



Development of Entrepreneur



# Institute of Open and Distance Education

Faculty of Commerce

## Development of Entrepreneur



**2BCOM2**



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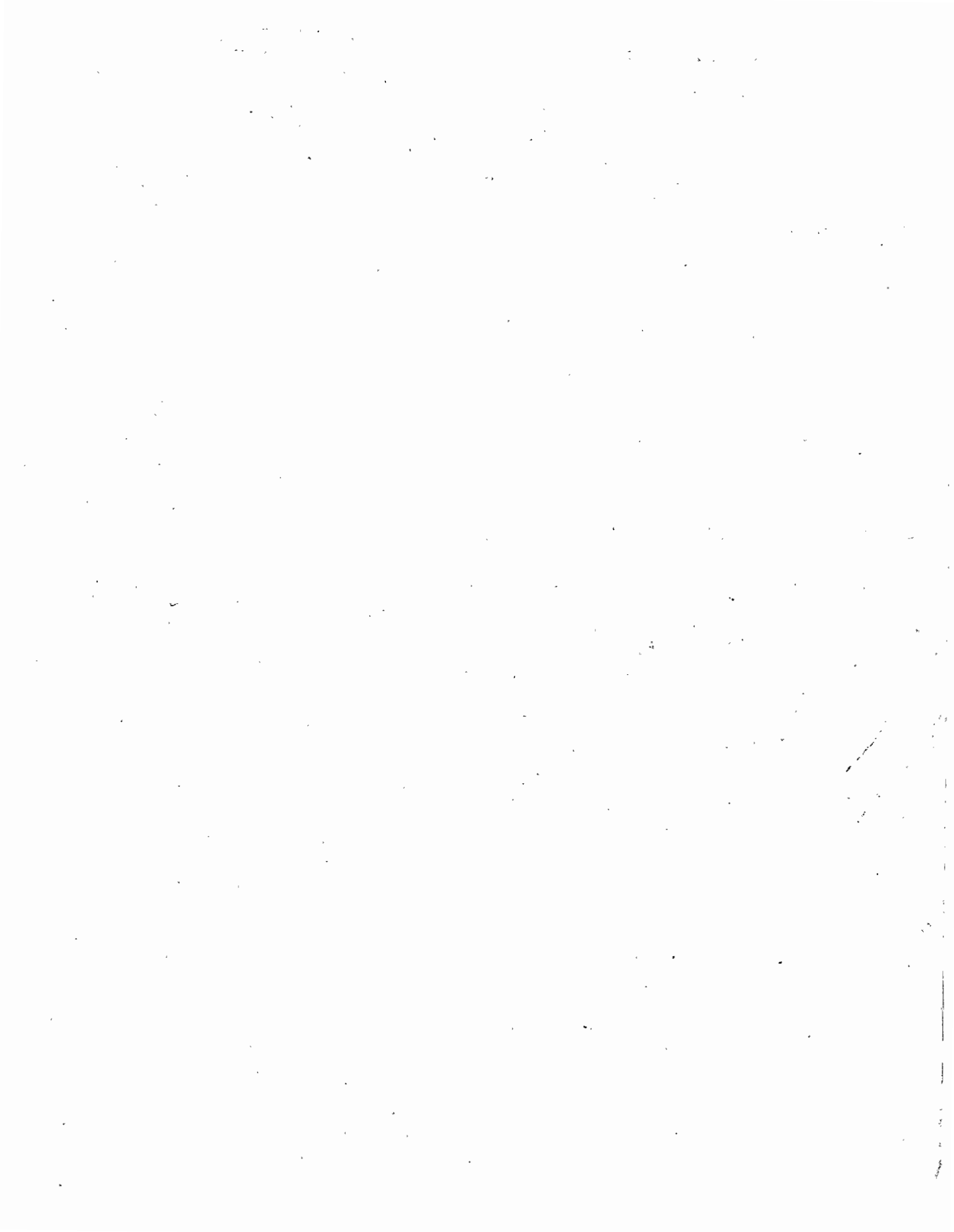
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## 1

## ENTREPRENEURSHIP (Meaning, Concept and Characteristics)

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"Entrepreneurship is a modus-operandi and co-ordination of consciousness of life. It is not only a methodology of wealth creation but also an effective alternative of personality development." It is not an easy route to industrial progress but is also a pinnacle of courage and wisdom. It is not an organized knowledge of industrial management but is also a mixture of human values, sublimity of society and entrepreneurial tendency. It is not an elegant effort to self-help and self-dependence but is also an opportunity and gateway for fulfillment of human aspiration and ambition. It is not a planned programme of all round development of a nation but is an expression of human inspiration, initiative, capacity and creative functioning. Thus entrepreneurship besides an art, a technique, a strategy, a skill, is also an ideology, thinking and a way of life.

