SENGAMALA THAYAAR EDUCATIONAL TRUST WOMEN'S COLLEGE
SUNDARAKKOTTAI, MANNARGUDI - 614016.
(Accredited with A grade by NAAC)
(An ISO 9001 : 2015 Certified Institution)

PG & RESEARCH DEPARTMENT OF ECONOMICS

ENTREPRENEURSHIP DEVELOPMENT (16AMBEEC2)
III B.A ECONOMICS

MS.K.ARCHANA,
ASSISTANT PROFESSOR
DEPARTMENT OF ECONOMICS

Objective: To enable the students to have a thorough knowledge about the Scope of Entrepreneurship in India.

Module I : Definition and Scope of Entrepreneurship

Definition- Scope –Significance of Entrepreneurship- Functions of an Entrepreneur – Characteristics- Types- Theories of Entrepreneurship.

Module II : Micro, Small, Medium and Large Scale Industries

Micro, Small, Medium and Large Scale Industries and their Significance – Problems – Industrial Policy on Small Scale Industries- Women Entrepreneurship – Concept – Growth- Problems- Prospects and Development Scheme – SHGs and Micro Finance.

Module III : Promotional Agencies

Promotional Agencies – NSIC, TIIC, SIDCO, SIPCOT, District Industrial Centres- Industrial Estates – Industrial Service Institute.

Module IV : Cost and Price

Cost and Price – Methods of Cost Estimation – Cost Control- Pricing Methods – Price Policy- Full Cost Pricing- Legislative Control over prices- Packed Commodities Regulation Act.

Module V : Project Preparation and Evaluation

Project Preparation and Evaluation- Break Even Analysis: Concept- FeaturesAssumptions- Graphical Analysis – Importance and Limitations.

References

1. Sangram Keshari Mohanty(2006), Fundamentals of Entrepreneurship, Prentice, Hall of India Pvt Ltd, New Delhi.
2. Khanaka, S.S. (2009), Entrepreneurial Development, Sultan Chand & Sons –New Delhi.
3. Jayshree Suresh, (2013), Entrepreneurial Development, Margham Publications, New Delhi.
4. Vasanthagopal, R. & Santha, S. (2008), Women Entrepreneurship in India, New Century Publications, New Delhi.
5. Dr. C.B.Gupta & Dr. N.P.Srinivasan (2010), Entrepreneurial Development in India, Sultan Chand & Sons, New Delhi.
6. Bose, S.(2013), Self- Help Groups and Rural Development, MJP Publishers, Chennai.
7. Jasmer Singh Saini,(2009), Entrepreneurship Development, Deep and Deep Publications Pvt Ltd, New Delhi.
8. Anil Kumar., Poornima, S.C., Mani, K. Abraham and Jayashree,K.(2009), Entrepreneurship Development, New Age International Publishers, New Delhi.

MODULE I : DEFINITION AND SCOPE OF ENTREPRENEURSHIP

DEFINITION

The entrepreneur is defined as someone who has the ability and desire to establish, administer, and succeed in a startup venture along with risk entitled to it, to make profits. The best example of entrepreneurship is the starting of a new business venture. The entrepreneurs are often known as a source of new ideas or innovator, and bring new ideas in the market by replacing old with a new invention.

“Entrepreneurship is the propensity of mind to take calculated risks with confidence to achieve a pre-determined business or industrial objective. In substance, it is the risk-taking ability of the individual, broadlycoupled with correct decision-making.”

Entrepreneurship is niegther science nor an art . It is the practice. It has aknowledge base .

-- Peter Drucker

SCOPE OF ENTREPRENEURSHIP

In India there is a dearth of quality people in industry, which demands high level of entrepreneurship development programme through out the country for the growth of Indian economy.

The scope of entrepreneurship development in country like India is tremendous. Especially since there is widespread concern that the acceleration in GDP growth in the post reforms period has not been accompanied by a commensurate expansion in employment. Results of the 57th round of the National Sample Survey Organization (NSSO) show that unemployment figures in 2001-02 were as high as 8.9 million. Incidentally, one million more Indian joined the rank of the unemployed between 2000-01 & 2001-02. The rising unemployment rate (9.2% 2004 est.) in India has resulted in growing frustration among the youth. In addition there is always problem of underemployment. As a result, increasing the entrepreneurial activities in the country is the only solace. Incidentally, both the reports prepared by Planning Commission to generate employment opportunities for 10 crore people over the next ten years have strongly recommended self-employment as a way-out for teaming unemployed youth.

We have all the requisite technical and knowledge base to take up the entrepreneurial challenge. The success of Indian entrepreneurs in Silicon Valley is evident as proof. The only thing that is lacking is confidence and mental preparation. We are more of a reactive kind of a people. We need to get out of this and become more proactive. What is more important than the skill and knowledge base is the courage to take the plunge. Our problem is we do not stretch ourselves. However, it is appreciative that the current generations of youth do not have hang-ups about the previous legacy and are willing to experiment. Theses are the people who will bring about entrepreneurship in India.

We can take the example of Vikas Kedia - one of India's most eligible entrepreneurs; he was barely 21 when he had turned his back on a possible $ 100,000-a-year job. Vikas Kedia, a graduate from the Indian Institute of Management-Bangalore, is much in demand. He has also created history of sorts in the IIM circuit by starting his own dot-com company in Bangalore, now he has his own company which is a California and Kolkata based GRMtech.

At present, there are various organizations at the country level & state level offering support to entrepreneurs in various ways. The Govt. of India & various State Govts. have been implementing various schemes & programmes aimed at nurturing entrepreneurship over last four decades. For example, MCED in

Maharashtra provides systematic training, dissemination of the information & data regarding all aspects of entrepreneurship & conducting research in entrepreneurship. Then there are various Govt. sponsored scheme for the budding entrepreneurs.

Recognizing the importance of the entrepreneur development in economic growth & employment generation, Maharashtra Economic Development Council (MEDC) has identified entrepreneurial development as the one of the focus area for Council activities two years ago.

Various Chambers of Commerce & apex institutions have started organizing seminars & workshops to promote entrepreneurship. Incidentally, various management colleges have incorporated entrepreneurship as part of their curriculum. This is indeed a good development. This shows the commitment of the Govt. & the various organizations towards developing entrepreneurial qualities in the individuals.

Promoting Entrepreneurship

In India, where over 300 million people are living below the poverty line, it is simply impossible for any government to provide means of livelihood to everyone. Such situations surely demand for a continuous effort from the society, where the people are encouraged to come up with their entrepreneurial initiative.

Encouragement at attitudinal and social level

In the future, innovation and entrepreneurship needs to be encouraged at Social levels, Governmental levels and Managerial levels. There must be a social attitude that views innovations with positive attitude and reject an innovation only when it is not acceptable.

Encouragement at physical level

At this level the encouragement will refer to two aspects necessary for entrepreneurship to thrive, one is the provision of venture capital and the other being infrastructural support. A real example is Export Processing Zones which are performing extremely well when given the support.

What will be the qualities needed to succeed in this new world?

First and foremost, we need the entrepreneurial spirit. Outside India, this spirit has been very evident in the IT industry. 35% of the start-ups in Silicon Valley are by Indians. We need to have similar risk-taking ability within the country as well. Entrepreneurs need more than technical talent, more than business savvy. What they need is the indefatigable energy and incurable optimism that enables them to take the road less traveled and convert their dreams into reality. It is a force that beckons an individual to pursue countless opportunities. Entrepreneurs must learn how to overcome the risk of failure, or of vulnerability. The institutions can give them valuable insights and also support them in this.

SIGNIFICANCE OF ENTREPRENEURSHIP

Entrepreneurship is the dynamic process of creating incremental wealth and innovating things of value that have a bearing on the welfare of an entrepreneur.

It provides civilization with an enormous amount of goods and services and enhances the growth of social welfare.

The main importance of entrepreneurship is the creation of job opportunities, innovation, and improve the economy.

The man behind the entrepreneurship is an action-oriented and highly motivated individual who is ready to achieve goals.

M. Kirzner (1973) observes entrepreneurs as; “one who perceives what others have not seen and acts upon that perception”.

Thus, entrepreneurs take the economy and the society that is the whole civilization to the state of progress and prosperity.

Taking this into consideration we can describe the significance or importance of entrepreneurship which is stated below.

9 importance of entrepreneurship are;

1. Growth of Entrepreneurship.
2. Creation of job opportunities.
3. Innovation.
4. Impact on community development.
5. The consequence of business failure.
6. Political and economic integration of outsiders.
7. Spawns entrepreneurship.
8. Enhances the standard of living.
9. Promotes research and development.

1. Growth of Entrepreneurship

Entrepreneurship the advent of new venture particularly small ventures to materialize the innovative ideas of the entrepreneurs.

Thus, the growth or establishment of small enterprises ii the specific contribution of entrepreneurship in every economy of the world.

The statistics reveal that in USA economy nearly half a million small enterprise is established every year. Our country is not an exception in this regard.

2. Creation of job opportunities

Entrepreneurship firms contributed a large share of new jobs. It provides entry-level jobs so necessary fur training or gaining experience for unskilled workers.

The small enterprises are the only sector that generates a large portion of total employment every year.

Moreover, entrepreneurial ventures prepare and supply experienced labor to large industries.

3. Innovation

Entrepreneurship is the incubator of innovation. Innovation creates disequilibria in the present state of order.

It goes beyond discovery and does implementation and commercialization, of innovations.

"Leapfrog" innovation, research, and development are being contributed by entrepreneurship.

Thus, entrepreneurship nurses innovation that provides new ventures, products, technology, market, quality of good, etc. to the economy that increases Gross Domestic Products and standard of living of the people.

4. Impact on community development

A community is better off if its employment base is diversified among many small entrepreneurial firms.

It promotes abundant retail facilities, a higher level of homeownership, fewer slums, better, sanitation standards and higher expenditure on education, recreation, and religious activities.

Thus, entrepreneurship leads to more stability and a higher quality of community life.

5. The consequence of business failure

The collapse of the large industry almost has irresistible damage to the development of the state and the state of the economy and the financial condition of the relevant persons.

The incumbents lost their jobs: suppliers and financial institutions face a crisis of recovery.

Customers are deprived of goods, services, and government losses taxes. This could not happen in the case of failure of entrepreneurship.

There shall be no measurable effect upon the economy and no political repercussions too.

6. Political and economic integration of outsiders

Entrepreneurship is the most effective way of integrating those who feel disposed of and alienated into the economy.

Minorities, migrants, and women are safely integrated into entrepreneurship that will help to develop a well-composed plural society.

7. Spawns entrepreneurship

Entrepreneurship is the nursing ground for new inexperienced adventurists.

It is the field where a person can start his/her idea of the venture, which may be ended up in a giant enterprise. All the large industrial ventures started as a small entrepreneurial enterprise.

Therefore, entrepreneurship provides a wide spectrum of ventures and entrepreneurs in every economy. The vast open arena of entrepreneurship thus acts as an incubator to entrepreneurs.

8. Enhances the standard of living

The standard of living is a concept built on an increase in the amount of consumption of a variety of goods and services over a particular period by a household.

So it depends on the availability of diversified products in the market. Entrepreneurship provides enormous kinds of a product of various natures by their innovation.

Besides, it increases the income of the people who are employed in entrepreneurial enterprises.

That also capable employed persons to consume more goods and services. In effect, entrepreneurship enhances the standard of living of the people of a country.

