

Subject-	Entrepreneurship and Managing Small Medium Business
Code -	MBA 402
Class-	MBA 4th Sem

Q. 1 Explain the role of SISI in entrepreneurial development.

Small Industries Service Institute, Chambaghat, Solan (HP) is a field office of Small Industries Development organization (SIDO) under the Ministry of Small Scale Industries, Govt. of India, New Delhi. SIDO acts as a policy formulating, Coordinating and monitoring agency for the development of Small Scale industries at national level. It provides a wide range of services through Small Industries Service institutes and its Branch Offices.

- a) Technical Information
- b) Workshop
- c) Technical training
- d) Export Promotion
- e) Modernization
- f) Development of the Market
- g) Library
- h) Exhibition

Q.2 Explain the difference between Entrepreneur and Intrapreneur.

Of late, a new breed of entrepreneurs is coming to the fore in large industrial organisations. They are called 'intrapreneurs'. They emerge from within the confines of an existing enterprise. According to Gifford Pinchot (1985), "Intrapreneur is an entrepreneur within an already established organization." In big organisations, the top executives are encouraged to catch hold of new ideas and then convert these into products through research and development activities within the framework of organisation. The concept of Intrapreneurship has become very popular in developed countries like America. It is found that an increasing number of intrapreneurs is leaving their jobs in big organisations and is starting their own enterprises. Many of such intrapreneurs have become exceedingly successful in their ventures. What is more that they are causing a threat to the organisations they left? Such intrapreneurs breed to the innovative entrepreneurs who inaugurate new products.

Bases of Difference	Entrepreneur	Intrapreneur
1. Dependency	An entrepreneur is independent in his operations.	But, an intrapreneur is dependent on the entrepreneur, i.e., the owner.
2. Resources	Uses own resources	Use resources provided by company
2. Raising of Funds	An entrepreneur himself raises funds required for the enterprise.	Funds are not raised by the intrapreneur.
3. Risk	Entrepreneur bears the risk involved in the business.	An intrapreneur does not fully bear the risk involved in the enterprise.
4. Operation	An entrepreneur operates from out-side.	On the contrary, an intrapreneur operates from within the organisation itself.

Q3. Discuss the objectives and functions of NIESBUD.

The National Institute for Entrepreneurship and Small Business Development (NIESBUD) was established in 1983 by the then Ministry of Industry [now Ministry of Micro, Small & Medium Enterprises (MSMEs)], Government of India, as an apex body for coordinating and overseeing the activities of various institutions/agencies engaged in

Entrepreneurship Development particularly in the area of small industry and small business. The Institute which is registered as a Society under Societies Registration Act, 1860 (XXI of 1860), started functioning from 6th July, 1983.

Objectives:-

- a) To evolve standardized materials and processes for selection, training, support and sustenance of entrepreneurs, potential and existing.
- b) To help/support and affiliate institutions/organizations in carrying out training and other entrepreneurship development related activities.
- c) To train trainers, promoters and consultants in various areas of entrepreneurship development.
- d) To provide vital information and support to trainers, promoters and entrepreneurs by organizing research and documentation relevant to entrepreneurship development.

Functions:-

- a) To serve as an apex National level resource institute to accelerate the process of entrepreneurship development ensuring its impact throughout the country among all strata of the society.
- b) To organize and conduct training programmes.
- c) To co-ordinate the training activities of various institutions and organizations in the country imparting training.
- d) To identify potential entrepreneurs from among technical and nontechnical personnel.
- e) To train the potential entrepreneurs who are identified.
- f) To assist the potential entrepreneurs who are identified and trained

Q4. Discuss the Characteristics and types of SME'S.

SMEs have been established in almost all-major sectors in the Indian industry such as:

- a. Food Processing

- b. Agricultural Inputs
- c. Chemicals & Pharmaceuticals
- d. Engineering; Electricals; Electronics
- e. Electro-medical equipment
- f. Textiles and Garments
- g. Leather and leather goods
- h. Meat products
- i. Sports goods
- j. Plastics products

Characteristics of SMEs:-

1. Born Out of Initiatives and Skills
2. Greater Operational Flexibility
3. Low Cost of Production
4. High Employment Orientation
5. High Capacity to innovate Export

Q.5. Elaborate the Role of entrepreneurship in economic development.

Entrepreneur can be regarded as a person who has the initiative skill and motivation to set up a business or enterprise of his own and who always looks for high achievements. He is the catalyst for social change and works for the common good. They look for opportunities, identify them and seize them mainly for economic gains. An action oriented entrepreneur is a

highly calculative individual who is always willing to undertake risks in order to achieve their goals.