"Entrepreneurship is an important process of creation of immense wealth, income, employment and capital in a nation. Entrepreneurship functions as a catalyst agent to end economic stagnancy of a country to transform un-utilized resources to source of production and helps in freeing common people from economic suffering. It is a backbone to long term and permanent economic progress of a nation.

### Meaning of Entrepreneurship

**Meaning of Entrepreneurship:** Entrepreneurship implies that qualification by which special effort is made to bear risk and face uncertainties. In other words entrepreneurship is that special qualification and inclination by which one bears risks and uncertainties inherent in business. The persons who have an eagerness to bear risk are called "Entrepreneurs". In modern times entrepreneurship implies courageous act of bringing latest changes and new reforms in business enterprise besides establishment, control and direction of an enterprise. In this sense entrepreneurship is a quality of leadership and innovation by which excellent results and high profit can be achieved. It is a qualification to make adjustment with dynamic environment and implement, creative and innovative ideas, plans and views in business. Entrepreneurship also means Courageous, Bold, Adventurous and Enterprising.

### Definitions of Entrepreneurship

Entrepreneurship along with capacity to bear risks involved in business is also a qualification to take advantage of Innovation, Leadership and Strategy. Lyn and Lyn have defined the term "Entrepreneurship" as 'Neo-entrepreneurship' which has the ability to mould the organization according to time, adopt, introduce and implement internal reforms and also includes the qualification to derive competitive profit.

In the changed situation of modern days it is necessary to study and analyze the definitions of Entrepreneurship given by various scholars. Various scholars have defined entrepreneurship differently.

- (1) According to **Prof. Pareek and Nadkarni**, "Entrepreneur or Entrepreneurship implies in general the behavior to establish new business venture in the society. Thus this definition considers setting up of business establishment and taking risk in doing such act as entrepreneurship. But this definition is not complete.
- (2) **V. R. Gaekwad** has explained the term entrepreneurship differently. According to him "Entrepreneurship implies innovation. It is an inner urge and desire to undertake

risk and face uncertainties or it is an ability to predict future events which proves right in course of time."

This definition terms innovation as entrepreneurship but fails to explain the functions related with innovations and does not clarify the scope of innovations.

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- (3) **Joseph. Schumpeter A.** says that in a developed economy entrepreneurship implies introduction of modernity and freshness in the economy, such as adoption of new method in production process which has not been used earlier, producing such goods useful to consumers but which was not in vogue and consumer were not aware of, use of new raw material, opening of new markets, etc.
- (4) According to **Prof. Rao and Mehta**, "Entrepreneurship is an answer to innovations and creativity of the surroundings". This definition puts stress on adoption of innovative ideas and new inventions in the production process of business according to the changed times.
- (5) According to **Prof. Musselman and Jackson** "The use and application of time, wealth and effort plus risk bearing attitude in establishing and making an enterprise a success is called entrepreneurship. Thus according to them entrepreneurship is the distribution of time, effort and money with certain risk bearing quality to make the enterprise economically viable and profitable. This definition does not include the functions of innovations. Hence it is not suitable in terms of developed economy.
- (6) **Higgins** has defined entrepreneurship as the function of handling economic activities, undertaking risks, creating something new, organizing and coordinating resources with the purpose of earning profit. Higgins put emphasis on finding out investment and production opportunities, organizing factors of production to start new production process, arrangement of capital, employment of labour, arrangement of raw materials, location of place and site selection for setting up plant and machinery, adoption and introduction of new goods and techniques, finding new sources of raw materials and selection of qualified and efficient personnel to carry out the day to day functioning of the enterprise. This is a descriptive definition of entrepreneurship, which describes the management functions and various organization of the Entrepreneur.
- (7) **Peter Kilby** has defined Entrepreneurship as a mixture of various economic activities which includes finding new business opportunities, new techniques, mobilizing and coordinating sources of production, adopting new methods of production, introduction of new raw materials in production process for optimum utilization of resources. But all the above definitions are relevant in the context of undeveloped countries.
- (8) According to **H. N. Pathak**, Entrepreneurship incorporates those areas for which many complex decisions are taken. These decisions can be divided in three broad categories.
  - (i) Knowledge of opportunities.
  - (ii) Establishment of the industrial unit.
  - (iii) Converting the industrial enterprise into profitable, growing and developed institutions.

