

4th SEM B.COM CO-OPERATION

CALICUT UNIVERSITY

ENTREPRENEURSHIP DEVELOPMENT

2019 ADMISSION

Prepared by

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Syllabus

BCM4A13 ENTREPRENEURSHIP DEVELOPMENT

Lecture Hours per week: 5,

Credits: 4 Internal: 20,

External: 80, Examination 2.5 Hours

Objectives:

- To familiarize the students with the concept of entrepreneurship.
- To identify and develop the entrepreneurial talents of the students.
- To generate innovative business ideas in the emerging industrial scenario.

Module I Concepts of entrepreneur: Entrepreneur- Definitions - Characteristics of entrepreneur Classification of entrepreneur-Entrepreneurial traits -Entrepreneurial functions - role of entrepreneurs in the economic development - Factor effecting entrepreneurial growth – Entrepreneurship – Meaning – definition - Entrepreneur vs Intrapreneur - Women Entrepreneurs - Recent development – Problems - Entrepreneurial Development Programmes - Objectives of EDP - Methods of training - Phases of EDP. (15Hours, 15 marks)

Module II Institutional support and incentives to entrepreneurs- Functions of Department of Industries and Commerce (DIC) - Activities of Small Industrial Development Corporation (SIDCO)- Functions of National Small Industries Corporation(NSIC)- Functions of Small Industries Development Bank of India (SIDBI) - Khadi Village Industry Commission (KVIC)-Small Industries Service Institute (SISI)- Functions and services of Kerala Industrial Technical Consultancy Organisation (KITCO)-Activities of Science and Technology Entrepreneurship Development Project (STEDP)-Strategies of National entrepreneurship Development Board (NEDB) -Objectives of National Institute for entrepreneurship and small business development (NIESBUD) - Techno park-Functions of techno park Incentives- Importance Classification of incentives – Subsidy - Types of Subsidy (17 Hours, 15 marks)

Module III Micro Small and Medium Enterprises- Features- Objectives- Importance- Role of SME in the economic development- MSME Act 2006- Salient features- Credit Guarantee Fund Trust Scheme for MSMEs - Industrial estates-Classification-Benefits- Green channel- Bridge capital- Seed capital assistance-Margin money schemes –Single Window System- Sickness Causes –Remedies- Registration of SSI (15 Hours, 15 marks)

Module IV Setting up of Industrial unit-(Only Basic study) Environment for Entrepreneurship – Criteria for selecting particular project- Generating project ideas-Market and demand analysis Feasibility study- Scope of technical feasibility- Financial feasibility- Social cost benefit analysis-Government regulations for project clearance-Import of capital goods- approval of foreign collaboration-Pollution control clearances- Setting up of micro small and medium enterprises-Location decision- Significance. (18 Hours, 20 marks)

Module V Project Report - Meaning-Definition - Purpose of project reports-Requirements of good report - Methods of reporting - General principles of a good reporting system -

Performa of a project report - Sample project report. (The preparation of sample project report shall be treated as an assignment of this course). (15 Hours, 15 marks)

Books Recommended:

1. Shukla M.B. Entrepreneurship and small Business Management, Kitab Mahal Allahabad.
2. Sangram Keshari Mohanty, Fundamentals of entrepreneurship, PHI, New Delhi.
3. Nandan H. Fundamentals of Entrepreneurship, PHI, New Delhi.
4. Small-Scale Industries and Entrepreneurship, Himalaya Publishing, Delhi
5. C.N.Sontakki, Project Management, Kalyani Publishers, Ludhiana.
6. Sangam Keshari Mohanty. Fundamentals of Entrepreneurship, PHI, New Delhi
7. Peter F. Drucker- Innovation and Entrepreneurship.
8. Vasanth Desai, Small Business Entrepreneurship, Himalaya Publications.
9. . MSME Act 2006.

Module 1

CONCEPT OF ENTREPRENEUR & ENTREPRENEURSHIP

Meaning

- entrepreneur is the person who takes the risk of new enterprise
- he is a person who combines capital and labour for the purpose of production, he organises and manages a business unit assuming the risk for profit

Definition

- according to Joseph A Schumpeter an entrepreneur is “one who innovates, raises money, assembles inputs and set the organisation going with his ability to identify them and opportunities, which others are not able to fulfil such economic opportunities”
- in the words of J.B. Say “an entrepreneur is one who brings together the factors of production and combines them into a product”

➤ Characteristics of entrepreneur

- brings about changes
- improves the technology, products and society
- action oriented
- creative and result oriented
- accept responsibilities
- thinker and doer, planner and worker
- find resources required to exploit

➤ classification of entrepreneurs

a) on the basis of type of business

- business entrepreneur
- trading entrepreneur
- industrial entrepreneur
- corporate entrepreneur
- agricultural entrepreneur

b) on the basis of motivation

- pure entrepreneur
- induced entrepreneur
- motivated entrepreneur
- spontaneous entrepreneur

c) on the basis of stages of development

- first generation entrepreneur
- modern entrepreneur
- classical entrepreneur

d) classification by Clarence Danhof

- Innovative entrepreneur
- Adoptive or imitative entrepreneur
- Fabian entrepreneurs
- Drone entrepreneurs

e) commercial entrepreneurs

f) social entrepreneurs

➤ traits/ qualities of entrepreneur

- Passion for business

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- Creativity
 - Willingness to make sacrifices and assume risk
 - Hard work
 - Desire for high achievement
 - Optimism
 - Foresight
 - Self confidence
 - Innovative ability
 - Communication skill
 - Team spirit
 - Technical knowledge and willingness to change
 - Leadership
 - Determination, courage and perseverance
 - Functions entrepreneurs
 - Planning the project
 - Organising
 - Risk taking and uncertainty bearing
 - Management
 - Decision making
 - Search for market
 - Distribution of income
 - Innovation
 - Liaison with the govt
 - Project implementation
 - Other functions
 - Role of entrepreneur in economic development
 - Creating jobs
 - Promoting capital formation
 - Increasing the per capital income and gdp
 - Improving the physical quality of life
 - Improving the standard of living
 - Helping in the growth of infrastructural facilities
 - Improving economic independence
 - Backward and forward linkages
 - Effective utilisation of resources
 - Export of handicraft items
 - Balanced regional development
 - Factors affecting entrepreneurial growth
 - a) Psychological factors
 - Need for achievement
 - Personal motives or expectations

- Recognition
- Need of authority
- b) Cultural factors
 - Culture
 - Religious belief
 - Minority groups
 - Spirit of capitalism
- c) Social factors
 - Legitimacy of entrepreneurship
 - Social marginality
 - Family, role models and association with similar type of individuals
 - Caste system
 - Occupation
 - Education and technical qualification
 - Social status
 - Social responsibility
- d) Economic factors
 - Infrastructural facilities
 - Availability of capital
 - Availability of material and know-how
 - Labour conditions
 - Market
 - Support system
 - Government policy
- e) Personality factors
 - Personality
 - Independence
 - Compulsion

Entrepreneurship

- It is the process of changing ideas into commercial opportunities and creating value
- It is the process of identifying opportunities in the market place, arranging the resources required to pursue these opportunities and investing the resources to exploit the opportunities for long term basis
- entrepreneurship = entrepreneur + enterprise



(Process)

(Person)

(Object)

