LEARNING MATERIAL

On

ENTREPRENEURSHIP & MANAGEMENT SMART TECHNOLOGY

(For 5th semester CSE)

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Chapter-1

ENTREPRENEUR

→ Entrepreneurs are people who have the ability to see and evaluate business opportunities, together the necessary resources to take advantage of them; and to initiate appropriate action to ensure success.

→ Entrepreneurs are action oriented, highly motivated individuals who take risks to achieve goals.

→ An entrepreneurs initiates and establishes an economic activity or enterprise for the development of wealth in the society.

→ He would certainly be different from non-entrepreneurs in terms of his psychological and social disposition.

→ Entrepreneurs by and large, have been found to be people with a high drive and high activity level, constantly struggling to achieve something which they could call as their own accomplishment.

→ Once an entrepreneur starts his enterprise, to be successful, he would have a high need for influencing others a low need to establish emotional relationship and a high capacity to discipline one's ownself.

→ He is incliened to speak about his past achievements and narrate them with a sense of pride.

→ He also has clear goals for the future and tends to live in the present with the involvement.

→ He studies the market situation, explores profitability in alternative lines of business, products, machinery, technology and process, financiers and compares before making his final decision.

→ This indulgence in planning may part of the entrepreneurs as it safeguards against subsequent difficulties which can be anticipated.

→ A successful entrepreneur continuously modifies his goals on the basis of the feedback he receives from his environment.
→ Experience with entrepreneur indicated that their need for independence and their sense of determination are the two chief characteristics that drive them to start their own business and prefer not to be controlled by others.
→ Analysis of the family background of the entrepreneur indicates that in their family environment as children, their individuality was reinforced as they enjoyed ample freedom.
→ Entrepreneurs are inclined to approach their tasks with a hope of success and tend to believe in their own capacity to influence the environment.
→ They set high goals for themselves as well as their workers and drive them hard to achieve the same.
→ While they are certainly competitive in their own orientations, they collaborate well with other parties when they see such collaborations to their advantages.

Need for Entrepreneurship Development :-

→ An entrepreneur is a person who initiates and establishes an enterprise.
→ Entrepreneurship refers to the decisions he takes in setting up and running a new enterprise.
→ Entrepreneurship involves a few decisions which can be identified as :

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

→ Decission to become entrepreneur is a major step which is dictated by motivational factors.

→ The inner urge of the person depends upon his following needs :

1) To prove oneself
2) To be independent
3) To do something unique
4) To utilize skills
5) To acquire greater economic reward
6) To excel.

→ The entrepreneur starts searching for an opportunity to meet his needs.

→ He looks around for different possibilities of business, reads about them, meets people who could give ideas and inspiration, and collects information on several opportunities.

→ He studies the feasibility and profitability of the project as per Fig. 1.2.

→ After establishment of the enterprise, he must mobilise capital and human resources and translate problems into opportunities.

→ A series of entrepreneurial decisions and actions have to be taken which require right attitude and requisite knowledge and skills.

Entrepreneurial Continuum

- Opportunities
  - perception
  - Expansion
  - Contract
- Growth and Expansion
  - Generation and allocation of funds
- Change
  - Response
  - Addition of activities
  - Deletion of activities
  - Modification in working strategy

Opportunities and Growth and Expansion lead to:

- New product development
- Product diversification or expansion
- Research and development

Change leads to:

- Strategic changes in price & marketing
- New clientele
- Change in product designs, specifications & qualities.

(Fig. 1.2. Entrepreneurial decisions)

National Need :-

→ Realizing the role of Small Scale industries in creating larger employment opportunities, distribution of ownership, diversification of management and development of rural and background areas, the Government of India gave major thrust to the development of small scale industries in India.

→ It was also felt that proper industrial growth and development and export of goods and services could be achieved only by improving the industrial culture in the country.

→ This improved culture based on high technology, innovation and quality products to be brought about by involving a large no. of technical entrepreneurs in owning small scale industrial especially in hi-tech areas.

→ Since independence, the central and State Governments have set up many organisations to nurture ~~the~~ culture of entrepreneurship who are prepared to take up industrial vocations and self-employement ventures especially in rural and semi-urban area.

→ The Small industries Service institutes, National institute of Entrepreneurship and Small Business Development at New Delhi and Entrepreneurship Development institute of India at Ahmedabad are some of the few organisations to develop the entrepreneurship culture among the people.

→ District Industries Centres and Industrial Estates provide opportunities for the entrepreneurship to set up their industries.

→ The Entrepreneurship development programmes organised by the above institutes and consultancy organisations, Management and Technical Institutions have made considerable impact on the young generation entrepreneurs and a number of industries have been promoted by them successfully.

Qualities of an Entrepreneur :-

→ Entrepreneurs have specific qualities and special strengths. Some of these essential qualities are briefly described below.

1. Need to Achieve :-

→ Entrepreneur has a strong desire to achieve a higher goal and fulfill his dreams.
→ Winning is achievement.

2. Preseverence :-

→ An entrepreneur is fully absorbed in his goal and course of action.
→ He works hard to complete his project successfully.
→ He is not deterred by difficulties and problems.

3. Moderate Risk Taking :-

→ An entrepreneur loves moderate risk situation which is exciting but has fair chance of success.
→ He is not a gambler or high risk taker.
→ He selects a moderate risk and does not play wild speculative game.

4. Ability to Find and Explore Opportunity :-

→ Entrepreneur is quick to see and seize opportunities.
→ He has innovative mind and converts difficulties into opportunities. He is also realistic.
→ He plans and anticipates carefully to achieve his goals and converts opportunities to his advantage.

5. Analytical Ability :-

→ Entrepreneur approaches problems realistically without personal likes and dislikes.
→ He has practical approach to business. He will select experts and not friends or relatives to help him when required.

→ He does not take emotional attitude towards his problem

6. Using Feedback:-

→ An entrepreneur likes to have immediate feedback of his performance.
→ He likes quick and accurate data and information.
→ He is stimulated by unfavourable news and applies more energy to obtain his objectives.

7. Facing Uncertainty:-

→ Entrepreneur is an achievement oriented person and is optimistic even in unfamiliar situations.
→ He has confidence in his ability to face such situation.
→ He is not discouraged and makes the best of opportunity
→ He can assess the success rate closely and understand his environment.
→ He presents a picture of boldness to face unknown situations.
→ He will win by applying his special insight and skill.

8. Independence:-

→ An entrepreneur likes to be his own master and wants to be responsible for his own decisions.
→ He does not want to work for others and therefore sets up his own enterprise.

9. Flexibility:-

→ An entrepreneurship has open mind. He does not hesitate in revising his decisions if situation so demands.
→ He will evaluate his decission carefully.

10. Planning:-

→ An entrepreneur thinks in future, plans and works to make his plans successful.

→ He will set his goals and plan to achieve within time limits.

11. Interpersonal Skills :-

→ An entrepreneur ~~motivates~~ likes to work with different types of people and has the skill to deal with them.

→ He has to make people work for his, with his and help to attain his objectives.

12. motivator :-

→ An entrepreneur motivates people to act. He can influence people think his way and act accordingly.

13. Stress Taking :-

→ An entrepreneur has the capacity to work for long hours and tackle different problems at the same time.

→ There will always be adverse situations in business.

→ An entrepreneur can keep his cool under a lot of tension and make right decisions against physical and emotional stress.

14. positive self-concept :-

→ An entrepreneur is always positive in thinking.

→ He is aware of his strengths and weakness.

→ He always works to achieve his goals and sets standard of excellence of his works.

15. ~~positive~~ Orientation of future :-

→ An entrepreneur shows high level of future orientation and tends to think ahead.