This definition ignores the new concept of entrepreneurship. It puts emphasis on successful management of the business for profit purpose in which decision-making at various level is more significant.

- (9) In the words of **J. E. Stepanek**, "Entrepreneurship is the capacity to undertake risk, quality to organize, desire to diversify and bring in innovations to make the enterprise a successful business venture.

This definition is very precise and complete as it includes the significant function of entrepreneur i.e. risk bearing capacity as well as desire to innovate and welcome new ideas and inventions to cut down cost of production without any compromise with the quality. This definition considers entrepreneurship as the backbone to the process of economic development.

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- (10) According to **F. H. Frantz**, "Entrepreneurship is synthesis of organising and combining various means of production in one unit. Entrepreneur is an important manager as he is both a founder and an innovator.

The above definition put focus on two important elements of entrepreneurship,

- (i) Establishment of an enterprise.
- (ii) Introduction of inventions and innovative ideas in the establishment. This definition adopts progressive viewpoints.

- (11) In the words of **Franklin Lindsay**, "Entrepreneurship is a function to fulfill the needs of society, satisfactorily predicting its future needs, combining imagination, creation, innovations in the factors of production."

This definition adopts a progressive and socially acceptable view. This put focus on the ever-growing new needs of society, its utility, pricing of goods and satisfaction of the customers.

- (12) **Richman and Copen** were of the view that entrepreneurship signifies towards an external open system, which readily admits creative innovative ideas and implement them for profitable gain. It functions as an innovator, risk bearer and dynamic leader.

This definition looks at entrepreneurship as an open system, combining business with the environment. It accepts entrepreneur as a pioneer and a progressive representative of society. Undertaking risk has been considered as the centre stage of change in society.

- (13) **A. H. Cole** has termed, Entrepreneurship a purposeful activity by a person or group of individuals that includes a series of decisions. It establishes, operates and manages business enterprises to manufacture, produce and distribute economic utility goods and services.

This definition is based on the traditional viewpoint. According to **Cole**, "entrepreneurship is basically a qualification to establish, manage, operate, and implement decisions for the progress and development of an enterprise.

- (14) **H. W. Johnson** opines that Entrepreneurship is a sum of three basic elements viz. invention, innovation and adaptation.

This definition expresses the dynamic nature of the entrepreneurship. This incorporates freedom to welcome creative ideas, its implementation and adaptation in changed situations bringing in necessary reforms.

- (15) According to **Peter F. Drucker**, "It is meaningful to increase and expand opportunities in business."

This definition is very concise. According to it entrepreneurship is finding better opportunities in business for profit and a qualification to use the opportunities to derive maximum advantage. According to him 'Innovation' is a special tool of entrepreneur. He believes that Entrepreneurship is an important medium of creation of wealth, conversion of resources into production and creation of 'economic values' in society. But all this requires increasing the numbers and sources of opportunities. This is the actual definition and meaning of entrepreneurial pursuit.



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- (16) In the words of **Robert K. Lamb**, "Entrepreneurship is that form of societies resolve which is implemented by economic innovators."

The above definition considers entrepreneurship a procedure of economic decision making in context of society, which accepts and recognizes the social aspects and responsibilities of an industry.

- (17) According to **Loucks**, "Entrepreneurship is a combination of risk bearing attitude, desire to earn income and prestige, self expression, creativity and desire to pursue independent vocation." It is probably a micro psychological element, which tests the imagination from betting.

In nutshell, study of above definitions makes it clear that scholars have defined the term Entrepreneurship in a different manner to widen its scope. The conclusion derived from these definitions can be divided into three major categories.

#### Classical Views of Thinkers

**Cantaleen, Frank Knight, Adam Smith, J. B. Say, J. S. Mill, David Ricardo** are some important thinkers who have propounded the classical view of entrepreneurship. According to classical view entrepreneurship is based on following elements:

- (i) Capacity to undertake, bear risk and uncertainties in business.
- (ii) Qualification to organize and unite various sources of production.
- (iii) Ability to combine sources of production into a 'Production Unit', its control and inspection.

