms, certification from the Directorate of Industries / District Industry Centre.

Product Details: Product utility, product range, product design, advantage to be offered by the product over its substitutes if any.

(2) Project Description

A brief description of the project covering the following aspects should be made in the project report.

Site: Location of the unit; owned, rented or leasehold land; industrial areas; no objection certificate from municipal authorities if the enterprise location falls in the residential area.

Physical Infrastructure: Availability of the following items of infrastructure should be mentioned in the project report:

(a) **Raw Material:** Requirement of raw material, whether inland or imported, sources of raw material supply.

(b) **Skilled Labour:** Availability of skilled labour in the area i.e., arrangements for training labourers in various skills.

(c) **Utilities:** These include:

• Power: Requirement of power, load sanctioned, availability of power

• Fuel: Requirement of fuel items such as coal, coke, oil or gas, state of their availability and supply position

• Water: The sources of water, quality and quantity available

• Pollution Control: The aspects like scope of dumps, sewage system, sewage treatment plant, infiltration facility etc.

(d) **Communication and Transportation Facility:** The availability of communication facilities, e.g., telephone, fax, telex, internet etc., should be indicated. Requirements for

transport, mode of transport, potential means of transport, approximate distance to be covered, bottlenecks etc., should be stated in the business plan.

(e) **Production Process:** A mention should be made for process involved in production and period of conversion from raw material into finished goods.

(f) **Machinery and Equipment:** A complete list of machines and equipment required indicating their size, type, cost and sources of their supply should be enclosed with the project report.

(g) **Capacity of the Plant:** The installed licensed capacity of the plant along with the shifts should also be mentioned in the project report.

(h) **Technology Selected:** The selection of technology, arrangements made for acquiring it should be mentioned in the business plan.

(i) **Other Common Facilities:** Availability of common facilities like machine shops, welding shops and electrical repair shops etc., should be stated in the project report.

(j) **Research and Development:** A mention should be made in the project report regarding proposed research and development activities to be undertaken in future.

(3) Market Potential

While preparing a project report, the following aspects relating to market potential of the product should be stated in the report:

(a) **Demand and Supply Position:** State the total expected demand for the product and present supply position, what is the gap between demand and supply and how much gap will be filled up by the proposed unit.

(b) **Expected Price:** Expected price of the product to be realized should also be mentioned.

(c) **Marketing Strategy:** Arrangements made for selling the product should be clearly stated in the project report.

(d) **After-Sales Service:** Depending upon the nature of the product, provisions made for after-sales should normally be stated in the project report.

(4) Capital Costs and Sources of Finance

An estimate of the various components of capital items like land and buildings, plant and machinery, installation costs, preliminary expenses, margin of working capital should be given in the project report. The sources should indicate the owner's fund together with funds raised from financial institutions and banks.

(5) Assessment of Working Capital

The requirement for working capital and its sources of supply should clearly be mentioned. It is preferred to prepare working capital requirements in the prescribed formats designed by limits of requirement. It will reduce the objections from banker's side.

(6) Other Financial Aspects

To adjudge the profitability of the project to be set up, a projected profit and loss account indicating likely sales revenue, cost of production, allied cost and profit should be prepared. A projected balance sheet and cash flow statement should also be prepared to indicate the financial position and requirements at various stages of the project.

In addition to this, the break-even analysis should also be presented. Break-even point is the level of production at which the enterprise shall earn neither profit nor incur loss. Breakdown level indicates the gestation period and the likely moratorium required for repayment of the loans.

Break-Even Point (BEP) = F / (S – V)

Where:

F = Fixed Cost

S = Selling Price per Unit

V = Variable Cost per Unit

The break-even point indicates at what level of output the enterprise will break even.

(7) Economical and Social Variables

Every enterprise has social responsibility. In view of the social responsibility of business, the abatement costs, i.e., the costs for controlling the environmental damage should be stated in the project. Arrangements made for treating the effluents and emissions should also be mentioned in the report.

In addition, the following socio-economic benefits should also be stated in the report:

(i) Employment Generation

(ii) Import Substitution

(iii) Ancillaration

(iv) Exports

(v) Local Resource Utilization

(vi) Development of the Area

(8) Project Implementation

Every entrepreneur should draw an implementation scheme or a time-table for his project to ensure the timely completion of all activities involved in setting up an enterprise. If there is delay in implementation, project cost will overrun. Delay in project implementation jeopardizes the financial viability of the project on one hand, and props up the entrepreneur to drop the idea to set up an enterprise on the other.

Hence, there is need to draw up an implementation schedule for the project and then to adhere to it. PERT and CPM can be used to get better insight into all activities related to implementation of the project.

2.5. MATCHING ENTREPRENEUR WITH THE PROJECT

Matching entrepreneur with the project is an important step in the process of starting up a business. An entrepreneur possessing the keen attitude for setting up a small-scale unit

formulates a business plan and takes a number of steps to give shape to his business idea. He is to prepare a project report and obtain various approvals and sanctions. The various steps to be taken by entrepreneurs to start a small business unit are as follows:

Step 1: Selection of the Product

An entrepreneur may select a product according to his own capacity and motivation. As an innovative entrepreneur he may design a new product, or like an imitative one, he may copy an established existing product in terms of additional uses, comfort, or saving in cost. The economic viability of the product should cover the following demand aspects:

• Volume of existing demand in the domestic market

• Volume of aggregate existing demand

• Volume of potential demand

• The degree of import substitution

• Degree of substitution of an existing product

• The volume of demand by big units for ancillary products

The information can be obtained from various technical publications, state development agencies, etc.

Step 2: Selection of Form of Ownership

The most commonly chosen forms of ownership for SSI are:

• Sole proprietorship

• Family ownership

• Partnership

• Private limited company

The first two forms are mostly preferred for having unified control over the unit. The next two forms highly facilitate the pooling of financial resources, managerial and technical skills,

and business experience. However, to an appropriate extent, especially where the family ties and resources are strong, partnerships are in no way distinguishable from family concerns.

Step 3: Selection of Site

An entrepreneur has five options for the selection of site:

1. From state development corporations like SIDCO, SIPCOT, MMDA, TNHB
2. From the industrial estates constructed by the State Industrial Development Agency (SIDA)
3. Choose from plot/sheds developed by private developers
4. Buy private land and develop the same for industrial use
5. Select a site/shed available in a free trade zone

While selecting, the following factors are to be considered:

• Situated in one's native place

• Site which enjoys all the incentives provided by the Government

• Place near the market

• Site which offers a suitable labour supply and raw material

• Site with modern infrastructural facilities

Step 4: Designing Capital Structures

The initial capital of a new venture comes from the following sources:

• Own capital

• Long-term loan

• Term loan from banks and financial institutions

In recent years, institutional lending has increased rapidly, but it has not yet become the dominant source of funds for small industry. Banks play an important role in providing working capital finance. However, an analysis of capital structure of small-scale units reveals that the support from financial institutions is not adequate and that they should gear up their

administrative machinery and produce better performance in order to fulfil the objectives and targets adequately.

Step 5: Acquisition of Manufacturing Know-how

Many institutions like government research laboratories, research and development divisions of industries, and also individual consultants provide the manufacturing know-how. In the case of ancillary units, it is provided by the main unit itself, both domestic as well as foreign. Sometimes, it is provided by plant and machinery suppliers, both domestic as well as foreign. The scale of operation is linked closely with technology, financial, and market demand.

Step 6: Preparation of Project Report

It is necessary to prepare a project report according to the format of the loan application of the concerned financial institution. An entrepreneur may get these reports done by a consultant or technical consultancy organization. The project report being compiled by the entrepreneur should accomplish the purpose of providing a "Bird's eye view" of the entire spectrum of activity. The project report may contain the following feasibility analyses:

• Technical feasibility

• Economic viability

• Financial implication

• Managerial competency

2.6 Steps for Starting a Small Industry

Small-scale industries play a vital role in economic development by generating employment, promoting entrepreneurship, utilising local resources, and supporting balanced regional development. Starting a small industry is a systematic and well-planned process. An entrepreneur must carefully move through various steps, from idea generation to actual commencement of production. Each step is important, and failure at any stage may affect the success of the enterprise.

The major steps involved in starting a small industry are explained below with suitable examples.

1. Identification of Business Idea

The first step in starting a small industry is identifying a suitable business idea. The idea should be innovative, feasible, and capable of meeting market demand.

Sources of business ideas include:

- Personal experience and skills
- Market needs and problems
- Government priority sectors
- Availability of local resources
- New technology or innovation

The entrepreneur must choose an idea that matches his or her interest, skills, financial capacity, and risk-bearing ability.

Example:

A person living in a coconut-growing area identifies an opportunity to start a coir product manufacturing unit using locally available coconut husk.

2. Market Survey and Demand Analysis

After selecting a business idea, the entrepreneur must conduct a market survey to assess demand, competition, and customer preferences.

Market survey includes:

- Identifying target customers
- Estimating present and future demand
- Studying competitors and substitute products
- Understanding pricing and distribution channels

This step helps the entrepreneur decide whether the product will sell in the market.

Example:

Before starting a homemade soap unit, the entrepreneur studies customer preference for herbal and chemical-free soaps, pricing, packaging, and competing brands.

3. Selection of Product and Scale of Operation

Based on market survey results, the entrepreneur selects the exact product and decides the scale of operation (small, medium, or large scale).

Factors influencing product selection:

- Market demand
- Cost of production
- Availability of raw materials
- Government policies
- Technical feasibility

The scale of operation should match the entrepreneur's financial capacity and market size.

Example:

An entrepreneur decides to start a small-scale garment stitching unit focusing on school uniforms rather than large-scale fashion garments.

4. Location Selection

Choosing a suitable location is a crucial step. The location affects cost, availability of resources, and access to markets.

Factors influencing location:

- Availability of raw materials
- Proximity to market
- Availability of labour
- Transport and communication facilities
- Power and water supply

- Government incentives

Example:

A food processing unit is set up near agricultural farms to reduce transportation cost and ensure fresh raw materials.

5. Preparation of Project Report

A project report is a detailed document that explains the technical, financial, and economic feasibility of the proposed industry.

A project report includes:

- Objectives of the business
- Product description
- Market analysis
- Technical details
- Cost of project
- Sources of finance
- Profitability estimates
- Break-even analysis

This report is essential for obtaining loans, subsidies, and approvals.

Example:

An entrepreneur prepares a project report for a paper cup manufacturing unit to submit to the bank for loan approval.

6. Arrangement of Finance

Finance is the lifeblood of any business. The entrepreneur must arrange adequate funds to start and run the industry.

Sources of finance include:

- Personal savings

- Loans from banks and financial institutions
- Government schemes (MUDRA, PMEGP, SIDBI)
- Friends and relatives

Finance is required for:

- Fixed capital (land, machinery, building)
- Working capital (raw materials, wages, power, transport)

Example:

A small bakery owner avails a MUDRA loan to purchase ovens and raw materials.

7. Legal Formalities and Registration

Before starting operations, the entrepreneur must complete necessary legal and statutory formalities.

Important registrations include:

- Udyam Registration (MSME)
- GST Registration
- Trade license from local authority
- Factory license (if applicable)
- Pollution control clearance (for certain industries)

Legal compliance ensures smooth functioning and avoids penalties.

Example:

A manufacturing unit registers under Udyam Portal to avail MSME benefits and subsidies.

8. Selection and Purchase of Machinery

Selection of suitable machinery is essential for efficient production.

Factors to consider:

- Type of technology
- Cost and efficiency

- Maintenance requirements
- Availability of spare parts
- Power consumption

The entrepreneur must decide between indigenous and imported machinery based on cost and suitability.

Example:

A small printing press purchases semi-automatic printing machines to balance cost and productivity.

9. Procurement of Raw Materials

Availability of quality raw materials at reasonable prices is crucial for uninterrupted production.

Sources of raw materials:

- Local suppliers
- Wholesalers
- Government agencies
- Cooperative societies

Proper inventory management is essential to avoid shortages or excess stock.

Example:

A furniture manufacturing unit establishes contracts with timber suppliers for regular raw material supply.

10. Recruitment and Training of Labour

Human resources are vital for industrial success. The entrepreneur must recruit skilled, semi-skilled, and unskilled workers as required.

Labour planning includes:

- Determining manpower requirement

- Recruitment process
- Wage fixation
- Training and skill development

Training improves productivity, quality, and safety.

Example:

A tailoring unit trains workers in modern stitching techniques to improve efficiency.

11. Installation of Plant and Machinery

Once machinery is purchased, it must be properly installed and tested before starting production.

This stage includes:

- Layout planning
- Trial runs
- Quality checks
- Safety arrangements

Proper installation reduces breakdowns and ensures smooth operations.

Example:

A plastic moulding unit conducts trial production to ensure machines function correctly.

12. Production Planning and Scheduling

Production planning ensures efficient use of resources and timely completion of orders.

It involves:

- Determining production targets
- Scheduling work
- Material planning
- Quality control measures

Effective planning reduces wastage and improves productivity.

Example:

A food processing unit plans production based on seasonal demand.

13. Marketing and Sales Arrangement

Marketing is essential to sell the product and generate revenue.

Marketing activities include:

- Pricing strategy
- Packaging and branding
- Distribution channels
- Advertising and promotion

Customer satisfaction and feedback play a key role in long-term success.

Example:

A handmade candle unit uses social media and local exhibitions to market products.

14. Commencement of Production

After completing all preparations, the industry begins **commercial production**.

This stage marks the actual start of business operations. The entrepreneur must closely monitor production, costs, and quality.

Example:

A small mineral water plant starts commercial bottling after receiving all approvals.

15. Performance Evaluation and Expansion

After commencement, the entrepreneur should continuously evaluate performance.

This includes:

- Profit analysis
- Cost control
- Customer feedback
- Scope for expansion or diversification

Successful industries may expand capacity or introduce new products.

Example:

A successful pickle manufacturing unit later diversifies into ready-to-eat food products.

Starting a small industry is a **step-by-step process** requiring careful planning, resource mobilisation, and execution. From idea identification and market survey to production and marketing, each step plays a crucial role in determining success. With proper planning, financial support, government assistance, and entrepreneurial commitment, small industries can grow into sustainable and profitable ventures, contributing significantly to economic development and employment generation

Check Your Progress

Choose the Correct Answer:

1. **Which technique is commonly used to generate a large number of ideas in a short time without criticism?**
   a) Survey
   b) Brainstorming
   c) Interview
   d) Observation
   Answer: b
2. **A focus group usually consists of:**
   a) One expert
   b) A large public audience
   c) A small group of selected participants discussing a topic
   d) Only company employees
   Answer: c
3. **Which method collects information from a large number of people using questionnaires?**
   a) Survey
   b) Brainstorming
   c) Experiment
   d) Observation
   Answer: a

4. **Customer advisory boards are mainly used to:**

   a) Reduce production cost

   b) Get feedback and suggestions from key customers

   c) Advertise products

   d) Train employees

   Answer: b

5. **Creativity in business mainly refers to:**

   a) Copying competitors

   b) Generating new and useful ideas

   c) Increasing prices

   d) Reducing workers

   Answer: b

6. **Product selection in entrepreneurship depends mainly on:**

   a) Market demand

   b) Availability of resources

   c) Technical feasibility

   d) All of the above

   Answer: d

7. **A project profile generally includes:**

   a) Product details

   b) Market analysis

   c) Financial requirements

   d) All of the above

   Answer: d

8. **Matching the entrepreneur with the project means:**

   a) Selecting any random business idea

   b) Choosing a project suitable to the entrepreneur’s skills and resources

   c) Copying another business

   d) Starting business without planning

   Answer: b

9. **The first step in starting a small industry is usually:**

   a) Recruiting workers

   b) Identifying a business idea

   c) Advertising the product

d) Exporting goods

Answer: b

10. **Innovation in business is commonly associated with:**

a) Entrepreneurs

b) Customers

c) Employees

d) Traders

Answer: a

Small Questions – LOCF Mapping Table

S.No	Small Question	CO	Bloom's Level	PO
1	Define brainstorming and explain its purpose in generating business ideas.	CO1	Understand	PO1
2	List any three methods to collect customer feedback for a new product.	CO2	Remember	PO2
3	What is a project profile? Mention its key components.	CO3	Understand	PO4
4	Explain how an entrepreneur is matched with a business project.	CO4	Apply	PO5
5	Outline the basic steps involved in starting a small industry.	CO5	Apply	PO3

Big Questions – LOCF Mapping Table

S.No	Big Question	CO	Bloom's Level	PO
1	Explain different techniques for generating innovative business ideas such as brainstorming, focus groups, and surveys.	CO1	Understand	PO1
2	Describe the process of creativity and product selection in entrepreneurship.	CO2	Understand	PO2
3	Prepare a project profile and explain its key components.	CO3	Apply	PO4
4	Explain how to match an entrepreneur with a suitable business project.	CO4	Apply	PO5
5	Discuss the steps involved in starting a small industry.	CO5	Analyze	PO3

UNIT III

3.1. Business Plan Development

3.2. Business idea generation technique,

3.3. Identification of business opportunity,

3.4. Feasibility study, marketing, finance, technology and legal formalities preparation of project report,

3.5. Tools of appraisal.

3.1. BUSINESS PLAN DEVELOPMENT

Every business owner needs a way to organize and present information about how he or she intends to develop, grow, and manage his or her business. A business plan is the perfect tool. When well-crafted, a plan will catch the attention of potential investors and customers while encouraging them to support the business. When seen this way, a business plan becomes the foundation for any successful business.

A business plan can be constructed by building upon four essential cornerstones:

· Business Idea

· Market Analysis

· Marketing Strategy

· Financial Analysis

Business Idea

The Business Idea section sells the business's vision and briefly outlines how that vision will be accomplished. A basic idea can be expanded into a plan by including three key elements:

Business Summary – A simple description of the business, the need for its product or service, its intended audience, and its competitive advantage. When shared with others, it shouldn't take longer than 30 seconds.

Keys to Success – A series of short statements that describe the value the business promises to deliver to its potential customers.

Management and Staff Summary – Short statements that draw attention to the personal strengths of the people who will be part of running the business.

