

MODULE III: ENTREPRENEUR

Meaning and Definition of an Entrepreneur

Entrepreneur is a person who undertakes an enterprise. The process of creation is called entrepreneurship. An entrepreneur can be considered as a person who bears the risk of operating a business in the face of uncertainty about the future conditions. Who innovates and introduces something new in the economy Who shifts resources out of an area of lower and into an area of productivity and greater yield Who plays a critical role in economic development and an integral part of economic transformation. *To conclude an entrepreneur can be considered as an agent who buys the four factors of production at certain prices in order to combine them into product with a view to selling it at uncertain prices in future.*

Entrepreneur is one who is endowed with more than average capacities in the task of organizing and coordinating the factors of production, i.e. land, labour capital and enterprises.

Peter F. Drucker defines an entrepreneur as one who always searches for change, responds to it and exploits it as an opportunity. Innovation is the basic tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service.

International Labour Organization (ILO) defines entrepreneurs as those people who have the ability to see and evaluate business opportunities, together with the necessary resources to take advantage of them and to initiate appropriate action to ensure success.

Evolution of Concept

The word 'entrepreneur' is derived from French word 'Entreprendre' which was used to designate an organizer of musical or other entertainments. It means 'to undertake'. The Frenchmen who organized and led military expeditions were referred to as "entrepreneurs". Around 1700 A.D. the term was used for architects and contractor of public works. In many countries, the term entrepreneur is often associated with a person who starts his own new business. Business encompasses manufacturing, transport, trade and all other self employed vocation in the service sector. Entrepreneurship has been considered as the propensity of mind to take calculated risk with confidence to achieve predetermined business objectives. According to oxford English dictionary in 1897 was defined as the director or manger of public musical institution who gets entertainment in the form of musical performance.

16th century: In 16th century it was applied to those who were engaged in military expeditions.

17th century: In 17th century it was extended to cover civil engineering activities such as construction and fortification. But it was Richard Cantillon, an Irishman living in France who first used the term entrepreneur to refer to economic activities. According to Cantillon "An entrepreneur is a person who buys factor services at certain prices with a view to selling its product at uncertain prices".

18th century: In the beginning of the 18th century the word was used for economic aspects. In the way the evolution of the concept of entrepreneur can be considered to be over more than four centuries.

Functions of Entrepreneur

Performs functions such as planning, organizing, managing, risk bearing and decision making.

1. **Planning of the project:** He is the organizer to conceive the idea of launching the project and to Program to structure of the business.
2. **Management:** The entrepreneur is also responsible for the management of business. He tries to have a least cost combination of factors of production.
3. **To Face Risks:** He faces uncertainly and bears risks in his business uncertainly comprising those risks against which it is not possible to insure. He also faces the risk of other producers may enter the market
4. **Distribution of Rewards:** He is responsible of distributing the rewards to all factors of production. He pays the reward in the shape of rent, wage, and interest and bears the risk of profit or loss himself
5. **Sale of Products:** An entrepreneur is also responsible of marketing, advertising. He wants to maximize his profits by selling his product in the market.
6. **Scale of Production:** He decided the scale of business in according with the provision of capital. Then, he takes the decision of what where and how to produce goods.
7. **Joint stock Organization:** In a partnership, the entrepreneurial functions are divided between the partners. But in public limited company, the board of directors takes this responsibility with nationalized enterprise; the entrepreneurial decisions are left to the government or a body to which government has delegated Its Powers.

Characteristics of Entrepreneur

Entrepreneur is a person of telescopic faculty drive and talent who perceives business opportunities and promptly seizes them for exploitation. Entrepreneur needs to possess competencies to perform entrepreneur activities. Table bellow gives core competencies.

	Core competencies	Entrepreneurial activities
1.	Initiative	Does things before asked for or forced to by events and acts to extend the business to new areas, products or services.
2.	Perceiving opportunities	Identifies business opportunities and mobilizes necessary resources to make good an opportunity.
3.	Persistence	Takes repeated or different actions to overcome obstacles.
4.	Information gathering	Consults experts for business and technical advice. Seeks information of client or supplier's needs. Personally undertakes market research and make use of personal contacts or information networks to obtain useful information.