→ He lives in present and does not allow the past to obsess him.

Characteristics and Traits of an Entrepreneur:-

→ A list of characteristics and traits provides a working profile of entrepreneurs.

→ A list prepared by International Labour Organisation of United Nations is given in Table -1.1.

Working profile of an Entrepreneur

Characteristic	Trait
1. Self-confidence	- Confidence - Independence, individuality - Optimism
2. Task-result oriented	- Need for achievement - profit-oriented - persistence, preservance, determination - Hardwork, drive, energy - Intiative.
3. Risk-taker	- Risk-taking ability - Likes challenges
4. Leadership	- Leadership behaviour - Gets along well with others - Responsive to suggestions, criticisms.
5. Originality	- Innovative, creative - Flexible (oppeness of mind) - Resourceful - Versatile, knowledgeable
6. Future-oriented	- Foresight - perceptive

Functions of An Entrepreneur :-

→ An entrepreneur performs the following functions from generation of an idea up to establishment of an enterprise.

→ These functions can be listed in sequential order as follows :

1. Idea generation and Scanning of the best idea.
2. Determination of objectives of the business.
3. Market research and product analysis.
4. Selection of form of ownership organisation.
5. Compilation of project report, feasibility analysis and appraisal.
6. Compilation of registration/licencing/ promotional formalities.
7. Arrangement for necessary finances.
8. Procurement of machines, tooling and other fixed assets.
9. Procurement of raw materials and components.
10. Recruitment and training of manpower.
11. Undertaking and management of business operation.

→ peter kilby has classified thirteen functions of an entrepreneur as follows :

(I) Exchange Relationship :-

1. preceiving market opportunities
2. Gaining command over scarce resources.
3. purchasing inputs.
4. Marketing of the products and responding competition.

(II) political Administration :-

5. Dealing with the public bureaucracy (concessions, taxes and licenses)
6. managing human relations within the firm.
7. managing customer and supplier relations.

(III) Management control:-

8. Managing finance
9. Managing production (control by written records, Supervision, coordinating input flows with orders, maintenance).

(IV) Technology:-

10. Acquiring and overseeing assembly of the factory.
11. Industrial engineering (minimizing inputs with a given production process).
12. Upgrading process and product quality.
13. Introducing new production techniques and products.

Note:- kilby suggested that these functions may vary depending upon the size, type and setting of the enterprise.
→ The functions can be augmented through training and education.

Barriers To Entrepreneurship:-

→ many entrepreneurs fail due to several barriers and problems. vasper has identified the following barriers.

1. Lack of a viable concept which can be overcome by increased market contacts.
2. Lack of market knowledge which can be overcome by taking help of local incubator companies and market contacts, consultants.
3. Lack of technical skills which can be overcome by recruiting capable local manpower, technical education assistance of consultants.
4. Lack of seed capital which can be arranged from supplier credit, local venture capital and bankers.

5. Lack of business know-how which can be overcome through entrepreneurial education and study of successful role models.
6. Complacency and lack of motivation can be overcome ~~through~~ by entrepreneurial education and ~~study~~ of inspiration from successful role models.
7. Social stigma against business can be overcome by study of successfull role modes.
8. Time pressures and distractions.
9. Legal contraints, regulations, red tape.
10. monopoly and protectionism.
11. Inhibitions due to patents.

→ Technical education, entrepreneurship training programmes, help from consultants can reduce the effect of these barriers.

Entrepreneur and manager :-

→ Entrepreneur and a manager have many common qualities of leadership.
→ An entrepreneur can be a manager also but a manager can not be an entrepreneur.
→ An entrepreneur is an owner of an enterprize but a manager is an employee.
→ The major points of difference between an entrepreneur and a manager can be compared with the help of the following table.

Difference between an entrepreneur and a manager

points	Entrepreneur	Manager
1. motive	→ The main motive of an entrepreneur is to start a venture by setting up an enterprize. He undertakes the venture for his personal gratification.	→ The main motive of manager is to render his expertize and services in an enterprize already set up by someone else.
2. Status	owner of enterprize	Employee
3. Risk-bearing	→ All risks and uncertainty involved in the success of enterprize.	→ No risk involved
4. Rewards	→ Highly uncertain profit.	→ Certain and fixed Salary
5. Innovation	→ Inventor and change agent.	→ Execution of plan prepared by entrepreneur.
6. Qualification	→ Qualities and qualification of high achievement motive, originality in thinking, foresight, risk bearing ability, etc.	→ Sound knowledge in management theory and practice.

Sole proprietorship:-

→ The sole owner arranges the capital, takes the risk of business and managers it.

→ This type of ownership is very ~~suitable~~ easy to form and there is little legal formalities.

→ This type of ownership is very suitable for service systems.
→ The business can be easily taken care by one person. There is little risk of failure.
→ This requires small capital to start the business and run it. Most of the service systems and small manufacturing systems are run by sole proprietors.

(i) Main characteristics:-

The main characteristics of sole proprietorship are as follows:

1. Individual ownership.
2. One man effort.
3. Enterprise and owner entity is same.
4. All risks of the business are covered by one owner.
5. All profits after tax deduction belong to the proprietor.
6. There are minimum legal formalities to start and run the business.
7. Ownership and management have no separate entity.
8. There is unlimited liability. In case of loss or failure the business, the entire debt or loan is recovered from the assets of the owner.

(ii) Advantages of Sole Ownership:-

Following are the advantages of sole proprietorship:

1. Simplicity of the organization.
2. Easy to establish, run and close the business.
3. Flexibility in management and easy to change the products or services, policies and control.
4. Easy decision-making.
5. High motivation to work for improvement and growth. All profits of business belong to the owner.

6. There is full control of business activities.
7. There is no compulsion to publish the accounts and the trade secrets can be easily maintained.
8. The operations are simple and less complicated,
9. There is wide potential for self-employment.
10. The business is passed on to the next generation in the family and therefore, there is indirect support for family employment.
11. This type of business is suitable for service systems and cottage and small manufacturing systems. The governments provide liberal support in the form of easy loans from the banks, concessional water and electricity rates.

(iii) Disadvantages of sole ownership:-

The main limitations of this type of ownership are as follows:

1. There is limitation of resources depending upon the financial capacity of the owner.
2. In case of failure or loss in business, there is unlimited liability of owner and the same is not covered by anybody else.
3. There is limitation of management skill as one man cannot have excellence in all spheres of production, marketing, finance, liason, etc.
4. There can be discontinuity or closure of business in case of ill health or death of the owner.
5. There is always absence of specialized knowledge in one or more spheres of business.
6. The owner can be extremely stressed in complex operation or unseen situations.
7. There is chances of explotiation of owner by others in case of limited capital availability or high work pressure.

8. Due to hard and S/W resources, sole ownership is not suitable for large and complex operations.

9. There are limited checks and controls.

10. The business is less stable due to unavailbility of another person to share the responsibility.

11. There is limited scope of economics of scale as the volume of production is less and cost of product or services can be high.

partnership firm:-

→ As per Indian partnership Act, 1932, partnership is defined as the relation between persons, who have agreed to share the profit of business carried out by all or any of them acting for all.

→ partners, while joining the business, agree to share the capital resources and expenditure.

→ In lieu, they share profit or loss as per the agreed proportion mentioned in the partnership agreement.

→ The number of owners are more that one but less than twenty. There is availability of more capital and assets and diversified expertise of the owners.

→ partnership firms are suitable to carry out moderate size business in service systems as well as manufacturing systems.

→ The typical examples are dealership, construction company transport agency, automobile workshop, petrol pump ownership, small engineering firms, law firms, retail trade organisation medical clinics etc.