Difference between entrepreneur and manager

entrepreneur	manager
Starts a venture by setting up a new enterprise for his personal gratification	The main is to render his service in an enterprise already set up by some one
Is the owner of enterprise	Is the employee of the entrepreneur

Bears all risks and uncertainty involved in the enterprise	Neither shares risk nor bears uncertainty
Receives profit which is uncertain and irregular and may be negative	Receives salary for service rendered which is fixed and regular and can never be negative
Introduces innovations and new ideas	Execute the plans of the entrepreneur and thus translating the ideas into practice
Responsibility is high	Responsibility is low
Self-motivated	Motivated by power

Intrapreneurs

- These entrepreneurs become successful in their own ventures
- A new class of entrepreneurs who resigned from their well-paid executive jobs and started small business of their own for operating from within the organisation and also for enjoying complete freedom to apply their ideas of innovations
- They believe strongly in their own talents. They have desire to create something of their own
- They want responsibility and have a strong drive for individual expression and more freedom in their present organisational structure
- When this freedom is not forthcoming, they become less productive or even leave the organisation to achieve self-actualisation elsewhere. Then they will search for an institution that will provide freedom and satisfaction

Difference between entrepreneur and Intrapreneur

Entrepreneur	Intrapreneur
Independent	Semi independent
Works for profit	Works for salary
Bears all risks of his business	Does not bear all risks of the business
Real owner of the business	Not the real owner of the business
Operates from outside an organisation	Operates from within the organisation
Converts the ideas of intreprenuer into reality	Creates new ideas in the form of new products, processes and services
Raises the required capital	Does not raise any amount of capital

Women entrepreneurs

- As a women or group of women who initiate, organize and run a business enterprise
 - An enterprise owned and controlled by women having a minimum financial interest of 51% of the capital and giving at least 51% of the employment generated in the enterprise to women
- Reasons for slow growth of women entrepreneurship in kerala
- Unfavourable family background
 - Lack of business education
 - Dual role of women
 - Lack of aptitudes and training

- Absence of individualistic spirit
- Lack of freedom to choose a job according to ability
- Absence of ideal market condition
- Corruption in administration
- Lack of security
- Shortage of power
- Challenges of women entrepreneurs
 - Shortage of finance
 - Shortage of raw material
 - Inadequate marketing facilities
 - Keen competition
 - High cost of production
 - Family responsibilities
 - Low mobility
 - Lack of education
 - Low capacity to bear risks
 - Social attitudes
 - Low need for achievement
 - Lack of training
 - Lack of information
- Measures taken for the development of women entrepreneurship in India
 - Federation of indian women entrepreneurs (FIWE)
 - Federation of ladies organisation (FLO)
 - Consortium of women entrepreneurs of India (CWEL)
 - Development of women and children in rural areas (DWCRA)
 - Banks
 - NABARD
 - National alliance of young entrepreneurs (NAYE)
 - national policy for the empowerment of women, 2001
- Assistance to women entrepreneurs
 - Small industrial development organisation (SIDBI)
 - National small industries corporation (NSIC)
 - Industrial development bank of India (IDBI)
 - Small industries development bank of India (SIDBI)
 - Commercial banks

Entrepreneurial development programmes (EDPs)

- Aim at the comprehensive development of trainees as entrepreneurs
- Inculcating entrepreneur traits into a person, imparting the required knowledge, developing the technical, financial, marketing and managerial attitude.

- Organised programme of identifying potential entrepreneurs and motivating them to start ventures of their own by inculcating entrepreneurial traits and imparting technical and managerial skills
- Need for EDP
 - Helps the unemployed people of opt for self- employment and entrepreneurial careers by offering various programmes
 - Helps faster industrialization
 - Helps in effective utilisation of scare resources by giving training and education to entrepreneurs
 - Helps in dispersal of economic activities in different regions by providing training
 - Helps in achieving higher rate of economic growth
 - Helps in creation of employment of opportunities
 - Improves standard of living of the people
- Objectives of EDP
 - Short term objectives
 - Long term objectives
- Phases of EDP
 1. Initial or pre-training period
 2. Training or development phase
 3. Post training or follow-up phase
- Course content and curriculum of EDP
 - Technical knowledge and skills
 - Achievement motivation training
 - Project management training
 - Support systems and procedures
 - Market survey
 - Managerial skill
 - Industrial visits/ in –plant training
 - Project preparation

Training to entrepreneurs

- Methods of training
 1. Lecture method
 2. Conference method
 3. Individual instruction method
 4. Group instruction method
 5. Role playing
 6. Meetings
 7. Other methods

Module 2

INSTITUTIONAL SUPPORT TO ENTREPRENEURS

Important institutions set up by central government and state government to support entrepreneurs and MSME's are:

1. Directorate of Industries and Commerce(Department of Industries and Commerce)

- Directorate of Industries and Commerce is dealing with the implementation of various industrial activities and is responsible for promoting / sponsoring, Registering, Financing and advising MSMEs (Micro Small or Medium Enterprise) in the state.
- The role of directorate is to act as a facilitator for industrial promotion and sustainability of MSMEs (Micro Small or Medium Enterprise) and traditional industrial sector in the state.

Functions:

- To co-ordinate all industrial activities of the state.
- Implements scheme as envisaged in industrial policy.
- Develops small scale industries
- Act as an interface between small scale industries and government
- Monitor the implementation of plan schemes
- Keeps database of SSI units
- Organizes technology clinics, EDPs
- Participate in fairs, exhibitions etc, for exhibiting the products of SSI units
- Issues essentiality certificates
- Identify entrepreneurs and motivate them.
- Provide project ideas/business management advices etc.
- Give appropriate technology sourcing/know how/evaluation/tie ups with national and international partners.
- Provide information on the availability of infrastructures/market/machinery details etc.

2. District Industries Centre

- The District Industries Centres are launched on 1st May 1978.
- DIC were established to cater MSMEs.

Functions:

- Identifies and develops new entrepreneurs.
- It offers technical advices to new entrepreneurs.
- Issues provisional SSI registration.
- Sponsor the loan applications to SIDCO and Nationalized banks.
- Sanctioning margin money payable to financial agencies for the purchase of plant and machinery.
- Take initiatives to get speedy power connections.
- It arranges for financial assistance to artisans and handicrafts.

- The scheme of self- employed for unemployed educated youth was introduced.

3. KERALA STATE SMALL INDUSTRIES DEVELOPMENT CORPORATION LIMITED (SIDCO)

- The SIDCO took shape in 1975 with the merger of two other corporations, namely, the Kerala State Small Industries Corporation (KSSIC) and the Kerala Employment Promotion Corporation (KEPCO).
- It was incorporated under the Company's Act on 6th November 1975.

RESPONSIBILITIES

- (a) It undertakes construction of industrial sheds and development of infrastructure.
- (b) It implements sick unit's rehabilitation programmes jointly with IRBI.
- (c) It provides technical consultancy services.
- (d) It allots sheds/industrial plots in industrial estates. (e) It assists in selecting and procuring machinery.
- (f) It supplies scarce and imported raw material for the benefit of SSI through sales depots in all districts.
- (g) The corporation provides marketing assistance to SSI units.
 - The above responsibilities of the corporation are handled by the following 12 divisions:
 - (1) Research and development Division. (2) Industrial Estate and Infrastructure Divisions. (3) Production Division. (4) Raw Material Division. (5) Machinery Division. (6) Finance Division. (7) Technical Consultancy Division. (8) Entrepreneur Development Division. (9) Imports and Exports Division. (10) Marketing Division. (11) Sick Unit Rehabilitation Division. (12) Information and Publicity Division.
 - It brings out a monthly journal- 'Vyavasaya Keralam'.