5.	Concern for quality work	States desire to produce or sell a better quality product or service. Compares his performance favorably with that of others.
6.	Commitment to contractual obligations	Makes a personal sacrifice or expands extraordinary effort to complete a job, accepts full responsibility in completing a job contract on schedule, pitches in with workers or work in their place to get the job done and shows utmost concern to satisfy the customer.
7.	Efficiency orientation	Finds ways and means to do things faster, better and economically.
8.	Planning	Various inter-related jobs are synchronized according to plan.
9.	Problem solving	Conceives new ideas and finds innovative solutions.
10.	Self-confidence	Makes decisions on his own and sticks to it in spite of initial setbacks.
11.	Experience	Possesses technical expertise in areas of business, finance, marketing, etc.
12.	Self-critical	Aware of personal limitations but tries to improve upon by learning from his past mistakes or experiences of others and is never complacent with success.
13.	Persuasion	Persuades customers and financiers to patronize his business.
14.	Use of influence strategies.	Develops business contacts, retains influential people as agents and restricts dissemination of information in his possession.
15.	Assertiveness	Instructs, reprimands or disciplines for failing to perform.
16.	Monitoring	Develops a reporting system to ensure that work is completed and quality norms.
17.	Credibility	Demonstrates honesty in dealing with employees, suppliers and customers even if it means a loss of business.
18.	Concern for employee welfare	Expresses concern for employees by responding promptly to their grievances.
19.	Impersonal relationship	Places long-term goodwill over short-term gain in a business relationship.
20.	Expansion of capital base	Reinvests a greater portion of profits to expand capital of the firm.
21.	Building product image	Concerned about the image of his products among consumers and does everything possible to establish a niche for his products in the market.

Types of Entrepreneur

There are Different Types of Entrepreneurs & so also the Important Classifications of Entrepreneurs. Some of the Important Classifications of Entrepreneurs & Different Types of Entrepreneur in each Classification are enumerated below:

1. Classification of Entrepreneurs based on Functional Characteristics :

- a. Innovative Entrepreneurs : Such an Entrepreneur introduces New Goods / Products / Services or New Methods of Production or discovers New Markets or Reorganizes his Enterprise. Entrepreneurs in this Group are characterized by an aggressive collection of information for trying out Novel Combination of Factors. Such Entrepreneurs do well when a certain level of development is already achieved; *they look forward to improve upon the Past.*
- b. Imitative or Adoptive Entrepreneurs :Such Entrepreneurs do not Innovate themselves, but Imitate or Copy Techniques & Technology innovated by other Innovative Entrepreneurs. They are characterized by their readiness to adopt

Successful Innovations by other Entrepreneurs. They are particularly suitable for under Developed Regions as Adoption saves Costs of Trial & Error.

- c. Fabian Entrepreneur: They display great caution & skepticism in experimenting with any change in their Enterprise. They adopt changes only when there is an imminent threat to the very Survival of their Enterprise.
- d. Drone Entrepreneur: These Entrepreneurs are characterized by a *Die - Hard Conservative Attitude*. They do not easily seize opportunities to make changes in their production techniques or the Technology employed, even at the Cost of Low Returns on their Investments compared to other similar enterprises. Such entrepreneurs may even incur Huge Losses but they will not be ready to make Changes in their existing production techniques.

2. Classification of Entrepreneurs on the Development Angle :

- a. Prime Mover: This Entrepreneur sets into Motion a Powerful Sequence of Development, Expansion & Diversification of Business.
- b. Manager: Such an Entrepreneur does not initiate Expansion & is content just staying in Business.
- c. Minor Innovator: He contributes to Economic Progress by finding better use for Existing Resources.
- d. Satellite: The Entrepreneur assumes a Supplier's Role & slowly moves towards a Productive Enterprise.
- e. Local Trading: Such an Entrepreneur limits his enterprise to the Local Market.

