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## UNIT 3 ENTREPRENEURSHIP DEVELOPMENT

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### 3.1 INTRODUCTION

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In the previous unit, you studied about the motorcycle and its various parts and systems. In this unit, we shall learn the various aspects of Entrepreneurship Development in auto industry.

Small enterprises play an important role in Indian economy. There is a rapid growth in the services sector economy due to development of small enterprises, particularly in the areas of trade, transport, construction and their ancillary services. One of the main reasons for their rapid growth is that they have been left entirely to the private entrepreneurs, which are comparatively free from the government interference. The reasons behind the success of small enterprises are many. The interest, self-control, self-confidence, sense of urgency and motivation of the entrepreneurs are the key to make a successful enterprise.

Entrepreneurship is a profession in which entrepreneurs create and grow enterprises by their own ideas, resources, knowledge, skills and experience and Entrepreneurs are the peoples who create, enlarge, and manage a business undertaking, assuming the risk for the sake of ultimate profit. Finally, entrepreneurship development is the aggregation of guidelines and facilities to entrepreneur that foster and support the entrepreneurship.

There will be some pros and cons of owning a business as a small business owner. Entrepreneurs are going to have less time for their personal life and probably be using much of what they own as collateral to raise money for the business. Some of the pros and cons of becoming an entrepreneur are discussed in this unit.

#### Objectives

After studying this unit, you should be able to

- weigh the merits and demerits of becoming an entrepreneur,

- discuss the opportunities and financial assistance available, and
- describe the legal requirements to establish an enterprise.

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## **3.2 SETTING-UP AN ENTERPRISE**

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Setting up an Enterprise begins with an idea but it happens after understanding detailed guidelines and manuals on how to start up an enterprise including legal aspects involved.

If someone wants to start his own work, he has to think of his ideas and find means to convert them in practice. Entrepreneur should search the market for available resources which can help and should ascertain that there is a scope for his service/product. Entrepreneur should ensure profitability and make legal assessment also.

Starting a small workshop needs a lot of information on money, machines and manpower. It requires understanding responsibilities of ownership. It requires courage to start something new. To be successful, you need a combination of hard work, skill and perseverance. Before starting an own business, the entrepreneur must be well aware about some important issues. In the following part of entrepreneurship development you will read about some of the issues. Setting up a workshop for motorcycle service and repair falls under the category of small scale industries.

### **3.2.1 Understanding the Role of Ownership**

Before starting a business, entrepreneur should know what is involved in owning a business and what are the roles one will have to play to start own business. For an enterprise of your own, you are totally responsible for its growth, development and its future. In addition to arranging finance for starting the enterprise, you should be ready to be responsible for managing day-to-day functions and making your business a profitable venture. You will be required to know where and how skilled support or training will be available and from where you will obtain various parts and tools (raw material, etc.).

### **3.2.2 Management of Financial Requirements**

To start an own workshop or any business you need monetary support. You need to ensure availability of the required money including working capital for short term and provisions for emergency also. To estimate the fund, you should know details of requirements like land cost, construction cost, registration charges, machines and equipment cost, manpower, etc. One should also make a study whether to go for self owned premises or could it be beneficial to hire it on rent. Now, it is required to find out the money resources available in the market. In India, the financial assistance for small scale businesses is available from variety of institutions. Details of some of the institutions which provide financial assistance for setting-up small scale industries are mentioned in subsequent paragraphs.

### **3.2.3 Getting Familiar**

An entrepreneur wishing to set up an industry must first formulate a comprehensive plan for setting the industry for its success. For this, he/she should have confidence, enthusiasm, realism, self control, self confidence, and sense of urgency. He should therefore make himself familiar with the government policies and procedures and assistance and facilities he can get. He should know from whom and how he can get these.

Some agencies are mentioned here.

- (a) Small Industries Development Bank of India (SIDBI) : Refinance and direct lending.
- (b) State level Financial Corporations (SFCs), e.g. Delhi Financial Corporation (DFC), Gujarat State Financial Corporation (GSFC).
- (c) National Small Industry Corporation (NSIC).
- (d) Small Industry Development Corporations (SIDC) of various states.
- (e) Commercial/Co-operative Banks.
- (f) District Industry Centre (DIC).
- (g) In addition, large term loans are also available from all Indian financial institutions such as IDBI, IFCI and ICICI.
- (h) The EXIM Bank (Export Import Bank of India) and the ECGC (Export Credit and Guarantee Corporation) are Federal agencies which provide credit for export/import and exim guarantees respectively.

Some of the above organization provide monetary support on the basis of time period of lending, like short term, medium term and long term, as well on capital requirement.