Thus classical view put focus on 'Risk bearing' and 'setting, establishing of business units'. Classical economists have not accepted 'Entrepreneurship as an important organ of 'Economic System.'

#### Neo-classical Views of Thinkers

Though this is based on classical views, however, a clear demarcation had been made between 'Capitalist' and 'Entrepreneur' in this period. Though this function has been carried out by one person. According to this view, entrepreneurship implies that qualification.

- (i) Which relates to various managerial functions carried out in business such as planning, organizing, resources and ability of implementation, direction and control over various decisions?
- (ii) Ability to introduce innovations and continuous reforms in the organization.

These views are applicable only in developing economy.

#### Modern Views of Thinkers

These views are applicable on both developing and developed nations. Among the famous scholars and thinkers who propound and advocate modern views of entrepreneurship include **J. E. Stepen, George Evans, Peter Kilby, Higgins, Peter F. Drucker, H. W. Johnson, Robert Lamb** and some other famous thinkers. Modern thinkers look at entrepreneurship from practical point of view. Most of the countries of the world falls in the category of 'Developing Nations.' These countries experiences a wide network of commercial and industrial activities. Hence entrepreneurs of these countries have to perform a number of functions. Risk bearing and establishment of an enterprise is the basic element of entrepreneurship. But in modern terms entrepreneurship combines business with society and environment. Hence it is a qualification to provide dynamic leadership to business introducing new innovations, search for new opportunities and various other decisions in context of social innovations. Thus it is clear that the meaning, scope and limitations of entrepreneurship has kept on changing according to the Social, Political, Economic and prevailing psychological conditions.

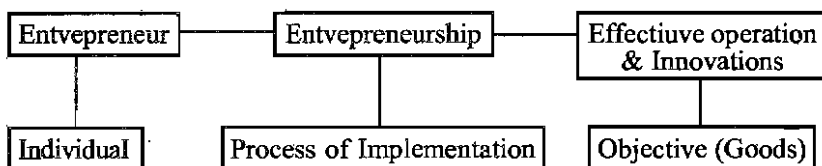
## Concept of Entrepreneurship

The concept of entrepreneurship has remained controversial from the very beginning. Various economists, philosophers and sociologists have defined entrepreneurship in various ways. The meaning and concept of entrepreneurship kept on changing according to the economic situations and type of economy prevailing in different countries and societies. The word 'Entrepreneur' is derived from the French word 'Enterprendre' which means work, enterprise or to undertake. In the 16th century the persons who organized, guided and controlled the military operations were called the entrepreneurs. In the 17th century the word was commonly used for the architects and contractors engaged in the profession of public utility services. In business the word was first used by French economist, Cantillon in 18th century who was engaged in purchasing or procuring goods and machineries used for manufacturing to produce marketable commodity. Famous French economist J. B. Say further expounded the definition of Cantillon and said that an entrepreneur is a person who establishes a commercial firm and looks after the organization. Thus entrepreneurship implies the courage, the intelligence, the imagination and skill required to establish and run an industry or business. The ability of bearing risks, making social innovations, providing a dynamic leadership and taking courageous bold decision to earn profit is essential, for entrepreneurship.

In general terms entrepreneurship stands for such attitude and qualification by which a person bears the risk involved in running the enterprises and through his skill, intelligence and imagination overcomes all difficulties and uncertainties to determine the success of his enterprise.

Though the concept and meaning of the entrepreneur remained always a controversial subject but the economists and social psychologists have tried to explain the word in different forms from time to time. The definition and meaning of entrepreneurship have kept on changing according to the changing economic development

The graph clears the concept of entrepreneur:



### Characteristics of Entrepreneurship

It is very necessary to understand the role and nature of entrepreneurship in modern times in the field of Industry and Commerce. Following are the chief characteristics of Entrepreneurship -

- (1) **Risk Bearing Capacity:** Risk is an inherent and inseparable element of the Entrepreneurship. Starting a new Enterprise involves risks. Risk bearing is the basic quality of entrepreneurship. Risk is implied in every business. Business is full of uncertainties and these uncertainties create risks. If these risks are not properly managed or effectively handled the business has to be. Some risks are covered under insurance while others have to be borne by the entrepreneur himself.
- (2) **Ability to Innovate:** According to **Peter F. Drucker** "Innovation is an ideal tool of an Entrepreneur". The quality of doing things differently in a new way makes an Entrepreneur stand apart from others.