Functions:

- SIDCO Suppliers scarce raw material.
- It provides marketing assistance
- It assists in bill discounting
- It provides export marketing assistance
- Promote skill development centres
- Promotes women entrepreneurs.

4.National Small Industries Corporation(NSIC)

It was set up in 1995 to provide machinery to small scale units on hire purchase basis and to assist these units in obtaining orders from government departments and offices. Its head office is at Delhi. It has four regional offices at Delhi, Mumbai, Chennai and Calcutta. It has eleven branch offices also.

Functions:

- 1) To develop small scale units as ancillary units to large scale industries
- 2) To impart training to industrial workers.
- 3) To market the product of SSIs at home and abroad.
- 4) To help the small scale industries in procurement of scarce and imported raw material.
- 5) To obtain orders for SSI units from government department and offices.
- 6) To provide machinery to SSI units on hire purchase basis.
- 7) To construct Industrial Estate and establish and run proto-type production-cum-training centres.

5. SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)

- SIDBI was set up on April 2, 1990 as a wholly owned subsidiary of IDBI.
- It is operating through its Head Office at Lucknow and a network of 5 Regional Offices and 25 Branch Offices in all the states. It is an apex institution for promotion, financing and development of industries in small scale sector and co-ordination of functions of other institutions engaged in similar activities.

Functions:

- 1) Taking steps for technological upgradation and modernization of existing units.
 - 2) Providing services like factoring, leasing etc. to industrial concerns in the small scale sector.
 - 3) Extending financial support to National Small Industries Corporation for providing leasing hire- purchase and marketing support to SSI units.
 - 4) Expanding the channels for marketing the products of SSI sector in domestic and international markets.
 - 5) Promoting employment oriented industries especially in semi-urban areas to create more employment opportunities and thereby checking migration of people to urban areas.
 - 6) Refinancing of loans and advances extended by the primary lending institutions to industrial concerns in the small scale sector and also providing resource support to them.
- It also offers bills discounting and rediscounting facilities. It also has a few schemes of direct assistance.

6. KHADI AND VILLAGE INDUSTRIES COMMISSION(KVIC)

- KVIC makes finance available to the implementing agencies in the form of capital expenditure loans. It also extends assistance for setting up of retail sales outlets and also for strengthening of the capital base of the registered institutions and cooperatives.
- It also assists individual artisans besides formulating liberal pattern of assistance for identified hill, border and weaker sections.

- The loans for Khadi are interest free, while those for village industries have an interest at the rate of 4% per annum.

Functions:

- (1) To train the artisans.
- (2) To assist village industries in procuring raw materials.
- (3) To assist and support through marketing of finished products of village industries.
- (4) To provide equipment and machinery to producers on concessional terms.
- (5) To undertake R and D programmes to enhance productivity of rural workers and artisans.

7. SMALL INDUSTRIES SERVICE INSTITUTES (SISIs)

- Small Industries Service Institutes have been established in each state in 1956 as agencies of SIDO.
- The objective is to develop small scale industries.

Functions :

- 1) It promotes entrepreneurship and development of SSIs in rural and other underdeveloped areas.
- 2) It supplies market information in selected cases and undertakes market distribution surveys for industrial enterprises.
- 3) It conducts various programmes for workers in other organizations as well as in small industry in certain trades.
- 4) It assesses the capacities of small units for imported/controlled materials.
- 5) It provides technical guidance on the efficient use of wastages and scraps.
- 6) It prepares designs and drawing for production equipment and accessories.
- 7) It ensures that small industry development in India is being done in right lines.
- 8) It provides workshop common facilities to industrialists at reasonable charges.
- 9) It conducts detailed plant studies to locate production and other problems. It initiates and Co- ordinates modernization of selected industries.
- 10) The institute assists in rehabilitation of sick units.
- 11) It helps to develop ancillary industries. It registers SSI units with NSIC to supply their products to government.
- 12) The institute conducts modernization studies for technology up gradation.
- 13) It undertakes quality control, energy conservation and pollution control, specialized training programmes on export marketing.
- 14) The institutes also conduct surveys and studies for identification of industries having scope of promotion and development.etc.

8. Kerala Industrial and Technical Consultancy Organisation Limited (KITCO)

- KITCO was set up in 1972 by IDBI.
- It is a public sector consultancy organization.

Function:

- Identification of project ideas and project reports, follow up with banks and financial institutions.
- Appraisal of industrial project
- Entrepreneurial guidance and development.
- Management consultancy in functional areas.
- Consultation service like sectors health and industry.
- Selection of executive and staff.
- Diagnostic studies for revival of sick units.
- Economic surveys to evaluate impact of developmental schemes.
- Designated as a agency for technology transfer.
- Executive development program.
- Project monitoring for large units.

9. THE NATIONAL INSTITUTE FOR ENTREPRENEURSHIP AND SMALL BUSINESS

DEVELOPMENT (NIESBUD)

- It is an apex body established in 1983 by the ministry of Industries, Government of India,

for coordinating, training 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 Government of India Societies Act started functioning from 6th July, 1983. The policy, direction and guidance to the institute is provided by its governing council whose chairman is the minister of SSI. It has an executive committee.

Objectives :

- ☐ To evolve standardized materials and processes for selection, training, support and sustenance of entrepreneurs, potential and existing.
- ☐ To share internationally, its experience and expertise in entrepreneurship development.
- ☐ To train the trainers, promoters and consultants in various areas of entrepreneurship development.
- ☐ To provide national/international forums for the interaction and exchange of experiences helpful for policy formulation and modification at various levels.
- ☐ To provide vital information and support to trainers, promoters and entrepreneurs by organizing research and documentation relevant to entrepreneurship development.

Functions :

- (a) Evolving effective training strategies and methodology.
- (b) Standardizing model syllabi for training various target groups.
- (c) Formulating scientific selection procedures.
- (d) Developing training aids, manuals and tools.
- (e) Facilitating and supporting central/state/other agencies in organizing entrepreneurship development programmes.
- (f) Conducting training programmes for promoters, trainers and entrepreneurs.

10. National Entrepreneurship Development Board (NEDB)

- It was formed in 1983
- It act as an apex body of entrepreneurship development.

Functions:

- To identify and remove entry barriers for potential entrepreneurs
- To focus on exiting entrepreneurs in micro, tiny and small sector.
- To facilitate consolidation, growth and diversification of existing entrepreneurial venture in all possible ways.
- To support skill upgradation and renewal of learning processes among practicing entrepreneurs and managers of MSME.
- To support agencies in the area of entrepreneurship about the current requirement of growth.
- To act as a catalyst to institutionalize entrepreneurship development.
- To help entrepreneurship development institutions and other organizations in setting up of incubators.

Strategies

- Evolving training methodology
- Evolving syllabus for various training programmes.
- Developing training aids, tools etc.
- Assisting the activities of other agencies engaged in the training of potential entrepreneurs.\
- Training the trainers.
- Developing entrepreneurial culture among the people

11. Science and Technology Entrepreneurship Development Project (STED project)

In the project mode, the STED project aims to bring about a socio-economic development of an area through the intervention of Science & Technology. The project envisages matching of the material and the human resources of the district to create new enterprises and employment by usage of Science & Technology processes. It involves identification of opportunities through a detailed scientific survey and exploitation of the opportunities thus identified by the entrepreneur .The total project life is four years. Currently the STED project is being implemented in 43 districts of the country.