An easy option of financing is available in our country called, a “single window scheme”, for SSI units. Under this scheme, one agency, either the bank or the financial institution, funds both the term loan and working capital requirements.

This scheme applies to all Small Scale Industries (SSI) projects with project cost up to Rs. 50 Lakhs. The working capital loan is generally secured against Pledging of stocks, raw materials and finished goods, advances against work-in-progress (WIP), advance against bills.

To apply for loans from financial institutions and commercial banks, a formal application needs to be made. The details of documentation that need to be provided with the loan applications are described here :

- (a) Balance Sheet and Profit Loss Statement for last three consecutive years of firms held by promoters,
- (b) Income Tax Assessment Certificates of Partners/Directors,
- (c) Proof of Possession of Land/Building,
- (d) Architects estimate for construction cost,
- (e) Partnership deed/Memorandum and Articles of Associations of Company,
- (f) Project Report, and
- (g) Budgetary Quotations of Plant and Machinery.

### **3.2.4 Legal Aspects**

Few simple steps to take care of legal aspects of setting up a business are to register your unit with concerned organisation, check out the labour laws that would be applicable to you, pay your commercial taxes and taking care of environmental aspects. Each of these aspects are discussed below in details.

### 3.2.5 Registering a Small Scale Unit

Small Scale and ancillary units (i.e. undertaking with investment in plant and machinery of less than Rs. 6.0 million and Rs. 7.5 million respectively) should seek registration with the Director of Industries of the concerned State Government.

The main purpose of Registration is to maintain statistics and maintain a roll of such units for the purposes of providing incentives and support services.

States have generally adopted the uniform registration procedures as per the guidelines. However, there may be some modifications done by States. It must be noted that small industries are basically a state subject. States use the same registration scheme for implementing their own policies. It is possible that some states may have a 'SIDO registration scheme' and a 'State registration scheme'.

#### Objectives of the Registration Scheme

They are summarized as follows:

- To enumerate and maintain a roll of small industries to which the package of incentives and support are targeted.
- To provide a certificate enabling the units to avail statutory benefits mainly in terms of protection.
- To serve the purpose of collection of statistics.
- To create nodal centers at the Centre, State and District levels to promote SSI.

#### Benefits of Registration

Units would normally get registered to avail some benefits, incentives or support given either by the Central or State Govt. The regime of incentives offered by the Centre generally contains the following :

- (a) Credit prescription (Priority sector lending), differential rates of interest etc.
- (b) Excise Exemption Scheme.
- (c) Exemption under Direct Tax Laws.
- (d) Statutory support such as reservation and the Interest on Delayed Payments Act.

(It is to be noted that the Banking Laws, Excise Law and the Direct Taxes Law have incorporated the term SSI in their exemption notifications. Though in many cases they may define it differently. However, generally the registration certificate issued by the registering authority is seen as proof of being SSI.)

- Establishment employing 10-19 persons require to maintain only 3 register and to submit an annual core return only.
- Establishment employing less than 10 persons to maintain only 1 register and submit only an annual core returns.
- The only one Inspector will be responsible for various labour laws, except in case of Factory Act and Boiler Act.

## Features of the Scheme

Features of the scheme are as follows :

- DIC is the primary registering centre.
- Registration is voluntary and not compulsory.
- Two types of registration are done in all States. First a provisional registration certificate (PRC) is given. After commencement of production, a permanent registration certificate is given.
- PRC is normally valid for 5 years and permanent registration is given in perpetuity.

## Types of Registration

### *Provisional Registration Certificate (PRC)*

- This is given for the pre-operative period and enables the units to obtain the term loans and working capital from financial institutions/banks under priority sector lending.
- Enables to obtain facilities for accommodation, land, other approvals etc.
- Helps to obtain various necessary NOCs and clearances from regulatory bodies such as Pollution Control Board, Labour Regulations, etc.

### *Permanent Registration Certificate*

Enables the unit to get the following incentives/concessions :

- Excise exemptions.
- Income-Tax exemption and Sales Tax exemption as per State Govt. Policy.
- Incentives and concessions in power tariff etc.
- Price and purchase preference for goods produced.
- Availability of raw material depending on existing policy.

### *Procedure for Registration*

Features of the present procedures are as follows :

- A unit can apply for PRC for any item that does not require industrial license, which means items listed in Schedule-III and items not listed in Schedule-I/II of the licensing Exemption Notification. Units employing less than 50/100 workers with/without power can apply for registration even for those items included in Schedule-II.
- Unit applies for PRC in prescribed application form. No field enquiry is done and PRC is issued.
- PRC is valid for five years. If the entrepreneur is unable to set up the unit in this period, he can apply afresh at the end of five years period.

- Once the unit commences production, it has to apply for permanent registration on the prescribed form.