Market Analysis

Before taking on the risks of a business, it is important for business owners to know general market conditions, where the new business will fit inside a particular industry, who their customers will be, and who will be the competition. Sources for this information can be found through:

· Local chambers of commerce

· Networking contacts

· Online resources

· Universities

· Competitor businesses

Marketing Strategy

Once market and industry information is obtained, and customer and competitor profiles have been developed, the marketing strategy is written next. A good strategy should include these four P's:

· What specific Product or service does the business offer?

· What Pricing structure will be used?

· Where your business will be located (Place)?

· What will be done to Promote the business?

A marketing strategy is about determining a proper balance between each of these elements. If the business will be more successful in a high-traffic area, then location has more importance. If the competition is high, better advertising and pricing could help.

Financial Analysis

This is the section of the business plan for exact numbers and business costs. If a business is selling a lot of product but still losing money in the long run, the business will fail. Based on the previous information collected, the business owner can provide a fairly accurate estimate of the business's costs and what will affect them. The following suggestions will also help:

Start-Up Costs – All businesses need some starting capital (money invested in the business) to deal with initial costs. These are the items that are one-time purchases.

Monthly Expenses – These are the ongoing costs like inventory, utilities, and insurance. Also included in this section is a breakeven point analysis (what the business needs to make to cover costs and show a profit). These numbers can help determine start-up costs and financing options.

Financing Options – These are the possible sources for the capital to start a business.

Sales Forecasts – This is an estimate on how much product the business will need to sell to cover expenses, and what can reasonably be sold based on the market research conducted earlier.

Why Write a Business Plan?

Business plans are prepared as a necessary instrument for raising capital from potential investors, bankers, and other lenders. It is an essential document when taking your business public or selling all or part of a company. In fact, without one, soliciting a bank for funds is pointless. To lenders or potential investors, it not only provides information and reveals an evaluation of your venture's feasibility, but also reflects your management abilities. An analytical, objective business plan convinces lenders that you are capable, organized, and prepared. One that is poorly researched, or makes unsupported assumptions, shows that you are inexperienced and in their eyes…reckless. Lenders receive an enormous number of proposals and usually don't spend much time with them. That means your plan has only a few

minutes to make a good impression, and must stand alone as an initial sales tool. Do the best job you can, and let it favorably represent you as the capable, competent business owner that you are.

Preparing a business plan will take time, but it is well worth your investment in the long run. Not only will this document provide valuable information to outside investors and lenders, it will lay out the game plan from which to operate your firm. This is, by far, the most important use for your business plan. It will become your blueprint and direct you towards achieving your overall business goals. A typical entrepreneur has a good business idea but is rarely qualified in all areas of running a business. Good business plans are comprehensive, well thought-out documents that provide the basis for entrepreneurs to make sound business decisions. Whatever the intended use of your business plan, make sure it’s thorough, accurate, and backs up all your claims with facts.

Tips for Creating a Good Business Plan

The following are some pointers to consider before creating your business plan:

● Very few people would argue that planning is unnecessary. However, it involves a great deal of work. Be prepared to spend weeks — or months — completing your plan.

● While this undertaking may appear overwhelming at first, don't get discouraged. Break the project into manageable chunks. One effective approach is to put each of the following steps behind a separate tab in a three-ring binder. Fill in your plan, making steady progress toward your goal.

● Although you may have volumes of supporting material, aim for a plan that is brief and succinct but includes everything important to the business. A proposal of 10-15 typed pages, double-spaced, is often ideal. Leave secondary issues and details for discussion for a later meeting.

● Focus on your intended reader. Use the plan to organize your effort around your objectives

to ensure that you have all the bases covered. Investors or lenders are interested in determining whether you will be able to achieve your objectives.

● Avoid highly technical descriptions of your products, processes, and operations. Use layman's terms.

● A business plan is a "living" document. Update it as your knowledge grows and whenever your strategies become more concrete.

● Be realistic — base your projections on the results gathered from your analysis. Be honest about positive and negative findings.

● Discuss your company's business risks. Your credibility can be seriously undermined if existing risks and problems are uncovered by lenders or investors on their own.

● Don't make vague or unsubstantiated statements. For example, do not just say that sales will double in the next two years or that you are adding new product lines. Back up your statements with underlying data and market information.

● You may have two sets of business plans — one internal, one external. To be an effective management tool, internal business plans usually are more detailed than those presented externally.

Who Should Write Your Business Plan?

The only right answer is YOU! You may be persuaded by professional advisors that you need their services or maybe the software they peddle to produce an effective business plan. However, the truth is you will be doing most of the work with or without their help. A business plan is 75% research and 25% format. They can help you with your format, putting your information into a readable plan, but you will have to provide the research that makes up the bulk of the plan. The same is true with this Business Builder it'll show you what needs to go into a comprehensive business plan and how the plan should be organized for maximum

readability, but you will need to do the majority of the work. It's a lot of work to be sure, but is an important investment towards your business success.

What Lenders Look For

Following are some key questions that investors and lenders will be looking to answer. Keep them in mind when writing your business plan.

Is there sufficient demand for your product or service? You'll need to provide evidence that there is a customer base for the product or service you want to offer. If the product exists today, provide market potential data, market share breakdown, sales history, and sales projections for the product/service. If this is a new concept, you'll want to conduct some market research and present results of surveys, focus groups, or test markets.

Do you have a sustainable competitive advantage? Your product or the process for manufacturing your product may be unique enough to apply for and be awarded a patent that provides you with protection from "copy cats" for a maximum of seventeen years. Maybe your location is protected from allowing additional competition. Or perhaps you provide your service in such a way that makes you the cost leader.

Are you being realistic? Although investors and lenders love to back businesses with high growth potential, they are also skeptical when the projections seem too good to be true. This is a flag to them that you may be overly optimistic, naive, or worse, deceitful. Make sure you can back up your projections with reliable data.

Following, you will find a thorough discussion on what can be included in a business plan, but understand **ALL OF THIS INFORMATION DOES NOT NEED TO BE IN YOUR PLAN.** What goes into your plan depends upon your specific business and the information required by your lenders and investors. If you can, you may want to check with your lender or potential investors beforehand to determine their specific requirements.

PROCESS FOR DEVELOPING YOUR BUSINESS PLAN

This section presents the steps for developing your business plan. This is the basic information that you will be required to provide to lenders and investors and is the minimum you'll need to operate your business effectively. Read each step, and complete the tasks outlined in each. Then, depending upon the nature of your business, you may want to add further information that may prove valuable to potential investors and lenders. Where possible, examples will be included to provide you with further clarification on what you should supply. Following is a ten-step process you can use to develop your business plan.

- Begin the Plan with a Summary
- Describe Your Company — Its Business, Goals and Objectives
- Analyze Your Market and Determine Your Marketing Strategy
- Describe Your Product/Service and How They are Produced
- Describe Your Management Organization
- Describe Your Operations
- Summarize Your Financial Needs
- Determine Your Proposed Financing
- Outline Your Plan(s) for the Future
- Other Considerations

These steps are presented in a logical order for discussion. Use your judgment on how you work through the process. You may be able to perform many of the steps simultaneously. Use the checklists provided in each step to ensure that your information is complete.

3.4.PROJECT FEASIBILITY STUDY

A feasibility study is an analysis that takes all of a project's relevant factors into account—including economic, technical, legal, and scheduling considerations—to ascertain the likelihood of completing the project successfully. Project managers use feasibility studies to

discern the pros and cons of undertaking a project before they invest a lot of time and money into it. Feasibility studies also can provide a company's management with crucial information that could prevent the company from entering blindly into risky businesses.

A feasibility study, as the name suggests, is designed to reveal whether a project/plan is feasible. It is an assessment of the practicality of a proposed project/plan. It can help to identify and assess the opportunities and threats present in the natural environment, the resources required for the project, and the prospects for success. It is conducted in order to find answers to the following questions:

1. Does the company possess the required resources and technology?
2. Will the company receive a sufficiently high return on its investment?

Steps in a Feasibility Study

Conducting a feasibility study involves the following steps:

1. Conduct preliminary analyses.
2. Prepare a projected income statement. What are the possible revenues that the project can generate?
3. Conduct a market survey. Does the project create a good or service that is in demand in the market? What price are consumers willing to pay for the good or service?
4. Plan the organizational structure of the new project. What are the staffing requirements? How many workers are needed? What other resources are needed?
5. Prepare an opening-day balance of projected expenses and revenue.
6. Review and analyze the points of vulnerability that are internal to the project and that can be controlled or eliminated.
7. Decide whether to go on with the plan/project.

Contents of a Feasibility Report

A feasibility report should include the following sections:

1. Executive Summary
2. Description of the Product/Service
3. Technology Considerations
4. Product/Service Marketplace
5. Identification of the Specific Market
6. Marketing Strategy
7. Organizational Structure
8. Schedule
9. Financial Projections

Types of Feasibility Study

A feasibility analysis evaluates the project's potential for success; therefore, perceived objectivity is an essential factor in the credibility of the study for potential investors and lending institutions. There are five types of feasibility study—separate areas that a feasibility study examines, described below.

1. **Technical Feasibility:**

   This assessment focuses on the technical resources available to the organization. It helps organizations determine whether the technical resources meet capacity and whether the technical team is capable of converting the ideas into working systems. Technical feasibility also involves the evaluation of the hardware, software, and other technical requirements of the proposed system. As an exaggerated example, an organization wouldn't want to try to put *Star Trek* transporters in their building—currently, this project is not technically feasible.

2. **Economic Feasibility:**

   This assessment typically involves a cost/benefits analysis of the project, helping organizations determine the viability, cost, and benefits associated with a project

before financial resources are allocated. It also serves as an independent project assessment and enhances project credibility—helping decision-makers determine the positive economic benefits to the organization that the proposed project will provide.

3. **Legal Feasibility:**

   This assessment investigates whether any aspect of the proposed project conflicts with legal requirements like zoning laws, data protection acts, or social media laws. Let's say an organization wants to construct a new office building in a specific location. A feasibility study might reveal the organization's ideal location isn't zoned for that type of business. That organization has just saved considerable time and effort by learning that their project was not feasible right from the beginning.

4. **Operational Feasibility:**

   This assessment involves undertaking a study to analyze and determine whether—and how well—the organization's needs can be met by completing the project.
   Operational feasibility studies also examine how a project plan satisfies the requirements identified in the requirements analysis phase of system development.

5. **Scheduling Feasibility:**

   This assessment is the most important for project success; after all, a project will fail if not completed on time. In scheduling feasibility, an organization estimates how much time the project will take to complete.

When these areas have all been examined, the feasibility analysis helps identify any constraints the proposed project may face, including:

- **Internal Project Constraints:** Technical, Technology, Budget, Resource, etc.
- **Internal Corporate Constraints:** Financial, Marketing, Export, etc.
- **External Constraints:** Logistics, Environment, Laws, and Regulations, etc.

Importance of Feasibility Study

The importance of a feasibility study is based on organizational desire to "get it right" before committing resources, time, or budget. A feasibility study might uncover new ideas that could completely change a project's scope. It's best to make these determinations in advance rather than jump in and learn that the project won't work. Conducting a feasibility study is always beneficial to the project as it gives you and other stakeholders a clear picture of the proposed project.

Below are some key benefits of conducting a feasibility study:

- Improves project teams' focus
- Identifies new opportunities
- Provides valuable information for a "go/no-go" decision
- Narrows the business alternatives
- Identifies a valid reason to undertake the project
- Enhances the success rate by evaluating multiple parameters
- Aids decision-making on the project
- Identifies reasons not to proceed

Apart from the approaches to feasibility study listed above, some projects also require other constraints to be analyzed:

- **Internal Project Constraints:** Technical, Technology, Budget, Resource, etc.
- **Internal Corporate Constraints:** Financial, Marketing, Export, etc.
- **External Constraints:** Logistics, Environment, Laws, and Regulations, etc.

3.5.Project Appraisal Methods

Project appraisal methods are systematic techniques used to evaluate the economic, financial, and managerial feasibility of a proposed investment project. Before committing large amounts of capital, firms must carefully assess whether a project is viable, profitable, and

aligned with long-term organizational objectives. Project appraisal helps management decide which projects to accept, reject, or prioritize, especially when resources are limited.

In modern business environments, investment decisions involve uncertainty, risk, and long-term consequences. Therefore, project appraisal plays a crucial role in ensuring optimal allocation of scarce financial resources**,** minimizing losses, and maximizing returns. A sound project should not only generate profits but also be capable of servicing its debt obligations**,** sustaining operations, and maximizing shareholders' wealth**.**

Project appraisal methods broadly examine:

- Initial investment requirements
- Expected future cash inflows and outflows
- Risk and uncertainty involved
- Cost of capital
- Economic and market conditions

The most commonly used financial project appraisal methods include:

1. Net Present Value (NPV)
2. Payback Period Method
3. Internal Rate of Return (IRR)
4. Profitability Index (PI)

Each method has its own strengths and limitations. Hence, in practice, firms often use a combination of methods to make better investment decisions.

1. Net Present Value (NPV)

Meaning and Concept

Net Present Value (NPV) is one of the most widely accepted and theoretically sound project appraisal methods. It is based on the principle of the time value of money, which states that

money received today is worth more than the same amount received in the future due to its earning capacity.

NPV represents the difference between the present value of future cash inflows and the present value of the initial investment outlay**.** It measures the absolute contribution of a project to the wealth of shareholders.

Decision Rule

- **NPV > 0** → Accept the project
- **NPV = 0** → Indifferent (no gain or loss)
- **NPV < 0** → Reject the project

A positive NPV indicates that the project generates returns in excess of its cost of capital**,** thereby increasing shareholders' wealth.

Advantages of NPV

1. **Considers Time Value of Money**

   NPV properly discounts future cash flows, making it more realistic than traditional methods.

2. **Focuses on Wealth Maximization**

   Since it measures absolute value addition, NPV directly aligns with the objective of maximizing shareholders' wealth.

3. **Considers Entire Life of the Project**

   All expected cash inflows over the project's life are taken into account.

4. **Scientifically Sound**

   NPV is based on solid financial theory and is preferred by finance professionals and academicians.

Limitations of NPV

1. **Dependency on Discount Rate**

   NPV results vary with changes in the discount rate. As the discount rate increases, the present value of cash flows decreases.

2. **Difficulty in Estimating Cost of Capital**

   Accurate estimation of the required rate of return can be complex.

3. **Not Ideal for Comparing Different Size Projects**

   When projects differ significantly in scale, NPV alone may not provide a clear ranking.

2. Payback Period Method

Meaning and Concept

The Payback Period Method is one of the simplest and oldest project appraisal techniques. It measures the time required to recover the initial investment from the net cash inflows generated by the project.

This method focuses mainly on liquidity and risk, rather than profitability.

Decision Rule

- Accept the project if the payback period is less than or equal to the predetermined cut-off period
- Reject the project if it exceeds the cut-off period

Advantages of Payback Period

1. **Simple and Easy to Understand**

   It requires minimal calculations and is easily understood by managers.

2. **Emphasis on Liquidity**

Helps firms recover their investment quickly, which is useful in uncertain environments.

3. **Useful for Small and Risky Projects**

   Suitable when firms prefer quick recovery due to high risk or technological uncertainty.

Limitations of Payback Period

1. **Ignores Time Value of Money**

   Future cash flows are treated the same as current cash flows.

2. **Ignores Cash Flows After Payback Period**

   Profits earned after recovery are completely neglected.

3. **Does Not Measure Profitability**

   A project with a short payback may be less profitable than one with a longer payback.

4. **Arbitrary Cut-Off Period**

   The choice of acceptable payback period is subjective.

3. Internal Rate of Return (IRR)

Meaning and Concept

Internal Rate of Return (IRR) is **the** discount rate at which the net present value of a project becomes zero. In other words, IRR is the rate of return that a project is expected to generate over its life.

It represents the maximum cost of capital that a project can bear without reducing shareholders' wealth.

Decision Rule

- **IRR > Required Rate of Return** → Accept the project
- **IRR = Required Rate of Return** → Indifferent
- **IRR < Required Rate of Return** → Reject the project

Advantages of IRR

1. **Considers Time Value of Money**

   Like NPV, IRR discounts future cash flows.

2. **Easy to Understand**

   Expressed as a percentage, which is intuitive for managers.

3. **Considers Entire Project Life**

   All cash inflows and outflows are included.

Limitations of IRR

1. **Problem of Multiple IRRs**

   Projects with non-conventional cash flows may yield more than one IRR.

2. **Assumption of Reinvestment at IRR**

   IRR assumes that interim cash flows are reinvested at the IRR, which is often unrealistic.

3. **Not Suitable for Mutually Exclusive Projects**

   IRR may rank projects incorrectly and may not maximize shareholders' wealth.

4. **Scale Bias**

   A smaller project may show a higher IRR but contribute less absolute value.

4. Profitability Index (PI)

Meaning and Concept

Profitability Index (PI), also known as the Benefit-Cost Ratio, measures the relative profitability of a project. It is the ratio of the present value of future cash inflows to the initial investment.

Decision Rule

- **PI > 1** → Accept the project
- **PI = 1** → Indifferent

- **PI < 1** → Reject the project

Advantages of Profitability Index

1. **Considers Time Value of Money**

   Cash flows are discounted at the cost of capital.

2. **Useful in Capital Rationing**

   Helps in selecting projects when funds are limited.

3. **Considers Entire Cash Flow Stream**

   All inflows are taken into account.

Limitations of Profitability Index

1. Requires Accurate Cost of Capital

   Incorrect discount rate can distort results.

2. May Give Conflicting Rankings

   For mutually exclusive projects, PI may conflict with NPV.

3. Less Popular Than NPV and IRR

Used mainly as a supplementary method..

Project appraisal methods are essential tools for making **sound investment decisions**. Each method provides a different perspective on project evaluation.

- NPV **i**s the most reliable method for wealth maximization
- Payback Period emphasizes liquidity and risk
- IRR provides a percentage return measure
- Profitability Index helps in ranking projects under capital constraints

In practice, organizations use multiple appraisal techniques together to overcome individual limitations and ensure informed decision-making. A well-appraised project contributes to sustainable growth, financial stability, and long-term success of the enterprise.