(i) Main characteristics :-

The main characteristics of partnership firms are as follows.

1. The number of partners are more than one but less than 20. However, for banking sector, upper limit of partners is 10.
2. partnership is governed by a partnership deed as it is a contractual formation of partners for carrying out a business. The agreement may be written, oral or implied.
3. The liability of partners is proportional to their share in the deed. In case of liquidation of firm, there is joint liability of all partners.
4. The deed becomes null and void in case of death or indisposition of any one partner, If required, a new deed is required to be enforced.
5. Deed is for profit in the business and not for charity.
6. The share of one partner can be transferred after all other partners agree.
7. Each partner may act as representative or agent of the partnership firm.
8. There should be full trust and honesty among partners for the success of partnership. There should be full sharing of information about transactions in and fealing the clients.
9. It is not necessary to register the firm with the register. However, the registration of the firm helps to minimize the legal complications in case of disputes.
10. A firm can be dissolved any time on death of partner or when all partners agree. There fore, the duration of partnership firm depends upon the will of the partners.

(ii) Types of partners :-

→ There are various types of partners based on extent of participation, profit and liability sharing.

1. participation :- There are active or working partners fully involved in the conduct of business.

→ Sleeping or dormant partners invest in the business, collect his share of profit but does not take part in daily activities of management.

2. profit sharing :- There are nominal partners who profit by lending their good will to the firm but do not invest in the capital nor take part in the daily management activities.

→ There are partners-in-profit who do not take part in the daily activities nor share the loss.

→ They have share in profit only. These partners are normally minors.

3. Liabilities :- General partners cover unlimited liability irrespective of amount of contributed capital and take part in daily activities of the business.

→ Limited partners cover limited liabilities to the extent of contributed shares.

4. Conduct :- Estopped partner behaves as a partner of the firm in public, does not share profit but covers partial liability of the firm.

→ partner-by-holding out represents another person as partner of the firm.

(iii) Advantages of partnership firm :-

1. partnership firm can be easily formed by agreement or partnership deed.
2. There are a number of capital sharing partners who can pool large financial resources.
3. The various partners can share their managerial skills and cappabilities.
4. The partners can take collective business decissions.
5. The interactive members are less and therefore, there is flexibility in change-over.
6. There is secrecy due to involvement of new member.
7. The partners have major share in the capital and direct risk in business dealing. Therefore, they take active interest in business.
8. All partners are very watchful and execute checks and controls.
9. In case of dissatisfaction, any partner can ask for dissolution of deed. The interest of partners is fully protected.

(iv) Disadvantages of partnership firm:-

Following are some limitations of partnership firm:
1. There is unlimited liability in case of dissolution of the firm.
2. As compared to a joint stock company, the capital formation is limited.
3. In case of death, bankrupcy or demand of a partner, there is risk and uncertainty of a continuation of the firms.

4. The firm can be put to loss by misdeeds of a partner and resulting loss has to be shared by all members.
5. Differences of opinion of partners can cause disharmony in operations of business.
6. The accounts and progress of the firm are not made public which can cause lack of confidence in public or institutions concerned.
7. The number of partners is limited to 20 causing difficulty in fund raising in future. Therefore, there can be difficulty in expansion and modernization of business.
8. A member can withdraw after the consent of all partners which may be difficult.

(V) Types of partnership Firms :-

There are two types of partnership firms:
1. General partnership
2. Limited partnership

1. General partnership :- Each member has full executive powers, may act as an individual proprietor and can bind the partnership by an act.
→ Additional members can be included with the consent of existing partners. The actions of one member can affect other members.

2. Limited partnership :- The firm has general partners as well as limited partners who have liabilities limited to the capital invested; can share profit but do not interface with the management of the business.

Joint Hindu Family Business :-

→The family business is governed by the Hindu Law a only the male members of the family can become the co-partner in the family.

→The property is inherited by the son, grandson and great grand son or by next three generations after the death of family head.

→The family business (or property) is handled by the karta who is head of the family.

→This system of inheritance is called Mitakarshra and is prevalent all over India except West Bengal where Dayaphaga system is followed where both male and female members can become the copartners of the family business.

The salient features of the system are as follows:

1. Business membership is automatically granted after the birth of a child.
2. The minors are full pledged members of the family business.
3. The lower limit on member of number is two with no upper limit.
4. There is no need for registration of family business
5. The management and control of family business is handled by the head of the family (karta).
6. Any member can ask for his/her share of account from the karta.
7. The business is continuously run generation after generation.
8. The liability of karta is unlimited whereas the liability of other members is limited to the share of the property.

Joint Stock Company:-

→ Joint stokk company is an association of many persons who contribute money or money's worth to a common stock and employ it for common purpose.

→ The common stock as contributed is denoted in money, and is a capital of the company.

→ The persons who contribute it or to whom it belongs are members.

→ The proportion of capital to which each member is entitiled is his share. Shares are always transferable although the right to transfer them is more or less restricted.

→ This form of business activity is most suited to large scale production system as there is no limitation of capital and management.

→ The company can employ sufficient number of experts and skilled persons to run the business professionally.

(i) Main characteristics:-

The company has the following main characteristics:

1. It is a voluntary association of persons.
2. It has separate legal existence.
3. There is a perpetual succession.
4. It is a registered body with common seal.
5. It is run by elected representatives known as directors.

(ii) Advantages of Company:-

The main advantages of company system are as follows:

1. There is limited liability of the members.

2. The shares are transferable.
3. The company can be managed efficiently and professionally [by] experts.
4. There is public confidence in the company and carries [goodwill].
5. There is sense of social responsibility as social objectives are not ignored.
6. The ownership of the company is wide and distributed.
7. Large financial resources can be collected.
8. Company has good stability.
9. The management has the potential for growth and expansion of the company.
10. The company can opt for large scale business and take the advantage of economics of scale.
11. Government give various tax reliefs from time to time.

(iii) Disadvantages of a Company:-

There are certain limitation of a company:
1. There are legal formalities for the formation of the company which are time consuming.
2. The share holders lack motivation.
3. The board of directors can misutilize the capital of the share holders by corrupt practices.
4. There can be delay in decision-making due to red tape and bureaucracy.
5. There can be lack of sense of responsibility due to absence of personal initiative.
6. There is excessive government control and regulation inspite of recent openness and globalization.
7. The directors may manipulate book of accounts for personal gains at the expense of interest of share holders.

8. There can be heavy speculations in the share market and many share-holders may suffer badly.
9. The voice of share holders may fail to control the misutilization of resources as directors may mislead the share holders by controlling the business.
10. The board of directors take all the major decision on behalf of the share holders, whose capital is booked in the business.

Cooperative Organization (or Society) :-

→ Cooperative organisation is an association of persons, usually of limited means who have voluntarily joined together to achieve a common economic end through the formation of a democratically controlled business organisation, making equitable contribution to the capital required and accepting a fair sharece of risks and benefits of the undertaking.

→ It is formed under the Indian cooperation Societies Act, 1912.

(i) Main characteristics :-

The main features of a cooperative society are as follows:

1. It is a voluntary organisation.
2. It is formed by relatively economically weaker sections of society.
3. There is open membership.
4. The main objectives of the society is service motive, mutual help and for common interest of the members.
5. It works on the principle of one person - one vote and has democratic.