9. Promotes research and development

Entrepreneurship is innovation and hence the innovated ideas of goods and services have to be tested by experimentation.

Therefore, entrepreneurship provides funds for research and development with universities and research institutions. This promotes the general development, research, and development in the economy.

Entrepreneurship is the pioneering zeal that provides events in our civilization.

We are indebted to it for having prosperity in every arena of human life- economic, technological and cultural.

The above discussion, in a nutshell, enumerates that tremendous' contributions of entrepreneurship.

FUNCTIONS OF AN ENTREPRENEUR

Functions of an Entrepreneur – Risk Bearing, Administrative, Decision-Making and Distributive Functions

An entrepreneur frequently has to wear many hats. He has to perceive opportunity, plan, organize resources, and oversee production, marketing, and liaison with officials. Most importantly he has to innovate and bear risk.

The main functions of an entrepreneur are grouped in three categories:

1. Risk bearing functions,
2. Administrative and decision-making functions, and
3. Distributive functions (responsibility of the organizer).

1. Risk Bearing Functions:

It is the most important and specific function of an entrepreneur. Every business involves some amount of risk. The production of goods and services is always related to future demands. The future demand is uncertain and unpredictable, because it is influenced by the changes in fashion or taste and liking of the consumers.

The price structure, value of money, climatic conditions and government policies are some other important factors that affect the demand of a commodity. All these factors are variable and as such an exact estimation of future demand is a difficult exercise to work out.

Since this unpredictable task is undertaken by the entrepreneur, he has to bear the risk. If his estimations prove to be wrong, then in the entire business sphere, no other factor of production shares the loss incurred by the entrepreneur.

It is the main reason why the entrepreneur becomes entitled for the surplus that is remaining with him from the sale proceeds of the product, after distributing the shares to other factors. This surplus is termed as profit of the business.

2. Administrative and Decision-Making Functions:

i. Conceiving the Idea of Business:

The entrepreneur conceives the idea of a particular business which suits his nature, skill and resources. He makes a thorough (intensive and extensive) study of the condition of market and business prospects. After making a thorough study of economic viability, he decides the business that he has to start.

ii. Estimation of Details of Business and Implementation of the Same:

After arriving at a conclusion about the nature of business, the entrepreneur works out the details of business, i.e., what, how and when to produce and from where the resources are to be arranged. With all these estimations, he makes an all-out effort to give a practical shape to his plans, organizes various factors of production and sets them to function in proper harmony.

iii. Supervision and Control of Business Activities:

The entrepreneur has to supervise and control the day-to-day business activities to accomplish the business objectives. For this he properly coordinates between various factors of production. As the risk (success or failure) of business operations directly affect his economy, he keeps a vision and control on the business affairs and avoids unnecessary expenditures.

He is required to take a numerous decisions and has to get these decisions properly implemented.

iv. Innovation:

Innovation is one of the most important functions of an entrepreneur. An entrepreneur uses information, knowledge and intuition to come up with new products, new methods of reducing costs of a product, improvement in design or function of a product, discovering new markets or new ways of organization of industry. Through innovation, an entrepreneur converts a material into a resource or combines existing resources into new and more productive configurations.

It is the creativity of an entrepreneur that results in invention (creation of new knowledge) and innovation (application of knowledge to create the new products, services or processes).

3. Distributive Functions:

The entrepreneur organizes different factors of production and sets them to work. It, therefore, becomes his responsibility to make proper allocation of funds for each factor of production, i.e., each factor of production must be properly remunerated.

The remuneration here refers to an important decision as to what should be the share of each factor of production in the sale proceeds of the entire product. The remuneration should be just and equitable and the payment to each factor should be commensurate, so that each factor is fully satisfied.

If the factors of production remain dissatisfied, they will not be able to deliver their best to the entrepreneur. So, it is the entrepreneur, who has to ultimately suffer. Hence, it is very essential for the entrepreneur to perform distributive functions with extreme care and caution.

CHARACTERISTICS OF AN ENTREPRENEUR

Success in entrepreneurship isn't just about your idea or your money. Plenty of people have interesting ideas or a lot of cash to throw around — and they never quite manage to find success in their ventures.

If you want to be an entrepreneur, take a step back and evaluate whether or not you have the following characteristics. (And remember: if you don't have these traits now, you can develop them down the road to improve your chances of success.)

1. Self-Motivation

One of the most important traits of entrepreneurs is self-motivation. When you want to succeed, you need to be able to push yourself. You aren't answerable to anyone else as an entrepreneur, and that sometimes means that it's hard to get moving without anyone to *make* you. You need to be dedicated to your plan and keep moving forward — even if you aren't receiving an immediate paycheck.

2. Understand What You Offer

As an entrepreneur, you need to know what you offer, and how it fits into the market. Whether it's a product or a service, you need to know where you fit in. That means you need to know when it's time to tweak things a little bit. This also includes knowing whether you are high end, middle of the road or bargain. Being able to position yourself and then adjust as needed is an important part of entrepreneurship.

3. Take Risks

Successful entrepreneurs know that sometimes it's important to take risks. Playing it safe almost never leads to success as a business owner. It's not about taking just any risk, though. Understanding calculated risks that are more likely to pay off is an important part of being an entrepreneur. You'll need to be willing to take a few risks to succeed.

4. Know How to Network

Knowing how to network is an important part of entrepreneurship. Sometimes who you know is an important part of success. Being able to connect with others and recognize partnership opportunities can take you a long way as a business owner. Figure out where to go for networking opportunities and make it a point to learn how to be effective.

5. Basic Money Management Skills and Knowledge

We often think of successful entrepreneurs as “big picture” people who don’t worry so much about managing the day to day. And it’s true that you might have an accountant or other team members to help you manage the business. However, if you want to be successful, you should still have basic money management skills and knowledge. Understand how money works so that you know where you stand, and so that you run your business on sound principles.

6. Flexibility

To a certain degree, you need to be flexible as an entrepreneur. Be willing to change as needed. Stay on top of your industry and be ready to adopt changes in processes and product as they are needed. Sometimes, you also need flexibility in your thinking. This is an essential part of problem-solving. You want to be able find unique and effective solutions to issues.

7. Passion

Finally, successful entrepreneurs are passionate. They feel deeply about their product or service or mission. Passion is what will help you find motivation when you are discouraged and it will drive your forward. Passion is fuel for successful entrepreneurship. If you find yourself losing your passion, that might be the clue that it’s time to move on to something else (that stokes your passion). There are many serial entrepreneurs that create successful businesses, sell them, and then create something else.

As you consider your characteristics, think about how to better develop them to help you become a better entrepreneur.

TYPES OF ENTREPRENEUR

Entrepreneurs turn bold ideas into reality. They create jobs and contribute to the economy but there are different types of entrepreneurs and each type tends to choose their own path based on their personality, abilities and surroundings.

The types of entrepreneurs vary depending on background, country and even sector but the 5 most common types are:

- Innovators
- Hustlers
- Imitators
- Researchers
- Buyers

1. Innovators

Innovators are the types of entrepreneurs who come up with completely new ideas and turn them into viable businesses.

In most cases, these entrepreneurs change the way people think about and do things. Such entrepreneurs tend to be extremely passionate and obsessive, deriving their motivation from the unique nature of their business idea.

Innovative entrepreneurs also find new ways to market their products by choosing product differentiation strategies that make their company stand out from the crowd. And sometimes it is not just standing out from the crowd but actually creating a new crowd.

To say that innovators like Steve Jobs, Larry Page of Google and Microsoft founder Bill Gates were obsessed with their business would be an understatement.

Advantages of Being An Innovate Entrepreneur:

- Get all the glory for the success of the business (and take all the arrows)
- Create the rules
- Face minimal competition during the initial days

Disadvantages of Being An Innovate Entrepreneur:

- You will need a lot of capital to bring a new idea to life
- Often face resistance from shareholders
- The timeframe for success is longer

The ability of an innovative entrepreneur to envision a new way of thinking makes them stand out from the crowd and wildly successful in many cases however it takes significant capital, patience and commitment to bring true innovation to life.

2. The Hustler Entrepreneur

Unlike innovators whose vision is the gas in their engine, hustlers just work harder and are willing to get their hands dirty. Hustlers often start small and think about effort – as opposed to raising capital to grow their businesses. These types of entrepreneurs focus on starting small with the goal of becoming bigger in the future.

Hustlers are motivated by their dreams and will work extremely hard to achieve them. They tend to be very focused and will get rid of all forms of distractions, favoring risks over short-term comfort.

A perfect example of a hustler is Mark Cuban. He started in business very young selling trash bags, newspapers and even postage stamps and this hustle later created a goldmine which was acquired by internet giant Yahoo!

Advantages of Being A Hustler

- They will outwork most
- Tend to have thick skin – they don't give up easily
- See disappointment and rejection as just a step in the process

Disadvantages of Being A Hustler

- Usually prone to burn out
- Wear out their team members who don't have the same work ethic
- Often don't see the value of raising capital as opposed to just working harder

Even though many hustlers never give up, a lot of them are willing to try anything to succeed which unfortunately means that they have a lot of hits and misses. Achieving their dreams takes a lot longer than most other types of entrepreneurs.

3. Imitators

Imitators are the types of entrepreneurs who copy certain business ideas and improve upon them. They are always looking for ways to make a particular product better so as to gain an upper hand in the market.

Imitators are part innovators and part hustlers who don't stick to the terms set by other people and have a lot of self-confidence.

Advantages of Imitators

- Refining a business idea is easier and less stressful
- You can easily benchmark your performance with the original idea
- Can learn and avoid mistakes that were made by the originator

Disadvantages of Imitators

- Their ideas are always compared to the original idea
- Always have to play catch-up

Taking an existing idea and refining and improving it can be a great way to develop a business. It certainly does not have as much risk as the innovator but it might just not be as sexy.

4. Researcher

Even after having an idea, researchers will take their time to gather all the relevant information about it. To them, failure is not an option because they have analyzed the idea from all angles.

Researcher entrepreneurs usually believe in starting a business that has high chances of succeeding because they have put in detailed work to understand all aspects.

As a result, these types of entrepreneurs usually take a lot of time to launch products to make decisions because they need the foundation of deep understanding. These entrepreneurs rely much more on data and facts than instincts and intuition.

For a researcher, there should be no room for making mistakes.

Advantages of Being a Researcher Entrepreneur

- Plan for as many contingencies as possible
- Write detailed, well-thought-out business and financial plans
- Focus on data and information rather than gut feeling
- Won't start unless they feel like they know the market
- Will minimize the chances of failing in the business

Disadvantages of Being a Researcher Entrepreneur

- Typically moves slow
- Doesn’t like risk and that can hamper progress in a new venture

Even though these types of entrepreneurs spend a lot of time researching and digging into the data to ensure the success of their business, they can fall into the habit of obsessing over the numbers and focusing less on the running of the business.

Jeff Bezos has spoken against this in a recent letter to shareholders where he asserted that “Most decisions should probably be made with somewhere around 70% of the information you wish you had”.

5. Buyers

One thing that defines buyers is their wealth. These types of entrepreneurs have the money and specialize in buying promising businesses.

Buyer entrepreneurs will identify a business and assess its viability, proceed to acquire it and find the most suitable person to run and grow it.