Check Your Progress

Choose the Correct Answer:

1. **Which of the following is primarily used to generate innovative business ideas?**
   a) SWOT analysis
   b) Brainstorming
   c) Market survey
   d) Feasibility study
   Answer: b
2. **Identification of business opportunities mainly involves:**
   a) Copying competitors
   b) Recognizing unmet market needs
   c) Reducing production costs
   d) Increasing employee numbers
   Answer: b
3. **A feasibility study helps to determine:**
   a) Whether a business idea is practical and profitable
   b) Employee salaries
   c) Market share of competitors only
   d) Legal formalities
   Answer: a
4. **Which of the following is NOT a part of feasibility study?**
   a) Market feasibility
   b) Financial feasibility
   c) Personal preference
   d) Technical feasibility
   Answer: c
5. **Marketing in a business plan involves:**
   a) Planning production only
   b) Promoting and selling products or services
   c) Hiring employees
   d) Legal documentation
   Answer: b
6. **Financial planning in a business plan ensures:**
   a) Availability of funds and budgeting

b) Legal registration

c) Marketing strategy

d) Technology selection

Answer: a

7. **Legal formalities in starting a business include:**

   a) Trademark and patent registration

   b) Market research

   c) Brainstorming ideas

   d) Appraisal of tools

   Answer: a

8. **A project report generally includes:**

   a) Business idea and objectives

   b) Market, finance, and technical details

   c) Implementation plan

   d) All of the above

   Answer: d

9. **Tools of appraisal in a business plan are used to:**

   a) Measure profitability and viability

   b) Train employees

   c) Promote the product

   d) Obtain legal approvals

   Answer: a

10. **Technology assessment in a business plan ensures:**

    a) That production processes are feasible and efficient

    b) Marketing strategy is perfect

    c) Legal formalities are complete

    d) Funds are available

    Answer: a

Small Questions – LOCF Mapping Table

S.No	Small Question	CO	Bloom's Level	PO
1	Define business idea generation and name two techniques used.	CO1	Remember	PO1
2	What is meant by identification of business opportunity?	CO2	Understand	PO2
3	Explain the purpose of a feasibility study in business planning.	CO3	Understand	PO4
4	List the key components of a project report.	CO4	Remember	PO3
5	Name any two tools used for appraisal of a business project.	CO5	Remember	PO5

Big Questions – LOCF Mapping Table

S.No	Big Question	CO	Bloom's Level	PO
1	Explain various business idea generation techniques and their importance in entrepreneurship.	CO1	Understand	PO1
2	Describe the process of identifying business opportunities and evaluating their potential.	CO2	Understand	PO2
3	Explain the steps involved in conducting a feasibility study for a proposed business.	CO3	Apply	PO4
4	Discuss the key components of marketing, finance, technology, and legal formalities in a business plan.	CO4	Analyze	PO5
5	Explain the preparation of a project report and tools of appraisal used for evaluating a business project.	CO5	Apply	PO3

Unit IV

4.1.Awareness of Various Government Schemes for Start-up Business

4.2.Start-up India

4.3Stand-up India, “Make in India” Program,

4.4.MUDRA.

4.5.Role of women entrepreneurs in economic development. Schemes for Women Entrepreneurs

4.6.Annapurna Scheme, Dena Shakti Scheme, Mudra Loan for Women, Stree Shakti Scheme.

4.1.Awareness of Various Government Schemes for Start-up Business

The start-up ecosystem in India has witnessed a dynamic transformation over the last decade with the emergence of innovative and technology-driven enterprises across sectors such as information technology, fintech, biotechnology, agriculture, healthcare, handicrafts, and renewable energy. This growth has been significantly facilitated by a supportive regulatory framework and government incentives tailored to address challenges faced by new entrepreneurs. Several government schemes have been launched to provide financial assistance, training, infrastructure support, and markets for entrepreneurs to convert innovative ideas into successful business ventures. These schemes are meant not only to encourage self-employment but also to enhance job creation, foster innovation, and boost inclusive economic development. Hence, awareness of government schemes among aspiring entrepreneurs becomes crucial for realizing their benefits, particularly in emerging economies like India where entrepreneurial growth is a key determinant of sustainable development.

Importance of Awareness of Government Schemes

Awareness plays an essential role in motivating individuals to utilize government initiatives effectively. In India, a significant portion of the entrepreneurial population, especially in rural and semi-urban regions, remains unaware of the schemes designed to support start-ups.

Studies have shown that lack of awareness results in under-utilization of benefits such as subsidies, training, grants, and credit access (Singh & Sharma, 2020). Awareness helps entrepreneurs:

1. Access financial and credit support

Government schemes provide low-interest loans, collateral-free credit, credit guarantees, and funding assistance for research and development. Awareness enables entrepreneurs to make optimal use of these financial resources.

2. Benefit from training and skill development

Entrepreneurs can gain technical, managerial, and digital skills from government training programs such as PMEGP and EDP workshops, improving their ability to manage start-ups.

3. Reduce entry barriers

Schemes simplify regulatory procedures, offer tax exemptions, and help entrepreneurs access licensing support, enabling faster business establishment.

4. Promote inclusive entrepreneurship

Special incentives for women, tribal communities, and minorities encourage equity in business participation, broadening the entrepreneurial ecosystem.

Key Government Schemes Supporting Start-up Businesses in India

1. Start-up India Initiative (2016)

Start-up India is one of the most transformative initiatives promoting innovation-driven start-ups in India. Launched by the Government of India in 2016, it provides tax exemptions, patent fee rebates, funding through the Fund of Funds, and incubation support. The initiative encourages self-certification of compliance and simplifies regulatory procedures (DPIIT, 2023). This scheme has contributed significantly to the recognition of over 100,000 start-ups, positioning India as the world's third-largest start-up ecosystem.

2. Stand-Up India Scheme

The Stand-Up India scheme was launched in 2016 to support women and SC/ST entrepreneurs through collateral-free bank loans between ₹10 lakhs to ₹1 crore. The scheme obligates scheduled commercial banks to provide at least one loan to a woman entrepreneur and one to SC/ST entrepreneur per branch annually. This program promotes inclusive growth by supporting underrepresented groups in entrepreneurship (Ministry of Finance, 2022). It encourages entrepreneurship in non-traditional sectors and enhances financial independence among marginalized communities.

3. Pradhan Mantri Mudra Yojana (PMMY)

Launched in 2015, PMMY provides collateral-free loans to small and micro enterprises. Loans are categorized into:

- **Shishu (up to ₹50,000)**
- **Kishore (₹50,000 to ₹5 lakh)**
- **Tarun (₹5 lakh to ₹10 lakh)**

These loans support small business owners, start-up retailers, artisans, and service providers. Mudra has significantly encouraged micro entrepreneurship in rural India, especially among women, youth, and the informal sector. As of 2023, more than 70% beneficiaries were women entrepreneurs (Mudra Annual Report, 2023).

4. Pradhan Mantri Employment Generation Programme (PMEGP)

PMEGP aims to generate self-employment through the establishment of micro-enterprises. Implemented by the **Khadi and Village Industries Commission (KVIC)**, PMEGP offers subsidies ranging from 15% to 35% on loan amounts. It integrates traditional craftsmanship with modern manufacturing techniques, promoting sustainable entrepreneurship in village industries. PMEGP has facilitated the creation of 7.8 lakh micro-enterprises since its inception (KVIC, 2023).

5. Aatmanirbhar Bharat Abhiyan

The 2020 economic reform initiative emphasizes self-reliance through industry support, infrastructure strengthening, and digital innovation. Key benefits include ease of doing business reforms, support for MSMEs, reduction in compliance burdens, and financial incentives for manufacturing. The initiative strengthens domestic production capabilities and encourages entrepreneurship-led nation-building.

6. Digital India Programme

Digital India plays a crucial role in empowering start-ups with digital infrastructure, online service delivery, and digital skill development. Initiatives such as **DigiLocker, UPI, Jan Dhan-Aadhaar-Mobile (JAM) Trinity, and BharatNet** have enhanced digital payments, rural connectivity, and e-governance, fostering new-age start-ups in fintech, e-commerce, and digital services.

7. Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

CGTMSE offers collateral-free loans to MSMEs through financial institutions by providing government guarantees to banks. It reduces credit risk and supports new entrepreneurs who lack asset security. Start-ups benefit from better loan accessibility and lower interest burdens (CGTMSE Annual Report, 2022).

8. Biotechnology Industry Research Assistance Council (BIRAC)

Founded by the Department of Biotechnology, **BIRAC provides grants, incubators, and funding to biotechnology start-ups** involved in healthcare innovation, agriculture biotech, bioinformatics, and environmental sustainability. It supports research commercialization and strengthens India's biotech innovation pipeline (BIRAC, 2023).

9. Women Entrepreneurship Platform (WEP)

Launched by NITI Aayog, WEP empowers women entrepreneurs by offering mentorship, networking, credit access, training, and business model support. It promotes inclusive development and gender empowerment in start-ups, with emphasis on women-led manufacturing, services, and digital businesses (NITI Aayog Report, 2022).

10. National SC/ST Hub (NSSH)

The Ministry of MSME launched NSSH to support SC/ST entrepreneurs through market linkages, training, subsidies, and raw material assistance. It ensures their participation in government procurement processes. Awareness of this scheme can significantly uplift marginalized entrepreneurs to scale their enterprises (MSME Report, 2023).

Role of Training and Skill Development Programs

Awareness must also include knowledge of training support. Key training schemes include:

- **Entrepreneurship Development Programmes (EDPs)** by MSME-DIs
- **Skill India Mission**
- **National Small Industries Corporation (NSIC) Training Schemes**
- **Agricultural Skill Councils and Rural Livelihood Missions**

These programs build entrepreneurial competencies, technology skills, and production efficiency. Research indicates that training exposure increases the probability of start-up success by improving financial literacy, technology adoption, and business planning (Agarwal, 2021).

Challenges in Awareness of Government Schemes

Despite extensive government initiatives, the penetration of awareness remains limited due to:

1. Lack of outreach

Schemes often fail to reach rural, tribal, and remote regions due to weak communication channels.

2. Bureaucratic hurdles

Procedural complexities discourage small entrepreneurs who lack documentation or literacy skills.

3. Limited mentorship

Many entrepreneurs lack guidance to apply for schemes, prepare business plans, or meet eligibility criteria.

4. Digital divide

Despite digital initiatives, rural India faces gaps in technology access and digital literacy.

5. Low literacy and financial inclusion

Traditional artisans, small traders, and marginalized entrepreneurs often remain unaware of the benefits.

Hence, collaboration between government, NGOs, educational institutions, and private partners is essential to promote awareness.

Recommendations for Improving Awareness

To overcome the barriers, awareness strategies must be strengthened through:

Entrepreneurship cells in colleges and universities

Establishing entrepreneurship clubs and incubators to spread scheme awareness among students.

Village-level campaign through Panchayats

Awareness drives in regional languages using community centres and digital kiosks.

Partnerships with NGOs and women associations

Targeted training for women and marginalized communities.

Digital App and Helplines

A centralized multilingual mobile app offering scheme eligibility, application process, and support.

Mass media campaigns

Use television, radio, and social media influencers to spread awareness among youth.

Increasing awareness will democratize opportunities and bridge economic gaps.

Awareness of government schemes for start-up businesses is pivotal in leveraging India's entrepreneurial potential. Government initiatives like Start-up India, Stand-Up India, Mudra Yojana, PMEGP, BIRAC, Digital India, and Aatmanirbhar Bharat stimulate entrepreneurship by addressing financial, infrastructural, technological, and skill barriers. However, lack of awareness remains a dominant barrier, particularly in rural and marginalized communities. Increasing scheme awareness through education, digital outreach, and community-based initiatives can empower millions of aspiring entrepreneurs. Enhanced awareness can transform India into a globally competitive innovation hub and create sustainable development through job creation and inclusive growth

4.2.Start-up India

Entrepreneurship has gained significant attention in India due to its potential to accelerate economic development by generating employment, stimulating innovation, and boosting industrial productivity. To strengthen the emerging entrepreneurial ecosystem, the Government of India introduced multiple support mechanisms and policy frameworks for start-ups. Among these, the most influential initiative is **Start-up India**, launched on **16 January 2016** by the Prime Minister of India, Shri Narendra Modi. The primary objective of Start-up India is to build a robust platform that encourages innovation, reduces bureaucratic hurdles, simplifies regulatory processes, and enhances financial accessibility for youth-driven enterprises.

In an era where India has emerged as the world's third-largest start-up ecosystem, awareness of such government schemes becomes crucial for aspiring entrepreneurs, particularly in rural areas, women-led ventures, student entrepreneurs, and academic researchers. Therefore, Start-up India plays a vital role in nurturing innovative ideas from concept to commercialization through fiscal incentives, incubation support, and regulatory reforms.

Objectives of Start-up India

The Start-up India initiative was introduced with well-defined objectives aimed at strengthening the entrepreneurial landscape of India. The major objectives include:

1. Promoting a Culture of Innovation

The scheme encourages research, innovation, and creative solutions to societal and industrial problems. It supports disruptive technologies such as AI, biotechnology, green tech, digital health, and e-commerce.

2. Developing a Conducive Business Ecosystem

Start-up India aims to create suitable conditions where new enterprises can thrive without facing hurdles like licensing delays, lengthy taxation processes, and access barriers to finance.

3. Generating Employment Opportunities

Start-ups are job creators rather than job seekers. The initiative encourages youth empowerment by generating employment in various sectors including ICT, biotechnology, manufacturing, fintech, and service industries.

4. Strengthening Inclusive Growth

The scheme provides special support to women entrepreneurs, rural innovators, SC/ST entrepreneurs, and differently-abled individuals to ensure fair participation in India's economic progress.

Eligibility Criteria under Start-up India

To avail benefits under Start-up India, an enterprise must satisfy specific eligibility conditions:

- It must be registered as a **private limited company, partnership firm, or LLP**.
- The company must be **not older than ten years** from its date of incorporation.
- The **annual turnover should not exceed INR 100 crores** in any preceding financial year.
- The start-up must be **working towards innovation, development, or improvement of products, processes, or services**.
- The firm must be **able to generate employment, create wealth, or add value** to national development.
- The organization should not be formed by restructuring or splitting an existing business.

Key Features of Start-up India

1. Simplified Registration through Online Portal

Start-up India introduced a **single-window digital platform** for start-up registration via the Start-up India website and mobile app. This eliminates physical paperwork and speeds up the recognition process.

2. Self-Certification for Compliance

The scheme provides self-certification for compliance under *six labour laws and three environmental laws*. This reduces inspection-based harassment and bureaucratic delays.

3. Fast-Track Patent Examination

Start-ups receive **up to 80% rebate on patent fees** and support from dedicated IPR facilitators. Patent applications are examined on a fast-track basis, encouraging innovators to protect their intellectual capital.

4. Tax Exemption Benefits

Recognized start-ups enjoy several tax benefits, including:

- **Three-year income tax holiday** within ten years of incorporation.
- **Exemption on long-term capital gains**, subject to reinvestment conditions.
- **Tax exemptions on investments above fair market value**, especially angel tax relief.

5. Fund of Funds for Start-ups (FFS)

The government established a **₹10,000 crore Fund of Funds**, managed by SIDBI. Instead of directly funding start-ups, the government invests in Alternative Investment Funds (AIFs), which then invest in high-potential start-ups. This expands access to venture capital significantly.

6. Start-up India Seed Fund Scheme (SISFS)

This scheme allocates funds to early-stage start-ups for **product trials, prototype development, market entry, and commercialization**. Selected start-ups receive grants of up to ₹20 lakhs and equity support up to ₹50 lakhs.

Incubation Support and Industry Academia Collaboration

1. Incubation Centres and Innovation Labs

The initiative supports the establishment of incubation centres, maker spaces, technology parks, and innovation labs within universities and research institutions. These facilities offer mentoring, training, product testing, and networking support.

2. Atal Innovation Mission (AIM)

Under NITI Aayog, this mission fosters innovation through **Atal Tinkering Labs (ATL)** for school students and **Atal Incubation Centres (AIC)** for professional research start-ups.

3. Research Parks and Collaboration Programs

The scheme encourages universities to build **research and entrepreneurship parks**, establishing synergy between academic research and entrepreneurial commercialization. IIT Madras Research Park is a key example of such collaboration.

Support for Women and Rural Entrepreneurs

1. Women Entrepreneurship Support

Special provisions encourage women-led enterprises through:

- **Reduced interest loans**
- **Skill development programs**
- **Networking opportunities** via workshops and e-summits
- Priority assistance under schemes like *Stand-Up India*

2. Rural and Tribal Start-up Support

Rural entrepreneurs are supported through livelihood-oriented innovations in agro-business, handicrafts, sustainable products, and digital service delivery. MSME-DIs (Development Institutes) conduct training for women and tribal entrepreneurs in areas such as eco-products, food processing, tourism, and vocational retail.

Impact of Start-up India on Entrepreneurship Growth in India

1. Rise of India as a Global Start-up Hub

India is now the 3rd largest start-up ecosystem globally. As per DPIIT records, more than 100,000 start-ups have been recognized, creating millions of jobs across multiple sectors.

2. Boost to Innovation and Technology

The focus on IPR, innovation labs, and patent subsidies has sparked a technology revolution, with start-ups emerging in sectors like:

- Artificial Intelligence (AI)

- Biotechnology
- FinTech and EdTech
- Clean energy & sustainability

3. Strengthened Funding Environment

The Fund of Funds, angel tax exemptions, seed funding, and introduction of government-supported venture capital networks boosted investor confidence, leading to a surge in unicorn start-ups.

4. Job Creation and Inclusive Growth

Start-ups have created significant employment opportunities for youth, women, and rural workforces by integrating technology and up-skilling initiatives.