6. Registration of Society is compulsory.
7. It has separate legal entity.
8. The profit, interest or surplus capital is disbur among members in accordance with their share capi

(ii) Advantages of co-operative Society :-

The following are the merits of cooperative orga

1. The co-operative societies can be formed easily with minimum 10 members and no upper limit of membership. The society has to registered with the Registrar of the co-operative societies.
2. Any person irrespective of caste, creed, gender or religion can become the member of the Society.
3. It is voluntary organisation without any compulsion of membership.
4. Co-operative society has full autonomy to invest capital or do any business which is legal and beneficial to every member.
5. Co-operative society has separate legal entity which ensures stability and continuity in the event of insolvency or death of any member.
6. The members have limited liability to their contribut and are not responsible for any debt of the society.
7. The election, functioning and management of the society is democratic with one member one vote princi
8. The surplus and income are distributed among memb and additional shares may be allotted from the profit generated for additional capital generation.

9. Government gives low interest loan, special quota in land and housing and other patronages to the societies.
10. Co-operative societies are not involved in speculative business and there is limited risk to the members.
11. Co-operative societies are very suitable for weaker sections of the society as the main objective of the society is the welfare of the member.

(iii) Disadvantages of Co-operative Societies :-

Co-operative societies suffer from the following limitations :
1. A limited capital is generated through shares and subscriptions of limited members and business activity is limited to small size.
2. The members elected to run co-operative societies may lack management competency.
3. The commitment and interest of the members in the normal functioning of the society may be lacking.
4. Co-operative society is a part-time activity and may suffer from lack of co-ordination among members.
5. There is lack of interest in running the society due to low return on investment. The members are generally interested in annual general meetings with lunch/dinner.
6. There is no secrecy of the business activities as every activity of the society is exposed to the members.

Chapter-2

BUSINESS PLANNING

→ The Small-Scale entrepreneur has limited resources is terms of time, finance and manpower but his stakes are very high.

→ He puts all his stakes in his venture and expects the business to make reasonable profit and give returns to his investment.

→ He cannot afford to make mistakes which will cost him time, money and mental peace.

→ planning is selecting a course of action from available alternatives and then detailing the course of action.

→ The entrepreneur views reflectively, analyses his environment, the enterprise, the people involved and himself in a certain perspective.

1. Survival in Dynamic Situations :-

→ An entrepreneur has to plan aggressive strategies to shoulder the inherent risk in a fast changing situation.

→ These risks of business can be reduced by continuous planning and replanning.

2. Right Directions :-

→ planning helps the position of the entrepreneur to lead him in right direction.

→ The entrepreneur is bound to be drifted and swayed by the powerful environmental forces without planning.

3. Limited Resources :-

→ The entrepreneur must have pre-knowledge of all steps involved in implementing and running his entreprise.

→ With planning he is better organised to co-ordinate and utilize his limited resources.

4. Anticipation of problems :-

→ The entrepreneur gets a clear picture of his project and requirements at various stages through proper planning.

→ planning helps him to forces his problems and think of alternative actions.

5. Time Management :-

→ A small entrepreneur has to pay the multi-facted role fulfilling various needs of his enterprise.

→ planning helps him to define his actions in terms of time. He can plan his priorities and effectively utilise and co-ordinate his resources.

→ Successful entrepreneur are good planners. planning must be integrated into company's system.

→ planning is essential especially for small entrepreneurs so that he can implement intelligently.

Areas of planning start :-

He should start planning by defining :

- The resources available to him presently.
- What goal can be achieved within the constraints of available resources.
- Co-ordination and mobilisation of the resources to achieve his goal in shortest possible time.

Internal :-

→ He should analyse his ~~present~~ present strengths and weakness and availability of internal resources and how these resources can be effectively mobilised.

Market :-

→ He should check if his plans are supported by demand, who will buy, at what price, competition with others.

Environment :-

→ He should always take into account the external factors affecting him but cannot be controlled, i.e, government policies, changing trends in social customs and culture and effect of environment on his product demand.

Goal :-

→ He should plan for survival, profit and diversification.

Time Schedule plan for Starting a business :-

→ A simple and easy to use time schedule is prepared in the form of precedence Network Diagram or a Bar chart as shown in Fig. 3.1.

→ It should contain all the tasks to be accomplised, their order and time of starting and completion. This is a very effective management tool to complete the project successfully.

Activity	Time (months) 1-2-3-4-5-6-7-8-9-10-11-12-13-14-15-16-17-18
1. Decide to go into business	
2. Analysis of strengths and weakness.	
3. Selection of product or services.	
4. Conduct market research.	
5. Assessment of potential market share.	

Activity	Time (months) 1-2-3-4-5-6-7-8-9-10-11-12-13-14-15-16-17-
6. Site Selection.	
7. preparation of financial plan.	
8. preparation of product plan.	
9. preparation of market plan.	
10. Borrow funds to begin.	

(Fig 3.1. plan for starting a Business)

Agencies To Be Contacted For project Implementation:-

→ The agencies to be contacted for implementation of project are tabulated in Table 3.1. Single point contacts at District Industries Centre are good places to start with the project implementations.

Table 3.1. Agencies for project Implementation

Requirement	Agency / person	Remarks
Constitution of Firm		
1. proprietorship	Legal Advisor	No legal oblig[ation]
2. partnership	Legal Advisor Register of Firm	Agreement to be registered w[ith] Registrar of Fi[rms]
3. Company (Pvt.Ltd)	CA / company secretary Registrar of company.	Incorporation of company with the Registrar of comp[anies] in the State.

Registration		
1. For SSI, Ancillary or cottage Industry.	DIC/Dep. of Industries District Khadi and village Industries.	Temporary Registration permanent Registration after establishment.
2. Subsidy	DIC/IC office.	Registration for Subsidy for state level and central level.
3. Sales Tax (State and central)	Sales Tax Dept. Legal Advisor	Registration for sales Tax No. for state & interestate transactions.
4. production Licence.	DGTD	For unit other than SII.
5. Excise	Dept. of Exise, or customs.	Registration for Exise for scheduled industries.
6. Factory Act	Factory Inspector Legal Advisor.	Factory Act Registration.
7. Shop and Estalment Act.	Office of shop and Establishes.	For non-manufacturing activities.
8. patents and Trade mark.	Local Authorities Trade mark Registry	For exclusive right over use of mark or design.
No Objection Certificate (NOC)		
1. Location and construction.	Local Authorities (municipality, Gram panchayat, Collector) Industrial Development Corporation.	NOC for construction. NOC for manufacturing.
2. Water and Air pollution control.	Water and pollution Control Board.	NOC
Licenees And Permissions		
1. production programme.	DI, SISI, DIC, Drugs and Cosmetics.	Specified industries like electronics, approval of Development Commissioner in regd. before establishment.

Requirement	Agency / person	Remarks
2. Raw material and machinery.	DI, DIC, SIDC	Registration for quota and SSI registration.
3. Import Licence	SIC / MMTC / Controller of Imports.	—
4. Building plans and construction.	DIC / LA	—
5. Special permission		
(a) Storage	Fire Bridge, police Dept. DC.	For explosives and highly inflammable materials.
(b) Maintenance.	Chief Boiler Insepector DI (Insepector of weights and measures).	Boiler operation. All weighs to be stamped and verified before use
(c) Regulation of raw material, price distribution, etc.	Legal Advisor	Flour Mill, Salt, Wood, Fertilizers, Oil, Rubber, Rice Mills, Insecticides, Mining, Arms etc., require special permission & licence

Small Scale Industry :-

→ Large Scale industries require huge capital, technical skill and management abilities.

→ These industries give large output for the capital invested and high rate of economic growth.

→ But these industries can not provide employement in the villages where more than 70 percent of population lives.

→ The sophiscated technologies adopted may make production complex and costly.

→ They result in the emission of toxic fumes in the air and release of polluted water in the rivers and water bodies.

→ The concentration of economic activity in the city due to large industries cause migration of village population resulting in social problems.

→ Entrepreneurs in small business have an advantages over large business.