Need for Entrepreneurship Development

Economic development essentially means a process of upward change whereby the real per capita income of a country increases over a period of time. Entrepreneurship has an important role to play in the development of a country. It is one of the most important inputs in economic development. The number and competence of entrepreneurs affect the economic growth of the country.

The economic history of the presently advanced countries like USA, Russia and Japan supports the fact that economic development is the outcome for which entrepreneurship is an inevitable cause. The crucial and significant role played by the entrepreneurs in the economic development of advanced countries has made the people of developing and under developed countries conscious of the importance of entrepreneurship for economic development. It is now a widely accepted fact that active and enthusiastic entrepreneurs can only explore the potentials of the countries availability of resources such as labour, capital and technology.

The role of entrepreneurs is not identical in the various economies. Depending on the material resources, industry climate and responsiveness of the political system, it varies from economy to economy. The contribution of entrepreneurs may be more in favourable opportunity conditions than in economies with relatively less favourable opportunity conditions.

Entrepreneurship and Economic Development

Entrepreneurship helps in the process of economic development in the following ways :

1) **Employment Generation :**

Growing unemployment particularly educated unemployment is the problem of the nation. The available employment opportunities can cater only 5 to 10 % of the unemployed.

Entrepreneurs generate employment both directly and indirectly. Directly, self employment as an entrepreneur and indirectly by starting many industrial units they offer jobs to millions. Thus entrepreneurship is the best way to fight the evil of unemployment.

2) National Income:

National Income consists of the goods and services produced in the country and imported. The goods and services produced are for consumption within the country as well as to meet the demand of exports. The domestic demand increases with increase in population and increase in standard of living. The export demand also increases to meet the needs of growing imports due to various reasons. An increasing number of entrepreneurs are required to meet this increasing demand for goods and services. Thus entrepreneurship increases the national income.

3) Balanced Regional Development

The growth of Industry and business leads to a lot of Public benefits like transport facilities, health, education, entertainment etc. When the industries are concentrated in selected cities, development gets limited to these cities. A rapid development, When the new entrepreneurs grow at a faster rate, in view of increasing competition in and around cities, they are forced to set up their enterprises in the smaller towns away from big cities. This helps in the development of backward regions.

4) Dispersal of economic power

Industrial development normally may lead to concentration of economic powers in a few hands. This concentration of power in a few hands has its own evils in the form of monopolies. Developing a large number of entrepreneurs helps in dispersing the economic power amongst the population. Thus it helps in weakening the harmful effects of monopoly.

5) Better standards of living

Entrepreneurs play a vital role in achieving a higher rate of economic growth. Entrepreneurs are able to produce goods at lower cost and supply quality goods at lower price to the community according to their requirements. When the price of the commodities decreases the consumers get the power to buy more goods for their satisfaction. In this way they can increase the standard of living of the people.

6) Creating innovation

An entrepreneur is a person who always looks for changes. apart from combining the factors of production, he also introduces new ideas and new combination of factors. He always try to introduce newer and newer technique of production of goods and services. An entrepreneur brings economic development through innovation.

Entrepreneurship also helps in increasing productivity and capital formation of a nation. In short, the development of the entrepreneurship is inevitable in the economic development of the country. The Role played by the entrepreneurship development can be expressed in the following words:

" Economic development is the effect for which entrepreneurship is a cause"

Q6. What do you understand by Turnaround ventures? Discuss in detail.

A turnaround is the financial recovery of a company that has been performing poorly for an extended time. To affect a turnaround, a company must acknowledge and identify its problems, consider changes in management, and develop and implement a problem-solving strategy. In some cases, the best strategy may be to cut losses by liquidating the company rather than trying to turn it around.

BREAKING DOWN 'Turnaround'

Possible characteristics of a troubled company in need of a turnaround include revenues that do not cover costs, an inability to pay creditors, layoffs, and salary cuts for officers and a significant decline in stock price. Poor management and/or social, technological and competitive changes may have caused the products or services the company sells to be

perceived as subpar by consumers. A speculator may profit from a turnaround if he accurately anticipates the improvement of a poorly performing company.

A turnaround refers to steady, positive movement experienced after a significant period of performance decline. Turnarounds can be experienced in a particular business, a larger-scale economy, a particular market or an individual's financial situation.

Catalysts for a Turnaround

Turnarounds are rarely spontaneous. Instead, they are often the result of increased efforts or changes in current practices. Internally, this can include updates to manufacturing processes, changes in management strategies or significant reductions in certain spending categories. Turnarounds may also be spurred by outside forces, such as a business experiencing a turnaround due to changes in regulations resulting in higher profits, or the lowering of raw material costs that unexpectedly rose, such as with fuel prices.