Challenges in Awareness and Implementation

Despite its successes, several gaps persist:

- Insufficient awareness in rural regions and tier-3 cities.
- Limited access to mentorship, especially for marginalized groups.
- Documentation challenges **for** eligibility verification.
- High competition for funding, excluding small local ventures with limited growth potential.
- Infrastructure gaps for physical incubation in remote areas.

Thus, awareness campaigns, skill training, and localized implementation strategies are crucial to ensure equal benefits for all aspiring entrepreneurs.

Start-up India is a revolutionary initiative that transformed India's entrepreneurial ecosystem by reducing regulatory obstacles, promoting innovation, offering fiscal incentives, and supporting start-up financing. The scheme plays a pivotal role in turning ideas into businesses, empowering youth, promoting women's entrepreneurship, and fostering rural innovation. For the initiative to achieve its full potential, greater awareness programs,

incubation support in non-urban regions, and continued financial facilitation are essential. By leveraging Start-up India, young innovators can contribute meaningfully to India's journey toward becoming a global innovation leader.

4.3Stand-up India,

Introduction

Entrepreneurship is a powerful instrument for economic empowerment, social equality, and poverty reduction. In a diverse country like India, inclusive entrepreneurship ensures that various demographic groups such as women, Scheduled Caste (SC) and Scheduled Tribe (ST) communities gain equitable participation in wealth creation and business ownership. Historically, these groups have faced multilayered barriers such as lack of access to finance, social discrimination, limited property rights, insufficient education, and low representation in formal business sectors. In order to promote inclusive entrepreneurship, the Government of India launched the **Stand-Up India Scheme** on **5 April 2016**, as part of the broader mission to encourage job creators rather than job seekers.

Stand-Up India focuses specifically on enabling SC/ST entrepreneurs and **women entrepreneurs** to start and operate greenfield enterprises. The scheme provides **bank loans between ₹10 lakhs and ₹1 crore**, encouraging these marginalized groups to scale their businesses from micro-enterprises to small and medium enterprises. By addressing the credit gap among these communities, Stand-Up India reduces inequality and fosters social mobility while contributing to industrial and service-sector growth.

Concept and Meaning of Stand-Up India

The Stand-Up India Scheme is a government initiative designed to support **greenfield enterprises** owned by SC/ST individuals and women. The term *greenfield enterprise* refers

to a **first-time venture**, meaning the business should not be an expansion or restructuring of an existing venture.

Under this scheme:

- **Each bank branch** is mandated to provide **at least two loans**, one to a woman and one to an SC/ST individual.
- The loan can be given to an individual or a partnership firm where **51% of the shareholding and controlling stake** belongs to SC/ST or women applicants.
- The scheme encourages **manufacturing, service, and trading activities**.

Thus, Stand-Up India plays a vital role in building an inclusive business ecosystem where disadvantaged groups become active value creators in the economy.

Objectives of Stand-Up India

The primary objectives include:

1. Promoting Inclusive Entrepreneurship

The scheme empowers women, SC, and ST populations, helping them become successful business owners rather than wage earners, promoting equality across social and economic structures.

2. Providing Access to Institutional Financing

Marginalized groups often lack collateral and face challenges accessing credit from formal institutions. Stand-Up India bridges this gap by facilitating loans with collateral support through Credit Guarantee mechanisms.

3. Establishing Greenfield Projects

The scheme encourages new ideas and innovation by supporting first-time entrepreneurs in manufacturing, service, and trading sectors. This stimulates competition and diversifies industrial participation.

4. Creating Employment Opportunities

By encouraging individuals to start their own enterprises, the scheme promotes job creation, especially in local communities.

5. Strengthening the Enterprise Ecosystem

Stand-Up India provides not just funding, but also handholding support, training, skill development, marketing linkages, and mentorship, strengthening the long-term sustainability of new enterprises.

Eligibility Criteria

To avail benefits under the scheme:

✔ **Applicant type:**

- A **woman** entrepreneur (irrespective of caste)
- An entrepreneur belonging to **Scheduled Caste (SC)** or **Scheduled Tribe (ST)**

✔ **Business ownership:**

- Must own **51% or more shareholding** in the enterprise.

✔ **Nature of business:**

- The project must be a **greenfield enterprise**, i.e., the first business of the individual.
- Permitted sectors: manufacturing, services, or trading.

✔ **Age and capacity:**

- Must be above 18 years of age.
- Must not have defaulted with any bank or financial institution.

✔ **Loan amount:**

- Minimum ₹10,00,000 (₹10 lakhs) to maximum ₹1,00,00,000 (₹1 crore).

Features and Benefits of Stand-Up India

1. Loan Structure

The loan includes:

- **Term loan + working capital**
- Can be secured through collateral and/or Credit Guarantee support from the **Credit Guarantee Fund for Stand-Up India (CGFSI)**.

2. Margin Money Requirement

The borrower must contribute at least **10% of the project cost**, which can be supported indirectly through other government subsidies.

3. Interest Rates

Interest rates must be the **lowest applicable rate** for similar categories of loans plus a small credit risk premium.

4. Repayment

Loan tenure can extend up to **7 years**, with a **moratorium period up to 18 months** depending on business needs.

5. Handholding Support

Stand-Up India provides:

- Entrepreneurship development training
- Skill development programs
- Market support
- Technology support
- Application filing and documentation assistance

6. Digital Facilitation

The **Stand-Up Mitra portal** acts as a digital platform for:

- Loan application
- Registration of enterprises
- Training resources
- Mentor connection

Sectors Supported Under Stand-Up India

The scheme supports a wide range of entrepreneurial sectors, such as:

- Manufacturing units (garment units, small appliances, furniture making)
- Food processing industries
- Service enterprises (hostels, hospitals, coaching centers, salons, restaurants)
- Trading businesses (retail shops, marketplaces, wholesale outlets)
- Transport services (logistics, automobile centers)

Additionally, the scheme encourages enterprises aligned with **Make in India, Skill India, Digital India, and Aatmanirbhar Bharat** initiatives.

Implementation Mechanism

The Stand-Up India program works through the following steps:

1. Identification of Beneficiaries

Banks identify eligible women and SC/ST borrowers from their service area.

2. Handholding and Training

Support is provided through Entrepreneurship Development Institutes, District Industries Centers (DICs), NSIC, NIESBUD, and digital platforms.

3. Sanctioning of Loan

Loan proposals are appraised and sanctioned after due documentation, viability assessment, and margin support consideration.

4. Post-Loans Support

Support continues even after loan disbursement, helping entrepreneurs maintain books, hire workers, and grow.

Socio-Economic Impact of Stand-Up India

Empowerment of SC/ST Communities

These communities typically face historical disadvantages in accessing finance and markets. Stand-Up India ensures entrepreneurship opportunities that help them break out of poverty cycles, acquire assets, and gain social respect.

Economic Empowerment of Women

The scheme reduces financial dependency and encourages women to become job creators. Increased women entrepreneurship improves family welfare, education, and nutrition outcomes.

Employment Generation

Enterprises supported by the scheme create employment opportunities for locals, supporting regional development and reducing migration.

Innovation and Local Development

Local enterprises use local resources, skills, and technology, boosting decentralized industrial growth and competitiveness.

Challenges and Limitations

Despite many benefits, certain challenges remain:

1. Lack of Awareness

Many eligible candidates are unaware of the scheme or unclear about documentation processes.

2. Documentation and Financial Literacy

Some women and SC/ST entrepreneurs struggle with paperwork, making project reports, and maintaining accounts.

3. Social Barriers

Gender discrimination, limited mobility, and cultural restrictions hinder participation, especially in rural areas.

4. Collateral Difficulties

Though the scheme provides collateral support, banks sometimes demand collateral due to credit risks.

5. Limited Skill Training

Entrepreneurial success requires training; however, many regions lack accessible training centers.

Recommendations for Strengthening Stand-Up India

- **Conduct local awareness camps** through SHGs, NGOs, Panchayats, and schools.
- **Provide community-level training centers** offering entrepreneurship, digital finance, and skill training.
- **Simplify documentation**, including online forms in local languages.
- **Expand digital support and training modules** through government apps.
- **Encourage public-private partnerships** for mentoring and marketing support.

The Stand-Up India Scheme represents a major step toward inclusive growth and social equity. By supporting disadvantaged groups like women and SC/ST communities, the scheme promotes entrepreneurial diversity and empowers individuals to progress economically. Its contribution toward employment generation, industrial diversification, and social justice is highly significant. Although challenges exist in awareness, training, and documentation, with proper implementation and community outreach, Stand-Up India has the potential to reshape India's entrepreneurial ecosystem and foster a more equitable and innovative economy.

4.4.“Make in India” Program,

Make in India” Program

Introduction

Economic growth in any developing nation depends largely on industrial strength, strategic manufacturing capabilities, infrastructure development, export competitiveness, and foreign investment. India, with its demographic dividend and natural resources, has long been viewed as a potential global manufacturing hub. However, the country historically faced challenges such as excessive regulations, bureaucratic hurdles, infrastructure gaps, and dependency on imports. To transform these limitations into development opportunities, the Government of India launched the “Make in India” program on 25th September 2014**.**

The initiative aims to position India as a global manufacturing destination, attract both domestic and foreign investors, enhance skill development, foster innovation, and encourage sustainable industrial growth. It envisions elevating the manufacturing sector’s contribution to India’s GDP from ~16% to 25%**,** creating employment for millions while accelerating technological advancements across sectors such as electronics, railways, defense, automobiles, textiles, and renewable energy.

Meaning and Concept of “Make in India”

“Make in India” is a flagship initiative designed to promote manufacturing and investment in India and transform the country into a global innovation and manufacturing hub. It focuses on:

- Boosting indigenous production
- Reducing import dependence
- Promoting self-reliance
- Encouraging foreign investment
- Strengthening MSMEs and start-ups

- Enhancing competitiveness and innovation

The program aligns with the principles of economic liberalization, industrial development, and entrepreneurial growth. It integrates technological reforms, business-friendly policies, and skill development to enhance the productivity and capabilities of the Indian economy.

Objectives of the Make in India Program

1. Boost Manufacturing Sector

Enhance the share of manufacturing in India's GDP to 25% by encouraging companies to build, innovate, and produce domestically.

2. Generate Large-Scale Employment

Create skilled and semi-skilled job opportunities, particularly for youth, and reduce disguised unemployment in agriculture by shifting workers to industries.

3. Attract Foreign Direct Investment (FDI)

Simplify rules and create investor-friendly conditions to attract global companies to manufacture in India.

4. Promote Innovation and Technology

Encourage research and development (R&D) and adoption of advanced technologies in production, digital automation, and smart manufacturing.

5. Reduce Import Dependency

Develop domestic supply chains and production capacities to reduce reliance on imported electronics, defense equipment, and raw materials.

6. Improve Ease of Doing Business

Simplify regulatory frameworks, bring transparency, and digitalize procedures for business setup, taxation, and licensing.

7. Strengthen MSMEs

Support Micro, Small, and Medium Enterprises to become competitive suppliers domestically and globally through finance, training, and market access.

Key Features of the Make in India Program

1. Focus on 25 Priority Sectors

The initiative highlights 25 industries such as automobiles, defense manufacturing, IT & BPM, biotechnology, chemicals, textiles, renewable energy, electronic systems, tourism, and mining. These sectors were chosen for their capacity to drive economic growth and employment.

2. Liberalized FDI Policies

Make in India allows up to **100% Foreign Direct Investment (FDI)** under automatic route in many sectors including railways, telecommunication, defense production (with some caps), and manufacturing. This has enhanced investor confidence and market accessibility.

3. Development of Industrial Corridors

Establishment of **industrial corridors**, such as the Delhi–Mumbai Industrial Corridor, Chennai–Bengaluru Corridor, and Amritsar–Kolkata Industrial Corridor, to provide world-class logistics, ports, power, and connectivity support.

4. Skill Development Initiatives

The scheme works closely with **Skill India** to train the workforce in advanced manufacturing technologies. Industrial training institutes (ITIs), polytechnics, and skill centers have been upgraded for technical training.

5. Promotion of Start-ups

Collaborates with **Start-up India** to support innovation-driven entrepreneurship in manufacturing, fostering a conducive ecosystem for design, development, and production.

6. Digital India Integration

Encourages digitization of business processes, e-governance, digital payment systems, automated licensing, and transparency in government approvals.

Implementation Strategies

1. Policy Reforms

- Simplification of labor laws
- Reduction in tax burden through GST
- Online approval mechanisms (e-Biz portals)
- Amendment of defense procurement policies

2. Infrastructure Boost

- Creation of Smart Cities
- Logistics and freight corridors
- Renewable energy parks
- Technology centers and clusters

3. Special Economic Zones (SEZs)

Special Economic Zones offer tax benefits, duty exemptions, and infrastructure advantages to export-oriented manufacturing units.

4. Public–Private Partnerships

Investment through PPP models for infrastructure, research projects, and skill development programs.

Impact of Make in India

1. Growth in FDI Inflows

India became one of the top destinations for global investment. Sectors like electronics, automobiles, chemicals, and digital technologies experienced significant FDI growth.

2. Rise in Domestic Manufacturing

Improved production in electronics, mobile phones, defense, and automotive industries. Indian brands and local manufacturing units began competing globally.

3. Employment Generation

Manufacturing growth expanded job opportunities in:

- Assembly lines
- Logistics
- Engineering services
- Product design and testing
- MSME supply chains

4. Boost to Exports

Exports of engineering goods, pharmaceuticals, textiles, and software services increased due to enhanced competitive policies.

5. Technological Advancement

Increased R&D investments encouraged modernization in railways, defense manufacturing, digital payments, AI technologies, and agriculture machinery.

Challenges Faced by Make in India

1. Inadequate Infrastructure

Demand for high-quality logistics, electricity, warehousing, and transportation is greater than current capacity in many regions.

2. Regulatory and Bureaucratic Delays

Despite reforms, challenges remain in licensing, environmental approvals, and corruption in several states.

3. Land Acquisition Issues

Industrial land procurement is complicated due to legal, social, and compensation disputes.

4. Skill Gaps

The skill levels of workers often do not align with advanced manufacturing requirements, leading to under-productivity.

5. Dependence on Raw Material Imports

Imports of electronic components, crude oil, and advanced machinery hinder domestic value addition.

Strategies to Strengthen the Make in India Initiative

- **Invest in R&D and Innovation Centers**

Government and private collaboration for technology development.

- **Strengthen MSME Supply Chains**

Provide easier credit, digitalization, cluster development, and market linkages.

- **Focus on Skill-Based Education**

Technical training and specialization in robotics, automation, artificial intelligence, and product design.

- **Improve Infrastructure**

Build smart ports, multimodal logistics centers, green industrial corridors, and renewable energy grids.

- **Encourage Export-Oriented Industries**

Tax rebates, quality standards, and global trade agreements.

The Make in India initiative is a transformative economic mission aimed at building a strong, self-reliant, and globally competitive industrial economy. The program has helped India become a leading destination for foreign investment, improve domestic manufacturing capabilities, and generate large-scale employment. With stronger implementation in innovation, infrastructure, and skill development, Make in India can significantly accelerate India's vision of becoming a $5 trillion economy and a global manufacturing powerhouse.

The success of this initiative will shape India's industrial future and improve economic prosperity for generations.

4.5.MUDRA.

Pradhan Mantri Mudra Yojana (PMMY)

Micro and small enterprises form the backbone of India's local economy by promoting employment generation, income creation, and regional development. However, the growth of these enterprises is often constrained by a lack of access to formal credit, especially without collateral. To address this issue, the Government of India introduced the Pradhan Mantri Micro Units Development and Refinance Agency Yojana (PMMY) in April 2015, commonly referred to as the MUDRA scheme. The initiative aims to provide collateral-free loans up to ₹10 lakh to individuals engaged in non-farm, non-corporate micro and small enterprises.

The scheme is implemented through a specialized financial institution, Micro Units Development & Refinance Agency Ltd. (MUDRA Ltd.), which refinances eligible lending institutions such as banks, non-banking financial companies (NBFCs), cooperative banks, and microfinance institutions (MFIs). The intervention of PMMY has not only formalized many informal enterprises but has also become a major catalyst for financial inclusion, particularly in rural and marginalized communities. Its relevance is increasing as the Indian economy shifts toward self-employment, micro-entrepreneurship, and grassroots innovation.

2. Meaning and Full Form of PMMY

PMMY stands for Pradhan Mantri Micro Units Development and Refinance Agency Yojana**.** Established in 2015**,** the scheme is implemented through MUDRA Ltd**.,** a financial body created to support micro and small enterprises operating primarily in the non-corporate and non-farm sectors**.**

In simple terms, PMMY allows small entrepreneurs, such as street vendors, shopkeepers, tailors, food stall owners, auto operators, repair mechanics, and artisans, to borrow small

loans without providing any collateral or security. Therefore, the scheme addresses a key barrier faced by unorganized sector entrepreneurs dependence on local moneylenders who charge high interest rates and exploit borrowers.

3. Objectives of PMMY

The prime objectives of the PMMY scheme are:

Promoting entrepreneurship among small and micro units

The scheme encourages individuals to start micro enterprises, fostering self-employment and entrepreneurship among first-generation business owners.

Providing easy access to finance

PMMY offers simplified loans to:

- Small manufacturers
- Market vendors and shopkeepers
- Service providers
- Artisans and craftsmen
- Transport operators

  These groups often struggle to get formal bank loans due to lack of a credit history or collateral.

Supporting non-farm, non-corporate enterprises

A majority of micro enterprises operate in the informal sector. PMMY prioritizes these segments, helping them transition into the formal economy.

Generating employment and self-sufficiency

The scheme encourages self-employment and supports small entrepreneurs who generate jobs for others, particularly in semi-urban and rural areas.

Reducing reliance on informal lenders

PMMY aims to reduce borrowers' dependence on unorganized sources such as moneylenders by providing loans at lower interest rates through formal banking channels.

Implementing Structure

Role of MUDRA Ltd.

MUDRA Ltd. is the nodal refinancing agency, but it does not provide direct loans to entrepreneurs. Instead, it refinances "Last Mile Financial Institutions**"**, which include:

- Commercial banks
- Regional Rural Banks (RRBs)
- Cooperative banks
- NBFCs
- Microfinance Institutions (MFIs)

This refinancing model ensures easy flow of credit to small and micro borrowers who operate near the "last mile".