Objectives/ Activities

- To identify possible resource based projects in the region covering both rural and urban areas.
- To identify S&T intervention (like technology selection, modification, alteration and dissemination) for exploiting the opportunities by prospective entrepreneurs.
- To improve working of existing enterprises through S&T intervention to upgrade the technology and modernisation of units.
- To organise regular enterprise awareness programmes and skill development programmes for creating suitable entrepreneurial environment in the district.
- To launch at least 200 micro-enterprises in the district during the four years of duration in which at least 50 technology-driven micro-enterprises are to be in technology specific areas as identified by the implementing agency earlier.

12. TECHNOPARK

Technopark is a technology park in Thiruvananthapuram, Kerala, India. Established on 18 November 1990 by the Government of Kerala, under chief minister E K Nayanar, it is the largest information technology park in India in terms of developed area.

Functions

- Business support
- Business introduction
- Technology innovation
- Strengthening co-operation
- Business incubation

INCENTIVES

- The term incentives “incentives” means ‘stimuli for action’.
- Incentive is the financial and promotional assistance provided by the government to the industries for boosting up industrial development in all regions particularly in backward areas.

Importance /advantages

- Decentralization of economic power
- Balanced regional development
- Transformation of technology
- Overcomes difficulties
- Generates industrialization
- Encourages entrepreneurship
- Helps to overcome competition

Need for incentives

- To Remove Regional Disparities in Development
- To Provide Competitive Strength, Survival and Growth
- To Generate More Employment and Remove Unemployment:
- To Promote Entrepreneurship

Classification of incentives

1. Incentives may be classified into financial and non- financial incentives
 - Financial
 - non- financial incentives
2. Incentives can also be classified into
 - Concession
 - Subsidy
 - Bounty
3. Incentives can also be classified as
 - Non-tax based incentives
 - Tax based incentives
 - Physical incentives
 - Financial incentives

SUBSIDY

Subsidy' denotes a single lump-sum which is given by a government to an entrepreneur to cover the cost. It is granted to an industry which is considered essential in the national interest.

Types of subsidies

1. Credit Linked Capital Subsidy Scheme (CLCSS)
2. Subsidy to Acquire Quality Management System
3. Subsidy for Patent Cost
4. Capital Subsidy for Solar Lightening and Small Capacity PV System
5. Technology Upgradation Fund Scheme (TUFS) for Textile Sector
6. Subsidy for Food Processing Industry
7. Subsidy for Market Development of MSMEs
8. Subsidy for Bar Code
9. Subsidy for Backward Areas
10. Transportation Subsidy
11. Prime Minister's Employment Generation Programme
12. Subsidy for acquisition of Efficient Technology
13. Subsidy for manufacturing equipment for controlling pollution and water conservation

Module 3

MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES)

Classification of enterprises (new definitions)

1. In Case of Manufacturing Enterprise:

- (a) A micro enterprise is one in which the investment in plant and machinery does not exceed Rs.25 Lakhs.
- (b) A small enterprise one in which the investment in plant and machinery is more than Rs.25 Lakhs but does not exceed Rs. 5 crores.
- (c) A medium enterprise is one in which the investment in plant and machinery is more than Rs. 5 crores but does not exceed Rs. 10 crores.

2. In Case of Service Enterprise:

- (a) A micro enterprise is one in which the investment in plant and machinery does not exceed Rs. 10 lakhs.
- (b) A small enterprise one in which the investment in plant and machinery is more than Rs. 10 lakhs but does not exceed Rs. 2 crores.
- (c) A medium enterprise is which the investment in plant and machinery is more than Rs. 2 crores but does not exceed Rs. 5 crores.

ANCILLARY UNITS

These units provide inputs to other industries. These are engaged in the manufacture of parts, components, light engineering products like cycles, sewing machines diesels engines, machine tools, electrical application.

EXPORT ORIENTED UNIT

Export oriented units are those SSI units which export at least 30% of its annual production by the end of the 3th year of commencement of production.

CHARACTERISTICS OF MSMEs

The important characteristics of MSMEs are summarized as follows:

- They are generally organized and run by individual entrepreneurs.
- They require less capital.
- They are fundamentally labour-intensive units facilitating greater utilization of man power.
- They involve the use of simple technology, intensive utilization of individual skill to leading professional specialization.

- They cater the individual tastes and fashions and render personalized service to consumers.
- They are highly localized industries. Using local resources MSMEs are decentralized and dispersed to rural areas.
- They are eligible for govt. assistance and patronage and for concessional finance by banks, financial institutions etc.
- They are flexible to a large extent.
- They are more susceptible to change and highly reactive and receptive to socio-economic conditions.
- They are free from red-tapism and bureaucratic handicaps

OBJECTIVES OF MSMEs

The primary objectives of MSME are to play a complementary role in the socio-economic set up of a country. The other objectives are as follows:

- 1) To provide increased employment opportunities.
- 2) To provide production of large variety of goods especially consumer goods through labor-intensive methods.
- 3) To bring backward areas too in the mainstream of national development.
- 4) To improve the level of living of people in the country.
- 5) To create a climate for the development of self-employed experts, professionals and small entrepreneurs.
- 6) To ensure more equitable distribution of national income.
- 7) To ensure balanced regional development as regards industries.
- 8) To encourage the adoption of modern techniques in the unorganized traditional sector or the industry

ADVANTAGE OF MSMEs

- 1) They are relatively more environmental friendly.
- 2) They are generally based on local resources.
- 3) They provide ample opportunities for creativity and experimentation.
- 4) They facilitate equitable distribution of income and wealth.
- 5) MSME enjoys the government support and patronage.
- 6) These helps in the balanced regional development.
- 7) It is possible to make necessary changes as and when required.
- 8) These help in reducing prices.
- 9) There is a close and direct personal contact with the customer and employees.
- 10) They create more employment opportunities.
- 11) They require only less capital.

DISADVANTAGES OF MSMEs

- They suffer from lack of managerial and other skills.
- They cannot employ highly paid officials.
- MSMEs always face tough competition from large businesses.
- They are not well equipped to make advantage of the latest technology and modern methods.
- MSMEs cannot afford to spend large sums of money on research and experiments
- There is only a little scope for division of labour and specialization.
- They cannot survive in times of adversity.
- They cannot secure cheap credit.