→ These small units are labour intensive and are often more efficient in the manufacture of certain goods.

Small-scale industries can be classified into five main types as follows:

1. Manufacturing industries, i.e., industries producing complete articles for direct consumption and also processing industries.
2. Feeder industries specialising in certain types of products and services, e.g., casting, electroplating, welding, etc.
3. Servicing industries covering light repair shops necessary to maintain mechanical equipment.
4. Ancillary to large industries, producing parts and components and rendering services.
5. Mining or quarrying.

Definition :-

→ Small-scale industry comparises of a variety of undertakings.

→ The definition of small-scale industry (SSI) varies from one country to another and from one time to another in the same country depending upon the pattern and stage of development.

→ In order to promote small scale industries in India, the Government of India set up the Central Small Scale Industries Organisation and the Small-Scale Industries Board.

→ The small scale industry was defined on the basis of investment in plant and machinery and employment criteria.

i.e, maximum number of workers employed.
→ The investment criteria has revised from time to time and employment criteria was dropped.
→ The small scale units fall broadly under four catagories.

1. Small Scale Industries :-

→ The investment in fixed assets in plant and machinery, whether held on ownership terms or on lease or by hire and purchase does not exceed ₹1 crore.
→ The investment ceiling in respect of small scale industries undertaking manufacturing the items mentioned in Appendix-II shall not exceed ₹5 crore.
→ The limit is fixed irrespective of the fact whether the small scale undertaking is producing articles for export or not.

2. Ancillary Units :-

→ An ancillary unit is one which sells not less than 50% of its manufactures to one or more industrial units.
→ The limit of investment is same for ancillary units and small scale industries.

3. Tiny Units :-

→ The investment limit for tiny industry is ₹25 lakh in plant and machinery.
→ There is no restrictive condition of the location of the unit in small towns.
→ These enterprises would be entitled to perference in land allocations, power connection, acess to facilities on skill / technical upgradation.
→ These would also have easy access to institutional finance, priority in Government purchases and relaxation in labour laws.

Service Sector Units :-

→ These units provide Services such as hotel and hospital Services.

→ The investment ceiling is fixed at ₹ 10 million (excluding land and building).

Reservation and Benefits :-

→ In order to integrate environmental and economic aspects in development planning, the following reservations have been made.

Appendix – III. List of Industries Reserved for the public Sector.

Appendix – IV. List of Industries in respect of which Industrial Licensing is compulsory.

Appendix – V. List of items Reserved for Exclusive Manufacture in .

Assessment of Demand And Supply In potential Areas of Growth :-

→ The demand and supply assessment can be carried out by market research.

Market Research :-

1. Market research is carried out to have advance idea of consumer acceptance of product before developing and manufacturing it.
2. Market research is an important as technical research and should be carried out on continuous basis to ensure continued vitality of a business.
3. Market research is an organized approach to solve marketing problems.

4. Market research is gathering, recording and analysing the utility and marketability of a product.
5. Market research includes collection of information on nature of demand, nature of competition, methods of marketing and other aspects of distribution of products from production to consumer.
6. Market research provides an effective sales forecast.
7. It promotes soundness of marketing decissions.
8. Market research is designed to gather data and carry out analysis to discover the market share of the product and location and type of consumers.
9. Market research is also the sales analysis of own sale records of markets of customers.
10. The sources of information for market research can be
(i) published literature
(ii) Government sources
(iii) Consultants.

→ Market research studies market potential & market share.
→ Market research conducts demand and price studies.
→ Market research popularises the company products and makes them acceptable to consumers.
→ Market research keeps a business in touch with its markets.
→ Market research safeguards company's interests against unforeseen changes in the market.
→ Market research guides sales promotion efforts.
→ Market research analyses user characteristics, attitudes, opinions with particulars emphasis on any shift in market composition or personal preferences.

Scope of Market Research:-

Major activities of market research are:

1. measurement of market potential.
2. Determination of market characteristics.
3. market share analysis
4. Competitive products studies.
5. New products acceptance and potential
6. Share and long range forecasting
7. Studies of business trends.
8. Establishment of sales quoats and territories.
9. Testing of existing products
10. Studies of ~~advertisement~~ ~~effectiveness~~ product mix
11. Acquisition Studies
12. Studies of advertisement effectiveness
13. Media research
14. pricing studies
15. plant and warehouse location studies
16. packaging research
17. Distribution chanel Studies

procedure for Market Study:-

1. Define the problem clearly.
2. Develop a clean set of research objectives.
3. Superrvine or subcontract the collecting data from existing and would be consumers.
4. Extract meaningful information from the collected data.
5. prepare or report presenting the major finding and recommendation from the study.

Market Research Technique:-

Some of the techniques used for market research are:

1. Desk Research :- The data is collected from the published information by the company or outside sources e.g., Government agencies, trade associations, etc.

Desk research consists of :

(i) Sales analysis : past sales, fluctuation in sales, promotional expenditures, economics of order size, etc

(ii) Correlation studies : Relationship between two or more variables. For example, relation between number of new cars produced and number of car batteries and car ~~tyres~~ tyres sold.

(iii) Ratios : Relation between sales and stock or earning and capital, etc.

2. Postal Questionnair :-

-> Questionnair are carefully prepared and posted to a selected sample of respondents for collecting specific data from them.

-> This tool should have short, specific and statistical questions.

3. Telephone Interviews :-

-> Telephone Interviews are conducted at a personal level with a selected sample of people for collecting their views.

4. Personal Interviews :-

-> Personal Interviews are conducted on a simple question and answer basis. Such interviews give best results with greater reliability.

5. Observational method :-

-> People are observed silently to collect the desired information.

→ Examples: standing outside or in a wine shop and the brands more frequently purchased can be found out.

6. Statistical methods :-

(i) Statistical methods analyse large collected data and logically concluded the market investigations.

(ii) Bar chart, histogram, frequency polygon, frequency distribution curve and the concepts of averages, median and standard deviation are used for the analysis.

Identification of Business Opportunity :-

→ Entrepreneurial activity is essentially person-oriented. The make-up of the entrepreneur is based on his strengths, weakness, preferences, values etc. and it will affect his choice of business opportunity.

→ An entrepreneur, therefore, should always be aware of his own self.

→ Business opportunity and entrepreneurial response to it together form it foundation for the superstructure of a new venture.

→ Selection of right business opportunity is most important for a sound enterprise.

→ Selecting a business opportunity is a one time decision and all subsequent efforts and plans will be around the product selected.

→ A new entrepreneur will have many doubts and questions before he reaches the final decision of selecting a product.

Identification :-

→ An entrepreneur is an opportunity seeker. He should identify, explore and select the right opportunity.

Opportunity:- Opportunity is an attractive project idea which an entrepreneur accepts as a basis for his investment decision.

→ A "possibility" is different from "business opportunity". Good business ideas must be capable of being converted into feasible reports.

A good business opportunity must have two major ingredients.

(i) good market scope, i.e, a gap between present and likely demand and supply.

(ii) An attractive / acceptable return on investment.

The business opportunity should be viable: technically, manufacturing commercially and managerially.

These criteria are interlinked.

The process of selection :-

Selection of right business opportunity demand :

1. Understanding one's own capabilities, strengths, limitations and preferences.

2. Exploring all possible and suitable opportunities available within existing conditions and environment.

3. Comparative analyses of opportunities available, consistent with entrepreneurial capabilities and their relative benefits.

4. The business opportunity may be for manufacturing a product or for providing services, start will one line of activity.

5. The ideas about project may be generated by:

(i) New product / services not existing in the town, region or country.