Working Mechanism

- Entrepreneurs apply for loans through eligible banks or institutions.
- Lending institutions approve and disburse loans based on eligibility.
- MUDRA refinances these institutions, allowing them to extend more loans.

Thus, the risk is shared between banks and MUDRA**,** making micro lending safer and scalable.

Loan Categories under PMMY

Loans under PMMY are classified into three categories based on business size and growth stage:

Shishu Category (Seed Stage)

- **Loan limit:** Up to ₹50,000

- **Target group:** New and tiny entrepreneurs like:
    - Tea stalls
    - Mobile repair shops
    - Tailoring services
    - Street food sellers
    - Vegetable vendors
- **Purpose:** For purchasing tools, raw materials, initial stock, or basic equipment. This category helps informal workers convert their skills into a business opportunity.

Kishore Category (Growth Stage)

- **Loan range:** ₹50,001 to ₹5,00,000
- **Target group:** Existing micro businesses wanting expansion.
- **Purpose:** Buying better machinery, hiring workers, or increasing working capital.

Tarun Category (Expansion Stage)

- **Loan range:** ₹5,00,001 to ₹10,00,000
- **Target group:** Growing firms requiring large expansion.
- **Purpose:** Increasing production, adding branches, upgrading infrastructure, or purchasing vehicles and machinery.

These are **not separate schemes** but **different loan slabs** under PMMY. The structure allows businesses to **upgrade gradually** as they grow.

Eligibility Conditions

Who Can Apply?

Eligible borrowers include micro enterprises engaged in:

- Manufacturing
- Trading
- Services

- Repair work
- Food processing
- Transport and small logistics

Common examples:

- Repair workshops, garment units, beauty salons, food stalls, gym trainers, carpenters, handicraft makers, etc.

Type of Business

- Only **non-corporate, non-farm** micro enterprises qualify.
- Small agricultural-allied activities such as dairy or poultry services may be indirectly financed if linked to non-farm operations.

Lending Channels

Loans are provided through registered PMMY providers like banks, NBFCs, and MFIs. Borrowers must follow **normal KYC and bank norms**, which may vary by institution, but **no collateral is required**.

Key Features of PMMY

PMMY has several distinguishing features:

Collateral-Free Loans

Borrowers receive up to ₹10 lakh without providing property or assets as security. This is crucial for poor or first-time entrepreneurs.

Wider Coverage

The scheme supports numerous activities, including:

- Food processing units
- Tailoring shops
- Mobile phone and electronics repairing
- Beauty parlors and salons

- Local service centers (photocopy shops, travel counters)
- Artisans and handicraft producers
- Transport operations such as auto and taxi services

Refinancing Model

MUDRA does not lend directly; instead, it provides refinancing support. This increases the lending institutions' ability to issue more loans.

Formalizing Informal Units

Micro enterprises often lack records or bank accounts. PMMY encourages an organized credit track record, enabling enterprises to later avail bigger loans under MSME or Stand-Up India schemes.

Inclusive Lending

Special focus is given to:

- Women
- SC, ST, and OBC entrepreneurs
- Minority groups
- Rural and semi-urban small businesses
- Banks often prioritize women applicants, boosting women entrepreneurship.

Sanctioned vs. Disbursed Loan Performance

Data between 2015–2022 shows that the sanctioned and disbursed amounts are almost equal**,** implying:

- Loans approved are mostly released.
- Minimal differences occur due to:
    - Incomplete documentation
    - Partial utilization or cancellations
    - Revision in requested loan amounts

Thus, PMMY has been actively implemented, proving its credibility as a result-oriented scheme, not merely a policy announcement.

Importance of PMMY for Entrepreneurship and Startups

Entry-Level Finance for First-Generation Entrepreneurs

Many low-income workers have skills and business ideas (like cooking, repairing, tailoring) but cannot secure bank loans due to collateral requirements. PMMY provides them with **formal loans without collateral**, enabling them to become self-employed.

Job Creation

Micro enterprises typically hire 1 to 2 additional workers. A single loan can create:

- Self-employment for the borrower
- Additional employment for assistants or helpers

This model supports employment growth without large capital investment.

Financial Inclusion

PMMY promotes banking habits through:

- Compulsory accounts
- Digital transactions
- EMI repayment systems

This enhances credit history, making borrowers eligible for future business loans.

Complement to Other Startup Schemes

PMMY supports grassroots enterprises, while initiatives like Start-Up India, SISFS, BIRAC support technical and innovation-driven startups. Together, these initiatives strengthen India's overall entrepreneurial ecosystem both technological and grassroots.

Empowering Women and Weaker Sections

With strong support for female borrowers and self-help groups, the scheme enables women to become financially independent, helping families shift from informal labor to entrepreneurship.

Limitations and Challenges

Despite its success, PMMY faces challenges:

Lack of Awareness

Many micro enterprises are unaware of PMMY or how to apply, especially in rural regions.

Documentation Issues

Although collateral-free, the loan process requires KYC, business details, and sometimes income proofs, which can discourage informal workers.

Unequal Distribution

Some sectors (like transport or retail) receive more loans than manufacturing and productive sectors, affecting balanced development.

Uncertain Long-Term Impact

More long-term research is needed to evaluate whether PMMY borrowers' income levels and business sustainability improve after loan utilization.

Risk of Over-Indebtedness

In some regions, micro borrowers may take multiple small loans from different lenders, potentially increasing financial risk.

11. Suggestions for Better Implementation

To enhance PMMY's effectiveness, the following measures can be recommended:

a) Increase awareness through local campaigns and NGOs
b) Simplify documentation for tiny informal businesses
c) Provide business training and financial literacy workshops
d) Encourage diversity in sanctioned sectors (beyond retail)
e) Monitor loan utilization and provide follow-up guidance
f) Create digital platforms for easy tracking and application

With better support mechanisms, PMMY can transform millions of informal workers into successful entrepreneurs.

Pradhan Mantri Mudra Yojana is a landmark initiative in India's financial inclusion and micro-entrepreneurship landscape. By providing collateral-free credit, the scheme empowers small entrepreneurs who traditionally lacked access to formal finance. It not only supports self-employment but also generates additional jobs, fosters gender empowerment, reduces informal borrowing, and broadens financial inclusion. While challenges such as awareness gaps and documentation hurdles persist, strengthening outreach and training can significantly improve its impact. By enabling millions of micro units to grow sustainably, PMMY contributes to a more inclusive, diversified, and self-reliant entrepreneurial ecosystem in India.

4.6. ROLE OF WOMEN ENTREPRENEURS IN ECONOMIC DEVELOPMENT.

Women entrepreneurship has emerged as a critical driver of inclusive and sustainable economic development in both developing and developed nations. Entrepreneurship among women transcends economic boundaries, empowering them to participate actively in business activities and contributing significantly to national income, employment generation, technological innovation, and social transformation. In India, increasing government support, educational attainment, skill development, digital inclusion, and financial assistance have expanded opportunities for women to start their own enterprises. Women entrepreneurs now

operate in diverse sectors, ranging from micro-enterprises, rural crafts, and food processing to technology, biotechnology, digital services, and sustainable product manufacturing.

The growing participation of women in entrepreneurial activities reflects their rising aspirations for financial independence, leadership, and participation in economic decision-making. Thus, women entrepreneurship is not merely an economic phenomenon—it is also a social movement toward gender equality, human development, and inclusive growth.

Meaning of Women Entrepreneurs

A **woman entrepreneur** is a woman who initiates, organizes, manages, and operates a business enterprise, assuming financial risks with the goal of earning profits, generating employment, and improving economic value. According to the Government of India, a woman enterprise is one in which **a woman owns at least 51% of financial interest and management control**. Women entrepreneurs may operate businesses individually or collectively (through cooperatives, self-help groups, or partnerships) across formal and informal sectors.

Characteristics of Women Entrepreneurs

Women entrepreneurs exhibit distinctive characteristics influenced by socio-cultural, psychological, and economic factors. Some notable characteristics include:

- Strong desire for **economic independence**
- High **creativity and innovation**, especially in micro and service sectors
- Strong **family and community orientation**
- Preference for **low capital, low risk, and local resources**
- Emphasis on **quality, sustainability, and personalized services**
- High resilience against socio-cultural constraints

These qualities make women's entrepreneurship a key enabler of community-based and socially relevant businesses.

Role of Women Entrepreneurs in Economic Development

1. Employment Generation

Women entrepreneurs generate direct and indirect employment opportunities. Micro and small enterprises run by women are labor-intensive, often hiring additional workers from the local community. This reduces unemployment, especially in semi-urban and rural regions. According to studies, women-led enterprises create more jobs relative to the size of investment compared to large capital-intensive enterprises.

2. Utilization of Local Resources

Women entrepreneurs typically utilize locally available raw materials, skills, and traditional knowledge, converting them into valuable products. This promotes **localized economic growth**, reduces dependence on external resources, and preserves traditional crafts and indigenous knowledge. Examples include handloom weaving, handicrafts, herbal products, and homemade food businesses.

3. Increased Household Income and Poverty Reduction

Women's entrepreneurship elevates household income and helps families escape poverty. When women earn, they reinvest a larger portion into their family's health, education, and well-being. Research by the World Bank reveals that when women control household income, the positive impact on children's education and nutrition is significantly higher than when men control earnings.

4. Encouragement of Inclusive and Sustainable Development

Women entrepreneurs often build businesses with environmental and social values, such as eco-friendly products, organic farming, social innovation, and community-based enterprises. Their focus on sustainability helps nations reduce waste, promote green practices, and achieve sustainable development goals (SDGs) such as gender equality, decent work, and poverty eradication.

5. Contribution to National Income and GDP

Women's entrepreneurial activities contribute directly to GDP, output, and per capita income. By using idle resources, increasing productive work, and generating employment, women entrepreneurs expand a nation's productive capacity. Countries with higher women participation in entrepreneurship show higher levels of innovation and competitive markets.

6. Innovation and Creativity

Women often enter new markets with creative designs, innovations, and empathetic services. Their businesses in areas such as social entrepreneurship, child care, education, handicrafts, wellness, and digital services demonstrate unique innovation driven by social needs. Start-ups led by women in tech, fintech, edtech, and e-commerce are also rising rapidly, showcasing their creativity as agents of technological change.

7. Balanced Regional Development

Women entrepreneurs are increasingly establishing enterprises in rural and semi-urban areas due to lower entry barriers and local resource utilization. This encourages **equitable regional development**, avoids over-urbanization, and builds decentralized economic networks.

8. Strengthening Democracy and Gender Equality

By participating in economic decision-making and gaining leadership roles, women challenge patriarchal norms and overcome gender discrimination. Women entrepreneurship expands

their bargaining power in families, labor markets, and community governance, thus strengthening democracy and gender equality.

Factors Encouraging Women Entrepreneurship

1. Government Schemes and Financial Support

Schemes such as Stand-Up India, Mudra Yojana, Women Entrepreneurship Platform (WEP), Annapurna Scheme, and Mahila Coir Yojana provide credit assistance and training, enabling women to start enterprises with minimal capital barriers.

2. Digital Inclusion

Smartphones, social media marketing, digital payments (UPI), e-commerce platforms (Amazon Saheli, Meesho, Etsy), and free online learning empower women to run businesses from home.

3. Educational Attainment

Women's higher education and skill development programs have expanded career and entrepreneurship choices. Training programs improve technical skills, leadership capacity, and financial literacy.

4. Support from SHGs and Microfinance

Self-Help Groups (SHGs) and microfinance institutions offer collective borrowing, training, and market access, especially in rural areas.

Challenges Faced by Women Entrepreneurs

1. Social and Cultural Barriers

Patriarchal norms and gender stereotypes limit mobility, decision-making, and risk-taking. Traditional beliefs still view men as breadwinners and women as caretakers.

2. Lack of Access to Credit and Property Rights

Many women lack collateral due to limited property ownership, affecting their ability to obtain bank loans. Despite policies, institutional bias and documentation challenges persist.

3. Limited Marketing and Networking Opportunities

Women often lack networks that help in promotion, collaboration, and scaling up. Societal restrictions further limit travel for trade fairs, exhibitions, or training programs.

4. Work-Life Balance

Women shoulder disproportionate household responsibilities, affecting their ability to fully focus on business. Balancing childcare, family care, and business limits time and growth potential.

5. Lack of Technical Skills

Some women lack technological exposure or formal training, especially in rural areas, affecting productivity, innovation, and competitiveness.

Women entrepreneurship plays a transformational role in stimulating economic growth, generating employment, promoting innovation, reducing poverty, and creating socially responsible enterprises. By mobilizing underutilized talent, fostering local development, and nurturing sustainable practices, women-led enterprises serve as catalysts of inclusive development. Empowering women entrepreneurs is not only an economic investment but also a strategic contribution to building an equitable, innovative, and resilient nation.

4.7.SCHEMES FOR WOMEN ENTREPRENEURS –ANNAPURNA SCHEME, DENA SHAKTI SCHEME, MUDRA LOAN FOR WOMEN, STREE SHAKTI SCHEME.

Introduction

Women entrepreneurship has become an essential component of economic growth, employment generation, and social development in India. Over the last two decades, the

Government of India and several financial institutions have taken active measures to promote women-led enterprises by providing credit support, training, subsidies, and market linkage. The aim is not only to empower women socially and economically but also to enhance national productivity and inclusive growth. Access to finance remains the most crucial requirement for women entrepreneurs. Many women face constraints due to lack of collateral security, limited financial literacy, conservative socio-cultural environment, and discriminatory lending policies. According to the MSME Ministry, a significant proportion of women-owned businesses operate at a micro or small scale and require affordable loans and support services.

To address these challenges, various financial schemes have been introduced, targeting different categories of women entrepreneurs. Among these, noteworthy programs include the Annapurna Scheme, Dena Shakti Scheme, Mudra Loan for Women, and Stree Shakti Scheme**.** These schemes aim to provide collateral-free loans, concessional interest rates, and income-generating opportunities for women across rural, semi-urban, and urban regions. The following section provides an in-depth examination of these schemes, their objectives, features, benefits, and their contribution to women entrepreneurship.

1. Annapurna Scheme

1.1 Introduction and Purpose

Food services and home-based catering businesses are rapidly growing among women due to low entry barriers and utilisation of their traditional culinary skills. The **Annapurna Scheme** specifically supports women entrepreneurs engaged in food-related businesses such as tiffin services, catering, snack manufacturing, and small hotels. Many women begin these enterprises informally and require small loans to expand their business capacity. The scheme was launched to help these women manage working capital and purchase kitchen equipment.

1.2 Features of Annapurna Scheme

- Provides loans up to **₹50,000 to ₹2 lakh** (varies across banks).
- Helps in **purchasing utensils, gas stoves, food vans, mixers, refrigerators, trolleys, and raw materials**.
- Borrowers can **repay within 36 months**, often with a **moratorium period of 6–12 months**.
- Loans are available through public and private sector banks, often backed by NABARD refinancing.

1.3 Eligibility Criteria

- The applicant must be a **woman entrepreneur** planning to expand or start a small food business.
- The business must be **micro or small scale**, such as home-based catering, food trucks, snacks shops, bakeries, tiffin services, etc.

1.4 Significance of Annapurna Scheme

The scheme encourages women to convert culinary skills into income-generating activities, enhancing self-reliance. It promotes women's participation in local markets, increases household income, and provides empowerment to home-bound women, especially in semi-urban towns and metropolitan cities where demand for ready-to-eat food is constantly growing.

2. Dena Shakti Scheme

2.1 Introduction

The **Dena Shakti Scheme** was launched by Dena Bank (now merged with Bank of Baroda) to offer special credit facilities to women entrepreneurs in priority sectors such as retail trade, manufacturing, agriculture-related activities, micro-credit, and small enterprises. The scheme encourages women to start businesses in areas that traditionally lacked formal financing.

2.2 Key Features

- **Concessional interest rates** for loans up to ₹20 lakh.
- Applicable to sectors like:
    - Agriculture and allied activities
    - Small enterprises
    - Manufacturing
    - Retail trade
    - Micro-credit services
    - Housing and education loans for women entrepreneurs
- For micro-credit, loans up to ₹50,000 are encouraged without heavy paperwork.
- Lower processing charges for women borrowers.

2.3 Eligibility

- Women who are engaged in entrepreneurial activities in priority sectors.
- Sole proprietors or women having majority ownership and management control.

2.4 Significance

The Dena Shakti Scheme reduces gender bias in banking systems by providing special financial support exclusively to women entrepreneurs. It empowers women financially, improves their socioeconomic confidence, and enables participation in diverse sectors beyond household industries. It promotes **sectoral diversification**, encouraging women to explore new entrepreneurial fields traditionally dominated by men.

3. Mudra Loan for Women (PMMY)

3.1 Introduction and Purpose

The **Pradhan Mantri Mudra Yojana (PMMY)** offers collateral-free loans to micro and small entrepreneurs. Women are given special preference under Mudra loans to boost their entrepreneurial activities. Women entrepreneurs have been significant beneficiaries as they

require small working capital for businesses such as tailoring, small shops, beauty parlors, handicrafts, tuition centers, food services, and repair jobs.

3.2 Loan Categories

Under Mudra, bank loans are classified into three categories:

Category	Loan Range	Purpose
Shishu	Up to ₹50,000	For new and tiny startups
Kishore	₹50,001 – ₹5,00,000	For growth of existing business
Tarun	₹5,00,001 – ₹10,00,000	For expansion and scaling

3.3 Special Benefits for Women

- Many institutions offer **reduced interest rates** for women borrowers.
- Priority given to **women-led SHGs (Self-Help Groups)**.
- Minimal documentation and **no collateral required**.
- Promotes women from informal to formal business sectors.

3.4 Importance

Mudra Loan for Women transforms informal workers into income-generating entrepreneurs, enhancing employment generation and financial inclusion. It has a large reach among rural and semi-urban women due to its easy application and small-size loans. The scheme aligns with Digital India, Startup India, and Skill India initiatives, supporting women across diverse categories such as service, manufacturing, retail, and traditional crafts.