3. Classification of Entrepreneurs based on Types of Business :

- a. Manufacturing: Entrepreneur is involved in Production of Value Added Goods by using Various Inputs - Raw Materials, Consumables, Labor, Power & Other utilities. Goods can be a Variety of Products like Castings, Forgings, Soaps, Detergents, Various chemicals, Textiles, Plastic Components, Footwear, School Bags, Electronic & Electrical Items, Computer Related Products etc.
- b. Wholesaling : An Entrepreneur with such a Business sells Products to the Middle Men or Retailers
- c. Retailing: An Entrepreneur with such a Business sells Products directly to the Consumer's or End Users.
- d. Service: An Entrepreneur in this Business sells Services & not the Products.

4. Classification of Entrepreneurs as per the Behavioral Scientists :

- a. Solo Operators: Such Entrepreneurs usually Work alone & if needed at all, employ a few employees to assist. Most of the Entrepreneurs begin their Entrepreneurial Career in this fashion.
- b. Active Partners: These Entrepreneurs start their enterprise in Partnership. All the Partners actively participate in the Operation of the Enterprise. Entrepreneurs who only contribute funds to the enterprise but do not actively involve in Business Activity are called simply "Partners".
- c. Inventors: Such Entrepreneurs with their Competence & Inventive Nature Invent New Products. Their Basic Interest lies in Research & Innovative Activities.

- d. Challengers: Such Entrepreneurs plunge into Business because of the Challenges it presents. When One Challenge is satisfied, they will be on the lookout for New Challenges.
 - e. Buyers: Such Entrepreneurs do not wish to bear much Risk. Hence, in order to reduce Risk involved in establishing a New Enterprise, they wish to buy an Ongoing One.
 - f. Life Timers: Such Entrepreneurs take Business as an Integral Part of their Life. Usually, the Family Enterprise & Businesses which call for Personal Skills fall in this Category of Entrepreneurs.
5. **Classification of Entrepreneurs as per technology:**
- a. Technical: Concentrates more on production than through sales and marketing through the demonstration of his innovative abilities in matter of production of goods and rendering of services and skills in production techniques.
 - b. Non-technical: Not concerned with technical aspects of the product and are concerned only with the alternative distribution and marketing strategies to promote their business.
 - c. Professional entrepreneur:
6. **Classification of Entrepreneurs as per Growth**
- a. Growth: Are those entrepreneurs who take a high growth industry which has substantial growth prospectus.
 - b. Super growth entrepreneurs: Are those who have shown enormous growth of performance in their venture and Identified by liquidity of funds, profitability and gearing.
7. **Classification of Entrepreneurs as per stages of development**
- a. First generation: One who starts an industrial unit by his innovative skill who essentially an innovator who combines different technologies to produce a marketable product or service.
 - b. Modern: Undertaking those ventures which suit to the changing and current demands in the market.
 - c. Classical: Is one who is concerned with the customers an marketing needs through the development of a self-supporting venture and is a stereotype entrepreneur whose aim is to maximize the his returns at a consistent level with the survival of the firm.
8. **Classification of Entrepreneurs According to the area**
- a. urban
 - b. rural
9. **Classification of Entrepreneurs According to the gender**
- a. men
 - b. women
10. **Classification of Entrepreneurs According to the sale of operation**
- a. small
 - b. medium
 - c. large

Women Entrepreneur

Factors influencing women entrepreneur

- Economic independence
- Establishing their own creativity
- Establishing their own identity
- Achievement of excellence
- Building confidence
- Developing risk taking ability
- Motivation
- Equal status in society
- Greater freedom and mobility

Functions of women entrepreneur

- Exploration of the prospects of starting a new business
- Pool up the resources
- Establish the industrial enterprise
- Manage the business
- Development of strategies.
- To assume risk & uncertainty
- To develop business & business decision
- Motivation
- Supervision & leadership