(ii) Developing existing products/ services available in the market by changing design, specifications, contents, etc.
(iii) Selection of products / services already manufactured.
6. It is tempting to go for first group of ideas. These involve high risk taking. New entrepreneur with little business experience can start with 3rd group.

Exploring opportunities :-

→ The process of identifying opportunities requires intensive efforts and specialised skills. However, following guidelines may help to identify and assess opportunities.

(i) Environment :-
- Basic features of an area and its resources inventory.
- population its composition, occupational patterns, socio-economic background, etc.

(ii) Current Business Scene :-
- present pattern of trading and business activities in the area.
- Inter-regional flow of goods, local consumption and need for products and services.
- Emerging trends and pattern of trading and business activities.
- New demand for consumption of goods and services in the area.

(iii) Technology change :-
- Anticipating new opportunities arising due to technology change like computers, etc.

Sources for identifying Business opportunities :-

(i) Resources Based Ideas :-
- Industries based on mineral, agriculture, marine and forest resources.

- Waste based products such as agro-waste, wood-waste, metal-waste, etc.

(ii) Linkage Based Ideas :-

- Industries arising out of various types of linkages such as backward and forward integration from existing lines of manufacture.
- Ancillary development projects.
- Industries based on substitution, i.e. component obtained from outsides the region or from abroad.

(iii) Export / Import Related Ideas :-

- Import substitution
- products for export.

(iv) Market Shift or Growth Related Ideas :-

- Consumer and Industrial product increase in demand due to increase in population or changes in the composition of population, purchasing power; changes in life style, etc.

(V) Special product Ideas :-

- Research and invention-based products.
- skill / knowledge based products
- products purchased by institutions, government hospitals, schools, etc.
- Foreign collabration.

(vi) Service Sector :-

- Household repair and maintenance.
- Service facilities, workshops to meet the demand from industries and households.

(vii) Government policies, priorities & plans :-

→ By exploring these sources, the entrepreneur should prepare an inventory of various project ideas.

- It will be possible to identify business opportunities on the basis of available data and information.
- The initial process involves collection and co-ordination of relevant information from the right sources.

process of Final product Selection:-

→ After identification of business opportunities, the decision for final product selection involves the following steps:

Step-1: Understanding the Broad Industry Group

1. Types of Industries:-

→ primary industry based on raw materials as mining, agriculture, etc.
→ Secondary industry based on manufacturing a product.
→ Tertiatry industry based on services.

The industries can also be grouped as:

(i) Engineering industries where goods are manufactured for the use of other industries or white goods for the consumer, i.e., machine tools, power plant equipment, sugar plant machinery, pumps, washing machines, mixies, TV sets, domestic ovens, etc.

(ii) process industries which process a material for a consumable good. Refineries, fertilizers, pharmaceuticals, organic & inorganic chemicals, sugar, paper mills, etc.

The industries can manufacture:

(i) Consumer products used and consumed regularly and directly, e.g., detergent, cloth, etc.

(ii) Intermediate goods for manufacture of other products such as printing press, components, etc.

(iii) capital goods needed for further processing to get final products.

2. present environment and industrial climate.
3. potential for future diversification.
4. preferences, technical capabilities and familiarity of the entrepreneur. possibility of support by others.
→ The entrepreneur should select the broad industry group on the basis of above factors.

Step-2: Selection of Specific project.

1. Size of the project :-

→ The project size can be decided on the basis of investment capacity of the entrepreneur and possibilities of getting financial loans.

Investment capacity of entrepreneur : ₹1 lakh
Loan from financial institutions : ₹9 lakh
Size of the projects : ₹10 lakh

2. Government policy :-

(i) Types of special permission and licences needed & possibility of getting them easily.
(ii) Regulations and price controls for raw materials and final product. This will affect the operation of the unit.
(iii) Banned list of the government.

3. Strength and Limitations of the Entrepreneur :-

→ The entrepreneur has to continuously assess his strength and limitations to undertake the specific project.

4. Comparcision of Relative Advantages and Disadvantages:-

(iv) → The future scope and feasibility study
(i) complexity of technology
(ii) Return of investment
(iii) Market potential

→ Detailed techno-economic feasibility is the reliable tool for final section.

→ However, this can help to take tantative decission followed by final decission to be based on detailed feasibility study.

→ At this stage, the entrepreneur should have selected two or three projects worth considering for investment.

Step-3: Final Selection of the project :-

→ The final Selection is based on the assessment of technical, financial, marketing and commercial viability of the project.

→ The above stage-wise process helps the entrepreneur to avoid unnecessary, wasteful and frustrating efforts to selecting projects that may prove unsuitable later on.

chapter-3

INTRODUCTION

→ Soon after the identification of a project report is formulated after examining various relevant aspects such as economic, technical, financial product and managarial aspects.

→ The project report is submitted to financial institutions and commercical banks for getting loans.

→ The report is analysed by these institutes to see how production should be organised for maximum return.

→ project report is of great importance.

→ It highlights the practicability of a project in terms of different factors like economy, finance, technology and social desirability.

→ An important aspect of the report is in determining the profitability of the project and minimising risks in the execution of the project.

There are three stages of a project report.

1. Preliminary project Report (PPR).
   A brief outline of the project justifying its viability.
2. Techno-economic feasibility assessment.
3. Detailed project report.

preliminary project Report (PPR) :-

→ The project report must be prepared by the entrepreneur himself to run the industry successfully.

→ Even when he takes the help of a consultant, he must involve himself in the preparation of the project report.
→ preliminary project report is simple brief data sheet which gives insight into the following aspects of the project.

1. Requirement of amount of money, manpower and materials for setting up the project.
2. Types of machines required.
3. Sources of technology.
4. Economic gains from the project.

Advantages of preliminary project Report :-

→ An entrepreneur select 3 to 4 items (and not one) initially. It is very costly and time consuming to prepare detailed project report for all the items selected.
→ Therefore, priliminary project reports are prepared which are very short. There are other advantages also.

1. A preliminary project report has sufficient data to get provisional registration with the State government.
→ The planning and execution can be started. Atleast action can be taken on activity requiring long periods.
2. Certain formalities can be completed on the basis of data in the preliminary project report.
→ For example, production programme for an electronic unit can be approved by the state/central government because this approval requires only projected production level and raw material requirements.

3. The data collected for preparing a preliminary project report can be used to start preparing detailed project report.

4. preliminary project report helps identify infra-structural requirements for the project such as land or shed. Accordingly applications can be made to concerned government agencies in advance.

5. The preliminary project report instills confidence and motivation in the entrepreneurs to start the time consuming process of collection of data for preparation of a detailed project report.

preparation of preliminary project Report :-

→ Sample performs is given in Table 4.1 for the preparation of preliminary project report systematically.

→ The information needed could be collected and re-presented quickly.

→ The methodology is discussed below. Apprehend market survey report the preliminary project report. The report can be used for further actions.

Techno-Economic Feasibility Report :-

1. Location:-

→ The Location should be decided on the following basis :

- Availability of raw material
- Availability of labour

- Availability of market outlets
- cost of transportation of raw materials and finished goods.
- place self owned / rented premises / Industrial area.
- Requirement of size of Land / shed.

2. Educational Qualifications and Experience :-

→ This information and background of entrepreneur will help in the acceptance of application by financial institution

3. production programme :-

→ The production programme is worked out on the basis of the basis of data and information obtained from market survey and market research.
→ The missing information may be obtained from the consultant.
→ Readymade project profiles are available with DIC (District Industries Centre), good libraries or consulting organisations
→ They can be good source of information, visit can be made to an existing unit for collection of data.

4. plant and Machinery :-

→ The list and specifications is based on data collected by market survey.
→ The information collected should also include power requirements.
→ The cost of machinery will include ex-works cost, transportation, handling, insurance, taxes, foundations, erection and commissioning charges and cost of spares.

or 20% cost may be added to the quoted price for rough estimates of the cost of plant and machinery.