4. Stree Shakti Scheme

4.1 Introduction

The **Stree Shakti Scheme** is implemented by several banks, especially the State Bank of India (SBI), to support women in entrepreneurship development. The scheme emphasizes **training and skill development** through **Entrepreneurship Development Programs (EDPs)** before granting loans.

4.2 Features

- Loans available up to **₹25 lakh** for women entrepreneurs having majority ownership.
- **Concession of 0.50% interest rate** for loans above ₹2 lakh.
- Women must have completed an **EDP training course** conducted by a government institute like MSME-DIs, NSTEDB, or NIESBUD.
- Encourages knowledge-based enterprises and professional services like:
    - Boutique shops
    - Salons and spas
    - Catering units
    - Consultancy services
    - Tailoring units
    - Teaching and coaching services
    - Art and craft enterprises

4.3 Eligibility

- Women entrepreneurs owning at least **51% of the enterprise ownership**.
- Completion of a certified entrepreneurship training program.

4.4 Significance

Stree Shakti Scheme integrates credit support with **skill training**, which makes it unique compared to other schemes. Training develops managerial skills, enhances financial literacy, and strengthens confidence among women. Women not only gain access to credit but also acquire business knowledge, making their enterprises more sustainable.

Comparative Analysis of the Schemes

Scheme	Focus Area	Max Loan	Training Required	Collateral
Annapurna Scheme	Food & Catering	₹50k–₹2 lakh	Not mandatory	May or may not require
Dena Shakti Scheme	Priority sectors	Up to ₹20 lakh	No	Depends on category
Mudra Loan for Women	Micro-enterprises	₹10 lakh	No	No collateral
Stree Shakti Scheme	All sectors + training-based	₹25 lakh	**Yes (EDP)**	Depends on size

Role of These Schemes in Women's Economic Empowerment

Economic Benefits

- Generates self-employment and income.
- Reduces dependency on men and informal lenders.
- Strengthens micro and small enterprise sectors.
- Provides accessible credit with reduced barriers.

Social Empowerment

- Increases confidence, decision-making power, and mobility of women.
- Enhances their status within family and community.
- Encourages leadership and participation in community development.

National Development Impact

- Promotes inclusive growth and reduces poverty.
- Contributes to GDP and industrial diversification.

- Supports Sustainable Development Goals (SDGs) like SDG 5 (Gender Equality) and SDG 8 (Decent Work & Economic Growth).

Challenges in Implementation

Despite the positive contributions, several challenges persist:

- **Low awareness** among rural women and marginalized groups.
- Difficulties in documentation and KYC compliance.
- Limited financial literacy to understand loan terms and manage credit.
- Social barriers restricting women's mobility and networking.
- Risk of loan misuse without proper training.

Suggestions for Improvement

- Conduct **local awareness campaigns** through NGOs, Panchayats, and SHGs.
- Simplify loan processes with minimal documentation.
- Expand **digital application platforms** for women entrepreneurs.
- Offer **financial literacy and business training** along with loans.
- Encourage banks to set **women entrepreneurship cells** for guidance and support.

Women entrepreneurship plays a transformative role in national development. Financial schemes like Annapurna, Dena Shakti, Mudra Loans for Women, and Stree Shakti act as pillars of support by offering collateral-free credit, training, concessional interest rates, and opportunities for formal enterprise development. These initiatives empower women economically and socially, helping build a balanced and inclusive economy. Strengthening awareness and implementation can further enhance their reach and impact, paving the way for more women to become successful entrepreneurs, innovators, and leaders of tomorrow.

Check Your Progress

Choose the Correct Answer:

1. **Which scheme was launched to promote entrepreneurship among all citizens, especially start-ups?**
   a) Make in India
   b) Stand-up India
   c) Start-up India
   d) MUDRA
   Answer: c
2. **Which scheme aims to facilitate bank loans for SC/ST and women entrepreneurs?**
   a) Start-up India
   b) Stand-up India
   c) Make in India
   d) MUDRA
   Answer: b
3. **Which initiative focuses on boosting manufacturing and job creation in India?**
   a) Start-up India
   b) Stand-up India
   c) Make in India
   d) Annapurna scheme
   Answer: c
4. **MUDRA scheme primarily provides:**
   a) Scholarships to students
   b) Loans for small and micro enterprises
   c) Subsidies for big industries
   d) Marketing support
   Answer: b
5. **The Annapurna scheme is meant for:**
   a) Providing financial support to women entrepreneurs in the food sector
   b) Education loans for girls
   c) Skill development for youth
   d) Promoting IT start-ups
   Answer: a

6. **Denashakti scheme focuses on:**
   a) Promoting women entrepreneurs with financial assistance
   b) Reducing taxes for MSMEs
   c) Supporting large-scale industries
   d) Export promotion
   Answer: a
7. **Mudra loans for women entrepreneurs are aimed at:**
   a) Providing funds for business start-ups and expansion
   b) Housing loans for women
   c) Education loans
   d) Agriculture subsidies
   Answer: a
8. **Stree Shakti scheme is designed to:**
   a) Provide loans and financial assistance specifically to women entrepreneurs
   b) Encourage sports for women
   c) Offer scholarships
   d) Promote tourism
   Answer: a
9. **Which of the following schemes is NOT specifically for women entrepreneurs?**
   a) Annapurna scheme
   b) Denashakti scheme
   c) Start-up India
   d) Stree Shakti scheme
   Answer: c
10. **Women entrepreneurs contribute to economic development by:**
    a) Increasing employment opportunities
    b) Enhancing production and innovation
    c) Reducing dependence on imports
    d) All of the above
    Answer: d

Small Questions – LOCF Mapping Table

S.No	Small Question	CO	Bloom's Level	PO
1	Define the Start-up India scheme.	CO1	Remember	PO1
2	What is the objective of the Stand-up India scheme?	CO2	Understand	PO2
3	Explain the role of Make in India program in promoting entrepreneurship.	CO3	Understand	PO4
4	Name any two schemes specifically for women entrepreneurs.	CO4	Remember	PO3
5	What is the purpose of MUDRA loans for women entrepreneurs?	CO5	Understand	PO5

Big Questions – LOCF Mapping Table

S.No	Big Question	CO	Bloom's Level	PO
1	Explain the objectives and key features of Start-up India and Stand-up India schemes.	CO1	Understand	PO1
2	Describe the Make in India program and its impact on entrepreneurship and economic development.	CO2	Analyze	PO2
3	Discuss the role of MUDRA scheme in supporting small businesses and women entrepreneurs.	CO3	Apply	PO4
4	Explain the significance of schemes specifically designed for women entrepreneurs, such as Annapurna, Denashakti, and Stree Shakti.	CO4	Understand	PO5
5	Evaluate how women entrepreneurs contribute to economic development and employment generation.	CO5	Evaluate	PO3

UNIT V

5.Problems and Remedies of Sick Industries – Concept of industrial sickness,

5.1. Signals and symptoms of sickness,

5.2. Magnitude of industrial sickness,

5.3. Causes and consequences of industrial sickness,

5.4. Corrective measures.

PROBLEMS AND REMEDIES OF SICK INDUSTRIES

5. CONCEPT OF INDUSTRIAL SICKNESS

Industrial sickness is one of the most serious problems faced by modern industrial economies, particularly in developing countries like India. Industries play a crucial role in economic development by generating employment, producing goods, contributing to national income, and promoting technological progress. However, when industries become financially weak and operationally inefficient, they fail to perform these roles effectively. This condition is known as industrial sickness**.**

Industrial sickness does not arise suddenly. It is a gradual process that develops over a period of time due to various internal and external factors. Understanding the concept of industrial sickness is essential for early detection, prevention, and revival of sick industries.

Meaning of Industrial Sickness

Industrial sickness refers to a situation in which an industrial unit becomes financially weak and unable to operate efficiently, resulting in continuous losses and failure to meet its financial obligations. A sick industrial unit is one that cannot generate sufficient revenue to cover its operating costs, repay loans, and earn reasonable profits.

In simple terms, an industry is said to be sick when:

- Its income is not enough to meet expenses
- It suffers continuous losses
- It is unable to repay debts and loans
- Its financial position deteriorates continuously

Thus, industrial sickness reflects a state of economic and operational failure of an industrial unit.

Definition of Industrial Sickness

Industrial sickness can be defined as a condition where an industrial unit shows persistent financial and operational weakness and is unable to sustain itself in the long run.

According to financial institutions in India, an industrial unit is considered sick when:

- It incurs continuous cash losses for two consecutive years**,** and

- Its net worth becomes negative, indicating erosion of capital

This definition highlights the seriousness of industrial sickness, as it implies not only losses but also complete erosion of owners' funds.

Characteristics of a Sick Industry

A sick industry exhibits certain common characteristics that clearly indicate its poor financial and operational health.

1. Inability to Generate Enough Revenue

One of the primary characteristics of industrial sickness is the **inability to generate sufficient revenue**. Due to declining demand, poor product quality, high costs, or weak marketing strategies, sales revenue falls continuously.

When revenue is insufficient, the industry cannot cover its operational costs such as wages, raw materials, power, maintenance, and administrative expenses. This leads to operating losses and financial distress.

2. Failure to Meet Operating Expenses

A sick industry struggles to meet its routine expenses. Payments for salaries, electricity bills, rent, raw materials, and transport are delayed or defaulted.

Such delays disrupt production activities, damage relationships with suppliers and workers, and further reduce operational efficiency. Over time, failure to meet expenses results in shutdowns or reduced capacity utilisation.

3. Accumulation of Heavy Losses

Continuous operating losses are a major feature of industrial sickness. Losses accumulate year after year due to poor management, inefficiency, outdated technology, and external economic pressures.

Accumulated losses erode the firm's capital base and weaken its financial structure. As losses increase, the firm becomes dependent on borrowed funds, which increases interest burden and deepens sickness.

4. Default on Loan Repayment

A sick industry fails to repay loans and interest to banks and financial institutions on time. Loan defaults lead to classification of accounts as Non-Performing Assets (NPAs)**.**

Once an industry becomes a defaulter, its creditworthiness declines. Banks may stop further lending, which worsens liquidity problems and accelerates the decline of the industry.

Industrial Sickness in the Indian Context

Industrial sickness is a widespread problem in India, affecting industries of all sizes, sectors, and regions. Small-scale industries are particularly vulnerable due to limited financial and

managerial resources. However, large industries and public sector units have also faced chronic sickness.

In India, the concept of industrial sickness has been formalised by financial institutions and government agencies to identify and revive sick units at an early stage.

Criteria for Industrial Sickness in India

In India, an industrial unit is considered sick when it satisfies the following conditions:

1. **Continuous Losses for Two Years**

   The industry incurs cash losses continuously for two consecutive financial years. This indicates persistent operational inefficiency and financial weakness.

2. **Negative Net Worth**

   The net worth of the industry becomes negative due to accumulated losses. This means the firm's liabilities exceed its assets, and owners' funds are completely eroded.

These criteria help financial institutions identify sick units and take appropriate corrective or rehabilitation measures.

Stages of Industrial Sickness

Industrial sickness develops gradually and can be divided into different stages:

1. Incipient Stage

At this stage, early warning signals such as declining profits, cash shortages, and rising costs appear. The industry is still viable, and timely corrective action can prevent sickness.

2. Acute Stage

Losses become continuous, production efficiency declines, and loan defaults begin. Financial stress increases, and the industry enters a sick condition.

3. Terminal Stage

The industry becomes completely non-viable. Production may stop, assets deteriorate, and closure or liquidation becomes inevitable.

Understanding these stages helps in early intervention and revival.

Difference Between Weak and Sick Industry

A weak industry may face temporary financial problems but has the potential to recover with minor adjustments. In contrast, a sick industry suffers from deep-rooted structural problems and requires major restructuring or external support.

Not all weak industries are sick, but all sick industries were weak at some point in time.

Impact of Industrial Sickness

Industrial sickness has serious consequences for:

- Employment generation
- Banking and financial institutions
- Government revenue
- Economic growth

The closure of sick industries leads to unemployment, wastage of resources, and slowdown in industrial development.

Need for Understanding the Concept of Industrial Sickness

Understanding the concept of industrial sickness is important for:

- Early detection and prevention
- Policy formulation by the government
- Effective intervention by banks and financial institutions
- Revival and rehabilitation of sick units

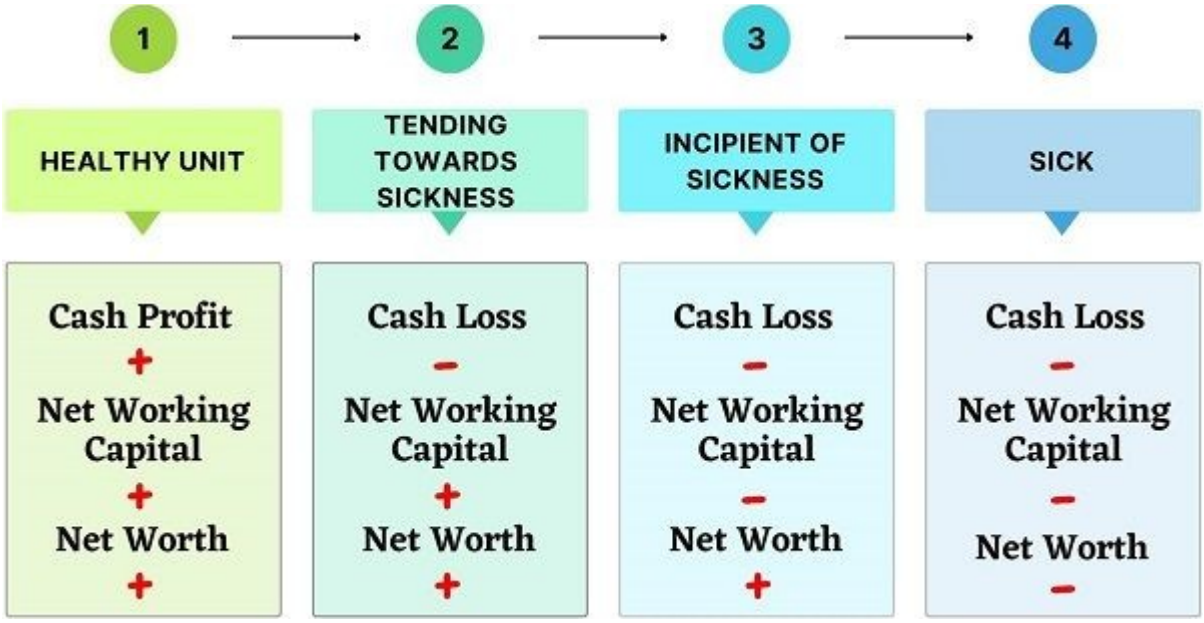
Proper understanding helps in designing strategies to strengthen industrial performance and ensure sustainable growth.

Industrial sickness refers to a condition in which an industrial unit becomes financially weak, operationally inefficient, and incapable of generating sufficient revenue to meet expenses and repay loans. In India, an industry is considered sick when it incurs continuous losses for two years and its net worth becomes negative. Industrial sickness is a serious economic problem that affects production, employment, banking stability, and economic growth. Early identification and timely corrective measures are essential to prevent industrial sickness and promote sustainable industrial development.

5.1. SIGNALS AND SYMPTOMS OF INDUSTRIAL SICKNESS

Industrial sickness is a **gradual process**, not a sudden event. Before an industry becomes completely sick or closes down, it shows several **signals and symptoms** that indicate declining health. These symptoms appear at different levels of the organisation—financial, production, marketing, managerial, and operational. Identifying these warning signs at an early stage is very important because timely corrective measures can help revive the industry and prevent closure.

The signals and symptoms of industrial sickness can be classified as follows:



A. Financial Symptoms

Financial symptoms are the **earliest and most visible indicators** of industrial sickness. They reflect the weakening financial position and liquidity problems of the firm.

1. Continuous Decline in Profit

One of the first signals of industrial sickness is a continuous decline in profits. When an industry experiences falling profits year after year or starts incurring losses, it indicates inefficiency in production, high costs, or weak market demand. Declining profits reduce the firm's ability to reinvest in business activities, maintain assets, and meet future obligations. Persistent losses erode the net worth of the company and push it towards sickness.

2. Cash Shortages

Cash shortage occurs when the firm does not have enough liquid funds to meet its day-to-day operational expenses such as wages, electricity bills, raw material purchases, and transportation costs. Even profitable firms can become sick if cash flow management is poor. Continuous cash shortages disrupt operations and create dependency on borrowings, increasing financial stress.

3. Increasing Borrowings

Sick industries rely heavily on borrowed funds to survive. Continuous borrowing, especially for meeting routine expenses, indicates weak internal fund generation. Increasing borrowings raise the interest burden and reduce profitability. Over time, the firm becomes trapped in a debt cycle, where new loans are taken to repay old ones, leading to financial instability.

4. Delay in Paying Creditors

When a firm delays payments to suppliers and creditors, it shows liquidity problems. Such delays damage the firm's creditworthiness and business reputation. Suppliers may stop supplying raw materials or insist on advance payments, which further disrupts production. This delay also indicates poor financial discipline and weak cash flow position.

5. Cheques Bouncing

Frequent bouncing of cheques is a serious symptom of industrial sickness. It reflects acute liquidity problems and loss of financial credibility. Cheque bouncing leads to legal consequences, penalties, and loss of trust among banks, suppliers, and customers. It is often seen in industries that are nearing complete financial collapse.

6. Unable to Repay Bank Loans

A sick industry fails to repay loan instalments and interest on time. Loan defaults result in banks classifying the account as a **Non-Performing Asset (NPA)**. Once an account becomes NPA, the firm's access to further credit becomes limited. This worsens financial distress and accelerates sickness.

7. Increasing Operating Costs

Rising operating costs without a corresponding increase in revenue is another important financial symptom. High costs may arise due to inefficiency, wastage, outdated technology, high energy consumption, or excessive labour costs. Increasing costs reduce profit margins and weaken the firm's competitive position in the market.