ROLE/ IMPORTANCE OF MSMEs IN DEVELOPING COUNTRIES

1. Large Employment Opportunities
2. Economical Use of Capital
3. Balanced Regional Development
4. Equitable Distribution of Income And Wealth
5. Higher Standard of Living
6. Mobilization of Locals Resources
7. Simple Technology
8. Less Dependence on Foreign Capital
9. Promotion of Self Employment
10. Promotion of Exports
11. Protection of Environment
12. Shorter Gestation Period

PROBLEMS OF MSMEs

1. Lack of managerial experience
2. Inadequate finance
3. Lack of proper machinery and equipment
4. Lack of technical know-how
5. Run on traditional lines
6. Irregular supply of raw materials
7. Problem of marketing
8. Personnel problems:
9. Lack of clear-cut policy of the govt:
10. Bogus units
11. Other problems

THE MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) DEVELOPMENT ACT, 2006

- This law is enacted with an object of promotion and development and enhancing the competitiveness of Micro, Small and Medium Enterprises (“MSME”)

- This Act has improved and repealed earlier legislation viz. Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertaking Act, 1993.
- This Act has applicability of Arbitration and Conciliation Act, 1996.
- This Act provides for definition of the “Small Enterprise” and “Medium Enterprise” which were not statutorily defined earlier.
- The Act provides for classification of Micro, Small and Medium Enterprises on the basis of investment in plant and machinery, or equipment and establishment of an Advisory Committee to recommend on related matter
- The Act further empowers Central Government to notify programs, guidelines or instructions for facilitating the promotion and development and enhancing the competitiveness of Small and Medium Enterprises, which include credit facilities, funds, grants by Central Government
- The Act provides for an improvement in Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertaking Act, 1993 and provides protection to MSME’s in significant manner in its Chapter V.
- The Act provides for composition of Facilitation Council which shall consist of not less than three but not more than five members.

CREDIT GUARANTEE FUND SCHEME FOR MICRO AND SMALL ENTERPRISES (CGTMSE)

The Board of Trustees of Credit Guarantee Fund Trust for Small Industries, having decided to frame a Scheme for the purpose of providing guarantees to a substantial extent in respect of credit facilities to borrowers in Micro and Small Enterprises, Eligible credit facility or Amount of Guarantee Cover

INDUSTRIAL ESTATES

It is defined as a method of “Organizing, housing and servicing industry, a planned clustering of industrial enterprises offering standard factory buildings erected in advance of demand and a variety of services and facilities to the occupants.”

In short, industrial estate is place where the required facilities and factory accommodation are provided by the government to the entrepreneurs to establish their industries there.

➤ Features of industrial estates

The following are the important features of industrial estates:

- ❖ It is a tract of land subdivided and developed into factory plots or sheds.
- ❖ It is a planned clustering of industrial units.
- ❖ It may be developed in urban, semi-urban or rural areas.
- ❖ It may be large, medium or small.
- ❖ It may be set up by the Government, or by co-operatives or even by private agencies.
- ❖ It provides several common infrastructural facilities such as water, power, roads, training, banks, repairs and maintenance etc.

➤ **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.

➤ **Types of industrial estates**

- ❖ Composite industrial estates/General purpose
- ❖ Special purpose
- ❖ Ancillary industrial estates
- ❖ Flatted industrial estates
- ❖ Functional industrial estate
- ❖ The Workshobay

➤ **Advantage of industrial estates**

- ❖ Economies of Scale
- ❖ External Economies
- ❖ Low Investment
- ❖ Less Risks
- ❖ Mutual Co-Operation
- ❖ Balanced Regional Development
- ❖ Saving Of Time and Effort
- ❖ Entrepreneurial Development

Bridge capital

Bridge capital is temporary funding that helps a business cover its costs until it can get permanent capital from equity investors or debt lenders.

Seed Capital Assistance

A business has its own life stages, very similar to that of a plant. Just as a seed needs proper care and watering to sprout into a plant; a startup business needs the nurturing of finance to explore and grow. The funding done at the nascent stage is called seed funding and the capital is known as a seed capital.

Eligibility criteria for Seed Capital Assistance

1. New generation entrepreneurs in small scale requiring seed capital of more than RS 4 lakh.
2. Small scale entrepreneurs who undertake expansion/diversification or modernization
3. Entrepreneurs intending to graduate from the small scale to medium sector for the 1st time.
4. Entrepreneurs intending to set up a project in the medium sector for the first time
5. Entrepreneurs already in medium sector and intending to undertake diversification for achieving better viability.

Sick unit

The act defined a sick industrial unit as one that had existed for at least five years and had incurred accumulated losses equal to or exceeding its entire net worth at the end of any financial year.

➤ Causes of Industrial Sickness

I. Internal Causes

- a) Wrong location of the industrial units
- b) Poor quality of product
- c) Poor marketing efforts
- d) Defective capital structure
- e) Poor management
- f) Dispute among managerial personnel
- g) Lack of adequate working capital
- h) Under utilization of capacity
- i) Mismanagement
- j) Labour problem

Ii. External Causes

- a) Non availability of inputs
- b) Competition from large business
- c) Government policies
- d) Lack of credit
- e) Heavy tax
- f) Technical obsolesce
- g) Government regulation

➤ Remedial measures of industrial sickness

- a) sick Industrial Policy 1978
- b) sick Industrial Policy 1981
- c) sick Industrial companies Act 1985
- d) Board Industrial and Financial Reconstruction
- e) Industrial Reconstruction Corporation of India (IRCI)
- f) IDBI policies
- g) Measure taken by RBI

Registration of SSI

Eligibility

Micro Small Enterprises who have already commenced their commercial production but not completed one year of existence. The Provisional Registration Certificate can be issued to such Micro & Small Enterprises under Single Point Registration scheme with monetary limit, minimum amount of money to be invested, of Rs. 5 Lacs which shall be valid for the period of one year only from the date of issue after levying the registration fee and obtaining the requisite documents

UDYOG AADHAAR MEMORANDUM (UAM)

It is a single-page registration that is equivalent to the previous 11 forms protocol for self-certification of the MSMEs. This could be proving the existence of the establishment, owner's or promoter's identity. Additionally, it is similar to the unique Aadhaar details and bank account info, or any other basic information to represent as an identity of the MSME.

Guidelines for Filling the Online Udyog Aadhaar Form

1. Adhaar Number
2. Name of Applicant
3. Social Category
4. Physically Handicapped
5. Name of Enterprise / Business
6. Type of Organisation
7. PAN number
8. Location of Plant
9. Office Address
10. Mobile No:
11. Mail ID
12. Date of Commencement Business
13. Bank Account Number
14. Bank IFS Code
15. Main business activity of Enterprise
16. NIC 2 Digit Code
17. Additional details about Business
18. Number of Employees
19. Gender
20. Investment in plant and machinery

Module-5

SETTING UP OF INDUSTRIAL UNITS

Entrepreneurial environment

Entrepreneurial environment is a combination of factors that play role in the development of entrepreneurship. It refers to the overall economic, socio-cultural, and political factors that influence people's willingness and ability to undertake entrepreneurial activities.

Entrepreneurial environmental factors

- Political environment

The political environment of business refers to the political actions that impact business operations. The political factors usually go hand in hand with the legal ones and are generally viewed as the non-market forces that impact businesses. Political decisions ultimately affect the economic, social and cultural environments as a whole.

- Economic environment

The term economic environment refers to all the external economic factors that influence buying habits of consumers and businesses and therefore affect the performance of a company. Resources, economic conditions, incentives, subsidies etc. are some important factors which constitute environment.

- Social environment

A social environment includes the values, beliefs, customs, and practices of a group of people. A business is subject to an external social environment and also its own internal social environment. Businesses that fail to adapt to social preferences related to their goods and services will fail.

- Technological environment

environmental technology clean technology is the application of one or more of [environmental science](#), [green chemistry](#), [environmental monitoring](#) and electronic devices to monitor, model and conserve the [natural environment](#) and resources, and to curb the negative impacts of human involvement. The term is also used to describe sustainable energy generation technologies such as [wind turbines](#), [bioreactors](#), etc. [Sustainable development](#) is the core of environmental technologies. The term environmental technologies are also used to describe a class of electronic devices that can promote sustainable management of resources.