Advantages of being a Buyer

- Buying an already established venture is less risky
- Doesn’t have to worry so much about innovation
- Can focus on building on something that has already gone through building a foundation
- Already has a market for your products

Disadvantages of being a Buyer

- Usually pays a high price for good businesses
- Will face the risk of buying businesses that have problems that you think you can turn around

Theories of Entrepreneur

Everything you need to know about the theories of entrepreneurship. It is a universal fact that entrepreneurship is an important factor in economic development.

An Entrepreneur is the risk bearer and works under uncertainty. But no attempts were made by economists for formulating systematic theory of entrepreneurship.

According to William J. Baumol, the economic theory has failed to provide a satisfactory analysis of either the role of the entrepreneurship or its supply.

Theories of Entrepreneurship – with Critical Evaluation

It is a universal fact that entrepreneurship is an important factor in economic development. An Entrepreneur is the risk bearer and works under uncertainty. But no attempts were made by economists for formulating systematic theory of entrepreneurship. According to William J. Baumol, the economic theory has failed to provide a satisfactory analysis of either the role of the entrepreneurship or its supply.

The traditional notion of an entrepreneur is that he brings together the factor inputs and organises productive activity. The traditional models treat the entrepreneurial function like a managerial function.

Similarly, in modern growth theory also, any contribution of entrepreneurship is typically contained in a residual factor. This residual, variously termed as ‘technical change’ or ‘coefficient of ignorance’. It includes among other things, technology, education, institutional organisation and entrepreneurship.

Different thinkers have evolved different theories of entrepreneurship.

Salient features of these theories are as follows:

Innovation Theory:

This theory was propounded by J.A. Schumpeter. According to Schumpeter, entrepreneur is basically an innovator and innovator is one who introduces new combinations.

In practice, new combination theory covers five cases which are given below:

(i) The introduction of a new good which consumers, are not yet familiar—or of a new quality of a good.

(ii) The introduction of a new method of production, that one not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new and can also exist in a new way of handling a commodity commercially.

(iii) The opening of a new market i.e. a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before.

(iv) The conquest of a new source of supply of raw materials or half manufactured goods, irrespective of whether this source already exists or whether it has first to be created.

(v) The carrying out of the new organisation of any industry like the creation of a monopoly position (for example, through trustification) or the breaking up of a monopoly position.

Critical Evaluation:

In Schumpeterian theory, the main theme is the innovation. He makes a distinction between an innovator and an inventor. According to him, an inventor discovers new methods and new materials. But, an innovator is one who applies inventions and discoveries in order to make now combinations. With the help of these new combinations, he produces newer and better goods which yield satisfaction as well as profits.

In economic development process, entrepreneurs have been assigned a crucial role so that tempo of growth is maintained effectively. Development requires basic changes and entrepreneurs carry out the required changes. Thus, entrepreneurial development brings economic development.

Schumpeter’s concept of entrepreneurship is quite broad based. Entrepreneurship includes not only the independent business men but also executives and managers who actually undertake innovative functions.

However, Schumpeter’s theory suffers from following limitations:

(i) It excludes individuals who merely operate an established business without performing innovative functions.

(ii) Innovating entrepreneur represents the most vigorous type of enterprise. However, this type of entrepreneur is rarely available in developing countries like India.

(iii) It laid too much emphasis on innovative functions. But it ignores the risk taking and organising aspects of entrepreneurship.

(iv) It assumes an entrepreneur as a large scale business man. He is a person who creates something new. But in practice, an entrepreneur cannot have large scale operations from the very beginning,

(v) It fails to provide a suitable answer to question like— why some countries had more entrepreneurial talent than others?

According to Schumpeter, entrepreneurs are not a class in themselves like capitalists and workers. An individual is an entrepreneur only when he actually carries out new combinations and ceases to be an entrepreneur the moment he settles down to running the established business.

According to Schumpeter, an entrepreneur exists only if the factors of production are combined for the first time. Maintenance of a combination is not an entrepreneurial activity. In this way, combination theory differs from the theory of rent formulated by Ricardo. Ricardo included the term "entrepreneurial ability" as an independent factor of production and it is concerned with profit. Thus, this theory fails to provide suitable solutions to the problems.

Need for Achievement Theory:

This theory was developed by David. C. McClelland. McClelland concerned himself with economic growth and the factors that influence it. In this context, he tries to find the internal factors i.e. "human values and motives that lead man to exploit opportunities, to take advantage of favourable trade conditions." That is why he gives importance to the innovative characteristics of entrepreneurial role. The entrepreneur is concerned with need for achievement (n-achievement).

The n-achievement is called as "a desire to do well, not so much for the sake of social recognition or prestige, but for the sake of an inner feeling of personal accomplishment."

It is this motive of n-achievement that guides the actions of entrepreneur. People with high n-achievement behave in an entrepreneurial way. So it is better to develop n-achievement among individuals to ensure high scale of economic development. In practice, n-achievement motive is inculcated through child rearing practices, which stress standards of excellence, material warmth, self-reliance, training and low father dominance.

McClelland identified two characteristics of entrepreneurship. First doing things in a new and better way. Secondly, decision making under uncertainty.

This motive is called as the tendency to strive for success in situations involving an evaluation of one's performance in relation to some standard of excellence. People having high need for achievement are more likely to succeed as entrepreneurs.

According to McClelland, individuals with high need achievement will not be motivated by monetary incentives but that monetary rewards will constitute a symbol of achievement for them. Similarly, they are also not interested much for social recognition or prestige but their ultimate goal is personal accomplishment. That is why McClelland suggests that in order to raise the level of achievement motivation, parents should set high standards for their children.

Critical Evaluation:

Research studies on the psychological roots of entrepreneurship reveal that high achievement orientation ensures the success of entrepreneurs. But the empirical tools of concept used by McClelland are found to be highly suspect and one wonders how many of the individuals who are judged to have high n-achievement could succeed in utilising it in practice in the present day developing countries unless strengthened by other reinforcing circumstances.

At the same time, empirical investigations also need the following:

(i) It is necessary to create a climate (especially in educational institutions at various levels) to enable the children to grow to become individuals with high n-achievement.

(ii) It is possible to improve the performance of existing entrepreneurs through imparting proper training and education.

Status Withdrawal Theory:

E. Hagen attempted to formulate a theory of social change. The theory of social change explains that when members of some social groups feel that their values and status are not respected by the society, they turn to innovation to get the respect of the society. According to Hagen, entrepreneurship is a function of status withdrawal. This theory provides that a class which lost its previous prestige or a minority group tends to show aggressive entrepreneurial drive.

Hagen postulates four types of events which can produce status withdrawal:

(i) Displacement of a traditional elite group from its previous status by another traditional group by physical force.

(ii) Denigration of values, symbols through some change in the attitude of superior group.

(iii) Inconsistency of static symbol with a changing distribution of economic power and.

(iv) Non-acceptance of expected status on migration to a new society.

Hagen further opined that creative innovation or change is the basic feature of economic growth. He describes an entrepreneur as a creative problem shooter interested in things in the practical and technological realm. Such type of individual feels a sense of increased pleasure when facing a problem and tolerates disorder without discomfort.

In traditional societies, positions of authority are granted on the basis of status, rather than individual ability. That is why, Hagen visualised an innovative personality.

There are four responses which assess the personality-

(i) Retreatist – One who combines to work in the society but remains indifferent to his work and position.

(ii) Ritualist – One who adopts a kind of defensive behaviour and acts in the ways accepted and approved in his society but with no hopes of improving his position.

(iii) Reformist- One who foments a rebellion and attempts to establish a new society?

(iv) Innovator- A creative individual who is likely to be an entrepreneur.

Innovation requires creativity and such creative individuals cause economic growth. In practice creative personalities emerge when the members of some social groups experience the withdrawal of status respect. Whenever there is any withdrawal of status respect, it would give rise to innovation—a creative individual who is likely to be an entrepreneur.

Critical Evaluation

The theory acts to distinguish between entrepreneurship and intra-preneurship. There are different factors within the organisation which motivate the executives and professionals to do some innovative behaviour leading to new products and services. Actually, they are not governed by status withdrawal.

The theory only suggests that the people, who had enjoyed social standing at some stage in their histories fall into a retreatist phase and with an urge to regain that lost status emerge as entrepreneurial personality. The theory also presupposes a long term perspective for entrepreneurial growth about three to five generations for the emergence of entrepreneurship.

But actually it does not happen. In India, first generation entrepreneurs are quite successful in their entrepreneurial behaviour. J.P. Gour of Jai Prakash Industries and Sunil Mittal of Bharti group etc. can be cited in this context.

MODULE II : MICRO, SMALL, MEDIUM AND LARGE SCALE INDUSTRIES

Micro, Small, Medium and Large Scale Industries and their Significance

What are MSMEs? What is the new definition of Micro, Small, and Medium Entreprises?

For a country to grow, the government should actively promote business enterprises.

Among business enterprises, the Micro, Small and Medium Enterprises (MSME) deserve special attention. Though MSMEs are small investment enterprises, their contribution to the Indian economy is very significant.

Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 which was notified on October 2, 2006, deals with the definition of MSMEs. The MSMED Act, 2006 defines the Micro, Small and Medium Enterprises based on

1. the investment in plant and machinery for those engaged in manufacturing or production, processing or preservation of **goods** and
2. the investment in equipment for enterprises engaged in providing or rendering of **services**.

Benefits provided to MSMEs

- Loans under the priority sector lending scheme.
- 25% share in procurement by government and government-owned companies.
- Promoters are allowed to bid for stressed assets under the insolvency law (unlike big companies).
- Various government schemes and funds.

Importance of MSMEs for Indian Economy

- **Employment:** It is the second largest employment generating sector after agriculture. It provides employment to around 120 million persons in India.

- **Contribution to GDP:** With around 36.1 million units throughout the geographical expanse of the country, MSMEs contribute around 6.11% of the manufacturing GDP and 24.63% of the GDP from service activities.
  - MSME ministry has set a target to up its contribution to GDP to 50% by 2025 as India becomes a $5 trillion economy.
- **Exports**: It contributes around 45% of the overall exports from India.
- **Inclusive growth:** MSMEs promote inclusive growth by providing employment opportunities in rural areas especially to people belonging to weaker sections of the society.
  - For example: Khadi and Village industries require low per capita investment and employs a large number of women in rural areas.
- **Financial inclusion:** Small industries and retail businesses in tier-II and tier-III cities create opportunities for people to use banking services and products.
- **Promote innovation:** It provides opportunity for budding entrepreneurs to build creative products boosting business competition and fuels growth.

Thus, Indian MSME sector is the backbone of the national economic structure and acts as a bulwark for Indian economy, providing resilience to ward off global economic shocks and adversities.

1. Problem of Raw Material:

A major problem that the micro and small enterprises have to contend with is the procurement of raw material. The problem of raw material has assumed the shape of:

(i) An absolute scarcity,

(ii) A poor quality of raw materials, and

(iii) A high cost.

The majority of micro and small enterprises mostly produced items dependent on local raw material. Then, there was no severe problem in obtaining the required raw materials. But, ever since the emergence of modem small-scale industries manufacturing a lot of sophisticated items, the problem of raw material has emerged as a serious problem on their production efforts.

The small units that use imported raw material face raw material problem with more severity mainly due to difficulty in obtaining this raw material either on account of the foreign exchange crisis or some of other reasons.

