**MODEL ANSWER**

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| **QUESTION NOS:** | **EXAMINATION: 7th SEM REGULAR/BACK EXAM. 2017**  **SUBJECT: ENTREPRENEURSHIP DEVELOPMENT**  **SUBJECT CODE: HSSM 3401**  **BRANCH: ALL**  **QUESTION CODE: B163** | **STEPWISE DISTRIBUTION OF MARKS (MARKING SCHEME)** |
| **Q.1. a**  **b.**  **c.**  **d.**  **e.**  **f.**  **g.**  **h.**  **i.**  **j.**  **Q.2.**  **Q.3.a.**  **b.**  **Q.4.**  **Q.5.a.**  **b.**  **Q.6.a.**  **b.**  **Q.7.**  **Q.8.a.**  **b.**  **c.**  **d.** | Seed capital is the initial capital used when starting a business, often coming from the founders' personal assets, friends or family, for covering initial [operating expenses](https://www.investopedia.com/terms/o/operating_expense.asp) and attracting [venture capitalists](https://www.investopedia.com/terms/v/venturecapitalist.asp).  **National Small Industries Corporation (NSIC):** The main aim of NSIC is to fulfill the required machinery and equipment for the development of small entrepreneurs.   * Help to procure plant and machinery on hire-purchase basis or on lease * Import plant and machinery for SME * Help in marketing and exporting products of SME * Train the workers on operations of modern machineries   **Marketing problems in SSI:**   * New technologies create new industries and render the existing industries totally obsolete. * Changing political and social matrix with multinational corporations. * Increasing interventions by Govt. or the state. * Automation of manufacturing will have impact on production, storage and packaging.   A break-even point occurs when your revenues cover your expenses. Break-even analysis will help an entrepreneur determine the sales quantity or number of products that must be sold in order for the business to generate enough revenue to pay its expenses. Knowing how many units must be sold to reach the break-even point will allow an entrepreneur to avoid incurring losses over a given period of time.  A limited liability partnership (LLP) is a partnership in which some or all partners (depending on the jurisdiction) have limited liabilities. It therefore exhibits elements of [partnerships](https://en.wikipedia.org/wiki/Partnership) and [corporations](https://en.wikipedia.org/wiki/Corporation). In an LLP, each partner is not responsible or liable for another partner's misconduct or negligence.  India's Foreign Trade Policy also known as Export Import Policy (EXIM) in general, aims at developing export potential, improving export performance, encouraging foreign trade and creating favorable balance of payments position.  Unlike machines and fixed assets, production resources and tools (PRTs) are movable (not stationary) operating resources that are required to perform an activity and can be used repeatedly. For example, PRTs include documents, engineering drawings, jigs and fixtures, and measurement instruments.  The promotion mix is the blend of different methods and tools of communication you use in presenting your company, products or services to target customers. Effective promotion is a key component of the marketing mix, as it is the element that helps you attract customers, persuades them to buy, and generate loyalty. The promotion element is concerned with activities that are undertaken to communicate with customers and distribution channels to enhance the sales of the firm.  The Air Act specifically empowers State Government to designate air pollution areas and to prescribe the type of fuel to be used in these designated areas. According to this Act, no person can operate certain types of industries including the asbestos, cement, fertilizer and petroleum industries without consent of the State Board. The Air Act apparently adopts an industry wide “best available technology” requirement.  Drone Entrepreneurs suffer losses, as they refuse to make any modifications in the existing production methods. These entrepreneurs are conservative or orthodox in outlook. They never like to get rid of their traditional business and traditional machineries or systems of the business. They always feel comfortable with their old-fashioned technology of production even though the environment as well as the society have undergone considerable changes.  Entrepreneurship is a dynamic process of vision, change, and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks in terms of time, equity, or career; the ability to formulate an effective venture team; the creative skill to marshal needed resources; the fundamental skill of building a solid business plan; and finally, the vision to recognize opportunity.  In order to do these things effectively, the entrepreneur would be employing business knowledge in areas such as marketing, sales, management of work, finance, accounting and strategic thinking. It is state that it is necessary to have a basic understanding and knowledge of these areas to achieve entrepreneurial business success. It is also necessary for individuals to develop skills in oral presentation, interpersonal relations and business plan.  Entrepreneurs identify an innovation to seize an opportunity, mobilize money and management skills, and take calculated risks to open markets for new products, processes and services.  Entrepreneurship consists in doing things that are not generally done in the ordinary course of business routine; it is essentially a phenomenon that comes under the wider aspect of leadership. In entrepreneurship, there is agreement that we are talking about a kind of behavior that includes:  1) Taking Initiative  2) The organizing or reorganizing of social economic mechanisms to turn resources and situations to practical account, and  3) The acceptance of risk of failure.  Entrepreneurship is the dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time, and/or career commitment of providing value for some product or service.  