This quality motivates an Entrepreneur to search for new pastures that inspires him to introduce new elements in business, i.e. new product, new techniques, new method of displaying a product, bringing improvement in management structure, etc.

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- (3) **Capacity to Correctly Forecast Uncertainties:** The success of an enterprise depends on the correct forecast of future uncertainties and events. Risks can be successfully managed or handled only when better opportunity to overcome or compensate the loss remain in foresight.
- (4) **It is a Creative Activity:** Entrepreneurship brings in new ideas in the mind of an individual, which motivates him to do something creative. An entrepreneur remains always busy in creative thoughts and doing unique things. This quality motivates him to find new opportunities and avenues in business. According to Schumpeter, Entrepreneurship is a creative response to the external environment. An entrepreneur is continuously involved in finding new opportunities.
- (5) **Business Oriented Tendency:** Entrepreneurship reflects the commercial and business oriented nature of an individual. It inspires an individual to establish an enterprise. It motivates him to turn his commercial dream into reality. It offers him an opportunity to make plans, give shape to his project.
- (6) **Result Oriented Behaviour:** Entrepreneurship is a goal-oriented activity. Entrepreneurship inspires a person to reach desired goals from his effort. An entrepreneur put focus on effort and hard work and not on destiny. Desired results can be obtained through hard work and proper efforts. They also believe that firm decisions, concrete plans and target-oriented behavior help them to reach at the top.
- (7) **Entrepreneurship is an Intuition:** Men are born equal but not all men are equal in intelligence, knowledge and courage. Intuition is an extra power in human being. Every individual does not possess capacity to bear risks or quality to establish an enterprise. People are generally afraid of taking risks hence they fail to derive benefit from the opportunities that comes their way. Capacity to bear risks is an inherent quality and not everyone is blessed with such qualities. Many people with meager resources at their command had earned millions and reached milestone because of their intuition and risks taking abilities.
- (8) **Professional Activities:** In the modern era entrepreneurship in advanced countries is developing as a profession. Like other professions such as managerial, technical etc. entrepreneurship too can be developed by systematic training, guidance and education. Government and other private institutions, non-governmental organizations are imparting training to entrepreneurs, helping them to start, operate and manage their business smoothly by implementing various schemes.
- (9) **Knowledge based Practice:** According to renowned management scholar Peter F. Drucker, "Entrepreneurship is neither a science nor an art but it is based on knowledge. An Entrepreneur reaches up to the top with experience and effective timely decisions. After a long experience a person can be able to develop the special qualities of an entrepreneur.
- (10) **Entrepreneurship is not a personality trait, but a Behaviour:** Entrepreneurship is not a personality trait but behavior. Decision-making is required in various fields of business, which implies a lot of risks that can be borne out only with experience. Being a continuous process entrepreneurship becomes the result of behavior.
- (11) **Entrepreneurship is based on Principles and not on intuition:** Intuitions play an important role but it is not a guarantee to success for an enterprise. An entrepreneur decides and acts on certain principles. Such principles become the cornerstone of their decision-making behavior.
- (12) **Decision making Activity:** Decision-making is an important element of an entrepreneurship. Only by correct and timely decisions, losses can be reduced, profits can be increased, administrative and commercial problems can be solved. Thus entrepreneurship is a forward-looking aptitude and a decision-making activity.

