



**SECOND EDITION**



# **Entrepreneurship Development and Management**



**Dr. A. K. Singh**

**ENTREPRENEURSHIP  
DEVELOPMENT  
AND MANAGEMENT**

# ENTREPRENEURSHIP DEVELOPMENT AND MANAGEMENT

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## ENTREPRENEURSHIP DEVELOPMENT AND MANAGEMENT

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## PREFACE

This book Entrepreneurship Development & Management is an endeavour to help the students of Engineering Degree and Diploma Courses, Management Courses, B.B.A. and M.B.A.

This book is written in the simple and lucid language so that the students may understand the concept of the topic clearly. Latest information and techniques have been introduced in various topics. The author has tried to give the information which is essential as per the present scenario.

The author feels highly indebted to **Dr. J.P. Singh, Sr. Member Secretary R.C.I. New Delhi; Honbl. Ajay Chautala, Member Rajya Sabha, Dr. S.P. Mishra, Vice Chancellor, Shanti Niketan Gurukul University, Haridwar, Professor Arun Kanda, Head of Department, Mechanical Engineering, I.I.T., New Delhi; Professor (Dr.) S.G. Deshmukh, Associate Head of Dept. I.I.T., Delhi; Professor Premvrat, Vice Chancellor, U.P. Technical University; Er. Kamal Singh, Dy. Director (Mech.) Small Industries Service Institute, Okhla, New Delhi; Dr. Arun Veer Singh, P.C.S., General Manager, H.H.E.C. Noida, U.P.; Honb. Ajay Raj Sharma, Ex. DG B.S.F., New Delhi; Sh. Rampal Keshwar, Additional Director, State Board of Technical Education, Haryana; Sh. Yashpal, Principal, Womens Polytechnic, Sirsa** with whose inspiration this book has been written.

Any suggestion for the improvement of the book will be welcomed.

—AUTHOR

# 1



# ENTREPRENEURSHIP

## 1.1 CONCEPT/MEANING

---

The concept of the entrepreneur is to make a person to establish his own unit/industry for the benefit of his own and to give jobs to various persons employed in industry. The term entrepreneur itself indicates that the person can start his business by spending his own money along with the money from the contribution from various sources. The person, whosoever, starts business is known as an entrepreneur.

The person who wants to establish industry for the manufacture of any product by investing any amount by his own source or by collecting finance from financial corporations or by any other means is called as an entrepreneur.

## 1.2 NEED

---

In the present scenario there is a severe need of an entrepreneur to establish different kinds of industries to strengthen the hands of the Government. Day by day the prices of the commodities are increasing without any control of the Government. *“Therefore, once different kinds of industries are established in our country, the rates of the commodities can be controlled as the big manufacturers”* charge more for the same commodity which is being manufactured by the small scale manufacturers. Due to this problem also, there is the need of various industries which can provide jobs in

various sectors and to reduce the unemployment which is very essential for our country.

### **1.3 COMPETENCIES/QUALITY OF AN ENTREPRENEUR**

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1. An entrepreneur must be able to understand the problems which may arise in the development of an industry easily and make up his mind to make the changes required.
2. The decision must be perfect and without any doubt.
3. The system dynamics gives an overall picture of the set up to be started. The entrepreneur must know that everything affects everything. Any change in the industry or business may affect the overall solution.
4. System dynamics is a tool to understand all kinds of problems and to find out the solution.
5. An entrepreneur must be frank everywhere while dealing with customers and suppliers and all the Government organizations. He must be able to decide, understand and take decision as per the situation of the problem.
6. For an entrepreneur, selection of the product is a very important factor while deciding for the establishment of any kind of industry. It is a crucial decision which may affect the entire working of the business. As per the marketing strategy the selection of the product is done by going through the various factors like (a) Product, (b) Price, (c) Promotion, and (d) Place.
7. He must be competent enough to solve all kinds of problems by negotiation.
8. He must be a qualified person having industrial experience.
9. An entrepreneur must handle all the problems related to the industry while starting the business. He must know how to set up an industry and to decide various factors which may affect the production programme as per the requirement. He should know how to make the project while considering all the factors like raw materials, preliminary expenses, sources of manpower, machinery, land and building and how to run the industry. For this purpose, the entrepreneur must strengthen himself so that there should not arise any problem while producing any item in the industry.
10. He should have a trading experience before starting any kind of business. He must know about the market because production of any item is easy in production hall but to market the product is very difficult. Therefore, he should have a market survey before starting any kind of production. He should know about the requirements in

the market otherwise the product whatever is being manufactured may be affected and the losses may occur at later stage.