Challenges in the path of women entrepreneurs

- Lack confidence
- Problem of finance & working capital
- Socio- cultural barriers
- Production problem
- Inefficient Marketing Arrangements
- Male dominations

Steps to be taken to develop women entrepreneurship

1. Provide basic education & establish special institutions to train women entrepreneurs.
2. Conduct especial workshops to women for better awareness.
3. Liberal financial support to motivate women entrepreneurs
4. Favourable credit policies to women
5. Provide better marketing help to women entrepreneurs
6. Provide need- based training for development of skills & entrepreneurship.
7. Establish self-help groups, Voluntary agencies & social welfare organization for women entrepreneurs
8. Provide concessions to women entrepreneurs.
9. Provide a common platform to all the concerned agencies & R & D organization to achieve an interacted approach for promoting women entrepreneurs.

Intrapreneurs

Is an emerging class found in large industrial organizations who emerge from within the confines of the large industrial organizations. Top executives are encouraged to catch hold of new ideas and convert them into products through research and development activities within the framework of the organization. Dependent, does not bear risk in business, does not raise funds, operates from inside. It is found in developed countries that such Intrapreneurs in large number are leaving the organization and started their own enterprises. Many of such Intrapreneurs have become exceedingly successful in their ventures. Very popular in developed countries like America. Many Intrapreneurs are found leaving their jobs in big organizations and starting their own enterprises and have become exceedingly successful in their ventures. Are causing threat to the organizations they leave who inaugurate new products.

The difference between entrepreneurs and Intrapreneurs is given in table

Entrepreneurs	Intrapreneurs
He is independent in his operation.	He is dependent on the entrepreneurs i.e. owner.
He himself raises funds required for the organization.	He does not raise funds for the organization.
Entrepreneurs bears the risk involved in the business.	He does not fully bear the risk involved in the organization.
An entrepreneur operates from outside.	An intrapreneur operates from inside.
Entrepreneurs converts the ideas into viable opportunities.	Intrapreneurs takes the responsibility of creating innovation.
Entrepreneurs takes the profit of the business.	He is provided with a variety of perquisite for his innovation.

Distinction between Entrepreneur and Manager

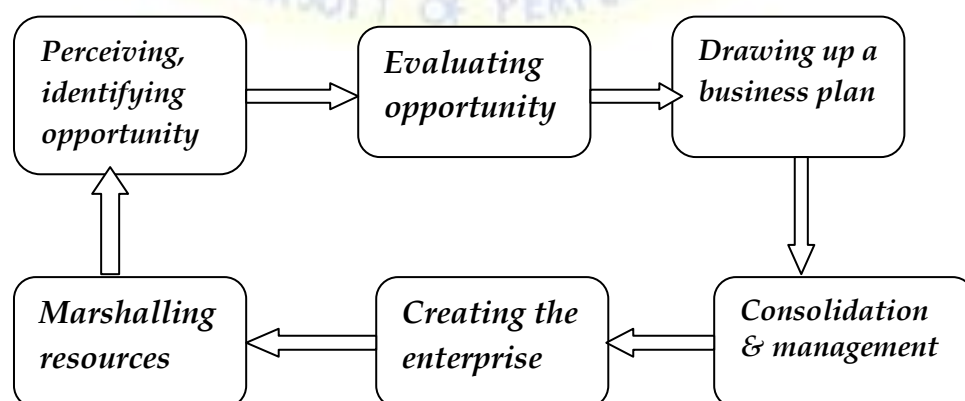
Often the two terms namely entrepreneur and manager are considered as synonym. However the two give different meaning. The major points of distinction between the two are presented in table

Entrepreneur	Manager
The main motive of an entrepreneur is to start a venture for his personal gratification.	Main motive of a manager is to render services in an enterprise already set by someone else.
Owner	Servant
Assumes risk and uncertainty	Manager does not bear any risk involved in enterprise.
Profits, which are highly uncertain and not fixed.	Salary which is certain and fixed.
Entrepreneur himself thinks over what and how to produce goods to meet the changing needs of the customers. Hence he acts as innovator / change agent.	A manager simply executes plans prepared by the entrepreneur.
An entrepreneur needs to possess qualities and qualifications like high achievement motive, originality in thinking, foresight, risk-bearing ability etc.	A manager needs to possess distinct qualifications in terms of sound knowledge in management theory and practice.