Turnaround Situations

On an individual level, a person who experiences a long period of unemployment, accompanied by financial hardships, may experience a turnaround upon securing new employment with a reliable source of income.

A business may determine a turnaround has occurred after changes in the business model bring in profit instead of the previously experienced losses. Often, this relates to significant increases in sales or notable reductions in spending.

Economies suffering through a recession experience a turnaround when they begin to record a new period of economic growth and financial gain. Specific industries, such as the automotive industry, can also be the subject of a turnaround if a downward trend is followed by a reversal of that trend.

Turnaround Example

In the auto industry, General Motors provides a leading example of a company that has undergone a turnaround. In the late 2000s, the auto industry suffered troubled times. Declining sales leading up to the 2008 financial crisis followed by a tightened lending

environment for auto sales were two factors that significantly slowed revenue and earnings for U.S. automakers. In 2009, General Motors declared bankruptcy as a result of the crisis, and its stock was delisted from trading.

Bailout funds and its bankruptcy helped the company to restore its manufacturing production and sales. In 2010, after a complete reorganization, GM's stock began trading again with increased production and sales.

Q.7 Discuss the reasons behind survival & growth of SME's in Indian Economy.

- 1) Govt. policy, tariff and easy loan with low interest rate for SME'S in help to grow these enterprises.
- 2) Foreign and local fund providers are taking huge interest in the small and medium enterprises of India.
- 3) Banking sector has also shown a keen interest in lending credit to these enterprises.
- 4) Recent mergers have taken place in the sector.
- 5) The sector has significantly contributed towards the domestic production as well as the export earnings.
- 6) Low investment is required to start and maintain these enterprises.
- 7) The sector has contributed impressively towards job creation and increase in individual incomes.
- 8) Technological growth is also a factor for growth of SME's in India as there are several trade portals and “ BUISNESSESS DIRECTORIES “ available online with huge database of buyers, sellers, manufacturers who are basically back bone of SME's.

Q.8 What kinds of Skills are required for Entrepreneurship?

1. The ability to manage money

Very simply, if you can't manage money, you can't manage a business. Do you know where your money goes each month? Do you live off less than you earn? If the answer to these questions is no, you'll struggle to manage a business budget as well.

2. The ability to raise money.

Once you can manage money, can you get more? In order to get investment, you need to not only understand where to get money, but how to convincingly make a case that your business is a good risk as well.

3: The ability to relieve stress.

Stress is no laughing matter. If you allow yourself to get frustrated and upset by setbacks, you'll struggle as an entrepreneur. Learning how to use stress to your benefit is essential.

4. The ability to be productive.

This is a big topic, because there's no one right way to be productive that works for everyone. Learn about your peak energy times, your routines, and the productivity tools that work for you in order to create your own plan for success.

5. The ability to make entrepreneur friends.

According to entrepreneur Jim Rohn, "You are the average of the five people you spend the most time with." So who do you want to be? Improve your odds of success by finding entrepreneur friends who will be able to understand your struggles and give you much needed insight.

6. The ability to identify strengths and weaknesses.

As a business owner, you don't need to be perfect at everything. You do, however, have to understand where you're strong and where you're weak. Assessing this will inform everything from the business decisions you make, to the partners you bring on, and to the employees you hire.

7. The ability to hire effective people.

Speaking of hiring, this is easily one of the most important skills any entrepreneur could have. Having great people on your team will give you access to new strengths, while also building a company culture that people want to be a part of. Hiring the right people is essential to get where you want to go.

8. The ability to train new staff.

When you bring on someone new, a robust on boarding process will ensure that they know what to do and not do. Not only will this help keep your company moving the correct direction, it will increase the commitment level of good employees and give you grounds to follow up on misconduct.

9. The ability to manage staff.

Once you have the right people, you need to manage them well. Early on in your business's growth, you'll be everyone's manager, so it pays to be effective. If you don't already know how to manage, take the time to learn how to motivate, encourage, and develop your staff.

10. The ability to conduct basic SEO.

In the beginning, you'll be doing the work of every business department. With that in mind, do you understand basic SEO and digital marketing? If not, you'll want to brush up on this area before you launch a business.

11. The Ability to A/B split test.

A split test is a simple process that involves running a scenario two ways to test a possible change. It's commonly used to make websites effective, but it can be used in many areas of project management and marketing as well.

12. The ability to connect via social networking.

Along with SEO, social networks represent a key part of any business's marketing strategy. Not only will you need to understand each platform, you'll want to arm yourself with the best strategies for getting your startup and personal brand noticed on each one.