## 1.4 CURRENT SCENARIO

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On April 6, 2005 an advertisement appeared in the newspaper. The Hindustan Times, **Dr. A.P.J. Abdul Kalam**, the President of India, recommended that entrepreneurship be made a subject in schools and colleges to orient students towards setting up enterprises that would provide them with creativity, freedom and the ability to generate wealth.

Inaugurating a three-day international conference on 'Employment and Income Security', Dr. Kalam said: *"Banks must be proactive in supporting innovative products that enable wealth generation by young entrepreneurs"*.

Agreeing with the President, **Herman vander Laan** of the International Labour Organization said: *"Economic growth by itself is not sufficient to generate work and employment."*

According to Kalam, the banking system should provide venture capital to prospective entrepreneurs right from the village level. He suggested eight schemes that would bring large scale employment and prosperity to the rural sector including biofuel generation, wasteland development, water harvesting, bamboo mission, textile industry, healthcare and village knowledge centres.

While seconding the theory that economic and employment growth are not co-related, the National Commission on Enterprises in Informal Sector, chairman Arjun Sengupta stressed the need for the poor to have access to market, technology, skill formation, finance and social security.

## 1.5 PRIZE ENTERPRISE

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The employment pattern in India has undergone considerable change over the years. The agro sector has witnessed a slide in employment from 64% to 54%, whereas opportunities in manufacturing and service sectors have gone up from 15% to 19% and 20% to 27% respectively which is a clear indication of the employment future of the country. According to the Global Employment Trends for youth 2004 report of the International Labour Organization (ILO), Geneva, a large number of the 42 million unemployed in India comprises the youth. Gone are the days when a higher secondary qualification or a Bachelor degree could fetch a job. There are over 99.54 lakh students enrolled in higher education in India at present. However, to create and provide jobs to such a large population will not be easy either for the government or the private sector. Therefore, the need of the hour is to encourage job creators rather than job seekers through entrepreneurship.

For a country like India where unemployment is a major problem, entrepreneurship can prove to be a gainful employment opportunity for our educated youth. Entrepreneurship is a strategy. It is about creating prospects through training, monitoring and providing other kinds of support system. Entrepreneurs are not necessarily born but can be made through right education and guidance.

### **Education and Training**

Lot of people becomes entrepreneurs by accident, not by choice. We should promote entrepreneurship through education. Very few students go to B-schools to become an entrepreneur. Those that do are usually second-generation entrepreneurs. Unfortunately, entrepreneurship education continues to remain at a nascent stage in India. There are three training institutes under the ministry of small-scale industries that impart training to both potential entrepreneurs as well as trainers of entrepreneurship. These include the Indian institute of Entrepreneurship, Guwahati, NISIET, Hyderabad and National Institute for Entrepreneurship, and small business Development, Noida. Despite the serious need to create opportunities for the unemployed, entrepreneurship is one sector, which has not been given the right focus as yet. Even the few institutes imparting entrepreneurship education are more focused on producing managers than entrepreneurs.

### **Reason for Change**

Today generation wants to get the best of everything in life and if their current position is not providing them all, they do not hesitate to look for fresh avenues. According to an online survey conducted by Monster India, among the people who are looking for employment opportunities, 51% comprises those who are already employed, about 27% are looking for their first career break, 14% are unemployed and only 8% were seeking advice on development in their current roles the reason for change could be varied from a better pay package, more challenging work, better growth opportunities to even a bigger brand. The fact is that the present day workforce does not want to compromise on any front and expects the best of everything. Apart from the traditional reasons of monetary benefits, growth prospects and brand name, there are some new reasons which have emerged for frequent job hopping. People are no longer emotionally attached to their boss and organization. They get easily frustrated if the work is too monotonous or even if there is a change. Moreover, there are neither any deterrents in changing jobs nor is their a social stigma attached to it. The biggest reason however is that the new generation wants to reach the top in just 15 to 20 years and they find hopping jobs a quicker way to do so. The market has never been so conducive to changing jobs as it is today. There is no dearth of avenues for the skilled workforce which gives them more bargaining power as well. Companies do not have the time to train fresher. They do not mind paying more to a skilled and experienced person who can contribute right from the day one.