Stages in the development of the entrepreneurial process

Entrepreneurship is a process of comprising several distinct stages.

1. **Perceiving ,identifying opportunity:** Consumers & business association, members of distribution system, independent technical organizations consult entry etc. government organizations & R&D centers also provide new ideas
2. **Evaluating opportunity:** It involves length of opportunity, its real perceived value its risks & resources, with personal skills goals of entrepreneur & its uniqueness or differential advantages in its competitive environment. Description of product, Agreement of opportunity, Assessment of the entrepreneur, Resources needed, Amount & sources of capital, Profit expected.
3. **Drawing up a business plan:** a business plan is nothing but a description of the future direction of the business. A good business plan is very essential to develop the opportunity and to determine the resources received. It formulates all plans i.e Description of business & industry, Technology plan, Financial plan, Organization plan, Production & operation plan, Marketing & distribution plan, Summary
4. **Marshalling resources:** an Entrepreneur should have good idea of the various resources required with respect to quality, quantity, prices and sources. the entrepreneur identifies the sources from where the finance and the human resource can be arranged. Here, the entrepreneur finds the investors for its new venture and the personnel to carry out the business activities.
5. **Creating the enterprise:** an entrepreneur decides on the future prospects of the business, i.e. its growth and development. Here, the actual growth is compared against the planned growth and then the decision regarding the stability or the expansion of business operations is undertaken accordingly, by an entrepreneur.
6. **Consolidation and management:** The operational problems of the growing enterprise must be examined. Once the funds are raised and the employees are hired, the next step is to initiate the business operations to achieve the set goals. First of all, an entrepreneur must decide the management structure or the hierarchy that is required to solve the operational problems when they arise.



Role of entrepreneurship economic development

Economic development essentially means a process of upward change whereby the real per capita income of a country increases for a long period of time. The crucial role played by the entrepreneurs in the western countries has made the people of underdeveloped countries conscious of the significance of entrepreneurship in economic development.

The Importance of Entrepreneurial Resource as a Crucial Input in the Process of Economic development has now been widely recognized by eminent scholars, economists & policy makers.

With Growing Emphasis on the Role of Small Scale & Medium Scale Enterprises in view of their contributions to employment generation, regional development & overall economic growth, a wide range of schemes & programs aimed at accelerating the tempo of new activities in the decentralized sector has been devised in many developing countries.

India is a Developing Economy aiming at Decentralized Industrial Structure to overcome Regional Imbalances in levels of Economic Development. Small Scale Entrepreneurs in such Industrial Structure play a very vital role to achieve Balanced Regional Development. It is a well established fact that Small Scale Enterprises provide immediate Large Scale Employment ensuring a more equitable distribution of National Income, Generate Large Scale Indirect Employment opportunities in support organizations around the Industrial Clusters / Estates, Improve Living Standards of People & also most important, facilitate an effective resource mobilization of capital & skills which might otherwise remain idle.

The important role that an entrepreneur plays in the economic development of a country can be summarized as follows

1. Entrepreneurship promotes capital formation by mobilizing the idle saving of the public.
2. Entrepreneurship provides immediate large scale employment thereby reducing the unemployment problem in the country.
3. Entrepreneurship promotes balanced regional development.
4. Entrepreneurship helps reduce the concentration of the economic power.
5. Entrepreneurship stimulates equitable redistribution of wealth, income and even political power in the interests of the country.
6. Entrepreneurship encourages effective resource mobilization of capital and skill which otherwise would remain unutilized and idle.
7. Entrepreneurship also induces backward and forward linkages which stimulate the process of economic development in the country.
8. Entrepreneurship promotes export trade which is an important ingredient for economic development

Role of entrepreneurship economic development

Economic development essentially means a process of upward change whereby the real per capita income of a country increases for a long period of time. The crucial role played by the entrepreneurs in the western countries has made the people of underdeveloped countries conscious of the significance of entrepreneurship in economic development.