8. Decrease in Working Capital

Working capital declines due to accumulated losses, blocked funds in inventory and receivables, and rising liabilities. Inadequate working capital affects the smooth functioning of business operations. The firm struggles to purchase raw materials, pay wages, and maintain production schedules, leading to operational breakdowns.

9. Heavy Dependence on Short-Term Loans

Excessive reliance on short-term loans to finance long-term needs indicates poor financial planning. Short-term borrowings carry higher interest rates and repayment pressure. This creates financial imbalance and increases the risk of default, contributing to industrial sickness.

B. Production Symptoms

Production symptoms reflect inefficiencies and problems in the manufacturing process and resource utilisation.

1. Frequent Breakdown of Machines

Frequent machine breakdowns indicate poor maintenance, outdated machinery, and lack of timely repairs. This leads to production delays, increased repair costs, and reduced productivity. Repeated breakdowns also affect product quality and worker morale.

2. Low Capacity Utilisation

Sick industries often operate much below their installed capacity. This may be due to lack of demand, shortage of raw materials, financial constraints, or labour issues. Low capacity utilisation increases fixed cost per unit, making production expensive and uncompetitive.

3. Irregular Supply of Raw Materials

Financial problems and poor supplier relationships result in irregular supply of raw materials. This disrupts production schedules and leads to idle machinery and labour. Dependence on imported raw materials or unreliable suppliers further aggravates the problem.

4. Drop in Quality of Products

Poor quality is a major production-related symptom of industrial sickness. Outdated machinery, unskilled labour, and lack of quality control systems result in defective products. Inferior quality leads to customer dissatisfaction, increased returns, and loss of market reputation.

5. Declining Output

Continuous decline in production output reflects operational inefficiency and weak demand. Declining output reduces revenue, increases per-unit costs, and weakens financial performance. Over time, the firm may stop production completely.

C. Marketing Symptoms

Marketing symptoms indicate the firm's **weak position in the market** and declining customer acceptance.

1. Fall in Sales

A consistent fall in sales revenue is a major warning signal. It may be due to poor product quality, high prices, weak promotion, or changing consumer preferences. Declining sales reduce cash inflows and worsen financial problems.

2. Loss of Market Share

Loss of market share indicates that competitors are performing better in terms of price, quality, innovation, or customer service. Sick industries fail to respond effectively to competition, leading to gradual loss of customers.

3. High Inventory (Unsold Stock)

Accumulation of unsold stock reflects poor demand forecasting and weak marketing strategies. High inventory blocks working capital and increases storage, insurance, and maintenance costs. It also increases the risk of obsolescence and spoilage.

4. Increase in Customer Complaints

Rising customer complaints regarding product quality, delivery delays, or after-sales service indicate declining customer satisfaction. Poor customer experience damages brand image and reduces repeat purchases.

5. Inability to Compete with Rivals

Sick industries struggle to compete with rivals due to higher costs, outdated products, and weak marketing. They fail to match competitors in pricing, technology, and innovation, leading to gradual exit from the market.

D. Managerial Symptoms

Managerial symptoms arise due to weaknesses in leadership, planning, and control.

1. Weak Leadership

Weak leadership results in lack of vision, poor motivation, and ineffective coordination. Leaders fail to guide the organisation during crisis and are unable to take corrective decisions on time.

2. Poor Planning and Decision-Making

Absence of long-term planning and poor decision-making lead to wrong investments, inefficient resource allocation, and missed opportunities. Delayed decisions further worsen the firm's condition.

3. Poor Financial Control

Lack of budgeting, auditing, and internal controls leads to misuse of funds and financial indiscipline. Poor financial control accelerates losses and increases the risk of sickness.

4. High Employee Turnover

High employee turnover occurs due to delayed wages, job insecurity, poor working conditions, and lack of motivation. Loss of skilled employees affects productivity and increases training costs.

5. Labour Disputes and Strikes

Poor industrial relations lead to disputes, strikes, and lockouts. Labour unrest disrupts production, increases costs, and damages the firm's reputation.

E. Operational Symptoms

Operational symptoms reflect inefficiencies in day-to-day business activities.

1. Delay in Production Schedules

Frequent delays in production and delivery schedules indicate poor coordination, planning, and resource availability. Delays lead to customer dissatisfaction and loss of orders.

2. Inefficient Use of Materials

Poor material management results in excess consumption, theft, and wastage. Inefficient use of materials increases production costs and reduces profitability.

3. Rising Wastage and Scrap

High levels of wastage and scrap indicate poor quality control and inefficient production processes. This leads to loss of materials, increased costs, and reduced output.

4. Lack of Innovation

Failure to adopt new technologies, improve processes, or introduce new products reflects managerial inefficiency. Lack of innovation makes the firm uncompetitive in a dynamic market environment.

Signals and symptoms of industrial sickness appear much before the actual failure of an industry. Financial distress, production inefficiencies, marketing weaknesses, managerial failures, and operational problems together indicate declining industrial health. Early identification of these symptoms is essential for timely corrective measures and successful revival of sick industries. Ignoring these warning signs leads to permanent closure, unemployment, and economic loss

5.2. MAGNITUDE OF INDUSTRIAL SICKNESS

Industrial sickness has emerged as a major challenge to economic development in India. It is not limited to a few isolated firms but has spread across various sectors, regions, and sizes of industries. The magnitude of industrial sickness reflects the extent, intensity, and seriousness of the problem and its widespread impact on the economy, employment, financial institutions, and overall industrial growth.

In a developing country like India, where industrialisation is considered a key driver of economic progress, the presence of a large number of sick industries poses a serious threat to sustainable development.

Industrial Sickness as a Widespread Economic Problem

Industrial sickness in India is not a recent phenomenon. Over the years, thousands of industrial units—especially small-scale and medium enterprises (SMEs) have become sick due to financial, managerial, technological, and external problems. The continuous increase in the number of sick units highlights the growing magnitude of the problem.

Small-scale industries are more vulnerable because of:

- Limited financial resources
- Poor access to credit
- Weak managerial capabilities
- High dependence on external factors

Every year, a large number of small-scale units are classified as sick, leading to closures and job losses. This shows that industrial sickness is not occasional but a persistent and structural problem in the Indian economy.

Sickness in Large and Public Sector Units

Industrial sickness is not confined to small industries alone. Large industrial units and public sector enterprises (PSUs) have also faced chronic sickness. Many public sector units suffer from:

- Overstaffing
- Political interference
- Inefficient management
- Obsolete technology
- Delayed decision-making

Chronic sickness in large units involves huge financial losses because of their size and capital intensity. Since public sector units involve government ownership, their sickness places a heavy burden on public finances and taxpayers.

The sickness of large units also affects ancillary industries and supply chains, multiplying the negative impact on the economy.

Huge Losses to Banks and Financial Institutions

One of the most visible indicators of the magnitude of industrial sickness is the huge loss suffered by banks and financial institutions due to unpaid loans.

Sick industries are unable to repay:

- Term loans
- Working capital loans
- Interest obligations

As a result, bank loans turn into **Non-Performing Assets (NPAs)**. Rising NPAs reduce bank profitability, weaken their balance sheets, and limit their capacity to lend to healthy industries.

Public sector banks, in particular, face severe financial stress due to industrial sickness. This affects the entire credit system and slows down industrial and economic growth.

Decline in Industrial Output

Industrial sickness leads to a significant decline in industrial output. Sick units operate far below their installed capacity or stop production altogether due to lack of funds, raw materials, or labour support.

Underutilisation of capacity results in:

- Reduced production of goods
- Supply shortages in certain sectors
- Increased dependence on imports

A decline in industrial output adversely affects manufacturing growth, export performance, and value addition in the economy. When multiple industries face sickness, overall industrial performance deteriorates.

Rise in Unemployment

Another major dimension of the magnitude of industrial sickness is the **rise in** unemployment. Sick industries reduce workforce strength, delay wage payments, or shut down completely.

Large-scale unemployment occurs due to:

- Closure of factories
- Retrenchment of workers
- Layoffs and voluntary retirement schemes

Small-scale industries, which are major employment generators, are particularly affected. Loss of jobs increases poverty, reduces purchasing power, and creates social and economic instability.

Unemployment caused by industrial sickness also increases pressure on the government to create alternative employment opportunities.

Sector-Wise Spread of Industrial Sickness

Industrial sickness affects almost all sectors of the Indian economy. It is not limited to a single industry or region.

Major affected sectors include:

- **Manufacturing industries** – due to high costs and competition
- **Textile industry** – affected by outdated technology and global competition
- **Steel industry** – facing high capital costs and cyclical demand
- **Engineering industries** – affected by demand fluctuations and technology changes

The widespread sectoral impact shows that industrial sickness is a **systemic issue** rather than a sector-specific problem.

Regional Concentration of Sickness

The magnitude of industrial sickness is also reflected in its **regional concentration**. Industrially backward regions and states with poor infrastructure, power shortages, and weak institutional support witness higher incidence of sick industries.

Regional imbalance increases economic disparity between developed and underdeveloped regions, affecting balanced industrial growth.

Impact on Economic Growth

The cumulative effect of industrial sickness leads to:

- Slower economic growth
- Lower investment rates
- Reduced industrial competitiveness

When a significant portion of industrial capacity becomes sick, the economy's growth potential is weakened. The long-term impact includes stagnation, loss of investor confidence, and reduced global competitiveness.

The magnitude of industrial sickness in India is extensive and alarming. It affects industries of all sizes, sectors, and regions, leading to financial losses, unemployment, reduced output, and economic slowdown. The problem extends beyond individual firms and has serious implications for banks, government finances, and national development. Therefore, understanding the magnitude of industrial sickness is essential for designing effective preventive and corrective strategies to ensure sustainable industrial growth in India.

5.3. CAUSES OF INDUSTRIAL SICKNESS

Industrial sickness refers to a condition in which an industrial unit becomes financially weak and operationally inefficient, leading to continuous losses and inability to meet its obligations. Industrial sickness does not occur suddenly; it is the result of a combination of internal (controllable) and external (uncontrollable) factors that operate over a long period of time. Understanding these causes is essential for prevention, early diagnosis, and revival of sick industries.

The causes of industrial sickness are broadly classified into:

A. Internal Causes and B. External Causes**.**

A. Internal Causes

1. Poor financial management
2. Wrong project planning
3. Mismanagement by owners
4. Overestimation of demand
5. Inefficient production
6. High cost of production
7. Misuse of funds
8. Outdated machinery
9. Labour unrest

B. External Causes

1. Government policies and frequent changes
2. Economic recession
3. Scarcity of raw materials
4. High taxes and duties
5. Technological changes
6. Competition from foreign products
7. Power shortages
8. High interest rates

A. Internal Causes of Industrial Sickness

Internal causes arise within the organization and are largely controllable by management. These causes reflect weaknesses in planning, management, finance, technology, and labour relations.

1. Poor Financial Management

Poor financial management is one of the most significant internal causes of industrial sickness. It includes improper handling of funds, lack of financial planning, and ineffective control over income and expenditure. Many firms fail to prepare proper budgets and cash flow statements. As a result, they face shortages of working capital and are unable to meet day-to-day expenses such as wages, raw materials, electricity bills, and loan repayments. Inefficient credit management leads to delayed collection of receivables, increasing liquidity problems. Excessive dependence on borrowed funds without proper repayment planning increases the debt burden. High interest payments further erode profitability. Over time, poor financial discipline leads to mounting losses, erosion of net worth, and eventual sickness of the industry.

2. Wrong Project Planning

Wrong project planning refers to errors committed at the initial stage of setting up the industry. This includes improper location selection, inaccurate estimation of project cost, and poor feasibility studies. Many entrepreneurs start industries without conducting proper market research or technical analysis. Overestimation of capacity, underestimation of costs, and unrealistic profit expectations result in projects that are economically unviable. Improper location decisions may lead to problems such as lack of raw materials, poor infrastructure, transportation difficulties, and labour shortages. When project planning is faulty, the industry struggles from the very beginning, leading to cost overruns, delays in production, and financial stress, eventually resulting in industrial sickness.

3. Mismanagement by Owners

Mismanagement by owners or promoters is a major internal cause of industrial sickness. This includes lack of managerial competence, poor decision-making, and absence of professional management.

Many industries are run by family members or owners who lack technical and managerial skills. Decisions are often based on personal interests rather than business logic. Lack of delegation, resistance to professional managers, and autocratic leadership styles reduce organizational efficiency.Failure to adapt to changing market conditions, poor supervision, and inability to motivate employees further worsen performance. Over time, mismanagement leads to declining productivity, financial losses, and sickness of the industry.

4. Overestimation of Demand

Overestimation of demand occurs when firms assume higher market demand than actually exists. This results from inadequate market research and unrealistic sales forecasts. When

demand is overestimated, firms invest heavily in plant, machinery, and inventory. However, if actual demand is low, finished goods remain unsold, leading to accumulation of inventory. This blocks working capital and increases storage and maintenance costs. Excess production without matching sales reduces cash inflows, increases borrowing, and causes financial stress. Continuous mismatch between production and demand ultimately pushes the industry into sickness.

5. Inefficient Production

Inefficient production refers to poor utilization of resources such as machinery, labour, and materials. Low productivity, high wastage, and frequent breakdowns are indicators of production inefficiency. Causes of inefficient production include outdated technology, poor maintenance of machinery, lack of skilled labour, and improper production planning. Idle capacity increases fixed costs per unit, making production expensive. When production efficiency is low, the quality of output also suffers, leading to customer dissatisfaction and loss of market share. Persistent inefficiencies reduce competitiveness and contribute to industrial sickness.

6. High Cost of Production

High cost of production reduces profit margins and weakens the financial position of an industry. Costs may increase due to inefficient use of resources, high input prices, excessive labour costs, and poor cost control. Industries that fail to adopt cost-saving technologies or economies of scale face higher per-unit costs. Poor inventory management leads to wastage and obsolescence. High administrative and overhead expenses further increase total costs. When production costs exceed market prices, firms are forced to sell at losses or lose customers, leading to continuous financial losses and sickness.

7. Misuse of Funds

Misuse or diversion of funds is a serious internal cause of industrial sickness. Funds borrowed for business purposes are often diverted to non-productive activities such as real estate, personal expenses, or speculative investments. When funds meant for working capital or modernization are misused, the industry suffers from cash shortages. Loan defaults increase, creditworthiness declines, and banks may stop further financing. Misuse of funds weakens the financial structure of the firm and accelerates the process of industrial sickness.

8. Outdated Machinery

Use of outdated or obsolete machinery reduces productivity and increases production costs. Old machinery consumes more power, requires frequent repairs, and produces lower-quality goods. Industries that fail to modernize due to lack of funds or poor planning are unable to

compete with technologically advanced firms. Obsolete technology limits innovation and reduces efficiency. As competitors adopt modern technology and produce better-quality goods at lower costs, firms using outdated machinery lose market share and profitability, leading to sickness.

9. Labour Unrest

Labour unrest includes strikes, lockouts, go-slow tactics, absenteeism, and poor industrial relations. Frequent labour disputes disrupt production schedules and increase costs. Causes of labour unrest include low wages, poor working conditions, delayed payment of salaries, lack of job security, and ineffective grievance redressal mechanisms. Poor communication between management and workers further aggravates conflicts. Labour unrest results in loss of output, damage to machinery, decline in morale, and loss of customers. Prolonged unrest significantly contributes to industrial sickness.

B. External Causes of Industrial Sickness

External causes are factors **beyond the control of the firm**. These arise from changes in the economic, political, technological, and competitive environment.

1. Government Policies and Frequent Changes

Frequent changes in government policies related to taxation, licensing, subsidies, import-export regulations, and environmental laws create uncertainty for industries.Sudden withdrawal of subsidies, changes in tariff structures, or stricter regulatory norms increase costs and reduce profitability. Complex procedures and delays in approvals further affect operations.

Industries that fail to adapt quickly to policy changes face financial stress, making government policy instability a major external cause of industrial sickness.

2. Economic Recession

Economic recession leads to a general slowdown in economic activity. During recession, consumer demand falls, investment declines, and credit becomes tight. Industries experience reduced sales, excess capacity, and declining revenues. Fixed costs remain constant, leading to losses. Small and medium industries are particularly vulnerable during recession. Prolonged economic downturns weaken industrial performance and push many units into sickness.

3. Scarcity of Raw Materials

Scarcity or irregular supply of raw materials disrupts production and increases costs. Causes include natural shortages, import restrictions, transportation issues, and supplier inefficiencies. When raw materials are not available on time or at reasonable prices,

industries face production delays and underutilization of capacity. Dependence on imported raw materials exposes firms to foreign exchange risks. Persistent raw material scarcity contributes significantly to industrial sickness.

4. High Taxes and Duties

High levels of taxes, excise duties, customs duties, and other levies increase the cost of production and reduce competitiveness. Industries operating in high-tax environments find it difficult to compete with firms in low-tax regions or countries. Heavy tax burden reduces profits and limits funds available for expansion and modernization. Excessive taxation discourages investment and contributes to the sickness of industries.

5. Technological Changes

Rapid technological changes make existing technology obsolete. Industries that fail to adopt new technologies lose efficiency and market relevance. Continuous innovation by competitors leads to better products at lower prices. Firms that cannot afford modernization or lack technical expertise fall behind. Technological obsolescence reduces productivity, quality, and profitability, leading to industrial sickness.

6. Competition from Foreign Products

Globalization has increased competition from foreign products, often available at lower prices and better quality. Domestic industries struggle to compete with imported goods due to higher costs, outdated technology, and lower productivity. Dumping of cheap foreign goods further worsens the situation. Intense foreign competition leads to loss of market share and declining revenues, contributing to industrial sickness.

7. Power Shortages

Irregular power supply and frequent power cuts disrupt industrial operations. Industries are forced to depend on costly alternative sources like generators, increasing production costs.

Power shortages lead to production delays, damage to machinery, and inefficiencies. Energy-intensive industries are particularly affected.

Chronic power problems significantly contribute to industrial sickness.