Even the micro and small enterprises that depend on local resources for raw material requirements face the problem of other type. An example of this type is handloom industry that depends for its requirement of cotton on local traders.

These traders often supply their cotton to the weavers on the conditions that they would sell their ready clothes to these traders only. Then, what happens that the traders sell cotton to them at fairly high prices. This becomes a clearest example of how the poor weavers are subjected to double exploitation at the hands of traders.

Keeping in view the raw material problem of micro and small enterprises, the Government makes provisions for making raw material available to these units. Nonetheless, micro and small enterprises with no special staff to liaise with the official agencies, these units are left with inadequate supplies of raw material. As a result, they have to resort to open market purchases at very high prices. This, in turn, increases their cost of production, and, thus, puts them in an adverse position vis-a-vis their larger rivals.

2. Problem of Finance:

An important problem faced by micro and small enterprises in the country is that of finance. The problem of finance in micro and small sector is mainly due to two reasons. Firstly, it is partly due to scarcity of capital in the country as a whole.

Secondly, it is partly due to weak credit worthiness of micro and small enterprises in the country. Due to their weak economic base, they find it difficult to take financial assistance from the commercial banks and financial institutions.

As such, they are bound to obtain credit from the money lenders on a very high rate of interest and are, thus, exploitative in character. It is a happy augury that ever since the nationalisation of banks in 1969, the credit situation has improved still further.

The positive change in attitude of banks would be clear from the fact that whereas the amount of credit outstanding (of public sector banks) to small-scale industries stood at only Rs. 251 crores in June 1969, it rose to a staggering figure of Rs. 15,105 crores in March 1990.

From the above figures, it appears that the availability of institutional credit to micro and small enterprises is certainly increasing. Nevertheless, the fact remains that the criterion of ‘credit worthiness’ still weights heavily with the nationalised commercial banks. This would be clear from this fact that of the units assisted by commercial banks up to June 1976, about 69 per cent of the total credit was availed of by 11 per cent of the (bigger) units in the small-scale industries sector, which accounted for 55 per cent of the total production. This underlines the need to change the outlook of the banks towards MSEs. For this, it is necessary to further liberalise the rules and practices of banking in the country.

3. Problem of Marketing:

One of the main problems faced by the micro and small enterprises is in the field of marketing. These units often do not possess any marketing organisation. In consequence, their products compare unfavourably with the quality of the products of the large-scale industries. Therefore, they suffer from competitive disadvantages vis-a-vis large-scale units.

In order to protect micro and small enterprises from this competitive disadvantage, the Government of India has reserved certain items for the small- scale sector. The list of reserved items has continuously expanded over the period and at present stands at 824 items.

Besides, the Trade Fair Authority of India and the State Trading Corporation (STC) help the small-scale industries in organising their sales. The National Small Industries Corporation (NSIC) set up in 1955 is also helping the small units in obtaining the government orders and locating export markets.

Ancillary units face the problems of their own types like delayed payment by parent units, inadequacy of technological support extended by parent units, non- adherence to quality and delivery schedules, thus, disturbing the programmes of the parent units and absence of a well-defined pricing system and regulatory laws.

4. Problem of Under-Utilization of Capacity:

There are studies that clearly bring out the gross under-utilization of installed capacities in micro and small enterprises. According to Arun Ghosh, on the basis of All India Census of Small-Scale Industries, 1972, the percentage utilization of capacity was only 47 in mechanical engineering industries, 50 in electrical equipment, 58 in automobile ancillary industries, 55 in leather products and only 29 in plastic products. On an average, we can safely say that 50 to 40 per cent of capacity were not utilized in micro and small enterprises.

The very integral to the problems of under-utilization of capacity is power problem faced by micro and small enterprises. In short, there are two aspects to the problem: One, power supply is not always available to the small units on the mere asking, and whenever it is available, it rationed out, limited to a few hours in a day.

Second, unlike large-scale industries, the micro and small enterprises cannot afford to go in for alternatives; like installing own thermal units, because these involve heavy costs. Since micro and small units are weak in economic front, they have to manage as best as it can within their available meager means.

5. Other Problems:

In addition to the problems enumerated above, the micro and small enterprises have been constrained by a number of other problems also. According to the Seventh Five Year Plan (GOI 1985: 98), these include technological obsolescence, inadequate and irregular supply of raw materials, lack of organised market channels, imperfect knowledge of market conditions, unorganised nature of operations, inadequate availability of credit facility, constraint of infrastructure facilities including power, and deficient managerial and technical skills.

There has been lack of effective co-ordination among the various support organisations set up over the period for the promotion and development of these industries. Quality consciousness has not been generated to the desired level despite various measures taken in this regard.

Some of the fiscal policies pursued have resulted in unintended splitting up of these capacities into uneconomic operations and have inhibited their smooth transfer to the medium sector. All these constraints have resulted in a skewed cost structure placing this sector at a disadvantage vis-a-vis the large industries, both in the domestic and export markets.

Industrial Policy for Smalt Scale Industries

The Small Scale Industries Policy reflects the direction and pattern of small-scale industries development. It helps to achieve the economic, social and political objectives of development of the country. The policy incorporates all related subjects relating to small-scale industries covering all sectors. Thus the small-scale industries development of the country is guided and fostered by small industries policy. The Government of India made a number of policy statements on SSIs in post independence period. The researcher has pointed out that, since much attention was given to policies and programmes of assistance to small-scale sector, the policy environment could accelerate the growth of smallscale industries. The historical policy in context of SSIs development is presented as follows.

The SSI Sector and Industrial Policy in India

The development of small-scale sector in India has a fairly long history. Before independence, the colonial government of the British showed no interest in the development of small-scale industries in India. It followed the concept of 'Laiseez Faire' in economic affairs and as a result, their small-scale industries developed in England at the cost of Indian industrializatton, because our country was regarded by them as a source of raw material and as a vast market for their products. The British Government for infant small-scale industries gave no protection. As such, they could not face the competition of foreign companies and did not survive.

It may be said that, the Industrial Policy of India started with the introduction of Khadi in 1920 mainly with the intention of boycotting the foreign goods in general and particularly cloths as a part of the non-cooperation movement. The object was also linked to the necessity of finding employment for spinner and weavers, providing relief from unemployment. In order to take up the above programme, an All India Khadi Board was set up with branches in all states inDec.l923. Matratma Gandhi was mainly responsible for the creation of these Boards. Programmes for the development of small-scale industries were then a national outcome of the freedom movement struggle led by Gandhiji. Gandhiji may tle looked upon as the architect of these programmes of the Industrial Policy of India. Because he was responsible for recogni-ing the e of small industries for the economic prosperity of the country.

During the trd world war, eight industrialist of Bombay published a plan of Economic development of Indi4 which is known as the 'Bombay Plan'. The main idea behind it was to establish a 'balanced economy' through industrializatton. Bombay plan did not recognize the importance of regional planning.

Industrial Policy resolution 1948

The Government of India brought out its flrst ever-Industrial Policy Resolution 1948, so as to give organized direction to its industrialization. Industrial Policy Resolution 1948 made a specific reference to the role and e of small-scale industries (with village and handicraft industries) in India's economic development. To generate employment to the large and growing population with limited capital resources and underdeveloped infrastructure, glowth of SSI was found to be an ideal solution. Not only these industries were particularly suited for the better utilization of local resources and local unskilled labour force but more importantly it would helps in achieving local self sufficiency in respect of certain tlpes of essential consumer goods like food, cloth, and agricultural implements.

In addition to this, IPR 1948 mentioned in the statement that, the healthy expansion of cottage and small-scale industries depends upon a number of factors like the provision of raw material, cheap power, technical advice, organized marketing of their produce and necessary safeguards against intensive competition by large scale manufacture, as well as the education of the worker in the use of the best available technique.

At the time of the first five-year plan, Small Scale Sector (SSS) mainty comprised cottage and village industries. To promote different segments of small-scale industry, Government of India had set up six exclusive Boards namely,

1) Khadi and Village Industries Board (KVIB)
2) Handloom and Board,
3) Handicraft Board,
4) Coir Board
5) Sericulture Board and
6) Small Scale Industries Board (SSIB)

The role of the Small Scale Industries Board is to promote modern Small Scale industry whereas the rest are for promoting traditional industries. The setting up of Small Scale Industries Board is a landmark in the development of modern small scale Industry in India.

Women Entrepreneurs

The term “women entrepreneur” deals with that section of the female population who venture out into industrial activities i.e. manufacturing, assembling, job works, repairs/servicing and other businesses.

Women entrepreneurs may be defined as the women or a group of women who initiate, organise and operate a business enterprise. Women are expected to innovate, imitate or adopt an economic activity to be called women entrepreneurs.

The Government of India has treated women entrepreneurs of a different criteria-level of women participation in equity and employment position of the enterprise.

As such “women entrepreneurs is defined as an enterprise owned and controlled by a woman having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of the employment generated in the enterprise to women.”

Thus, on the basis of above definitions we can say that women entrepreneurs are those entrepreneurs who have taken initiative in promoting and running an enterprise by having a controlling interest in that particular enterprise.

Some facts about Status of Women in the area of entrepreneurship:

i. Women won one-third of small business in USA and Canada.

ii. Women make for 40 percent of total work force in Asian Countries.

iii. In China, women outnumber men by at least two times when it comes to starting business there.

iv. Women have desires and also aspire to enter and succeed in all fields at par with men.

Women Entrepreneurs – Nature of Women Entrepreneurs

The term “women entrepreneur” deals with that section of the female population who venture out into industrial activities i.e. manufacturing, assembling, job works, repairs/servicing and other businesses.

The term “women entrepreneur” deals with that section of the female population who venture out into industrial activities i.e. manufacturing, assembling, job works, repairs/servicing and other businesses.

The Government of India has treated women entrepreneurs of a different criteria-level of women participation in equity and employment position of the enterprise. As such “women entrepreneurs is defined as an enterprise owned and controlled by a woman having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of the employment generated in the enterprise to women.”

Thus, on the basis of above definitions we can say that women entrepreneurs are those entrepreneurs who have taken initiative in promoting and running an enterprise by having a controlling interest in that particular enterprise.

Women Entrepreneurs’ Enterprise, as defined for the first time in 1988, laid down that an enterprise owned and administered by a woman entrepreneur with a minimum financial interest of 51 per cent in the share capital and giving at least 50 per cent employment to women would be treated as Women’s Enterprise.

Women Entrepreneurs – Concept

Women entrepreneurs may be defined as the women or a group of women who initiate, organise and run a business enterprise.

According to Schumpeter, "Women who innovate, imitate or adopt a business activity are called women entrepreneurs." According to the Government of India, a woman entrepreneur is defined as "an enterprise owned and controlled by a woman and having a minimum financial interest of 51 percent of the capital and giving atleast 51 percent of the employment generated in the enterprise to women."

But this definition is opposed by the women entrepreneurs because of the imposition of the condition of employing more than 50 percent women workers. They point out that this condition is discriminatory. They argue that the enterprises set up by women should be provided with incentives and support on the basis of their ownership and management characteristics and not on the basis of employment of women.

In a nutshell, we may state that women entrepreneurs are those women, who thinks of a business enterprise, initiate it, organise and combine the various factors of production, operate the enterprise and undertake risks and handle economic uncertainties involved in running a business enterprise.