- (13) **Management is the vehicle of Entrepreneurship:** Management is the vehicle of entrepreneurship. It is a medium through which business decisions and plans are implemented. With the help of efficient management entrepreneurs introduce new schemes, bring in modification and necessary reforms and make strategy to earn more profit. According to **Peter F. Drucker**, "Entrepreneurial management has become the essential organ of every manager today.
- (14) **Entrepreneurship is a product of Environment:** The quality and kind of entrepreneurship affects the economic, social, political, religious and cultural environment of a country. They have a far-reaching influence and peoples thinking get a direction. We find high and efficient quality of entrepreneurs in these countries where growth oriented and business favourable atmosphere prevails. Joseph Schumpeter believes that it is a creative response to every external situation.
- (15) **Universal Activity:** Entrepreneurship is a Universal activity, which is essential in every society big, medium or small. Actually it is the backbone for the existence, growth and development of the business activity. The size of business is neither a cause of concern nor hindrance to the spirit of entrepreneurship.
- (16) **Low Risks:** It is generally believed that entrepreneurship is an enormously risky venture. It is true that with the rapid change in technology and socio - economic condition uncertainty and risks factor have increased to a great extent in business. But according to **Drucker**, it is only an illusion, an aberration to consider an Entrepreneurship as an enormously risky activity but it is not a gamble. Entrepreneurship is based on effective scientific management, sound principles. And creative result oriented innovative ideas hardly remains a risky venture.
- (17) **It is not 'natural' but an acquired Ability:** Entrepreneurship is not an inborn ability but it is an acquired ability. It is not easily found in business organizations but entrepreneurs by taking risky decisions and its fruitful results gain confidence. They acquire unique ability to handle difficult situations. **Peter. F. Drucker** asserts that Progressive business enterprises consider entrepreneurship as their duty. They remain committed to it, strive continuously and in a disciplined manner put it in practice.
- (18) **Result of changes:** Entrepreneurship is neither an economic incident or fall out nor a social activity but it is a result of social, Political, Scientific and technical change taking place in society.
- (19) **Creation of Resources:** Means of Production are available in the form of raw materials. It is the entrepreneur who converts these means of production into resources. Anything, which has the utility and has economic value can be called as a "Resources". Thus Entrepreneurship is a process of creating utility, economic value, which turns it into wealth. **Drucker** writes that until the advent of Entrepreneurship every plant is a weed and every mineral just another rock.
- (20) **Process of Identity Transformation:** Entrepreneurship is not an adoption of new thoughts, new ideology, new method, new behavior, but it is also a process of "Identity formation" and Role Transformation". An individual can never become an Entrepreneur by mere adopting some innovative ideas. His identity comes into prominence only when he continuously lives by it. **Uday Parikh** and **Nadkarni** believe that Entrepreneurship is not doing things uniquely or adopting new behavior, new techniques but it is the transformation of personality and total involvement.
- (21) **Entrepreneurship is a Life Style:** Entrepreneurship is not an activity, a vocation, a business, but it is an art of living in a systematic manner. Every individual sets a goal in life. He fixes a target. He should be imaginative and creative and be able to take strong decisions and implement it in an effective way to achieve the target.

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## Role of Entrepreneurship in Economic Development

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Entrepreneurship is the backbone of economic development. No country in the world can achieve planned and rapid economic development without the growth of Entrepreneurship. Entrepreneurs carry out a number of functions, which are extremely extensive and vital. Thus it is important to know, what is the role of entrepreneurship in economic development? Economists differ in their opinion. We will analyze the views of different economists on the subject elaborately.

**Classical ideology:** Renowned economists **Adam Smith** have considered 'Economic Development' as the basis of people's quality of saving and distribution. According to him the capacity to save depends on the productivity of the workers, which is the result of their efficiency and Division of Labor. **Adam Smith** in his book has advocated the creation of capital or capital formation as a chief element of economic development. **David Ricardo** has acknowledged only three elements Labor, capital and wealth as the important tool of economic development. He considered 'profit' an important device of saving which in the end becomes significant in capital formation.

Among the classical economists **J.B. Say** was the first such economist who recognized to consider entrepreneur as an important factor in the process of economic development. According to him it is the entrepreneur who combines various factors of production into a unit and transfers economic resources from low productivity area to high productivity area where more profits are earned. Thus, we find that classical economists were unanimous in their views. They hardly give entrepreneur an important place in the process of economic development.

The process of economic development is self-accelerating and self-controlled.

**Modern Ideology:** In the last few decades the economists all over the world have recognized the important role of entrepreneurs in the industrial and economic development of a nation. The achievements of Entrepreneurs of developed countries attracted the attention of undeveloped countries. Underdeveloped nations in recent years have continuously focused attention to the development of entrepreneurs inspired by the great contributions of entrepreneurs of the advanced nations. Thus it has become crystal clear that only the entrepreneurs can accelerate the pace of economic growth by optimum utilization of natural resources of the nation e.g. Labor, Capital and Technology.

Most of the modern economists are of the opinion that entrepreneurs are the backbone of economic development. **Schumpeter** advocated that innovative entrepreneurs put science and technology to economic utility, which becomes the cornerstone of Industrialization. **Parson** and **Smellsor** were of the view that entrepreneur and capital are the two distinct ingredients of economic development.

**Harbison** suggests that entrepreneur is the main driving force of any enterprise. The role of entrepreneur depends on the economic system in practice in a country, available physical and human resources, prevailing industrial and economic condition, political system, social values, etc. The socio-economic condition of a country reflects the kind of entrepreneurs would grow in that country.