Entrepreneurship is more than the mere creation of business. Entrepreneurship is an integrated concept that permeates an individual’s business in an innovative manner. It is this perspective that has revolutionized the way business is conducted at every level and in every country. Entrepreneurial firms make two indispensable contributions to economy.  First, they are an integral part of the renewal process that pervades and defines market economies. Entrepreneurial firms play a crucial role in the innovations that lead to technological change and productivity growth. In short, they are about change and competition because they change market structure.  Second, entrepreneurial firms are the essential mechanism by which millions enter the economic and social mainstream of society. Entrepreneurship enables millions of people, including women, minorities, and immigrants, to access the dream of the wealth. In this evolutionary process, the entrepreneurship plays the crucial and indispensable role of providing the “social glue” that binds together both high-tech and “main street” activities.  The entrepreneurs have been broadly classified according to the type of business, use of professional skill, motivation, growth and stages of development. The various type of entrepreneur are   * Business entrepreneur * Agricultural entrepreneur * Corporate entrepreneur * Professional entrepreneur * Technical entrepreneur * Trading entrepreneur   Entrepreneurial Traits: Entrepreneurial Skills:   * Motivation Creative Thinking * Creative & persuasiveness Problem solving * Versatility Planning and organising * Superb business skill Decision making * Risk tolerance Leadership and motivation * Drive Communication skills * Vision Personal Relations * Flexibility & open mindedness Initiative * Decisiveness Negotiation   Industrial sickness is defined as "an industrial company (being a company registered for not less than five years) which has, at the end of any [financial year](http://en.wikipedia.org/wiki/Financial_year), accumulated losses equal to, or exceeding, its entire [net worth](http://en.wikipedia.org/wiki/Net_worth) and has also suffered cash losses in such financial year and the financial year immediately preceding such financial year".  **Causes of sickness in small scale industry**  The different types of industrial sickness in [Small Scale Industry](http://en.wikipedia.org/wiki/Small_Scale_Industry) (SSI) fall under two important categories. They are as follows: Internal causes for sickness We can say pertaining to the factors which are within the control of management. This sickness arises due to internal disorder in the areas justified as following:  **a) Obsolete technology**: Due to old and outdated technology production may not be qualitative, speedy and economical leading to insufficiency and higher cost of production.  **b) Lack of Finance**: This including weak equity base, poor utilization of assets, inefficient working capital management, absence of costing & pricing, absence of planning and budgeting and inappropriate utilization or diversion of funds.  **c) Bad Production Policies** : The another very important reason for sickness is wrong selection of site which is related to production, inappropriate plant & machinery, bad maintenance of Plant & Machinery, lack of quality control, lack of standard research & development and so on.  **d) Marketing and Sickness**: This is another part which always affects the health of any sector as well as SSI. This including wrong demand forecasting, selection of inappropriate product mix, absence of product planning, wrong market research methods, and bad sales promotions.  **e) Poor Industrial Relation**: In the absence of a healthy working condition the workers often restore to strike, agitation, go slow etc. which hampers the prospects of a unit. Such labour unrest can also be major reason of industrial sickness.  **f) Inappropriate Personnel Management**: The another internal reason for the sickness of SSIs is inappropriate personnel management policies which includes bad wages and salary administration, bad labour relations, lack of behavioural approach causes dissatisfaction among the employees and workers.  **g) Ineffective Corporate Management**: Another reason for the sickness of SSIs is ineffective or bad corporate management which includes improper corporate planning, lack of integrity in top management, lack of coordination and control etc. External causes for sickness **a) Personnel Constraint**: The first for most important reason for the sickness of small scale industries are non availability of skilled labour or manpower wages disparity in similar industry and general labour invested in the area.  **b) Marketing Constraints**: The second cause for the sickness is related to marketing. The sickness arrives due to liberal licensing policies, restrain of purchase by bulk purchasers, changes in global marketing scenario, excessive tax policies by govt. and market recession.  **c) Production Constraints**: This is another reason for the sickness which comes under external cause of sickness. This arises due to shortage of raw material, shortage of power, fuel and high prices, import-export restrictions.  **d) Finance Constraints**: Another external cause for the sickness of SSIs is lack of finance. This arises due to credit restrains policy, delay in disbursement of loan by govt., unfavorable investments, fear of nationalization.  **e) Shortage of power:** Frequent interruption of power also causes many problems for the industries due to which they function under their capacity and become sick.  **f) Competition**: Due to heavy competition, producers are usually compelled to sell their products at even losses to eliminate the competitors. In such cases, industries with poor foundation or poor financial strength fail to perform as per expectation and hence become sick.  **Entrepreneurial Causes**  Due to the fault and incompetence of the entrepreneurs, many industries in India fall sick. The major entrepreneurial causes of industrial sickness are as follows:   * Improper planning * Lack of determination * Lack of creativity, innovation and skill * Intentional sickness * Lack of experiences * Improper selection of Business Opportunities   **Revival/ Cures of Industrial Sickness**  In a developing country like India, small entrepreneurs from the backbone of the country’s economy. Hence, to protect the economy steps need to be taken at the right time. To prevent sickness and improve overall efficiency of the units some of the steps mentioned below can be useful:   * Support in the form of additional capital/loan at easier terms. * Phased reduction of man power, if there is an excess. * Increase and induct more efficient management system. * Reforming the product policies, marketing strategies and selling methods. * Settlement of old dues to employees and creditors in phased manner with their consultations. * Disposal of old, obsolete, idle and non-feasible assets. * Modernization of plants, machineries, processes etc. * Up gradation or replacement of technologies. * Support to change over to new product. * Worker’s participation in management.   **Government Policy on Revival of Sickness**  Government of India has taken various measures from time to time to detect sickness at the preliminary stage and rehabilitation of sick units in the small-scale sector.   1. Instruction to Commercial Bank 2. Nayak Committee 3. Kapur Committee 4. Kohli Committee 5. Assistance by SFCs 6. Technical Consultancy Organisations (TCOs) 7. Industrial Reconstruction Bank of India 8. Sick industrial companies act   Problems of HRM in SME’s:   * Man power planning * Wages and salaries. * Job evaluation and performance appraisal * Industrial relations * Outsourcing of services.   **Elements of standard Business Plan:**   * Mission statement and/or vision statement so you articulate what you’re trying to create; * Description of your company and product or service; * Description of how your product or service is different; * Market analysis that discusses the market you’re trying to enter, competitors, where you fit, and what type of market share you believe you can secure; * Description of your management team, including the experience of key team members and previous successes; * How you plan to market the product or service; * Analysis of your company’s strengths, weaknesses, opportunities, and threat, which will show that you’re realistic and have considered opportunities and challenges; * Develop a cash flow statement so you understand what your needs are now and will be in the future (a cash flow statement also can help you consider how cash flow could impact growth); * Revenue projections; and * Summary/conclusion that wraps everything together (this also could be an executive summary at the beginning of the plan).   **Bankability of a Project**: Project report or business plan prepared by an entrepreneur has to be submitted to different agencies for different purposes like; granting of registration, issue of license, getting clearance, getting NOC, getting assurance for finance etc. Simply submitting the project report doesn’t guarantee the license or certificate, etc. The project report should be able to answer all the questions the evaluators want to know. The answers must satisfy the evaluators. They are to see their own interest in the project. The project report is evaluated from technical, financial, managerial & marketing point of view. The figures mentioned in the report should be realistic & should be based on some logic which has to be mentioned in the project report. In short, the project report should be able to project a rosy picture of the project.  The major evaluator of the project report is the bank who evaluates the project report from various angles for the safety of their investment. The major point of evaluation is the personal appraisal of the entrepreneur. The bank must have confidence on the entrepreneur that the person shall be able to start & run the enterprise successfully. They also see the financial, technical, managerial & other competencies of an entrepreneur before grading a project. Sometimes third party rating is desirable to decide the viability of a project.  Evaluation of a project report is usually based on;   1. Technical Appraisal 2. Financial Appraisal 3. Marketing Appraisal 4. Promoter Appraisal 5. Social Appraisal 6. Environment Appraisal   If the project report is able to satisfy the entire above appraisal to different agencies, there is no point of rejection of the project report & such a project report shall be considered bankable.  **Factors to Consider When Choosing a Business Location**  **1. Availability of raw materials**  **2. Nearness to market**  **3. Availability of basic infrastructure**  **4. Economic policy**  **5. Demographics**  **6. Psychographics**  **7. Industrial Clusters / areas**  **8. Export processing zones**  **9. Free trade zones**  **10. Distributive channel**  **National Level Institutions Promoting SME**  At the National level, institutions such as Small Industries Development Organisation (SIDO), National Small Industries Corporation (NSIC), MSME Development institute, Small Industrial Development Bank of India (SIDBI), are providing assistance in different areas to the entrepreneurs in their industrial activity.   1. **Small Industries Development Organisation (SIDO)**  * Provide technical consultancy * Provide financial consultancy * Provide managerial consultancy * Provide production consultancy * Provide consultancy on marketing * Provide consultancy on technical training  1. **National Small Industries Corporation (NSIC)**   The main aim of NSIC is to fulfil the required machinery and equipment for the development of small entrepreneurs.   * Help to procure plant and machinery on hire-purchase basis or on lease * Import plant and machinery for SME * Help in marketing and exporting products of SME * Help to import raw materials and other resources * Train the workers on operations of modern machineries * Assist in store purchase programme  1. **MSME Development Institute (Micro small and medium enterprise Development Institute)**  * Help in selecting industries, its location, layout, etc. * Advice on selection of machine, plant equipment, technology, etc. * Prepare project report * Prepare design, drawing for products * Assist in marketing and procuring tools, moulds, jigs, etc. * Training of workers, managers and entrepreneurs * Render technical consultancy to execute export orders * Conduct market surveys for small enterprises  1. **Small Industrial Development Bank of India (SIDBI)**   Small Industries Development Bank of India was established in 1990 as a development bank exclusively for the small scale industries. It is a Central govt. undertaking.  The prime aim of SIDBI is to promote and develop small industries by providing them the valuable factor of production, finance.   * Loan assistance to institutions providing market or marketing avenues to the small entrepreneurs * Loan assistance to ancillary units and also for modernization and upgrading technology * Bill discounting facility * Loan assistance to institutions providing primary services and infrastructure development * Refinance for loan given by state level institutions and banks under the single window system for fixed capital and working capital.   SIDBI provides assistance to women entrepreneurs and Ex- servicemen under various schemes. As the name implies, a feasibility study is used to determine the viability of an idea, such as ensuring a project is legally and technically feasible as well as economically justifiable. It tells us whether a project is worth the investment—in some cases, a project may not be doable. There can be many reasons for this, including requiring too many resources, which not only prevents those resources from performing other tasks but also may cost more than an organization would earn back by taking on a project that isn’t profitable.A well-designed study should offer a historical background of the business or project, such as a description of the product or service, accounting statements, details of operations and management, marketing research and policies, financial data, legal requirements, and tax obligations. Generally, such studies precede technical development and project implementation.There are five types of feasibility study in separate areas that a feasibility study examines**Technical Feasibility****Economic Feasibility****Legal Feasibility****Operational Feasibility****Scheduling Feasibility** The entrepreneurial process is a process of pursuing a new venture that involves more than just problem solving in a typical management position. An entrepreneur must find, evaluate, and develop an opportunity by overcoming the forces that resist the creation of something new. The process has four phases:     * identification and evaluation of the opportunity, * development of the business plan, * determination of the required resources * management of the resulting enterprise   **Environmental pollution** refers to the introduction of harmful pollutants into the environment. It has a hazardous effect on the natural world and on the activities of living beings.The major types of environmental pollution are [air pollution](https://www.importantindia.com/16215/short-paragraph-on-air-pollution-and-its-causes/), water pollution, [noise pollution](https://www.importantindia.com/11081/essay-on-noise-pollution/), thermal pollution, soil pollution and light pollution.  Deforestation and hazardous gaseous emissions also leads to environmental pollution.  We all live on planet earth, which is the only planet known to have an environment, where air and [water](https://www.importantindia.com/15800/short-essay-on-water/)are two basic things that sustain life. Without air and water the earth would be like the other planets – no man, no animals, no plants. The biosphere in which living beings have their sustenance has oxygen, nitrogen, carbon dioxide, argon and water vapor. All these are well balanced to ensure and help a healthy growth of life in the animal world. This balance does not only help the life-cycles of animals and plants, but it also creates the perennial sources of minerals and energies without which the human civilization of to-day could not be built. It is for this balance that the human life and other forms of existence have flourished on earth for so many thousands of years. Solution There surely cannot be any radical solution, for the existing factories cannot be bodily lifted to a place far from the populated zone. However, the following attempts can be made to solve the problem of environmental pollution.  * The Government can at least see that future factories are set up at a distant place, an industrial complex far away from the township. * Researcher may find out how to avoid harmful smoke from running vehicles. * Deforestation should be stopped and Forestry should be developed. * Discharge of Factory wastes in rivers should be banned so as to make the river-water free from pollution. * Recycle the sewage or in all events it can be disposed of in such a way as to prevent it from polluting the environment. * Reducing the amount that we buy, reusing and repairing items wherever possible, and recycling as much as we can will all help to reduce the amount of waste dumped in the environment. When we do need to throw away waste we should do so responsibly. * Organic farming could be one solution for reducing environmental pollution levels.   **State Financial Corporations (SFCs)**  The basic services provided are   * Learn to acquire fixed assets * Finance modernization, expansion, diversification, renovation etc. * Loan for working capital * Long term loan |  |