13. The ability to focus on your customers.

To be clear, without customers, you have no business. Make sure all of your pitches, products, and services are focused on actual customer needs. If you don't know what these are, research and ask questions so that you're able to give great customer service.

14. The ability to close a sale.

Letting customers know you understand their pain is important, but asking for the sale is where many entrepreneurs get stuck. If you're nervous about this step, try enrolling in a sales workshop to learn these much-needed skills.

15. The ability to spot new trends.

Business moves fast, so you've got to have the ability to see changes coming in your industry. Make it a point to keep up to date on new startups and the advances in technology that could be poised to disrupt your field.

16. The ability to deal with failure.

No business venture is a straight line to success; knowing how to deal with ups and downs is essential. Remember that every successful person out there failed dozens of times before getting a win. Failure isn't the end - it's just a data point on the way to success.

17. The desire to improve your world.

In the end, the best and most enduring motivation is to make a positive change in the world. When you focus your business and your success on that top priority, you'll find yourself ready to weather any storm to meet the goal

Q9. Discuss in detail the Components of SME Environment

SME Environment can be categorized into:

1. Internal Environment
2. External Environment

The Internal marketing environment of SMEs consists of factors within the organization, including financial resources, human resources, production facilities and other factors that can be categorized as part of the organization's resources.

There are a number of internal factors which influence the SMEs' business decisions are as follows:

1. Financial Factors
2. Physical and Human Resources
3. Objective of SMEs
4. Managing Policies
5. Production Facilities

Some factors are external to business organizations and exert considerable influence on how they function to achieve their objectives. These factors are shown below:

1. **Micro Environment:** The forces which are close to the company and affect its ability to work constitute micro environment. It is known as operating environment of business. It consists of company's immediate environment that affects the performance of company. It includes:

- * Customers
- * Suppliers
- * Competitors
- * Marketing Intermediaries
- * Public

2. Macro Environment:

It means general environment of business. Macro forces are uncontrollable in comparison to the micro forces of environment. The important macro environment forces are as follows:

1. Economic Environment
2. Political Legal Environment
3. Socio- culture Environment
4. Technological Environment
5. Physical Environment
6. Demographic Environment

Q10. Explain the various Sources of Finance for SME's

Entrepreneurs tends to priorities their sources of funds . Start from the funds that are cheapest and easiest to access, they move on to the costlier and more difficult sources of finance. At the top of the list there should be self generated funds that can be spared for the business. Then they would get in touch with friends and family. This is a great source of funds but is fraught with danger. In case things go bad, personal relationship might get ruined.

1. Short- Term Sources of Finance:

After establishment of a business, funds are required to meet its day to day expenses. For financing such requirements short term funds are needed. The sources of short term finance are as follows:

- a) Indigenous Bankers
- b) Instalment Credit
- c) Advances
- d) Deferred Incomes
- e) Commercial Banks
- f) Factoring
- g) Bill Discounting

2. Medium Term Sources of Finance:

- a) Special Financial Institutions
- b) Commercial Banks
- c) Public Deposits
- d) Investment Companies
- e) Hire Purchase
- f) Lease Financing
- g) Internal Sources
- h) Loans from Government

3. Long Term Sources of Finance:

Long term funds are required to create production facilities through purchase of fixed assets such as plant, machinery, land, building etc. and for modernization and expansion of the existing facilities.

- a) Equity Shares
- b) Preference Shares
- c) Debentures
- d) Loans from Financial Institutions
- e)

Q11. What are the types of Project Feasibility Report

1. Technical Feasibility Reports
2. Financial Feasibility Reports
3. Marketing Feasibility Reports

4. Personnel and Management/ Managerial Feasibility Reports

- The technical appraisal assesses the details of how will you deliver a product or service i.e material, labour, transportation, where the business will be located, technology needed etc..
- Think of the technical feasibility as the logistical or tactical plan of how the business will produce, store, deliver and track its products or services.

Factors considered

- a) Material Input
- b) Manufacturing Process and Technology
- c) Production / Product Mix
- d) Plant Capacity
- e) Location and Site
- f) Selection and Procurement of Machinery and Equipment
- g) Building and Structures

TECHNICAL STUDIES

- a) The project report should provide details about the technology and tools needed and the sources of availability technical study covers areas like _
- b) Technical specifications of the product to be manufactured.
- c) Raw materials including the sources of supply
- d) Manufacturing process.