- Legal environment

The laws which are passed by the government for business operation is called legal environment. In every country, the government regulates business activities. These regulations of government are considered as legal environment.

- Cultural environment

Cultural environments are a non-renewable resource, on the other hand, they are in a constant state of renewal and development. When changing and developing valuable cultural environments or creating new cultural environments or parts thereof, the values of the existing environment are a good starting point. What is lost once in a cultural environment, will remain lost forever.

Entrepreneurial Ecosystems

An entrepreneurial ecosystems or entrepreneurship ecosystems are peculiar systems of interdependent actors and relations directly or indirectly supporting the creation and growth of new ventures. Ecosystems including the social and the economic environment affect local or regional entrepreneurship. Businesses located within places serving as incubators for creativity, innovation, and entrepreneurship have a greater chance of success.

Generation of project ideas or opportunity

It is the process of collection, compilation and analysis of economic data for the purpose of finding out possible opportunities for investment and with the development of the characteristics of such opportunities. Emergence of project ideas from different sources is called generation of project ideas. The idea should be sound and workable, so that it may be exploited. The entrepreneur has to be imaginative and foresighted to discover a business/Project idea.

Sources of the project ideas

The business idea arises from an opportunity in the market. Entrepreneurs should have a keen and open mind to look for opportunities and generate business ideas. It is not a matter of analysis but of instinct. Ideas come from many sources. Some of the sources are as below:

- Our own needs
- Trade and professional journals
- Project profiles.
- Trade fairs and exhibitions
- Success stories of friends and relatives.
- Prospective consumers.
- Research organization.
- Utilization of waste materials.

- Study of government policy.
- Development of other nations.
- Items reserved for small scale units

Screening of project ideas

The need for screening of the ideas arises because all the ideas generated may not be promising. Only the most promising or most profitable ideas are to be selected for further study. The process of evaluating the project ideas with a view to select the best and promising idea after eliminating the unprofitable ideas is called screening of project ideas. The following factors need to be considered:

- 1) Cost of The Project: A study of the cost structure under material cost, labour cost, factory overheads etc., will give a good idea regarding different types of costs.
- 2) Profitability: The project yielding higher return must be selected.
- 3) Marketing Facilities: Existing and potential demand in domestic and export market, nature of competitions, sales and distribution system, consumption trends etc., should be assessed and evaluated before taking the final decision.
- 4) Availability of impute: The resources and impute required for the project must be reasonably assured. The availability of skilled workers is to be ensured before launching an enterprise.
- 5) Consistency with Government Regulations and Priorities.
- 6) Compatibility with the Entrepreneur: The idea must suit the interest, personality and resources of the entrepreneur. It should not be beyond his capacity.

Selection of project

Selection of project is the most critical decision to make. After gathering a large number of project profiles, the entrepreneur should consider the following criteria for selecting a particular.

- Investment
- Location
- Technical knowledge
- Profitability
- Risk
- Availability of market
- Competition
- Government policy

Market and demand analysis

Market and demand analysis is analysis the future demand potential. It is the study of the market for the product and estimate the total demand. The study should be such that it generate answers to the following questions;

- Who are the customers present and prospective?
- What is the present and future demand?
- How is the demand distributed seasonally?
- How is the demand distributed geographically?
- How much price consumers are willing to pay?
- What is the marketing mix of competitors?
- What the marketing mix would the consumer accept (or expect)?

Steps involved in market and demand analysis

1. Analysis of market demand and demand forecasting
2. Understanding the competitive situation
3. Understanding the trade practices
4. Estimating the future changes in the volume and pattern of demand and supply.

Methods or techniques of demand forecasting

- A. Qualitative methods
 - Jury of executive method
 - Delphi method
 - Survey method
- B. Quantitative method
 - Trend projection method
 - Moving average method
 - Exponential smoothing method
- C. Casual method
 - Chain ratio method
 - Consumption level method
 - Leading indicator method

Feasibility study

A feasibility study is an assessment of the practicality of a proposed project or system. A feasibility study aims to objectively and rationally uncover the strengths and weaknesses of an existing business or proposed venture, opportunities and threats present in the [natural environment](#), the [resources](#) required to carry through, and ultimately the prospects for success. In its simplest terms, the two criteria to judge feasibility are [cost](#) required and [value](#) to be attained.

Types of feasibility study

- Technical feasibility

- Economic feasibility
- Legal feasibility
- Operational feasibility
- Scheduling feasibility
- Social feasibility

Technical feasibility (Technical analysis)

Technical analysis of a project is essential to ensure that necessary physical facilities required for production will be available and the best possible alternative is selected to procure them. The object of technical analysis is to assess the technical soundness of the project. This is considered essential for the long term success of the project.

Scope of Technical feasibility

- Material inputs
- Manufacturing process/technology
- Plant capacity
- Plant location
- Size of the plant
- Product mix
- Factory design
- Machineries and equipment
- Plant layout
- Selection of site
- Type of factory building

Financial feasibility (Financial analysis)

It is defined as the process of obtaining relevant information about a project in order to ascertain its financial viability. The preliminary steps involved in the financial analysis include:

- 1) Estimation of total capital outlay involves in the project.
- 2) Estimation of operating costs.
- 3) Estimation of operating revenue.

Its purpose is to find out whether the project is attractive enough to secure funds needed for its various activities and whether the project will be able to generate enough income to achieve the objective for which it is undertaken.

Scope of Financial feasibility

- Cost analysis
- Pricing
- Financing
- Income and expenditure
- Capital budgeting

Techniques of Financial analysis

- Fund flow analysis: Fund flow statement is prepared to show in assets, liabilities and net worth between two balance sheet dates. It is prepared to ascertain how much funds

have been generated and how these funds were put to use. This will assist minimizing cost of finance and avoiding idle fund situation. The term 'fund' here means working capital. Flow of funds means the change in working capital.

- Cash flow analysis: cash is a critical asset. It acts as a fuel on which a project runs and it has to be kept ready all the time. Cash flow statement is prepared to ensure that the business unit will have necessary cash with it and it will not face liquidity problems. It shows movements of cash into and out of the firm and its net effect on the cash balance with the firm.
- Ratio analysis: It is used to have an in depth examination of the strength and potential pitfalls of the organization. Ratio analysis helps to compare current performance with the past and also in measuring effectiveness and efficiency of the organization in the light of norms of performances. They help the management in the discharge of its key functions such as forecasting, planning, coordinating, controlling and communicating. Ratio analysis technique now a days one of the most comprehensive and widely used methods in almost all the organizations.
- Break-even analysis: The break-even analysis is the most widely used technique of cost volume profit analysis used in its narrow sense. It is the point at which losses cease and profits begin. Break-even point is an equilibrium point or value between costs, prices and profits. Indeed it is a balancing point a point of no profit no loss. It is also called zero point costs. In a broad sense, it refers to a system of analysis that can be used to determine the probable profit at any level of activity. It is a tool of financial analysis whereby the impact on profit position of the changes in volume, price, costs and mix can be estimated definitely and accurately.
- Sensitivity analysis: the technique of sensitivity analysis helps in studying the impact of crucial variables like raw material, sales volume, sales price, degree of capacity utilization etc. over the economic viability of an enterprise. under this approach the value of different key variables is changed in a systematic manner. in other words, change is effected in one variable and the other variables are assumed constant and the results are analyzed to find out sensitivity of various variables with respect to their impact on profit margin.
- Risk analysis: the risk analysis helps in identifying the sources of risks such as rise in prices of raw material, taxes and duties, product price etc. which have great bearing in determining the future returns for the project. Accordingly risk analysis offers an opportunity to the investor to redesign his proposed project.