# 2

## ENTREPRENEURIAL SUPPORT SYSTEM

### 2.1 SUPPORT SYSTEM

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The Government of India is encouraging entrepreneurship through various initiatives and organizations like the National Entrepreneurship Development Board (NEDB), Small Industries Development Organizations (SIDO), National Small Industries Corporation Limited (NSIC) and National Commission for Enterprises in the Unorganized sector (NCEUS) to mention a few. Apart from assisting the first generation entrepreneurs from identifying the areas in which they can start their own ventures, these organizations provide the necessary information about the market, technology and equipment required, suppliers of equipment, procurement of raw material, sales and marketing of products and so on. H. P. Kumar, Chairman, NSIC said that NSIC have agreements with commercial banks which makes it easier for the new entrepreneurs to route loan applications through the department. NSIC has developed a model, an integrated package for youths who want to start their own enterprises. The initiative can be undertaken anywhere in the country. The organization encourages youngsters to come forward and apply and conducts an interview to gauge their interest in the field. The minimum requirements include a place to start the venture 10% to 20% of margin money and some background or understanding of the business. The selected candidates are trained for two weeks in which they are provided inputs on business law, local environment, management and assisted in identifying an area in which an enterprise

could be set up. Light engineering, leather products, knitwear and garments, pharmaceuticals and chemicals, auto components, agro and food processing, biotechnology, dimensional stones, low cost building materials, information technology and glass and ceramics are some of the key sectors identified for encouraging entrepreneurship in the country. According to Kumar, NSIC also helps the youth to prepare their own projects, with guidance from over 200 template project reports.

### **Reality Check**

Earlier taxation policies, stringent laws and bureaucratic red-tapism made it difficult to set up an enterprise. Fortunately things have become simpler now. Entry barrier in the service sector is quit low, so it is easy to set up your own enterprise. For corporate entrepreneurship, the present environment is more conducive. Also the funding process has become a lot easier. However, what remains difficult is to sustain and grow a business. Also with globalization the domestic manufacturers are not only facing an internal competition but a threat from international producers as well. It is very important for our local enterprises to provide both high standard and cost effective products and services in order to survive in the global market.

## **2.2 DISTRICT INDUSTRY CENTERS (DICs)**

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The District Industry Centers are meant for the development of various industries in different states. The Government has given lot of powers to District Industry Centers. These are looking after the industrial sectors at various places. The General Managers of the District Industry Centers are appointed to look after the industries running in their particular areas. The District Industry Center provides complete detail about the industries running at the particular location along with the guide which provides complete knowledge about the industries and help the entrepreneurs to find out the type of work to be started. The DICs help entrepreneurs by guiding them in all the matters related to industries. The Government gives full support to DICs as with these centers complete information is provided to the entrepreneurs to start their industries.

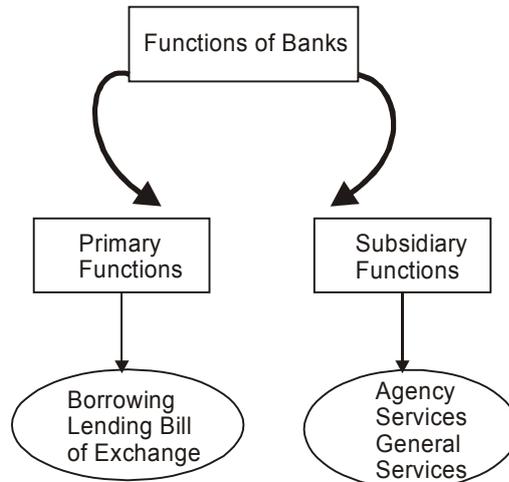
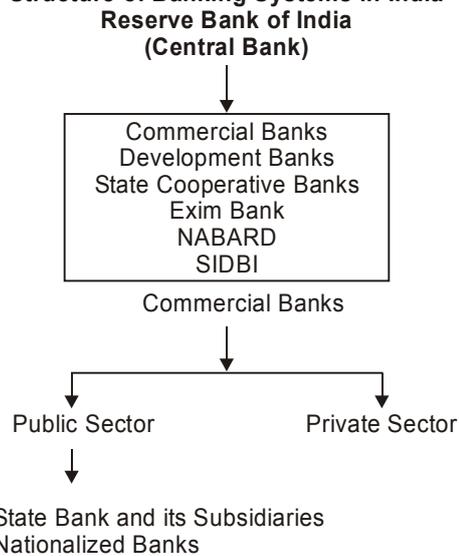
## **2.3 COMMERCIAL BANKS**