- e) Plant and machinery.
- f) Tools and equipment etc.
- g) Requirement of land and building.
- h) Location and layout of the plant.
- i)

Financial Feasibility Report

Financial feasibility involves the capability of the project organization to raise the appropriate funds needed to implement the proposed project. The primary objective of any firm is to maximize profits; the financial aspects of a project idea must be studied carefully.

FINANCIAL STUDIES

- a) The report indicate the financial aspect as :
- b) Total cost of the project.
- c) Preliminary expenses.
- d) Source of finance- fixed and working capital.
- e) Source of working capital.
- f) Cost of production and profitability.
- g) Break- even point.
- h) Cost of fixed asset
- i) Special incentives, if any.
- j) Depreciation on fixed assets.

Marketing Feasibility Report

- a) Market Feasibility is the process of determining whether and at what levels a specific market will support a specific real estate development
- b) It comprises of description of various suppliers, customers, major market players, market prospects, market choices and various sales and distribution channels.

MARKETING STUDY

- a) It includes :
- b) Pricing strategies .
- c) Advertising strategies .
- d) Sales promotion technique .
- e) Marketing channels .

Personnel & Management Feasibility Report

- Personnel and Management feasibility involves the capabilities of the infrastructure of a process to achieve and sustain process improvement. Management support, employee involvement and commitment are key elements required to ascertain managerial feasibility.
- Personnel and Management feasibility studies objectively and rationally uncover the strength and weaknesses of an existing business or proposed venture, opportunities and threats which are presented by the environment, the resources required to carry through, and ultimately the prospects for success.

Q12. What is SIDBI? Explain the objectives and functions of SIDBI.

- a) The Government of India set up the SIDBI under a special Act of the Parliament in October 1989.
- b) SIDBI commenced its operations from April 2, 1990 with its head office in Lucknow.

- c) SIDBI has been setup as a wholly owned subsidiary of IDBI.
- d) Its authorized capital is Rs.250 crore with an enabling provision to increase it to Rs.1000 crore.
- e) It is the apex institution which oversees, co-ordinates & further strengthens various arrangements for providing financial and non-financial assistance to small-scale, tiny, and cottage industries.

■ **Four basic objectives are set out in the SIDBI Charter. They are:**

- a) Financing
- b) Promotion
- c) Development
- d) Co-ordination

for orderly growth of industry in the small scale sector. The Charter has provided SIDBI considerable flexibility in adopting appropriate operational strategies to meet these objectives.

Functions

- a) Re finance
- b) Discounting and Re Discounting
- c) Direct assistant
- d) Soft Loans and Seeds Loans
- e) Other Services
- f) Help to NSIC
- g) Technological Upgration

Direct finance

- a) Since its beginning, SIDBI had been providing refinance to State Level Finance Corporations / State Industrial Development Corporations / Banks etc., against their loans granted to small scale units.
- b) SIDBI's direct finance schemes are:
 - a. Scheme for expansion / diversification of small scale units.
 - b. Scheme for specialized marketing agencies.
 - i. Bills Finance Scheme
- c) Bills Finance Scheme involves provision of medium and short-term finance for the benefit of the small-scale sector.
- d) Bills Finance seeks to provide finance, to manufacturers of indigenous machinery, capital equipment, components sub-assemblies etc, based on compliance to the various eligibility criteria, norms etc as applicable to the respective schemes.

Refinance scheme

- a) Refinance scheme is introduced for catering to the need of funds of Primary Lending Institutes {PLI} for financing small scale sector.
- b) Under the scheme, SIDBI grants refinance against term loans granted by the eligible PLIs to industrial concerns for setting up industrial projects in the small scale sector as also for their expansion / modernisation / diversification.
- c) PLIs is SFC (state financial corporation). Banks like commercial banks, Co-operative Banks, Regional Rural Banks
- d) Schemes of re-finance assistance:
 - a. Scheme for SC-ST & physically handicraft persons
 - b. Composite loan scheme
 - c. Equipment refinance schemes.

- d. Schemes for small road transport operators.
- e. Special assistance to ex-servicemen.

Q13. What do you mean by Entrepreneurship Development? Explain the Factors Influencing ED.

Entrepreneurship development or growth refers to process of enhancing entrepreneurial skills and knowledge through structured training and institutions- building programmes. Entrepreneurial growth and development focuses on the individual who wishes to start or expand a business.

Economic Factors

- a) Availability of Economic Resources
- b) Economic Conditions
- c) Economic Policies
- d) Labour Policies
- e) Incentives
- f) Subsidies

Non - Economic Factors

- a) Social Factors
- b) Cultural Factors
- c) Personality Factors
- d) Technological Factors
- e) Educational Factors
- f) Motivation

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