"An enterprise owned and controlled by a women having a minimum financial interest of 51% of capital and giving at least 51% of the employment generated by the enterprise to women." – Government of India According to Kamala Singh, A women entrepreneur is a confident, innovative and creative woman capable of achieving economic independence individually or in collaboration generates employment opportunities for others through initiating establishing and running an enterprise by keeping pace with her personal, family and social life.

Women Entrepreneurs – Qualities of Women Entrepreneurs
The important qualities of women entrepreneurs are:

1. Positive Attitude:

There's no energy that can mimic what's released when a positive, high-stepping woman enters a room. A positive attitude is the fuel needed to drive us from idea conception to realization.

A positive attitude takes conscious effort on your part. Arrest negative thoughts and replace them with positive ones. Listen to the things you're saying to yourself in your mind. Deliberately use words that focus on constructive, affirming truths about you. To help you stay positive, surround yourself with people who'll encourage, inspire and believe in you. If you have a positive attitude, you'll be able to see the potential that lies within you.

2. Vision:

The female entrepreneur is a big-picture person. She can see her successful business, what it looks like with all of its components. She can see her product on the shelves, her services in action. She is not only afraid to dream big, but views her daydreams as achievable.

3. Autonomy:

This woman likes to be in control and isn't afraid to make decisions by herself. She is comfortable with being alone and has confidence in her intelligence. She is a take-charge person. This woman doesn't wait for someone else to act and doesn't second guess her choices.

4. Intuitive:

The woman entrepreneur trusts her instincts about her product or service, the market and her business management skills. She uses her instinct as well as her research and her knowledge to guide her business decisions. She knows that her instincts will be what sets her apart from her competitors and will ultimately lead to her success.

5. Distinctive:

People remember this woman. She is distinctive. Her product or service is distinctive and her company is a stand-alone. There is nothing ordinary here.

6. Planner:

This woman not only devises and puts down on paper her business plan, she follows it. She doesn't lose sight of her goals or methods for reaching her goals. When she reaches a fork in the road, she might explore the alternate route and add it to her business plan. However, she never forgets her vision. Her business plan is the written version of the vision she sees in her mind.

7. Risk-Taker:

Starting a business isn't the first time this woman has thrown the dice. She isn't afraid to bet everything on herself. She has been known to jump before.

8. Drive:

Failure is not an option for the committed entrepreneur. Bumps in the road will not set her back, but will steel her resolve. She is on a mission and knows she will get to her goal.

Women Entrepreneurs – Problems of Women Entrepreneurs in India

The problems of women entrepreneurs in India are:

i. Need for achievement, economic independence and autonomy are absent (held back by her own preconceived notions of her role in life)

ii. No risk bearing capacity (as dependency is more)

iii. Lack of education (literacy percentage is only 18.5)

iv. Family involvement (cannot be avoided)

v. Male dominated society (equal treatment still absent)

vi. Lack of information and experience

vii. Liquidity and easy availability of finance (only 11% of the total earnings are by women) –

a. Inadequate size of loans

b. Lack of experience in formulating bankable projects

c. Margin money requirement

d. Insistence on collateral

e. Time taken to process loans

f. Tight repayment schedule

g. Ignorance of banking procedure due to illiteracy

h. Lack of marketing, accounting and management skills leading to failure of projects and consequent inability to pay loans.

In spite of women cells, the problem of getting loans and aids from banks still persists. Women face discrimination. People including bankers and government officials find it difficult to take women seriously as entrepreneurs.

SHGs and Micro Finance

A **self-help group** (**SHG**) is a financial intermediary committee usually composed of 10 to 20 local women or men between 18 to 40 years. Most self-help groups are located in India, though SHGs can be found in other countries, especially in South Asia and Southeast Asia. SHG is nothing but a group of people who are on daily wages, they form a group and from that group one person collects the money and gives the money to the person who is in need.

Members also make small regular savings contributions over a few months until there is enough money in the group to begin lending. Funds may then be lent back to the members or to others in the village for any purpose. In India, many SHGs are 'linked' to banks for the delivery of micro-credit.

Structure

A SHG (self help group) is a community based group with 10-20 members. They are usually women from similar social and economic backgrounds, all voluntarily coming together to save small sums of money, on a regular basis. They pool their resources to become financially stable, taking loans from their collective savings in times of emergency or financial scarcity, important life events or to purchase assets.The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment. In India, RBI regulations mandates that banks offer financial services, including collateral free loans to these groups on very low interest rates. This allows poor women to circumvent the challenges of exclusion from institutional financial services. This system is closely related to that of solidarity lending, widely used by microfinance institutions.

Beyond their function as a savings and credit group, SHG's offer poor women a platform for building solidarity. They allow women to come together and act on issues related to their own lives including health, nutrition, governance and gender justice.

Goals

Self-help groups are started by -governmental organizations (GO) that generally have broad anti-poverty agendas. Self-help groups are seen as instruments for goals including empowering women, developing leadership abilities among poor and the needy people, increasing school enrolments and improving nutrition and the use of birth control. In countries like India, SHGs bridge the gap between high-caste & low-caste people /citizens.

Financial intermediation is generally seen more as an entry point to these other goals, rather than as a primary objective. This can hinder their development as sources of village capital, as well as their efforts to aggregate locally controlled pools of capital through federation, as was historically accomplished by credit unions.

Advantages of financing through SHGs

- An economically poor individual gains strength as part of a group.
- Besides, financing through SHGs transaction costs for both lenders and borrowers.
- While lenders have to handle only a triple SHG account instead of a large number of small-sized individual accounts, borrowers as part of an SHG minimize or travel (to and from the branch and other places) for completing paper work and on the loss of workdays in canvassing for loans.
- Where successful, SHGs have significantly empowered poor people, especially women, in rural areas.
- SHGs have helped immensely in reducing the influence of informal lenders in rural areas.
- Many big corporate houses are also promoting SHGs at many places in India.
- SHGs help borrowers overcome the problem of lack of collateral. Women can discuss their problem and find solutions for it.

MODULE III PROMOTIONAL AGENCIES

Promotional agencies

Promotional agencies are agencies that are set up to help or assist entrepreneurs to start their enterprise. They basically promote the business through various strategies so that the entrepreneur can survive the initial hiccups any business faces. Also, most of the strategies the promotional agencies use, are all tried and tested methods and hence ensure to benefit the entrepreneurs.

Entrepreneurship development is important for any national economy to grow and boom. Hence the government has set up many agencies to help, promote, train and support entrepreneurs. They also impart training to entrepreneurs to improve their business and market knowledge, to develop their skill set and build a businessman attitude.

The various promotional agencies set up by the central government include:-

1. Small industries development organization (SIDO)
2. Management development institution (MDI)
3. Entrepreneurship development institute of India (EDI)
4. All India small scale industries board (AISSIB)
5. National Institution of Entrepreneurship and small business development (NIESBUD)
6. National Institute of Small Industries Extension Training
7. National Small Industries Corporation Limited (NSIC)

Entrepreneurship development is very important and hence governments spend a lot of money to extend their support for the same. They also encourage entrepreneurs in rural and backward areas to ensure regional development. They set up various programs to help entrepreneurs in the field of marketing, finance, technique and skill development to help entrepreneurs to accelerate and adapt to changing industry trends.

Apart from the above stated the main objective of promotional agencies include:-

1. Establishment- promotional agencies help entrepreneurs to set up and establish their business.
2. Funding- promotional agencies help businesses to get the necessary funds or investment to help establish their venture. Financial assistance is essential for any business to get established and the agencies help in the same.
3. Market research and availability- promotional agencies via their market research programs can help new entrepreneurs to gain control over the changing market trends. This is very important especially during the initial stages.
4. Market trends- promotional agencies through their network and experience can help new-age entrepreneurs to get full knowledge about the latest market trends and ever-growing demand for better products and services.

As we can see above, for any entrepreneur to set up and establish their venture, **promotional agencies** are needed. Their experience and support helps in entrepreneurship development.

National Small Industries Corporation (NSIC)

National Small Industries Corporation Limited (NSIC) is a Mini Ratna PSU established by the Government of India in 1955. It falls under Ministry of Micro, Small & Medium Enterprises of India. NSIC is the nodal office for several schemes of Ministry of MSME such as Performance & Credit Rating, Single Point Registration, MSME Databank, National SC ST Hub, etc.

Objectives

Government of India to promote small and budding entrepreneurs of post independent India, decided to establish a government agency which can mediate and provide help to small scale industries (SSI). As such they established National Small Industries Corporation with objectives to provide machinery on hire purchase basis and assisting and marketing in exports. Further, SSIs registered with NSIC were exempted from paying Earnest money and provided facility of free participation in government tendered purchases. Also for training persons the training facilities centres and for providing assistance in modernising the small industries several branches of NSIC were opened up by government over the years in several big and small towns, where small industries were growing.

NSIC also helps in organising supply of raw materials like coal, iron, steel and other materials and even machines needed by small scale private industries by mediating with other government companies like Coal India Limited, Steel Authority of India Limited, Hindustan Copper Limited and many others, who produce this materials to provide same at concessional rates to SSIs. Further, it also provides assistance to small scale industries by taking orders from Government of India owned enterprises and procures these machineries from SSI units registered with them, thus providing a complete assistance right from financing, training, providing raw materials for manufacturing and marketing of finished products of small scale industries, which would otherwise not be able to survive in face of competition from large and big business conglomerates.[4][5][6] It also helps SSI by mediating with government owned banks to provide cheap finance and loans to budding small private industries of India.

Nowadays, it is also providing assistance by setting up incubation centres in other continents and also international technology fairs to provide aspiring entrepreneurs and emerging small enterprises a platform to develop skills, identify appropriate technology, provide hands-on experience on the working projects, manage funds through banks, and practical knowledge on how to set up an enterprise.

Tamil Nadu Industrial Investment Corporation Limited (TIIC)

Limited is an institution owned by the government of Tamil Nadu and is intended as a catalyst for the development of small, medium and large scale industries in Tamil Nadu. It was established in 1949.

Functions

TIIC as a State Level Financial Institution, offers long and medium term financial assistance to various industries including service sector in the following forms:

- Term Loans
- Term Loan and Working Capital Term Loans under the Single Window Scheme.
- Special types of assistance like Bill Financing Scheme, etc.

Tamil Nadu Small Industries Development Corporation Limited (SIDCO)

The **Tamil Nadu Small Industries Development Corporation Limited** (**TANSIDCO**) is a state-agency of the state of Tamil Nadu, India established to promote small-scale industries in the state. It establishes industrial parks throughout the state, providing the necessary infrastructure for small-scale industries, gives-away government subsidies for the sector, and provides technical assistance for the new industries.industries refers to the secondary type of occupation. Tamil Nadu is ranked as second largest industrialized state after Maharashtra.

State Industrial Promotion Corporation of Tamil Nadu (SIPCOT)

The **State Industries Promotion Corporation of Tamil Nadu Limited i**s an institution owned by the Government of Tamil Nadu

Functions

The Functions of State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) are:[2]

- Development of industrial complexes/parks/industrial estate in Nallamballi Road growth centres with basic infrastructure facilities
- Establishing sector-specific Special Economic Zones (SEZs);
- Implementation of Special infrastructure Projects;

Industrial Estates

To promote industrial development, the Government of India has initiated several measures and provided various incentives. Setting up of industrial estates is one such measure. The government launched the programme of setting up Industrial Estates in 1955. The State government is responsible for planning, developing and maintaining the industrial estates. The Central government provides the required financial assistance for the setting up of industrial estates. Financial assistance of the Central government in the form of loans, grants and subsidies are provided to the State government.