Social cost benefit analysis

Social cost-benefit analysis is a systematic and cohesive economic tool (method) to survey all the impacts caused by an urban development project. It comprises not just the financial effects (investment costs, direct benefits like tax and fees, et cetera), but all the social effects, like: pollution, safety, indirect (labor) market, legal aspects, et cetera. The main aim of a social cost-benefit analysis is to attach a price to as many effects as possible in order to uniformly weigh the above-mentioned heterogeneous effects. As a result, these prices reflect the value a society attaches to the caused effects, enabling the decision maker to form a statement about the net social welfare effects of a project.

Objectives of SCBA

1. Contributing from the project to the GDP of the economy.

2. Contributing from the project to improve the benefit to the poorer section of the society are reducing the regional imbalance in growth and development.
3. Contributing from the project to improve the environment conditions.
4. Justifying the use of scarce resources of the economy by the project.

Steps in SCBA

1. Identification and estimation of costs and benefit which will accrue to the project implementing body.
2. Identification and estimation of costs and benefit which will accrue to individual members of society as consumers or as suppliers of factor input.
3. Identification and estimation of costs and benefit which will accrue to the community.
4. Identification and estimation of costs and benefit which will accrue to the national exchequer.
5. Determination of suitable discount rate.
6. Discounting of the costs and benefit which will accrue over a period of time to determine the present worth of project.
7. Selection of project by using investment criteria.

Difference between financial analysis and SCBA

financial analysis	SCBA
<ul style="list-style-type: none"> Only financial cost and benefits are considered at the time of project appraisal. 	<ul style="list-style-type: none"> Not only financial cost and benefits but also considered social cost and benefits.
<ul style="list-style-type: none"> Social impacts are ignored. 	<ul style="list-style-type: none"> Social impacts are included.
<ul style="list-style-type: none"> Market price is used for computation of costs and benefits. 	<ul style="list-style-type: none"> Shadow price is used for computation of social costs and benefits.
<ul style="list-style-type: none"> Objectives are maximization of owner's wealth, sales maximization etc... 	<ul style="list-style-type: none"> Objectives are development of backward area, employment generation etc...
<ul style="list-style-type: none"> It ignore externalities. 	<ul style="list-style-type: none"> It considered externalities.
<ul style="list-style-type: none"> It determine project from financial view point. 	<ul style="list-style-type: none"> It determine project from society's view point.

Practical problems and limitations of SBCA

- Basic assumption
- Govt.policy

- Linkages and externalities
- The cost of CBA
- Depth of analysis

Environmental impact assessment

Environmental assessment is the assessment of the [environmental consequences](#) of a plan, policy, program, or actual projects prior to the decision to move forward with the proposed action. It is a tool of [environmental management](#) forming a part of project approval and decision-making. Environmental assessments may be governed by rules of [administrative procedure](#) regarding public participation and documentation of decision making, and may be subject to judicial review. The purpose of the assessment is to ensure that decision makers consider the environmental impacts when deciding whether or not to proceed with a project. The [International Association for Impact Assessment](#) defines an environmental impact assessment as "the process of identifying, predicting, evaluating and mitigating the [biophysical](#), social, and other relevant effects of development proposals prior to major decisions being taken and commitments made". EIAs are unique in that they do not require adherence to a predetermined environmental outcome, but rather they require decision makers to [account for environmental values](#) in their decisions and to justify those decisions in light of detailed [environmental studies](#) and public comments on the potential environmental impacts.

Important acts to restrict environmental damage

1. The Environment Act, 1986
2. The Biological diversity Act, 2002
3. The National Environmental Tribunal Act, 1995
4. National Green Tribunal Act, 2010
5. The National Environment Appellate Authority Act, 1997
6. Types and Categories of Environmental Clearance Regulation

Environmental Restriction for SSI sector

The government of India has rationalized and simplified environmental clearance procedure for small-scale industries except in the case of 17 hazardous industries. Now a mere acknowledgement of the application by the state environment board would be sufficient for SSI. The seventeen hazardous items are;

1. Fertilizer
2. Sugar
3. Aluminum
4. Cement
5. Fermentation of distillery
6. Petro chemicals

7. Thermal power
8. Oil refinery
9. Sulphuric acid
10. Tanneries
11. Iron and steel
12. Zinc smelter
13. Copper smelter
14. Pulp and paper
15. Dye and dye intermediaries
16. Pesticides manufacturing and formulation
17. Basic drugs and pharmaceuticals.

Procedure for Environmental clearance

1. Identification of the location
2. Screening
3. Assessment
4. Public hearing
5. Application
6. Environmental appraisal
7. Issues of clearance or rejection letter

Import of capital goods

Capital goods are required to start manufacturing industries. Capital goods are those goods which are used in the production of goods. Eg: machineries, equipments etc...

Import procedure

1. Obtain IEC
2. Ensure legal compliance under different trade laws
3. Procure import licenses
4. File bill of entry and other document to complete customs Clearing formalities
5. Determine import duty rate for clearance of goods.

Foreign collaboration

Foreign collaboration is an agreement or contract between two or more companies from different countries for mutual benefit. The major type of collaboration are technical collaboration, marketing collaboration, financial collaboration and consultancy collaboration. Collaboration entities share their profits according to the profit-sharing ratio mentioned in their executed contract.

What is EPCG Scheme (Export Promotion Capital Goods Scheme)?

This is a Scheme which enables an importer (being an export-oriented business) to import capital goods at zero rates of customs duty. However, the scheme is subject to an export value equivalent to 6 times of duty saved on the importation of such capital goods within 6 years from the date of issuance of the authorization. In simple words, there is a compulsion on

the business to bring in foreign currency which is equal to 600 percent of duty saved on such importation measured in domestic currency. This is to be done within six years from availing the Export Promotion Capital Goods scheme,

What are Export Promotion Capital Goods?

Export Promotion Capital Goods are capital goods used in the production of goods which are exported to other countries. It includes machinery as well as spares. Hence, to qualify as Export Promotion Capital Goods, the commodity manufactured in India must be exported outside India.

What are the Capital Goods allowed under Export Promotion Capital Goods Scheme?

The capital goods allowed under Export Promotion Capital Goods Scheme shall include spares (including reconditioned/ refurbished), fixtures, jigs, tool, molds and dies. Further, second-hand capital goods may also be imported without any restriction on age under the EPCG Scheme. Under this scheme of Foreign Trade Policy (FTP), importation of capital goods required for the manufacturing of export-oriented product specified in the Export Promotion Capital Goods Authorization is permitted at concessional/nil rate of duty. This scheme under Foreign Trade Policy allows technological up-gradation of the indigenous industry. Export Promotion Capital Goods (EPCG) Authorizations are issued by licensing authority – Director General of Foreign Trade (DGFT) based on the certificate issued by an Independent chartered engineer.

How to obtain an EPCG License?

In order to obtain a License under EPCG scheme, it is a primary requirement to file an application with the licensing authority of Director General of Foreign Trade. The application shall be attached with the required documents along with the company and personal details.