The Importance of Entrepreneurial Resource as a Crucial Input in the Process of Economic development has now been widely recognized by eminent scholars, economists & policy makers.

With Growing Emphasis on the Role of Small Scale & Medium Scale Enterprises in view of their contributions to employment generation, regional development & overall economic growth, a wide range of schemes & programs aimed at accelerating the tempo of new activities in the decentralized sector has been devised in many developing countries.

India is a Developing Economy aiming at Decentralized Industrial Structure to overcome Regional Imbalances in levels of Economic Development. Small Scale Entrepreneurs in such Industrial Structure play a very vital role to achieve Balanced Regional Development. It is a well established fact that Small Scale Enterprises provide immediate Large Scale Employment ensuring a more equitable distribution of National Income, Generate Large Scale Indirect Employment opportunities in support organizations around the Industrial Clusters / Estates, Improve Living Standards of People & also most important, facilitate an effective resource mobilization of capital & skills which might otherwise remain idle.

The important role that an entrepreneur plays in the economic development of a country can be summarized as follows

1. Entrepreneurship promotes capital formation by mobilizing the idle saving of the public.
2. Entrepreneurship provides immediate large scale employment thereby reducing the unemployment problem in the country.
3. Entrepreneurship promotes balanced regional development.
4. Entrepreneurship helps reduce the concentration of the economic power.
5. Entrepreneurship stimulates equitable redistribution of wealth, income and even political power in the interests of the country.
6. Entrepreneurship encourages effective resource mobilization of capital and skill which otherwise would remain unutilized and idle.
7. Entrepreneurship also induces backward and forward linkages which stimulate the process of economic development in the country.
8. Entrepreneurship promotes export trade which is an important ingredient for economic development

Entrepreneurship development programme (EDP)

This is designed to help a person in strengthening & fulfilling his Entrepreneurial Motive & in acquiring required skills & capabilities to become a successful Entrepreneur. Towards this end, it is necessary to promote his understanding of

Motives & Motivational Pattern, their Impact on Behavior & Entrepreneurial Value. A Program which seeks to do that can be called an Entrepreneurial Development Programme (EDP).

EDP is primarily meant for developing those First Generation Entrepreneurs who on their Own cannot become Successful Entrepreneurs, it covers 3 Major Variables: i) Location ii) Target Group iii) Enterprise (Entrepreneurial Activities).

In fact, any one of the above three variables can be used as a Starting Point for initiating & implementing an EDP. The remaining Two then will follow by making the proper synthesis with the first.

Example 1: If the Object is to develop Backward North Karnataka Regions, then the Potential Target Group & feasible Entrepreneurial Ventures must follow.

Example 2: If the Objective is to Promote IT based Enterprises, suitable Target Group & Location must match.

EDP by itself mainly aims at achieving Specific Objectives of the Programmes & therefore cannot create any Magical Result. It is a Continuous Process of Training & Motivating & then to set up Profitable Enterprises in Large Numbers.

Need for EDPS:

- Builds confidence in people
- Gives guidelines to the young
- Gives technical assistance, management, training consultancy.
- Channelizes them to accelerate industrialization
- It is helpful in growth of small scale section.

Entrepreneurship in India

Entrepreneurship is regarded as closely associated with the Economic History of India. This is traced way back to even as early as Rig Veda, when Metal Handicrafts manufacturing cottage & small enterprises existed in the Country.

It has passed through several Ups & Downs. The important ones include the Decline of Indian Handicrafts Industry towards the end of the 18th Century, entry of the East India Company of the British's in India's Business Activities. The Swadeshi Campaign for Indian Manufactured Goods, the First World War, Emergence of the Indian Managing Agency Systems by promoting Joint Stock Companies, the Second World War, Partition of Undivided India & undertaking planned development of Entrepreneurship in the Country by Govt of India after Independence in 1947.