5. plant capacity :-

→ The quantity of goods can be worked out from the capacity of the machinery, normal working days (300 days per year) and man hours lost due to breakdown and planned maintainance : 70% to 80% of equipment capacity can be taken as plant capacity.

6. Sales Revenue :-

→ The sale price should be decided on the basis of market price of the product, minus commission and discount etc.

→ The sales revenue will be product of annual production and sales price.

7. Raw Materials :-

→ The raw materials list will include raw material for production, packing, maintenance and testing.

→ The details can be collected by market survey. The item-wise requirement of raw materials in terms of quantity and value should be given. Similarly, the sources of procurement of raw material have to be indicated.

8. Utilities :-

→ Electricity, coal, furnace oil, diesel / petrol, compressed air, water, etc, are required to facilitate production.

→ The electricity requirements should also include power required for running motors, heating and lighting.

9. Manpower Requirements:-

The manpower required will be for:
(a) operating machinery
(b) assembly of final product, packing and supervisions
(c) selling / marketing staff
(d) office works.

-> The salaries and wages have to be decided as paid by other manufactures and also as per Minimum Wages Act. Add 20% to salaries to account for additional benefits for the workers.

10. Market Study:-

-> Market survey report should be attached to the preliminary project report.

11. Cost project and Profitability:-

-> The calculations involved are:-
(a) The cost of purches and installation of plant & machinery.
(b) Cost of land / shed purchased on ownership / lease basis.
(c) Technical know-how cost.
(d) Expenses towords preparation of project report, market survey, elling for data collection, deposites to electricity board, telephone department, etc. These expenses together are called preliminary and pre-operating expenses.

12. Working Capital:-

-> This includes value of assets:
(a) Stock of raw materials
(b) Stock of finished goods
(c) Semi-finished goods or goods under process
(d) Receipts from customers against orders.

(e) cash to meet day-to-day expenses.

→ The stock of raw materials will depend upon the annual production capacity, lead time for the procurement of raw materials.

→ The stock of finished goods will depends upon the requirements of buyers, economic size for transportation.

→ The cost of stock of finished goods can be calculated on the basis of ex-factory price.

→ The amount of goods under process will depend upon the production cycle for converting raw materials into finish good.

→ The cost for of this stock can be taken as average of cost of raw materials and ex-factory price of products.

→ Normally credit facilities range for 30 to 50 days and it can be safely taken that payment for goods sold will be only after 45 days.

→ Total debors can be calculated from annual production in terms of quantity and the value for 45 days period.

13. Project cost :-

→ The total project cost is the sum of fixed capital and working capital.

14. Finance of Sources :-

(i) 75 to 85% to fixed capital can be financed by central and sate financial corporations in the form of long-term loan.

(ii) 60 to 75% of working capital would come from commercial banks as working capital loan.

15. project profitability :-

(i) Manufacturing expenses = cost of raw materials + Utilities + Manpower.

(ii) Selling and distribution expenses include commission payable to salesman + for expenses towards advertisement (lumpsum) + publicity expenses.

(iii) Administrative expenses include expenses on postage, stationery, telephone and telegraph charges.

(iv) The interest has two parts : Interest on Term loan and interest on working capital.

→ The interest on term loan can be 12.5% to 14.5% depending upon quantum of loan, lending agency and scheme of loan. The interest on working capital loan can be calculated @ 13.5% to 16.5%.

(v) A flat rate of 15% of value of machinery and 5% of value of building can be taken towards depreciation.

(vi) Miscellaneous expenses can be estimated on lumpsum basis.

(vii) Total cost will be sum of all above expenses.

(viii) Sales Revenue is already calculated.

(ix) Gross profit = Total Sales Revenue − Total cost.

(x) Tax should be calculated from current tax adviser.

(xi) Net profit = Gross profit − Tax.

16. The details of the promoters are relevant to financial institutions.

DETAILED PROJECT REPORT (DPR):-

→ A detailed project report has to be prepared on the finally selected project.

→ It is meant for entrepreneur himself & is an important document to process assistance from financial institution and to fulfill other formalities for the implementation of the project.

→ A well ~~prep~~ perceived, well made project report by the entrepreneur himself is helpful to him for running the industry effectively.

→ Therefore, even when he choses to take the help of a consultant, he must involve himself in the preparation of the project report.

Contents of Detailed project report :-

→ A detailed project report can be used for the following

(a) It indicates cash flow priorities.

(b) It helps to realise the resources for the implementation of the project.

(c) It gives a general idea of resource requirement and means to procure them.

(d) It shows the feasibility and probality of achieving profit.

(e) It indicates likely returns and benefits from the unit.

→ A detailed project report helps to visualise financial rewards, needs, commitment and actions.

→ The project is a written document and consists of the following:

1. Assumptions/ Estimates :-

→ For production, sales, raw materials consumptions, manpower needs, prices etc.

2. projections :-
Financial, production, sales, etc.
3. Information :-
on technology, competition, prices, etc.
4. Calculations :-
costs, profitability, cash flow, etc.
5. Documents :-
-> machinery and raw material price quotations; constitutional information artnership deed, documents for infrastructural need, land building, Land title, lease deed, rent deed, etc.

project viability :-
-> The project viability as given below should be part of the detailed project report.

1. profitability calculations :-
estimated profitability and financial ratios are given for three years.

Sl. No.	Desciption	1st year	2nd year	3rd year
1.	Sales Revenue			
2.	Estimated production Expenses.			
3.	production profitability (1-2)			
4.	Other income			
5.	profit before Tax (3+4)			
6.	Expected income tax to be paid.			
7.	Net profit (5-6)			
8.	Net cash returns (7+depreciations+investment allowance)			

9.	Percentage of net profit (i) on sales $\left[\frac{(7)}{(1) \times (100)}\right]$ (ii) on investment.				

2. Break-even point (calculation and Explanation)

$$\% \text{ of Break-even} = \frac{\text{Fixed Expenses}}{\text{Expected Contribution}} \times 100$$

where Contribution = Income from sales − Variable Expenses.

3. Cash Flow

Sl. No.	Description	1st year	2nd year	3rd year
(a)	Financial Inflow			
1.	Net profit (income tax and interest added but depreciation substracted)			
2.	Own investment			
3.	Depreciation			
4.	Investment allowance			
5.	Long-term-Loan			
6.	Short-term-loan:			
7.	Other income			
(b)	Financial outgo			
1.	Preliminary and pre-operative expenses.			
2.	Fixed investment			
3.	Increase in current assets			
4.	Reduction in long-term loan			

5.	Reduction in short-term loan			
6.	Interest			
7.	Income tax			
8.	Total			
(C)	Repayment of Loans			
1.	Net profit (income tax debited)			
2.	Entrepreneurs drawings			
3.	Available profit (1-2)			
4.	Amount to be returned to financial institutions.			
5.	Interest on funds availed from State corporation and banks.			

4. project Implementation planning (Time in weeks)

(i) Preliminary survey of product.
(ii) market research and preparation of project report.
(iii) Loan application, preparation and sanction.
(iv) Selection of site and other necessary formalities.
(v) Order for plant and machinery.
(vi) Construction of factory building (rented building).
(vii) Installation of plant and machinery.
(viii) Selection of personnel.
(ix) Application and formalities for electricity, fuel.
(x) Other necessary licenses and sanction letters necessary for project implementation.
(xi) Electrification in factory.
(xii) Trial production.
(xiii) commercial production.
(xiv) Training of personnel.
(xv) Inauguration of factory.