What is an Industrial Estate?

An industrial estate is a place where necessary infrastructural facilities are made available to entrepreneurs. Industrial parks, industrial zone, industrial area, industrial township are some of the other terms used to denote industrial estates.

Features of Industrial Estates

The following are the salient features of industrial estates:

1. **Separate plots and sheds**: The entire land area allocated to the estate is divided into different plots and sheds. These plots and sheds are then allocated to the entrepreneurs at economical costs.
2. **Cluster**: An industrial estate is a planned cluster of units. For e.g. Tirupur is a planned cluster of knitwear and hosiery, Ludhiana is a planned cluster for machine tools, Surat for diamonds etc.
3. **Regional development**: Industrial estates promote regional development. They have been instrumental in developing backward areas in the country. They provide employment opportunities to many of the unemployed youth in the regions in which they are located. For e.g. Ambattur Industrial Estate in sub-urban Chennai has ensured development of areas in and around Ambattur.
4. **Common infrastructure**: Infrastructure such as roads, electricity, water, telecommunications, postal facilities, banks etc. are provided in the industrial estate. All enterprises located in the industrial estate can access the infrastructural facilities located in the area.
5. **Promote industrialization**: Industrial estates promote industrialization and economic development. They provide the necessary facilities for setting up of industries. Since the required infrastructure is made available, entrepreneurs feel encouraged to set up industrial enterprises.
6. **Different sizes**: Industrial estates can be promoted in different sizes based on the land availability, requirements and potential for development.
7. **Developed in all areas**: Industrial estates can be developed in all areas such as urban, suburban and rural areas. They can be developed in developed as well as in under developed areas.
8. **Promotion through any agency**: Industrial estates can be set up by the government, co-operatives or by the private agencies. It can also be set up by public-private partnership.

Objectives of Industrial Estates

The following are the objectives of setting up industrial estates:

1. Ensuring well planned and structured industrial development.
2. To provide the necessary infrastructure.
3. To provide common facilities to a number of industries.
4. To promote development of clusters.
5. To enable small units to source products from one another.
6. To enable dispersal of industries.
7. To promote balanced regional development.
8. To ensure development of backward areas.
9. To provide a climate for smooth functioning of industrial enterprises.

Industries Service Institute

Small Industries Service Institute, Ahmedabad covers the entire State of Gujarat covering 19 districts and Union Territories of Dadra & Nagar Haveli, Daman and Diu. The Institute with its 2 Branch, Small Industries Service Institutes, one each at Rajkot and Silvassa and one Field Testing Station, Ahmedabad, serves the small scale industries in these areas.

Workshop Facilities/Testing Jobs

One Branch Institute, Silvassa is equipped with facilities to provide Common facility services in the trade of Machine Shop. FTS, Ahmedabad is equipped with the facilities to provide common facility services in the Dyes and Dyes Intermediates. Branch SISI, Silvassa and FTS, Ahmedabad provided common facility services to 114 units by undertaking 143 jobs. By providing the above services, earned a revenue of Rs.60,979/- during 1998-99.

Blue prints, drawings Project Profiles publications etc. Prepared

During the year 1998-99 the Institute prepared 43 Project profiles under the Action Plan Programme. The Institute is having more than 3000 Project Profiles readily available as a guide schemes.

Consultancy Services Provided

The consultancy services provided in the year 1998-99 by the Institute are given below :

Assistance to existing units - Technical	763 nos
- Managerial	106 nos
- Marketing	120 nos
Assistance to prospective entrepreneurs	2434 nos

MODULE IV Cost and Price

Cost and Price

In retail systems, the **cost price** represents the specific value that represents unit price purchased. This value is used as a key factor in determining profitability, and in some stock market theories it is used in establishing the value of stock holding.

Cost prices appear in several forms, such as actual cost, last cost, average cost, and net realizable value.

Cost price

Cost price is also known as CP. cost price is the original price of an item. The cost is the total outlay required to produce a product or carry out a service. Cost price is used in establishing profitability in the following ways:

- Selling price (excluding tax) less cost results in the profit in money terms.
- Profit / selling price (excluding tax) when expressed as a percentage produces (gross profit) or GP%.
- Expense / net sales yields a percentage that when used as the target margin will produce gross profit.

Actual cost

In calculating actual or landed cost, all expenses incurred in acquiring an item are added to the cost of items in order to establish what the goods actually cost. Additions usually include freight, duty, etc.

Last Cost

This is the actual value of the item when last purchased, normally expressed in units.

Average cost

When new stock is combined with old stock, the new price often overstates the value of stock holding. The better method is to combine the total value of investment in stock, old and new, and divide by the total number of units to calculate the average cost. This is a very accurate method of establishing stock holding.

Moving average cost

Moving average cost (MAC) is a slight permutation of the above, with the average being calculated from the previous average and new price.

Net realizable value

The net realizable value normally indicates the average value of an item in the marketplace. Often this cost is interchangeable with replacement cost.

Methods of Cost Estimation

1. Expert Judgement
2. Analogous Estimating
3. Parametric Estimating
4. Bottom-up Estimating
5. Three-point Estimating
6. Data Analysis (Alternative analysis/Reserve analysis)
7. Project Management Information system
8. Decision making (voting)

1) Expert Judgement Method

Expertise should be considered from individuals or groups with specialized knowledge or training in team and physical resource planning and estimating.

Expert judgment, guided by historical information, provides valuable insight about the environment and information from prior similar projects.

Expert judgment can also be used to determine whether to combine different methods of estimation and how to reconcile differences between them.

2) Analogous Estimating Method

Analogous cost estimating uses the values such as scope, cost, budget, and duration or measures of scale such as size, weight, and complexity from a previous, similar project as the basis for estimating the same parameter or measurement for a current project.

When estimating costs, this technique relies on the actual cost of previous, similar projects as the basis for estimating the cost of the current project.

It is most reliable when the previous projects are similar in fact and not just in appearance, and the project team members preparing the estimates have the needed expertise.

3) Parametric Estimating Method

Parametric estimating uses an algorithm or a statistical relationship between historical data and other variables (e.g., square footage in construction) to calculate resource quantities needed for an activity, based on historical data and project parameters.

For example, if an activity needs 4,000 hours of coding and it needs to finish it in 1 year, it will require two people to code (each doing 2,000 hours a year). This technique can produce higher levels of accuracy depending on the sophistication and underlying data built into the model.

4) Bottom-up Estimating Method

In the Bottom-up estimating method, team and physical resources are estimated at the activity level and then aggregated to develop the estimates for work packages, control accounts, and summary project levels.

Bottom-up estimating is a method of estimating a component of work. The cost of individual work packages or activities is estimated to the greatest level of specified detail. The detailed cost is then summarized or rolled up to higher levels for subsequent reporting and tracking purposes.

The cost and accuracy of bottom-up cost estimating are typically influenced by the size and complexity of the individual activity or work package.

5) Three-Point Estimating Method

The accuracy of single-point activity cost estimates may be improved by considering estimation uncertainty and risk and using three estimates to define an approximate range for an activity‘s cost:

• Most likely (M): The cost of the activity, based on realistic effort assessment for the required work and any predicted expenses.
• Optimistic (O): The activity cost based on analysis of the best-case scenario for the activity.
• Pessimistic (P): The activity cost based on analysis of the worst-case scenario for the activity.

Depending on the assumed distribution of values within the range of the three estimates the expected cost, cE, can be calculated using a formula. Two commonly used formulas are triangular and beta distributions. The formulas are:

- Triangular Distribution
  E = (O+M+P)/3
- Beta Distribution (from a traditional PERT analysis)
  E = (O+4M+P)/6

Cost estimates based on three points with an assumed distribution provide an expected cost and clarify the range of uncertainty around the expected cost.

6) Data Analysis Method

A data analysis technique used in this process includes but is not limited to alternatives analysis. Alternatives analysis is used to evaluate identified options in order to select the options or approaches to use to execute and perform the work of the project. Alternatives analysis assists in providing the best solution to perform the project activities, within the defined constraints.

Instead of overestimating each cost, money is budgeted for dealing with unplanned but statistically predictable cost increases. Funds allocated for this purpose are called contingency reserves.

7) Project Management Information System Method

Project management information systems can include resource management software that can help plan, organize, and manage resource pools and develop resource estimates.

Depending on the sophistication of the software, resource breakdown structures, resource availability, resource rates, and various resource calendars can be designed to assist in optimizing resource utilization.

8) Decision-Making Method

Some decision techniques are unanimity, majority, plurality, points allocation, and dictatorship. For unanimity, everyone must agree; there is a shared consensus. A majority or plurality is usually determined by a vote. For a majority, the decision must be agreed to by more than half the participants.

Cost Control

What Is Cost Control?

Cost control is the practice of identifying and reducing business expenses to increase profits, and it starts with the budgeting process. A business owner compares the company's actual financial results with the budgeted expectations, and if actual costs are higher than planned, management has the information it needs to take action.

As an example, a company can obtain bids from different vendors that provide the same product or service, which can lower costs. Cost control is an important factor in maintaining and growing profitability.

Corporate payroll, for example, is often outsourced, because payroll tax laws change constantly, and employee turnover requires frequent changes to payroll records. A payroll company can calculate the net pay and tax withholdings for each worker, which saves the employer time and expense.

Factoring in Target Net Income

Controlling costs is one way to plan for a target net income, which is computed using the following formula:

- Sales - fixed costs - variable costs = **target net income**

Assume, for example, that a retail clothing shop wants to earn $10,000 in net income from $100,000 in sales for the month. To reach the goal, management reviews both fixed and variable costs and attempts to reduce the expenses. Inventory is a variable cost that can be reduced by finding other suppliers that may offer more competitive prices.

It may take longer to reduce fixed costs, such as a lease payment, because these costs are usually fixed in a contract. Reaching a target net income is particularly important for a public company, since investors purchase the issuer’s common stock based on the expectation of earnings growth over time.

Cost Control and Variance Analysis at Work

A variance is defined as the difference between budgeted and actual results. Managers use variance analysis as a tool to identify critical areas that may need change. Every month, a company should perform variance analysis on each revenue and expense account. Management can address the largest dollar amount variances first, since those accounts are most likely to have the biggest impact on company results.

If, for example, a toy manufacturer has a $50,000 unfavorable variance in the material expense account, the firm should consider obtaining bids from other material suppliers to lower costs and eliminate the variance moving forward. Some businesses analyze variances and take action on the actual costs that have the largest percentage difference from budgeted costs.

Pricing Method

The two methods of pricing are as follows: A. Cost-oriented Method B. Market-oriented Methods.

There are several methods of pricing products in the market. While selecting the method of fixing prices, a marketer must consider the factors affecting pricing. The pricing methods can be broadly divided into two groups—cost-oriented method and market-oriented method.

A. Cost-oriented Method:

Because cost provides the base for a possible price range, some firms may consider cost-oriented methods to fix the price.

Cost-oriented methods or pricing are as follows:

1. Cost plus pricing:

Cost plus pricing involves adding a certain percentage to cost in order to fix the price. For instance, if the cost of a product is Rs. 200 per unit and the marketer expects 10 per cent profit on costs, then the selling price will be Rs. 220. The difference between the selling price and the cost is the profit. This method is simpler as marketers can easily determine the costs and add a certain percentage to arrive at the selling price.