8. High Interest Rates

High interest rates increase the cost of borrowing and debt servicing. Industries with heavy dependence on loans face high financial burdens.Rising interest costs reduce profitability and cash flows. Many firms are unable to repay loans on time, leading to accumulation of debts and classification as sick units.

High interest rates discourage investment and worsen the financial health of industries.

Industrial sickness is the result of a complex interaction of internal inefficiencies and external environmental factors. While internal causes such as poor management, inefficient production, and misuse of funds can be controlled through better planning and governance, external causes like economic recession, policy changes, and global competition require adaptive strategies and supportive policies. Early identification and corrective measures are essential to prevent industries from becoming sick and to ensure sustainable industrial growth.

5.4. CONSEQUENCES OF INDUSTRIAL SICKNESS

Industrial sickness does not affect only individual business units; it has wide-ranging consequences on the economy, society, financial institutions, and the government. When a large number of industries become sick, the overall process of economic development slows down. The consequences are long-term and often difficult to reverse. They can be broadly classified into economic impact, social impact, impact on banks and financial institutions, and impact on the government**.**

A. Economic Impact of Industrial Sickness

Industrial sickness seriously affects the economic growth and stability of a country. Industries are the backbone of economic development, and their failure leads to multiple economic problems.

1. Loss of Industrial Production

One of the most immediate consequences of industrial sickness is the loss of industrial production**.** Sick industries operate below capacity or stop production completely due to lack of working capital, raw materials, power supply, or labour support. When production declines, the supply of goods in the market reduces. This leads to shortages, price fluctuations, and inflationary pressures in certain sectors. In manufacturing industries, underutilisation of installed capacity results in wastage of machinery, labour, and infrastructure .A continuous decline in production weakens the industrial base of the economy and reduces the country's ability to meet domestic demand, forcing greater dependence on imports.

2. Decline in Gross Domestic Product (GDP)

Industrial sickness contributes directly to the decline in GDP. The industrial sector plays a major role in national income generation through manufacturing, value addition, exports, and employment. When industries become sick, their contribution to GDP decreases due to reduced output and profits. A large number of sick units can significantly slow down economic growth, especially in developing countries like India where industrialisation is

crucial for development. Lower GDP growth affects government revenue, employment generation, and overall economic stability, creating a vicious cycle of stagnation and slowdown.

3. Waste of National Resources

Industrial sickness leads to wastage of valuable national resources such as capital, machinery, land, power, and skilled manpower. Huge investments made in setting up factories, purchasing machinery, and developing infrastructure remain idle or underutilised when industries become sick. Machinery deteriorates due to non-use, and skilled workers lose their productivity. Financial resources invested by banks, government institutions, and private investors are locked up in non-productive assets. This misallocation of scarce resources reduces overall economic efficiency and national wealth.

4. Reduced Investment

The presence of a large number of sick industries discourages new investment in the economy. Investors lose confidence when they see frequent business failures, loan defaults, and unstable industrial performance. Both domestic and foreign investors become cautious and prefer to invest in safer sectors or other countries with stable industrial environments. Reduced investment slows down industrial expansion, technological upgradation, and employment generation. This decline in investment further worsens industrial sickness, creating a negative investment climate in the economy.

B. Social Impact of Industrial Sickness

Industrial sickness has severe social consequences, particularly on workers, their families, and society at large.

1. Unemployment of Workers

One of the most serious social consequences of industrial sickness is unemployment**.** Sick industries often reduce their workforce, delay salary payments, or shut down completely. Workers lose their jobs due to closures, retrenchment, or voluntary retirement schemes. Contract and casual workers are the first to be affected. Unemployment leads to loss of skills, reduced self-esteem, and psychological stress among workers. Large-scale unemployment also creates social unrest and increases pressure on the government to provide employment opportunities.

2. Loss of Income for Families

When workers lose their jobs or face wage cuts, family income declines sharply**.** Many families depend entirely on industrial employment for their livelihood. Loss of income affects

the standard of living, leading to reduced spending on food, education, healthcare, and housing. Children may be forced to drop out of school, and families may fall into debt. The financial insecurity faced by workers' families can push them into poverty, especially in regions heavily dependent on industrial employment.

3. Social Insecurity

Industrial sickness creates social insecurity and instability. Unemployment and income loss increase stress, frustration, and dissatisfaction among workers. This may lead to social problems such as crime, alcoholism, domestic violence, and mental health issues. Communities built around industrial towns suffer when industries close down, leading to decay of social infrastructure. Social insecurity weakens social cohesion and affects the overall quality of life in industrial regions.

4. Migration Issues

Industrial sickness often forces workers to **migrate** in search of employment. When factories shut down, workers move from industrial areas to other cities or rural regions. Migration leads to overcrowding in urban areas, pressure on housing, healthcare, sanitation, and transport facilities. Migrant workers often face poor living conditions, job insecurity, and exploitation. At the same time, the regions from which workers migrate suffer from depopulation, loss of skilled labour, and economic decline.

C. Impact on Banks and Financial Institutions

Industrial sickness places a heavy burden on banks and financial institutions**,** which play a critical role in industrial financing.

1. High Non-Performing Assets (NPAs)

One of the major consequences of industrial sickness is the rise in Non-Performing Assets (NPAs)**.** Sick industries fail to repay loans and interest on time. When loans remain unpaid for a long period, banks classify them as NPAs. High NPAs reduce the profitability of banks and weaken their financial position. Increasing NPAs also affect the stability of the banking system and reduce public confidence in financial institutions.

2. Bad Debts

Sick industries often result in bad debts for banks and financial institutions. In many cases, recovery of loans becomes difficult due to lack of assets, legal disputes, or closure of units. Bad debts lead to direct financial losses for banks. They have to make provisions for doubtful debts, which reduces their profits. Persistent bad debts weaken the balance sheets of banks and limit their ability to support economic growth.

3. Reduced Lending Capacity

High NPAs and bad debts significantly reduce the lending capacity of banks. Funds that could have been used to finance new and productive projects are locked up in sick units. Banks become more risk-averse and impose stricter lending norms. Small and medium enterprises find it difficult to access credit, even if they are viable. Reduced credit flow slows down industrial growth and innovation, affecting the overall economy.

D. Impact on Government

Industrial sickness has serious implications for the government's financial and administrative responsibilities**.**

1. Loss of Tax Revenue

Sick industries contribute less or no tax revenue to the government. Due to losses, they are unable to pay income tax, GST, excise duties, and other levies. Closure of industries also reduces indirect tax collections from production and sales. This results in a significant loss of government revenue. Lower tax revenue limits the government's ability to spend on development projects, social welfare schemes, and infrastructure.

2. Higher Burden of Subsidies

To protect employment and revive sick industries, governments often provide subsidies, concessions, and financial support**.** These include interest subsidies, tax exemptions, power subsidies, and wage support. While such measures may help in the short term, they increase the financial burden on the government. Continuous support to non-viable industries diverts resources from productive sectors and increases fiscal deficits.

3. Need for Bailouts or Restructuring

In many cases, the government is forced to intervene through bailouts, restructuring packages, or nationalisation of sick units. Public sector banks and government agencies spend large sums on rehabilitation and revival schemes. Legal and administrative efforts are required for restructuring loans, merging units, or liquidating assets. Such interventions involve high costs and administrative challenges, placing additional pressure on government finances and governance systems.

The consequences of industrial sickness are widespread and interconnected. Economic growth slows down, social stability is threatened, banks face financial stress, and governments bear heavy fiscal burdens. Industrial sickness not only affects individual firms but also undermines national development. Therefore, early identification, effective

management, supportive policies, and timely intervention are essential to minimise the adverse consequences and ensure sustainable industrial growth.

5.6. CORRECTIVE MEASURES (REMEDIES) FOR INDUSTRIAL SICKNESS

Industrial sickness is not an irreversible condition. With timely diagnosis, appropriate corrective measures, and coordinated efforts by management, financial institutions, and the government, many sick industries can be revived. The remedies aim at restoring financial stability, operational efficiency, market competitiveness, and long-term sustainability**.**

Corrective measures can be broadly classified into:

A. Immediate / Short-Term Remedies,

B. Long-Term Remedies, and

C. Government Support Measures.

A. Immediate / Short-Term Remedies

Immediate remedies focus on **arresting further deterioration** of the sick unit and ensuring its survival in the short run. These measures mainly address liquidity problems, cost inefficiencies, and financial stress.

1. Infusion of Additional Funds

One of the most urgent requirements of a sick industry is **additional funds** to overcome liquidity crises. Sick units often suffer from shortage of working capital, which affects production, wage payments, and procurement of raw materials.

Additional funds may be provided by:

- Promoters through equity contribution
- Banks and financial institutions through additional loans
- Government through grants or soft loans

Timely infusion of funds helps restart operations, clear outstanding dues, restore confidence among suppliers and workers, and prevent closure. However, fund infusion should be accompanied by strict monitoring to ensure proper utilisation.

2. Cost-Cutting Measures

Cost reduction is a critical short-term remedy to improve cash flows and profitability. Sick industries must identify and eliminate **unnecessary and avoidable costs**.

Cost-cutting measures include:

- Reduction of administrative and overhead expenses

- Energy conservation and reduction of power wastage
- Minimising material wastage and scrap
- Outsourcing non-core activities
- Temporary wage rationalisation (with mutual consent)

Effective cost control helps improve operating margins and stabilise the financial position of the unit in the short run.

3. Renegotiation of Bank Loans

Sick industries usually face difficulty in servicing existing loans due to accumulated losses. **Renegotiation of bank loans** becomes essential to reduce immediate financial pressure.

Loan restructuring may include:

- Rescheduling of repayment periods
- Reduction in interest rates
- Conversion of short-term loans into long-term loans
- Moratorium on principal repayment

Such measures reduce the debt burden and provide breathing space for the unit to recover. Successful renegotiation requires cooperation between the borrower and lending institutions.

4. Strengthening Working Capital

Insufficient working capital is one of the major causes of industrial sickness. Strengthening working capital ensures smooth day-to-day operations.

Steps to improve working capital include:

- Faster collection of receivables
- Reduction of credit period offered to customers
- Sale of non-essential assets
- Improved cash flow planning

Adequate working capital helps maintain production continuity, meet operational expenses, and restore operational efficiency.

5. Improving Inventory Management

Poor inventory management leads to excessive stockholding, blocked funds, and increased storage costs. Improving inventory management is a quick and effective remedy.

This includes:

- Reducing excess raw material and finished goods stock
- Adopting scientific inventory control techniques like EOQ and ABC analysis
- Improving coordination between production and sales departments

Efficient inventory management releases locked-up funds and improves liquidity, which is vital for short-term survival.

B. Long-Term Remedies

Long-term remedies focus on **structural improvements** and aim at ensuring **sustained growth and competitiveness** of the industry. These measures address the root causes of sickness.

1. Modernisation of Machinery

Outdated machinery reduces productivity, increases costs, and affects product quality. **Modernisation of machinery** is essential for long-term revival.

Modern machinery:

- Improves efficiency and capacity utilisation
- Reduces power consumption and maintenance costs
- Enhances product quality and consistency

Investment in modern equipment helps the firm compete effectively in the market and improves long-term profitability.

2. Adoption of New Technology

Technological advancement is crucial in today's competitive environment. Sick industries must adopt **new and appropriate technologies** to survive.

Technology adoption includes:

- Automation of production processes
- Use of digital tools for accounting, inventory, and marketing
- Adoption of environmentally friendly technologies

New technology improves productivity, reduces wastage, shortens production cycles, and increases customer satisfaction, thereby ensuring long-term sustainability.

3. Professional Management

Mismanagement is a major internal cause of industrial sickness. Replacing owner-centric management with **professional management** is a key long-term remedy.

Professional managers bring:

- Technical expertise and managerial skills
- Objective decision-making
- Strategic planning and control systems

Separation of ownership and management improves governance, accountability, and efficiency, leading to better performance.

4. Proper Financial Planning

Sound financial planning ensures long-term stability of the industry. This includes:

- Realistic budgeting and forecasting
- Capital structure optimisation
- Effective cash flow management
- Periodic financial performance evaluation

Proper financial planning helps anticipate future risks, allocate resources efficiently, and avoid financial mismanagement that leads to sickness.

5. Better Marketing Strategies

Poor marketing and weak demand often contribute to industrial sickness. Developing **effective marketing strategies** is essential for revival.

Marketing improvements may include:

- Market research to understand customer needs
- Competitive pricing strategies
- Branding and promotion
- Strengthening distribution networks
- Customer relationship management

Strong marketing increases sales, improves market share, and enhances revenue generation, supporting long-term recovery.

6. Product Diversification

Dependence on a single product increases business risk. **Product diversification** reduces vulnerability to market fluctuations.

Diversification may involve:

- Introducing new product lines
- Value addition to existing products
- Entering new markets or segments

Diversification spreads risk, improves revenue stability, and enhances growth opportunities, making the industry more resilient.

7. Labour Training and Development

Unskilled or poorly trained labour affects productivity and quality. Continuous **training and development of workers** is essential for long-term improvement.

Training programmes help:

- Upgrade technical skills
- Improve efficiency and safety

- Reduce labour unrest
- Enhance employee morale and commitment

Skilled and motivated labour contributes significantly to productivity and industrial stability.

C. Government Support Measures

Government intervention plays a crucial role in preventing and reviving sick industries, especially in developing economies like India.

1. Special Rehabilitation Schemes

Governments introduce **special rehabilitation schemes** to revive sick industries and protect employment.

These schemes may include:

- Financial assistance for revival
- Technical consultancy support
- Management restructuring

Rehabilitation schemes aim to restore viability and prevent permanent closure of industries.

2. Concessions and Subsidies

Governments provide **concessions and subsidies** to reduce the burden on sick units.

These include:

- Tax concessions and exemptions
- Power and water subsidies
- Interest subsidies on loans

Such incentives lower operational costs and improve financial viability, especially during the recovery phase.

3. Industrial Revival Packages

Industrial revival packages are comprehensive measures designed for specific sectors or regions affected by sickness.

These packages may include:

- Financial restructuring
- Infrastructure development
- Policy support and incentives

Revival packages help rejuvenate entire industrial clusters and promote regional development.

4. Simplified Regulations

Complex regulations and compliance procedures often increase costs and delays. Simplified regulations reduce administrative burden on industries.

This includes:

- Single-window clearance systems
- Simplified labour and environmental laws
- Faster approvals and clearances

Ease of doing business encourages revival and prevents further sickness.

5. Support through Institutions like BIFR, SIDBI, IFCI

Specialised institutions play a vital role in industrial revival.

- **BIFR (Board for Industrial and Financial Reconstruction)**:
  Established to identify sick industrial units and formulate rehabilitation or winding-up plans.
- **SIDBI (Small Industries Development Bank of India)**:
  Provides financial assistance, restructuring support, and advisory services to MSMEs.
- **IFCI (Industrial Finance Corporation of India)**:
  Offers long-term finance, restructuring, and revival support to industrial units.

These institutions provide expert guidance, financial support, and monitoring mechanisms for effective revival.

Corrective measures for industrial sickness require a multi-dimensional approach involving immediate relief, long-term restructuring, and strong government support. While short-term remedies help stabilise operations, long-term strategies ensure sustainable growth and competitiveness. Government policies and institutional support further strengthen the revival process. Timely implementation of these measures can save industries from closure, protect employment, and contribute to overall economic development.

Check Your Progress

Choose the Correct Answer:

1. **Industrial sickness refers to:**

   a) Industries facing temporary production issues

   b) Industries unable to operate profitably for a prolonged period

   c) Industries hiring less staff

   d) Industries with high marketing costs

   Answer: b

2. **Which of the following is a signal of industrial sickness?**

   a) Consistent profits

   b) Delay in salary payments

   c) Expansion of production

   d) High employee satisfaction

   Answer: b

3. **Which symptom indicates financial distress in a sick industry?**

   a) Low inventory

   b) Accumulation of losses and debts

   c) Increase in sales

   d) Diversification of products

   Answer: b

4. **The magnitude of industrial sickness is usually measured by:**

   a) Number of sick units and capital involved

   b) Employee satisfaction

   c) Customer loyalty

   d) Marketing strategies

   Answer: a

5. **Which of the following is a common cause of industrial sickness?**

   a) Poor management

   b) Market competition

   c) Technological obsolescence

   d) All of the above

   Answer: d

6. **Consequences of industrial sickness include:**

   a) Loss of employment

b) Wastage of resources

c) Financial losses

d) All of the above

Answer: d

7. **One of the corrective measures for sick industries is:**

a) Financial restructuring

b) Ignoring debts

c) Reducing marketing efforts

d) Increasing employee workload

Answer: a

8. **Government can help sick industries by:**

a) Providing financial assistance and policy support

b) Reducing production

c) Closing the units immediately

d) Ignoring the problem

Answer: a

9. **Technological obsolescence in industries refers to:**

a) Using outdated technology leading to inefficiency

b) Hiring new employees

c) Marketing old products

d) Selling old machinery

Answer: a

10. **Early detection of sickness in an industry is important to:**

a) Minimize losses and prevent closure

b) Increase product prices

c) Reduce employee benefits

d) Avoid government intervention

Answer: a

Small Questions – LOCF Mapping Table

S.No	Small Question	CO	Bloom's Level	PO
1	Define industrial sickness.	CO1	Remember	PO1
2	Mention any two signals or symptoms of a sick industry.	CO2	Remember	PO2
3	What is meant by the magnitude of industrial sickness?	CO3	Understand	PO4
4	List any three causes of industrial sickness.	CO4	Remember	PO3
5	Name two corrective measures to revive a sick industry.	CO5	Understand	PO5

Big Questions – LOCF Mapping Table

S.No	Big Question	CO	Bloom's Level	PO
1	Explain the concept of industrial sickness and its importance in economic development.	CO1	Understand	PO1
2	Discuss the signals and symptoms that indicate an industry is sick.	CO2	Analyze	PO2
3	Explain the magnitude of industrial sickness and how it is measured.	CO3	Understand	PO4
4	Analyze the causes and consequences of industrial sickness on the economy.	CO4	Analyze	PO5
5	Discuss corrective measures and strategies to revive sick industries.	CO5	Apply	PO3