The following form basis of evaluation :

- The unit has obtained all necessary clearances whether statutory or administrative, e.g. drug license under drug control order, NOC from Pollution Control Board, if required etc.
- Unit does not violate any location restrictions in force, at the time of evaluation.
- Value of plant and machinery is within prescribed limits.
- Unit is not owned, controlled or subsidiary of any other industrial undertaking as per notification.
- It crosses the investment limits.
- It starts manufacturing any new item or items that require an industrial license or other kind of statutory license.
- Does not satisfy the condition of being owned, controlled or being a subsidiary of any other industrial undertaking.

### **3.2.6 Labour Laws**

The small units manufacturing items reserved for manufacture in small scale sector do not require any prior license. This is a major relaxation where no licensing or restriction in production in small scale sectors exists. The Location restrictions have also been minimized. Similarly, Labour Act has been simplified in 1988 to assist the small establishments. The Act, namely “Labour Laws (exemption from furnishing returns and maintaining registers by certain establishment) Act, 1988” covers labour related laws.

### **3.2.7 Comprehensive Awareness**

Successful entrepreneurs should have ability to comprehend complex situations that may include planning, making strategic decisions, and working on multiple business ideas simultaneously. They are farsighted and aware of important details, and they will continuously review all possibilities to achieve their business objectives. At the same time, they devote their energy to complete the tasks immediately before them.

#### **Interpersonal Relationships**

- Entrepreneurs are more concerned with people’s accomplishments than with their feelings. They generally avoid becoming personally involved and will not hesitate to sever relationships that could hinder the progress of their business.
- Entrepreneurs are impatient and drive themselves and everyone around them. They don’t have the tolerance or empathy necessary for team building unless it’s their team, and they will delegate very few key decisions.
- Entrepreneurs need good interpersonal skills to be able to adjust and survive as their organization grows and becomes more structured.

### **3.2.8 Self-Control**

Most entrepreneurs believe they can do the job better than anyone else and will strive for maximum responsibility and accountability. An entrepreneur needs to maintain his/her calm even in face of adversity. Entrepreneur realises losing temper won't help the situation.

### **3.2.9 Self-Confidence**

Entrepreneurs are self-confident and tackle problems immediately with confidence and are persistent in the pursuit of their objectives. Most are at their best in the face of adversity, since they thrive on their own self-confidence. Before anyone else you have to believe in yourself and your product or services. It will show when you will meet your future customer, and suppliers.

### **3.2.10 Sense of Urgency**

Entrepreneurs have a never-ending sense of urgency to develop their ideas. Inactivity makes them impatient, tense, and uneasy. They thrive on activity and are tireless in the pursuit of their goals.

### **3.2.11 Advantages of Entrepreneurship Development**

- You will be your own boss and the boss of other people and make the decisions that are crucial to the business' success or failure.
- You will have the chance to put your ideas into practice.
- You will make money for yourself rather than for someone else.
- You may participate in every aspect of running a business and learn more about every aspect of a business and gain experience in a variety of disciplines.
- You will have the chance to work directly with your customers.
- You will have the personal satisfaction of creating and running a successful business.
- You will be able to work in a field or area that you really enjoy.
- You will have the chance to build retirement value (for example, by selling the business when you retire).
- Last but not the least no one can fire you.

### **3.2.12 Disadvantages of Entrepreneurship Development**

- You will be your own boss and the boss of other people and make the decisions that are crucial to the business' success or failure. It means no advice or direction from any source will be available.
- You will have the chance to put your ideas into practice. You will have to ensure that ideas are good and will be financially benefiting.
- You may have to take a large financial risk and will probably have to work long hours and may have fewer opportunities to take vacations.

- You may end up spending a lot of your time attending to the details of running a business and less time on those things you really enjoy.
- Sometime do not have much income coming in.
- You may find that your income is not steady and that there are times when you may not make any income.

### SAQ 1



- (a) How will you plan to establish your own business?
- (b) What are the merits and demerits in owning a business?
- (c) What are the aspects you have to think in establishing an own small workshop?
- (d) What are the legal aspects to be considered in establishing a workshop?
- (e) What are the documents required to apply for financial support?

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### 3.3 SUMMARY

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In this unit, we have studied various aspects of Entrepreneurship Development, which will help in setting your own workshop. Though all the information has been taken from the reliable sources, yet you are advised to reconfirm the facts before proceeding further for setting up your own establishment.

In the next courses, you will thoroughly study details of various types of tool and equipment used in servicing and repair of a motorcycle.

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### 3.4 ANSWERS TO SAQs

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Refer the relevant preceding text in the unit or other useful books/manuals available on the topic at workshops to get the answers of the SAQs.