2. Mark-up pricing:

Mark-up pricing is a variation of cost pricing. In this case, mark-ups are calculated as a percentage of the selling price and not as a percentage of the cost price. Firms that use cost-oriented methods use mark-up pricing.

Since only the cost and the desired percentage markup on the selling price are known, the following formula is used to determine the selling price:

Average unit cost/Selling price

3. Break-even pricing:

In this case, the firm determines the level of sales needed to cover all the relevant fixed and variable costs. The break-even price is the price at which the sales revenue is equal to the cost of goods sold. In other words, there is neither profit nor loss.

For instance, if the fixed cost is Rs. 2, 00,000, the variable cost per unit is Rs. 10, and the selling price is Rs. 15, then the firm needs to sell 40,000 units to break even. Therefore, the firm will plan to sell more than 40,000 units to make a profit. If the firm is not in a position to sell 40,000 limits, then it has to increase the selling price.

The following formula is used to calculate the break-even point:

Contribution = Selling price – Variable cost per unit

4. Target return pricing:

In this case, the firm sets prices in order to achieve a particular level of return on investment (ROI).

The target return price can be calculated by the following formula:

Target return price = Total costs + (Desired % ROI investment)/ Total sales in units

For instance, if the total investment is Rs. 10,000, the desired ROI is 20 per cent, the total cost is Rs.5000, and total sales expected are 1,000 units, then the target return price will be Rs. 7 per unit as shown below:

5000 + (20% X 10,000)/ 7000

Target return price = 7

The limitation of this method (like other cost-oriented methods) is that prices are derived from costs without considering market factors such as competition, demand and consumers' perceived value. However, this method helps to ensure that prices exceed all costs and therefore contribute to profit.

5. Early cash recovery pricing:

Some firms may fix a price to realize early recovery of investment involved, when market forecasts suggest that the life of the market is likely to be short, such as in the case of fashion-related products or technology-sensitive products.

Such pricing can also be used when a firm anticipates that a large firm may enter the market in the near future with its lower prices, forcing existing firms to exit. In such situations, firms may fix a price level, which would maximize short-term revenues and reduce the firm's medium-term risk.

B. Market-oriented Methods:

1. Perceived value pricing:

A good number of firms fix the price of their goods and services on the basis of customers' perceived value. They consider customers' perceived value as the primary factor for fixing prices, and the firm's costs as the secondary.

The customers' perception can be influenced by several factors, such as advertising, sales on techniques, effective sales force and after-sale-service staff. If customers perceive a higher value, then the price fixed will be high and vice versa. Market research is needed to establish the customers' perceived value as a guide to effective pricing.

2. Going-rate pricing:

In this case, the benchmark for setting prices is the price set by major competitors. If a major competitor changes its price, then the smaller firms may also change their price, irrespective of their costs or demand.

The going-rate pricing can be further divided into three sub-methods:

a. Competitors 'parity method:

A firm may set the same price as that of the major competitor.

b. Premium pricing:

A firm may charge a little higher if its products have some additional special features as compared to major competitors.

c. Discount pricing:

A firm may charge a little lower price if its products lack certain features as compared to major competitors.

The going-rate method is very popular because it tends to reduce the likelihood of price wars emerging in the market. It also reflects the industry's coactive wisdom relating to the price that would generate a fair return.

3. Sealed-bid pricing:

This pricing is adopted in the case of large orders or contracts, especially those of industrial buyers or government departments. The firms submit sealed bids for jobs in response to an advertisement.

In this case, the buyer expects the lowest possible price and the seller is expected to provide the best possible quotation or tender. If a firm wants to win a contract, then it has to submit a lower price bid. For this purpose, the firm has to anticipate the pricing policy of the competitors and decide the price offer.

4. Differentiated pricing:

Firms may charge different prices for the same product or service.

The following are some the types of differentiated pricing:

a. Customer segment pricing:

Here different customer groups are charged different prices for the same product or service depending on the size of the order, payment terms, and so on.

b. Time pricing:

Here different prices are charged for the same product or service at different timings or season. It includes off-peak pricing, where low prices are charged during low-demand tunings or season.

c. Area pricing:

Here different prices are charged for the same product in different market areas. For instance, a firm may charge a lower price in a new market to attract customers.

d. Product form pricing:

Here different versions of the product are priced differently but not proportionately to their respective costs. For instance, soft drinks of 200,300, 500 ml, etc., are priced according to this strategy.

Price Policy

A pricing policy is a standing answer to recurring question. A systematic approach to pricing requires the decision that an individual pricing situation be generalised and codified into a policy coverage of all the principal pricing problems. Policies can and should be tailored to various competitive situations. A policy approach which is becoming normal for sales activities is comparatively rare in pricing.

Most well managed manufacturing enterprises have a clear cut advertising policy, product customer policy and distribution-channel policy. But pricing decision remains a patchwork of ad hoc decisions. In many, otherwise well managed firms, price policy has been dealt with on a crisis basis. This kind of price management by catastrophe discourages the kind of systematic analysis needed for clear cut pricing policies.

The following considerations involve in formulating the pricing policy:
(i) Competitive Situation:
Pricing policy is to be set in the light of competitive situation in the market. We have to know whether the firm is facing perfect competition or imperfect competition. In perfect competition, the producers have no control over the price. Pricing policy has special significance only under imperfect competition.

(ii) Goal of Profit and Sales:
he businessmen use the pricing device for the purpose of maximising profits. They should also stimulate profitable combination sales. In any case, the sales should bring more profit to the firm.

(iii) Long Range Welfare of the Firm:
Generally, businessmen are reluctant to charge a high price for the product because this might result in bringing more producers into the industry. In real life, firms want to prevent the entry of rivals. Pricing should take care of the long run welfare of the company.

(iv) Flexibility:
Pricing policies should be flexible enough to meet changes in economic conditions of various customer industries. If a firm is selling its product in a highly competitive market, it will have little scope for pricing discretion. Prices should also be flexible to take care of cyclical variations.

(v) Government Policy:
The government may prevent the firms in forming combinations to set a high price. Often the government prefers to control the prices of essential commodities with a view to prevent the exploitation of the consumers. The entry of the government into the pricing process tends to inject politics into price fixation.

(vi) Overall Goals of Business:
Pricing is not an end in itself but a means to an end. The fundamental guides to pricing, therefore, are the firms overall goals. The broadest of them is survival. On a more specific level, objectives relate to rate of growth, market share, maintenance of control and finally profit. The various objectives may not always be compatible. A pricing policy should never be established without consideration as to its impact on the other policies and practices.

(vii) Price Sensitivity:
The various factors which may generate insensitivity to price changes are variability in consumer behaviour, variation in the effectiveness of marketing effort, nature of the product, importance of service after sales, etc. Businessmen often tend to exaggerate the importance of price sensitivity and ignore many identifiable factors which tend to minimise it.

(viii) Routinisation of Pricing:
A firm may have to take many pricing decisions. If the data on demand and cost are highly conjectural, the firm has to rely on some mechanical formula. If a firm is selling its product in a highly competitive market, it will have little scope for price discretion. This will have the way for routinised pricing.

Objectives of Pricing Policy:
The pricing policy of the firm may vary from firm to firm depending on its objective. In practice, we find many prices for a product of a firm such as wholesale price, retail price, published price, quoted price, actual price and so on.

Special discounts, special offers, methods of payment, amounts bought and transportation charges, trade-in values, etc., are some sources of variations in the price of the product. For pricing decision, one has to define the price of the product very carefully.

Pricing decision of a firm in general will have considerable repercussions on its marketing strategies. This implies that when the firm makes a decision about the price, it has to consider its entire marketing efforts. Pricing decisions are usually considered a part of the general strategy for achieving a broadly defined goal.

Full Cost Pricing

Selling price arrived at by adding overheads and profit margin to the direct cost per unit of a product. In a manufacturer's overheads computation, less than full capacity utilization of the plant is factored in to allow for fluctuations in the output. The profit margin is computed as a fixed percentage of the average total cost of the product.

Legislative control over prices

Price controls are restrictions set in place and enforced by governments, on the prices that can be charged for goods and services in a market. The intent behind implementing such controls can stem from the desire to maintain affordability of goods even during shortages, and to slow inflation, or, alternatively, to ensure a minimum income for providers of certain goods or to try to achieve a living wage. There are two primary forms of price control, a price ceiling, the maximum price that can be charged, and a price floor, the minimum price that can be charged. A well-known example of a price ceiling is rent control, which limits the increases in rent. A widely used price floor is minimum wage (wages are the price of labor). Historically, price controls have often been imposed as part of a larger incomes policy package also employing wage controls and other regulatory elements.

Although price controls are widely used by governments, economists usually agree that price controls do not accomplish what they are intended to do and are generally to be avoided.[1] For example, nearly three-quarters of economists surveyed disagreed with the statement, "Wage-price controls are a useful policy option in the control of inflation."

MODULE V PROJECT PREPARATION AND EVALUATION

Project Preparation and Evaluation

This guidance document aims to help you build a viable project plan for a crime prevention project.

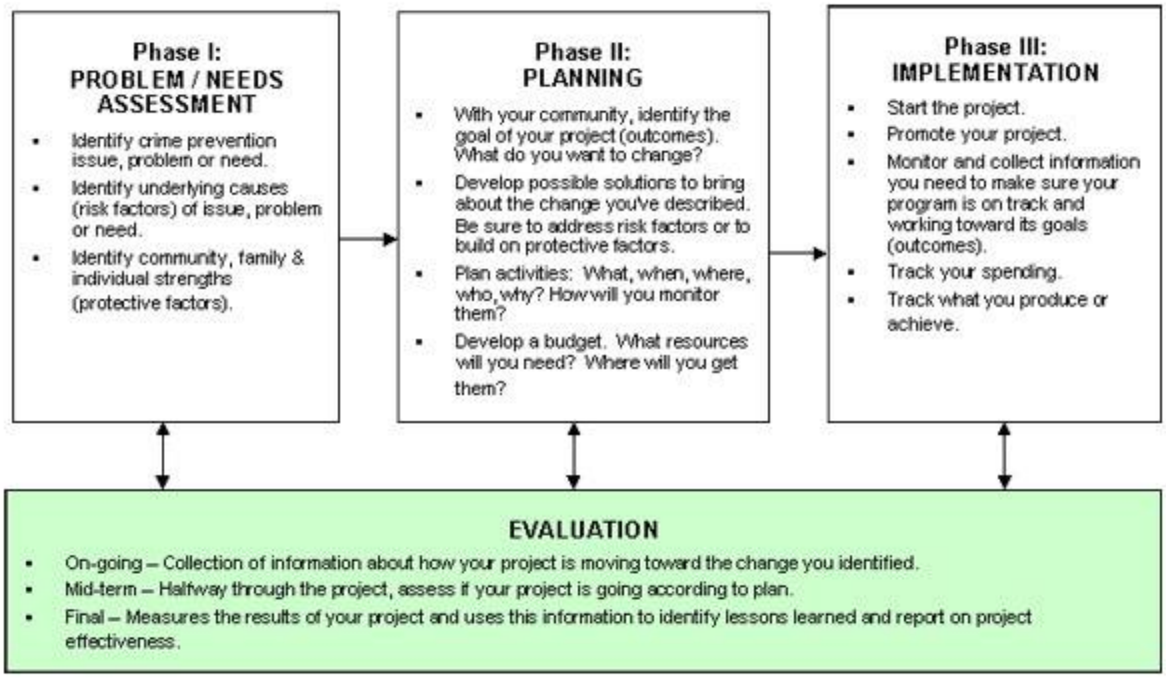
Projects need to demonstrate clear goals, objectives and viability - with measurable outcomes and indicators. This document provides you with the preliminary planning framework to help you build such a project.