· prepare bar chart, precedence diagram or PERT-CPM ch

5. Enclosures

1. Education certificates
2. Experience certificates
3. Testimonials for licence and permission letters.
4. Drawings of factory building and expected cost of building or rent receipt.
5. Quotation of machinery and equipment (in triplicate)
6. Letters from raw materials suppliers (if possible)
7. Partnership deed or any other documents.

6. Financial Features at a Glance

Sl. No.	Description	Own Investment	Long-term loan	Short term loan from Bank	Total
1.	Land and Building				
2.	Plant and Machinery				
3.	Working capital				
4.	preliminary and pre-operative expenses				
5.	Total.				
6.	Expected total production expenses.				
7.	profitability				
8.	Expected net profit (less income tax)				
9.	Break even point (%age)				

7. Precautions

(i) Always estimate cost on high side and income on lower side.

(ii) Use only personally verified costs and prices.
(iii) Data taken from other project report must be updated.
(iv) Make escalation provisions due to planning period and implementation period.
(v) Take 50 to 60% capacity utilization in 1st year, 80% in 2nd year.
(vi) Project report should be prepared personally.
(vii) Counter check all calculation.
(viii) Take advice and opinion of expects.

8. Reasons of Failure of project Report :-
(i) Over estimation of capacity utilization.
(ii) Under- estimation of provisions for contingencies.
(iii) Under- estimation of cushion for fixtures and electrification.
(iv) Under - estimation of cushion for handling and time loss.
(v) Unrealistic report to present on rosy picture.
(vi) Without updated and relevant information and documents.
(vii) Overestimation of income and under- estimation of expenses.

Chapter-4

MANAGEMENT PRINCIPLE

Definition of Management :-

→ Management has been defined as an art of getting the done through people Management is a distinct process consisting of activities such as planning organizing, leading and controlling to achieve the desired results.

→ The goal of the enterprise is fulfilled through the use of resources like men, money materials and machines.

→ Managerial skills are required to exploit these resources and earn profit, face competition and ensure long survival a growth of an enterprise.

→ Throughout the management function, the objectives must be kept in mind.

principles of Management :-

1. Division of Work :-

→ It promotes efficiency; it ensures work to be executed to in limited field.

2. Authority and Responsibility :-

→ Authority and responsibility should always go together.

3. Discipline :-

→ poor performance is due to lack of discipline which means obedience, energy, application and respect.

4. Unity of common :-

→ A subordinate should take orders from one supervisor only.

5. Unity of Direction:-
→ Each management objective should have one head and one plan.
6. Subordination of Individual Interest to General Interest
→ Interest of organisation is higher than interest of individuals.
7. Remuneration of personnel:-
→ payment to workers should be fair. There should be a proper method of payment.
8. Centralization:-
→ There should be one central power in the organisation with power and control of overall work.
9. Order:-
→ A place for everyone and everyone in place.
10. Equity:- kindness and justice create loyalty and devotion among employees for the management.
11. Stability:- Stability ensures efficiency.
12. Initiatives:- planning before actual execution of work ensures success.

Functions of Management:-
→ Management is a function beyond planning, so as to ensure how are the plan are performed & whether these needs to be changed depending up changing environment & conditions.
→ It reflects flexibility, adoptability understanding to act and take decisions according to need.
Major tasks of management involve the following:

1. planning :- planning is "thinking before doing". Before starting the work, it is decided what is to be produced, how much is to be produced, how to be produced when to be produced, and who will produce.

→ The planning also aims at elimination of wastage of material, idleness of men, machinery & capital.

→ policies and objectives, programme of production and methods of production are decided beforehand.

2. Organizing :- After completion of planning, the next step is to arrange the material, money and work for actual execution or production.

→ This function consists of material organization and human organization.

3. Staffing :- Recruiting and Selecting employees for positions within the company (within teams and departments).

4. Directing :- The next step is directing the plan into operation. The person must have dynamic leadership for giving direction and guidance to the subordinates.

→ The instructions must be simple, clear, complete and reasonable, in writing. The staff must be made conversant with standard operating procedures.

5. Controlling :- All the functions must be performed perfectly alright. The management must control so that actual performance matches with the plans without any defects.

→ The shortcomings must be rectified and these should not be repeated.

→ The following controls are needed: Quantity control, cost control, material control, production control.

→ Some standards are needed for performance evaluation and control.

Levels of Management :-

→ The term levels of management refers to the line of division that exists between various managerial positions in an organization.

→ As the size of the company and workforce increases, the number of levels in management increases along with it, and vice versa.

→ The different levels of management can determine the chain of command within an organization, as well as the amount of authority and typically decision-making influence accrued by all managerial positions.

→ Levels of management can be generally classified into three principal categories, all of which direct managers to perform different functions.

→ In this article, we will explore the specific definition of these levels, as well as the roles and responsibilities of the managers that fall into these categories.

1: Administrative, managerial, or Top Level of management :-

→ This level of management consists of an organization's board of directors and the chief executive or managing director.

→ It is the ultimate source of power and authority, since it oversees the goals, policies, and procedures of a company.

→ Their main priority is on the strategic planning and execution of the overall business success.

→ The roles and responsibilities of the top level of management can be summarized as follows :

• Laying down the objectives & broad policies of the business enterprise.

• Issuing necessary instructions for the preparation of department-specific budgets, schedules, procedures etc.
• preparing strategic plans and policies for the organization.
• Appointing the executives for middle-level management i.e., departmental managers.
• Establishing controls of all organizational departments.
• Since it consists of the Board of Directors, the top management level is also responsible for communicating with the outside world and is held accountable towards an organization's shareholders for the performance of the enterprise.
• providing overall guidance, direction, and encouraging harmony and collaboration.

2. Executive or middle Level of management :-

→ The branch and departmental managers form this middle management level. These people are directly accountable to top management for the functioning of their respective departments, devoting more time to organizational and directional functions.

→ For smaller organizations, there is often only one layer of middle management, but larger enterprises can see Senior and junior levels within this middle section.

→ The roles and responsibilities of the middle Level of management can be summarized as follows:

• Executing the plans of the organizations in accordance with the policies and directives laid out by the top management level.
• ~~Forming plans for~~ Participating in the hiring and training processes of ~~level~~ lower-level management.
• Forming plans for the sub-units of the organization that they supervise.

- Interpreting and explaining the policies from top-level management to lower-level management.
- Sending reports and data to top management in a timely and efficient manner.
- Evaluating the performance of junior managers.
- Inspiring lower-level managers towards improving their performance.

3. Supervisory, Operative, or Lower Level of management:-

→ This level of management consists of supervisors, foremen, section officers, superintendents, and all other executives whose work must do largely with HR oversight and the direction of operative employees.

→ Simply put, managers at the lower level are primarily concerned with the execution and coordination of day-to-day workflow that ensure completion of projects and that deliverables are met.

→ The roles and responsibilities of the lower level of the management can be summarized as follows:

- Assigning jobs and tasks to various workers.
- Guiding & instructing workers in day-to-day activities.
- Overseeing both the quality and quantity of production.
- Maintaining good relations within lower levels of the organization
- Acting as mediators by communicating the problems, suggestion and recommendatory appeals, etc. of workers to the higher level of management, and in turn elucidating higher-level goals and objectives to workers.
- Helping to address and resolve the grievances of workers.
- Supervising and guiding their subordinates.
- Taking part in the hiring and training processes of their workers
- Arranging the necessary materials, machines, tools & resources, etc, necessary for accomplishing organizational tasks.
- preparing periodical reports regarding the performance of the workers.
- Upholding discipline, decorum, & harmony within the workplace.
- Improving the enterprise's image as a whole, due to their direct contact with the workers