For the purpose of encouraging Entrepreneurship, the Govt of India brought out the First Industrial Policy Resolutions in 1948 which was subsequently revised from Time to Time. The Govt of India in order to promote, assist & develop industries in the National Interest has taken the following Three Important Resolutions in the Industrial Resolutions

- i. To maintain a proper distribution of economic power between Private & Public Sector.
- ii. To encourage Rapid Industrialization by moving the concept of Entrepreneurship from existing centers to other cities, towns & rural areas.
- iii. To disseminate the Entrepreneurship acumen concentrated in a few dominant communities to a large number of Industrially Potential People of varied Social Background.

To achieve these Objectives the Govt accorded emphasis on the Development of Small Scale Industries in the Country. Since the 3rd Five Year Plan, the Govt announced various Incentives & Concessions in the form of Capital, Technical Know How, Reservation of Certain Items for Exclusive Manufacture in Small Scale Sector Tax

Concessions, Provision of Infrastructural Facilities like Developed Land, Sheds, Roads, Communication etc for Promotion of Enterprises in the Country etc.

This has helped in Speedy Economic Development in all the States in the Country & to a great extent has minimized regional imbalances.

National Common Minimum Programme (NCMP) describes *Small Scale Enterprises as the Most Employment Intensive Segment*. At the beginning of the 10th Plan, (2002 – 2003), the Segment provided gainful employment to 24.9 Million People in the Rural & Urban Areas of the Country thro 10.5 Million Units, engaged in Manufacturing & providing a Wide Range of Goods & Services. If the Units in Khadi Village Industries are also taken into account, the Employment would rise to 332 Million. *Thus this is rightly called as the segment which provides employment next only to Agriculture. The Contribution of Small Enterprises Segment to the Economic Development of the Country is very significant.* Nearly 39% of the Gross Manufacturing Output & 34% of the Exports of India arise from these Enterprises.

Yet a large number of Entrepreneurs are facing lots of Challenges. In order to assist them to fully harness their potential by availing of the *increasing opportunities generated by Trade Liberalization*, it is necessary to not only build an enabling Policy Environment but also supplement the former with a specific set of measures to address the continuing challenges.

Therefore Ministry of Micro, Small & Medium Enterprises, Govt of India has announced a package for Promoting such enterprises in Feb 07 to provide full support in the Areas of Credit, Technological Up gradation, Marketing & Infrastructural Up gradation in Major Industrial Infrastructure etc.

Barriers to Entrepreneurship

A large number of entrepreneurs particularly in the small enterprises fail due to several problems and barriers. The greatest barrier to entrepreneurship is the failure of success. Karl. H. Vesper has identified the following entrepreneurship barriers:

1. Lack of a viable concept
2. Lack of market knowledge
3. Lack of technical skills
4. Lack of seed capital
5. Lack of business know how
6. Complacency – lack of motivation
7. Social stigma
8. Time presence and distractions
9. Legal constraints and regulations
10. Monopoly and protectionism
11. Inhibitions due to patents
12. Enfold regulations
13. Obsolescence of technology or idea
14. Unstable & unpredictable markers
15. Globalization & entry of foreign goods
16. Risk all scale units generally use local resources although the market for its products can be far

Identification of Opportunity

The reason for anyone to think of establishing an SSI unit can be summarized in single word – opportunity. The opportunity to be your own boss, to implement your own ideas, to earn for himself or herself is reason to think of starting an SSI unit. Starting an SSI needs a lot of courage. To be successful, to stay in the business an entrepreneur

needs combination of hard work, skill and perseverance. Entrepreneur who starts their own business can be grouped into two broad categories. The first category consists of people who know exactly what they want to do and are merely looking for the opportunity or resources to do it. These people may have already developed many of the skills necessary to succeed in their chosen field and are also likely to be familiar with industry customs and practices, which can help during the start-up phase of a new business.