There are essentially three phases in a project lifecycle:

- Phase 1 - Needs assessment
- Phase 2 - Project planning
- Phase 3 - Implementation

While not a separate phase, evaluation (which includes ongoing, mid-term, and final evaluation) is an essential part of the cycle, occurs throughout the life of the project, and informs all phases.

Project lifecycle



Phase 1: Needs assessment

Your group knows there are some crime problems/issues in the community, but you do not know how big the problems are, whom they affect or what should be done about them. This is the very beginning of the project lifecycle, Needs Assessment, and it could be the focus of a project.

Phase 2: Project planning

Your community has already identified the specific crime or victimization problem/needs in your community and now wants to plan specific crime prevention activities to address those issues. This is the second phase of the project lifecycle, Project planning, and it could be the focus of a project.

Phase 3: Implementation

Your group knows the problems/issues in your community, you have consulted the community and developed a project plan with specific crime prevention activities to address those problems/issues and you are ready to start the project. This is the third phase of the project lifecycle, Implementation, and it could be the focus of a project.

Break Even Analysis: Concept- Features Assumptions

Break-even analysis is of vital importance in determining the practical application of cost functions. It is a function of three factors, i.e., sales volume, cost and profit. It aims at classifying the dynamic relationship existing between total cost and sale volume of a company.

Hence it is also known as "cost-volume-profit analysis". It helps to know the operating condition that exists when a company 'breaks-even', that is when sales reach a point equal to all expenses incurred in attaining that level of sales.

Assumptions of Break-Even Analysis:

The break-even analysis is based on the following set of assumptions:

(i) The total costs may be classified into fixed and variable costs. It ignores semi-variable cost.

(ii) The cost and revenue functions remain linear.

(iii) The price of the product is assumed to be constant.

(iv) The volume of sales and volume of production are equal.

(v) The fixed costs remain constant over the volume under consideration.

(vi) It assumes constant rate of increase in variable cost.

(vii) It assumes constant technology and no improvement in labour efficiency.

(viii) The price of the product is assumed to be constant.

(ix) The factor price remains unaltered.

(x) Changes in input prices are ruled out.

(xi) In the case of multi-product firm, the product mix is stable.

Limitations of Break-Even Analysis:

We may now mention some important limitations which ought to be kept in mind while using break-even analysis:

1. In the break-even analysis, we keep everything constant. The selling price is assumed to be constant and the cost function is linear. In practice, it will not be so.

2. In the break-even analysis since we keep the function constant, we project the future with the help of past functions. This is not correct.

3. The assumption that the cost-revenue-output relationship is linear is true only over a small range of output. It is not an effective tool for long-range use.

4. Profits are a function of not only output, but also of other factors like technological change, improvement in the art of management, etc., which have been overlooked in this analysis.

5. When break-even analysis is based on accounting data, as it usually happens, it may suffer from various limitations of such data as neglect of imputed costs, arbitrary depreciation estimates and inappropriate allocation of overheads. It can be sound and useful only if the firm in question maintains a good accounting system.

6. Selling costs are specially difficult to handle break-even analysis. This is because changes in selling costs are a cause and not a result of changes in output and sales.

7. The simple form of a break-even chart makes no provisions for taxes, particularly corporate income tax.

8. It usually assumes that the price of the output is given . In other words, it assumes a horizontal demand curve that is realistic under the conditions of perfect competition.

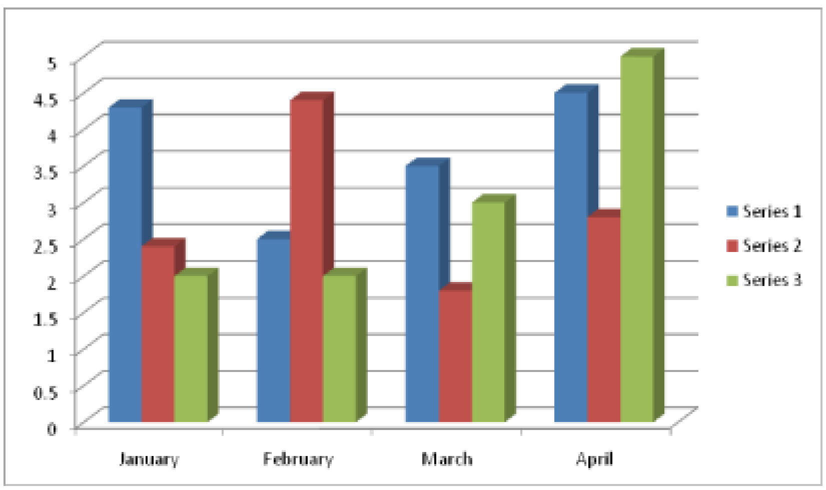
9. Matching cost with output imposes another limitation on break-even analysis. Cost in a particular period need not be the result of the output in that period.

10. Because of so many restrictive assumptions underlying the technique, computation of a breakeven point is considered an approximation rather than a reality.

Graphical analysis

The graphical view is vastly used in every type of data or report. It makes a data easier to understand also has a lot more advantages like this. But it also has some disadvantages so for that reason, we are giving here some advantages and disadvantages of graphical representation of data.

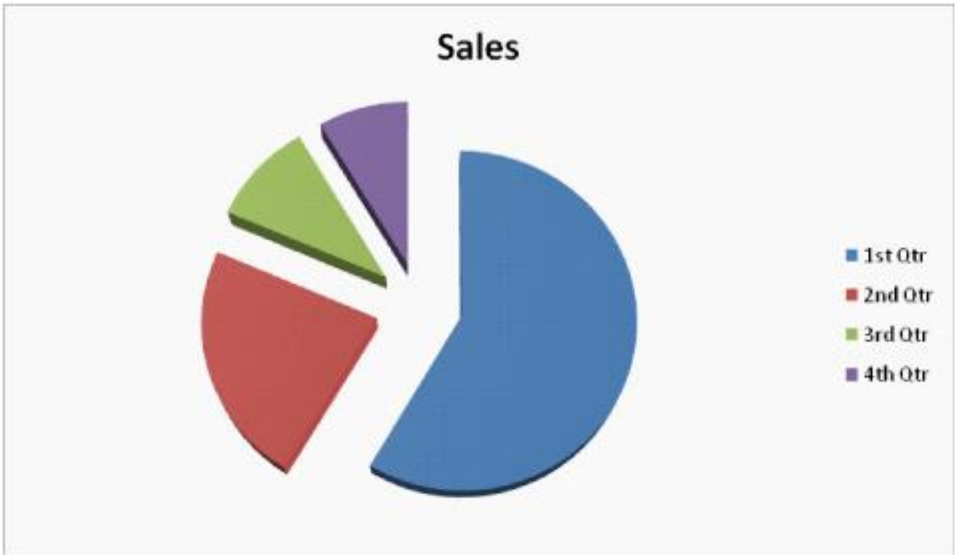
Everyone should know these advantages and disadvantages of graphical representation of data because some people are not aware of the disadvantages of graphical representation of data. This article will clear the concept of those people.



Advantages of Graphical Representation of Data

Graphical representation of reports enjoys various advantages which are as follows:

1. **Acceptability:** Such a report is acceptable to busy persons because it easily highlights the theme of the report. This helps to avoid wastage of time.
2. **Comparative Analysis**: Information can be compared in terms of graphical representation. Such comparative analysis helps for quick understanding and attention.
3. **Less cost**: Information if descriptive involves huge time to present properly. It involves more money to print the information but the graphical presentation can be made in a short but catchy view to make the report understandable. It obviously involves less cost.
4. **Decision Making:** Business executives can view the graphs at a glance and can make a decision very quickly which is hardly possible through the descriptive reports.

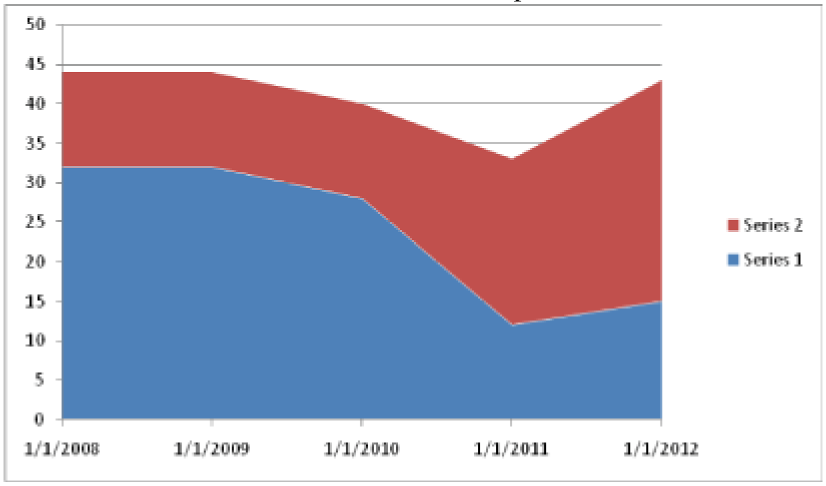
5. **Logical Ideas:** If tables, design, and graphs are used to represent information then a logical sequence is created to clear the idea of the audience.


6.
7. **Helpful for less literate Audience:** Less literate or illiterate people can understand graphical representation easily because it does not involve going through line by line of any descriptive report.
8. **Less Effort and Time:** To present any table, design, image, or graphs require less effort and time. Furthermore, such a presentation makes a quick understanding of the information.
9. **Less Error and Mistakes:** Qualitative or informative or descriptive reports involve errors or mistakes. As graphical representations are exhibited through numerical figures, tables, or graphs, it usually involves less error and mistake.
10. **A complete Idea:** Such representation creates a clear and complete idea in the mind of the audience. Reading a hundred pages may not give any scope to make a decision. But an instant view or looking at a glance obviously makes an impression in the mind of the audience regarding the topic or subject.
11. **Use in the Notice Board:** Such representation can be hanged in the notice board to quickly raise the attention of employees in any organization.

Disadvantages of Graphical Representation of Data

The graphical representation of reports is not free from limitations. The following are the problems of graphical representation of data or reports:

1. **Costly**: Graphical representation pf reports are costly because it involves images, colors, and paints. A combination of material with human efforts makes the graphical presentation expensive.
2. **More time**: Normal report involves less time to represent but graphical representation involves more time as it requires graphs and figures which are dependent on more time.

3. **Errors and Mistakes**: Since graphical representations are complex, there is- each and every chance of errors and mistakes. This causes problems for a better understanding of general people.


4.
5. **Lack of Secrecy:** Graphical representation makes the full presentation of information that may hamper the objective to keep something secret.
6. **Problems to select a suitable method:** Information can be presented through various graphical methods and ways. Which should be the suitable method is very hard to select.
7. **The problem of Understanding:** All may not be able to get the meaning of graphical representation because it involves various technical matters which are complex to general people.

Last, of all, it can be said that graphical representation does not provide proper information to general people.