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The government has approved many banks in various sectors like agriculture sector, commercial sector, industrial sector and the other development programmes. The different banks are running under the direction of the government and there are many banks which are running under the direct control of their own *i.e.*, private banks. The banks like State Bank of India, Indian Bank, Syndicate Bank, United Commercial Bank, Agricultural Bank,

etc., give financial support to the industries for their development programmes. The entrepreneurs who are willing to set up their own industries can approach these commercial banks to get loans by submitting their project report along with their progress report in this connection. At present, the Commercial Banks are very useful for those who are looking after the business programme in our small scale sectors, which are helping our country in various fields.

#### Structure of Banking Systems in India



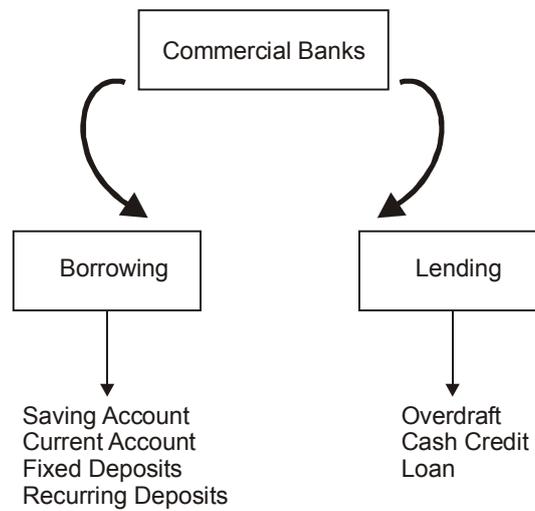
#### Functions of Commercial Banks

A commercial bank is a financial institution which deals in money and credit. It accepts deposits and pays interest on money deposited as per their plan of payment by depositing money for one month, two month, three month, six month, one year etc. The interest rate is fixed by the bankers on deposit, some of the banks pays 4.5% in case of regular deposit and some pays more therefore there is no any restriction on it and for fixed deposit some banks pays 8.5% to 11%. The various schemes have been introduced by the banks for the investors. The broad functions of a commercial bank include:

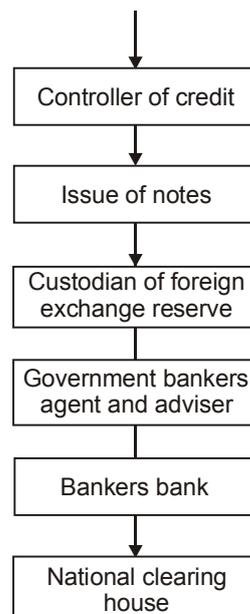
1. Accepting of deposit or borrowing.
2. Granting of loans
3. Discounting of bill of exchange
4. Acting as agent or agency services
5. Miscellaneous services.

### Role of Commercial Banks

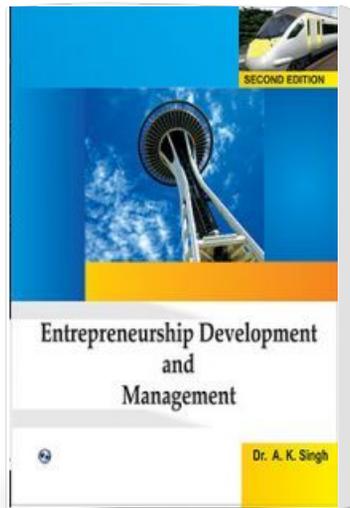
1. Encourage the customers for deposit
2. Funds utilization in proper manufacturing business companies
3. Credit creation
4. Export import promotion
5. Remittance of money
6. Safe custody of valuables.



### Functions of Central Banks



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