Documents required for EPCG License

The issuing authority is the licensing authority – Director General of Foreign Trade (DGFT). ANF 5B is to be filled along with Self-certified copies of the followings:

- Import Export Code (IEC)
- Registration cum Membership Certificate (RCMC)
- Digital signature
- Registration certificate from Tourism Department
- Pan Card
- Excise Registration (if registered)
- GST Registration Certificate
- Preforma Invoice
- Brochure
- Self-Certified Copy + Original of Certificate of Chartered Accountant
- Self-Certified Copy + Original of Certificate of Chartered Engineer

Procedure of getting approval for foreign collaboration

Application is to be submitted to secretariat for industrial assistance, department of industrial policy and promotion, ministry of industry, udyog bhavan, New Delhi with 9 copies of both the application and forwarding letter.

The following conditions are required to be fulfilled by the applicant;

- a) The location of industrial projects, will be subject to central or state environment laws or regulations including local zoning and land use laws and regulations.
- b) Adequate steps shall be taken to the satisfaction of the government to prevent air, water and solid pollution measure to be installed should conform to the effluent and emission standard prescribed by the state government in which the factory undertaking is located.
- c) Items reserved for small scale sector shall not be manufactured without prior approval of government as per the prescribed policy and procedure.
- d) Import of capital equipment, component and raw material will be allowed as per the import policy prevailing from time to time.
- e) The foreign collaboration agreement shall be subject to Indian laws

Foreign investment promotion board

The Foreign Investment Promotion Board (FIPB) was a national agency of [Government of India](#), with the remit to consider and recommend [foreign direct investment](#) (FDI) which does not come under the automatic route. India attract net inward foreign direct investment amounting to USD 30.76 billion during the fiscal year ended March 2014, a 14.13% increase compared to the previous fiscal year. Acted as a single window clearance for proposals on [foreign direct investment](#) (FDI) in India. The Foreign Investment Promotion Board (FIPB) was housed in the Department of Economic Affairs, Ministry of Finance. FIPB was abolished on 24 May 2017, as announced by Finance Minister Arun Jaitley during 2017-2018 budget speech in Lok Sabha.

Pollution control clearance

No objection certificate should be obtained from the Kerala state pollution control board before starting an industrial units. In case the industry falls in the highly polluting category, a full-fledged EIA has to be carried out and submitted to the SPCB.

Procedure of getting clearance from the SPCB

- 1) Application
- 2) Inspection procedure
 - Pre-inspection
 - Inspection
 - Post inspection

Setting up of MSME

1. Selection of the product
2. Selection of form of ownership
3. Selection of location and site
4. Designing capital structure
5. Acquiring manufacturing know-how or technology
6. No objection certificate from local body

7. Statutory license
8. Registration with SIDCO
9. Application for allotment/ transfer/sublease of plot/ shed, execution of lease agreements
10. Application for grant of connection for water& power for construction
11. Consent to establish and Consent to operate from state pollution control boards
12. NOC from the department of fire & emergency services
13. Factory license from the inspectorate of factories/shop & establishment registration
14. Registration with employees provident fund organization and employees state insurance corporation, under contract labor act 1970
15. Availing importer exporter code from directorate general of foreign trade
16. Preparation of project report
17. Registration as a MSME
18. Apply for power connection
19. Arrangement of finance
20. Registration under the GST act

Location decision

Business location means deciding a suitable location, area or place where the business starts functioning. According to R.C .Davis “the function of determining where the plant should be located for maximum operating economy and effectiveness is called plant location”.

Steps to be followed in selecting location

1. Selection of the region
2. Selection of a particular locality
3. Selection of the exact site
4. Optimum selection of site

Factors governing location

- Proximity to raw material
- Nearness to market
- Availability of infrastructural facilities
- Transport and communication facilities
- Effluent disposal
- Labour
- Government policies
- Climatic conditions
- Environmental conditions
- Others

Ideal location

An ideal location is one “where unit cost of production and distribution are at a minimum and where the prices and volume of sales will bring the maximum profit”. In the words of shubin “an ideal location is one that permits the lowest units cost in the production and distribution of a product or services”.

Cost associated with plant location

- Transportation cost; this cost is required for bringing raw materials and other equipment for the plant and also sending the finished product to the market.
- Labour cost: wage rate of particular location.

Significance of location decision

- Minimization of costs of production and distribution
- Designing an appropriate layout of machinery and equipment
- coping with requirements of expanding business at the future date
- establishing the size and quality of the workforce available to entrepreneur
- improve the profitability and productivity of a plant
- determining operating and capital cost
- determining the nature of investment
- increasing sales

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Module 5

PROJECT REPORT

Introduction

- Project report is a document that contains all information regarding the proposed project. It is served as a blueprint of all operations to be undertaken for attaining the desired results.
- It is the one that helps in converting the business idea into a productive venture without any chaos or confusion
- It states as to what business is intended to be undertaken by the entrepreneur and whether it would be physically possible, financially viable, commercially profitable and socially desirable to do such a business.
- Project report is an essential document for procuring assistance from financial institutions and for fulfilling other formalities for the implementation of the project.

Objectives of the project report

- To serve as a business plan indicating the objectives or goals of the enterprise.
- To serve as a road map describing the direction in which the enterprise should go and how to reach the goal
- To enable the entrepreneur to understand at the initial stage whether the project is viable
- To enable an entrepreneur to understand what he needs well in advance for implementing the project
- To enable an entrepreneur to take crucial decision
- To forecast the demand and supply position, competitors' position in the market
- To show a general idea of various resource requirements
- To enable the Govt. authorities to provide subsidies, tax exemptions incentives etc.

Importance of project report

- It gives a general idea of resource requirements and means of procuring them
- It shows the feasibility of the project and the possibility of achieving profit
- It helps in approaching DIC for obtaining provisional/permanent registration
- It helps in procuring developed land or shed from DIC
- It helps in securing supply of scare raw materials also
- It helps in approaching bank for getting working capital loan
- It helps in getting term loan from banks and financial institutions
- It helps the entrepreneur in establishing techno-economic viability of the project
- It describes the direction in which the enterprise should go and how to reach the goal
- It enables an entrepreneur to realise what he needs for implementing the project

Contents of a protect report

1. Executive summery
2. introduction
3. background of the promoters
4. product
5. market and marketing
6. location
7. production process
8. raw material
9. utilities
10. transport and communication
11. manpower requirement
12. land and building
13. plant and machinery
14. cost of project and sources of finance
15. financial viability of the project

Requirements of a good / an ideal project report

- should be prepared with the help of an expert team
- should be based on proper survey and systematic preliminary study of the project
- project report is the means and not an end
- product demand, capital resources, raw material availability, labour resources etc. must be estimated properly after considering varied factors
- thorough discussion must be made with experts, various personnel of concerned departments before finalising the report
- the end result should be to receive finance and to get the project implemented
- complete satisfaction of the entrepreneur should be ensured before the report is submitted to the financial institution
- the project report should be precise, accurate, and specific
- the contents of the project report should be in a logical sequence

General principles of a good reporting system

- principle of proper flow of information
- principle of a proper timing
- principle of accuracy
- principle of relevance
- principle of clarity
- principle of consistency
- principle of brevity
- principle of economy
- principle of proper scheduling
- principle of factual information

Methods of reporting

- written reporting
- graphic reporting
- oral reporting