The second group consists of people who want to start their own business, but do not have definite ideas about what they would like to do. They may have developed skills during their education or in the course of their previous employment, but many have not been interested in opening a business in the same field of endeavor. Project identification is concerned with the collection, compilation and analysis of data for the eventual purpose of locating possible opportunities for investment and with the development of the characteristics of such opportunities. Opportunities, according to Drucker, are of three kinds: additive, complementary and break-through. Additive opportunities are those opportunities which enable the decision maker to better utilize the existing resources without in any way involving a change in the character of business. Complementary opportunities involve the introduction of new ideas and as such do lead to certain amount of change in the existing structure. Breakthrough opportunities on the other hand, involve fundamental changes in both the structure and character of business. Additive opportunities involve the least amount of disturbance to the existing state of affairs and hence the least amount of risk. The element of risk is more in other two opportunities. Project identification cannot be complete without identifying the characteristics of the project. Every project has three elements—inputs, outputs and social costs and benefits. The input characteristics define what the project will consume in terms of raw material, energy, manpower, finance and organizational setup. The nature and magnitude of these inputs must be determined in order to make the input characteristics explicit. The output characteristics of a project define what the project will generate in the form of goods and services, employment revenue etc. The quantity and quality of all these outputs should be clearly specified. In addition every project will have impact on society. It inevitably affects the current equilibriums of demand and supply in the economy. It is necessary to evaluate carefully the sacrifice which the society will be required to make and the benefits will not accrue to the society from a given project.

Feasibility Study

Project feasibility analysis is carried out to ensure viability of project. The important project feasibility study is

1. Market feasibility
2. Technical feasibility
3. Financial feasibility
4. Economic feasibility
5. Ecological feasibility

Market feasibility

Market feasibility is concerned with two aspects the aggregate demand for the proposed product/service, the market share of the project under consideration. For this market analysis requires variety of information and appropriate forecasting methods. The kind of information required is

- Consumption trends in the past and the present consumption level

- Past and present supply position
- Production possibilities and constraints
- Imports and exports
- Structure of competition
- Cost structure
- Elasticity of demand
- Consumer behavior, intentions, motivations, attitudes, preferences and requirements
- Distribution channels
- Administrative, technical and legal constraints

Technical feasibility

Technical analysis seeks to determine whether prerequisites for successful commissioning of the project have been considered and reasonably good choices have been made with respect to location, size, and so on. The important questions raised in technical analysis are:

- Has the availability of raw material, power, and other inputs been established?
- Is the selected scale of operation optimal?
- Is the production process chosen suitable?
- Are the equipment and machines chosen appropriate?
- Have the auxiliary equipment and supplementary engineering works been provided for?
- Has provision been made for treatment of effluents?
- Is the proposed layout of the site, buildings and plant sound?
- Have work schedules been drawn up realistically?
- Is the technology proposed to be employed appropriate from the social point of view?

Financial feasibility

Financial analysis is necessary to ascertain whether the proposed project is financially viable in the sense of being able to meet the burden of servicing debt and whether the proposed project will satisfy the return expectations of those who provide the capital. The aspects to be looked into while conducting financial appraisal are as follows.

- Investment outlay and cost of project
- Means of financing.
- Project profitability
- Break-even point
- Cash flows of the project
- Investment worthiness judged in terms of various criteria of merit
- Project financial position
- Level of risk

Economic/Social Cost-benefit feasibility

This is concerned with judging a project from the larger social point of view, where the focus is on social costs and benefits of a project, which may often be different from its monetary costs and benefits. The questions to be answered in social cost-benefit analysis are as follows.

- What are the direct economic benefits and costs of the project measured in terms of shadow (efficiency) prices and not in terms of market prices?
- What would be the impact of the project on the distribution of income in the society?
- What would be the impact of the project on the level of savings and investment in the society?

- What would be the contribution of the project towards the fulfillment of certain like self-sufficiency, employment and social order?