Where the opportunities of development are immense, there the contribution of an entrepreneur would be manifold. In an undeveloped economy where capital, trained manpower, skilled labor force and infrastructure of development are of poor quality, there is always a dearth of innovative entrepreneurship. Such country will be a breeding ground for only lazy, imitative, cautious and calculative entrepreneurs.

Dearth of capital, technology and underdeveloped market results in establishment of small, cottage industry in backward and underdeveloped country.

With an objective to accelerate the pace of growth the government of underdeveloped country generally motivate small entrepreneurs by offering them various incentives in the form of tax cuts, availability of funds at low rate of interest, etc. In our own country Government is helping and promoting small and cottage industries. Government through various schemes has focused its attention to increase the productivity of the labor force by imparting technical training, providing various types of socio-economic amenities. It is by educating people and motivating them to start new industry in rural, semi rural areas both at individual as well as cooperative level, the economic base can be diversified and chasm of economic imbalances and disparities of various regions can be reduced.

**Ralph Horwitz** is right in saying that as a man perishes without an idea, so an industry or economy stagnates without entrepreneurs.

Various elements such as natural resources, savings, capital formation, income, technology, social conditions, etc. contribute significantly in the economic development of a nation but in absence of entrepreneurs all these factors of production remain unproductive and lifeless. According to **Drucker**, "only entrepreneurs turn all these sources and factors of production into resources and convert it in the form of new products which has utility value". Thus an entrepreneur is not an independent and important source of production but is the father of all economic development.

#### Important Questions for Examination

1. What is Entrepreneurship? Discuss its nature in detail.
2. Define Entrepreneurship? Discuss its characteristics and nature.
3. "Entrepreneurship is an innovative leadership function rather than ownership". Elucidate and discuss the various forms of entrepreneurship.
4. Explain the pattern of Business Entrepreneurship.
5. Discuss the Role of Entrepreneurship in present scenario.
6. "Entrepreneur is not a personality trait, but a behavior". Discuss.
7. Entrepreneurship is created by environment". Discuss.
8. Discuss the role of Entrepreneurship in economic development.
9. Define concept of entrepreneurship development? What are the fundamental pillars of modern concept of Entrepreneurship Development?
10. Discuss the old and new concept of entrepreneurship in detail.
11. Write a note on "Entrepreneurship Development".
12. Discuss in detail the various theories of development of Entrepreneurship.



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Test your Progress

## NOTES

## ENTREPRENEURSHIP - TYPES, IMPORTANCE AND VIEWS

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The contribution of commercial entrepreneurship is most important in the economic progress of a country. Because of the Entrepreneurial aptitude new industries, new goods and services, employment, income and wealth are created in a country. Conversion of idle Natural Resources of the country into productive goods and resources, inventions and projects all depend on the courageous and timely decisions of an entrepreneur. Hence it is true that industrialists are the base or cornerstone of economic progress and prosperity of a country. The chronic problem of poverty and unemployment can be solved by industrialization only. Entrepreneur plays an important role in organizing various sources of production to convert it into productive utility goods and helps in solving many social problems of the country such as poverty, unemployment, etc. Hence it is considered as an important element of Industrial Progress. Entrepreneurship encourages courageous and creative attitude, commercial and scientific temper in an individual, which helps in economic development of a country.

### Patterns or Types of Business Entrepreneurship

The socio-economic conditions and level of development varies from nation to nation. Besides that people of each country inherit different thoughts and views about business and commerce. Accordingly we find various kinds of entrepreneurship prevailing in different countries. On the basis of the economies in vogue in various countries, entrepreneurship can be divided into following forms:

#### On the basis of Capital Ownership

On the basis of capital ownership entrepreneurship can be divided into four major forms:

- (1) **Private Entrepreneurship:** When group of people or single individual establishes an enterprise under private ownership and bears the risks individually or collectively it is called private ownership. Private entrepreneur mostly work with an objective to earn profit. In the capitalist country like U.S.A., England, Germany, Japan, France industries grew because of the efforts of Private individuals or group of people.
- (2) **State or Public Entrepreneurship:** In the modern days the states too have started business operations. When an enterprise is established and operated by Central Government or State Government then it is known as Public Entrepreneurship. The government starts the business operations for the Public welfare and bears all the risks. In the socialists and communist's countries like Russia, China, Yugoslavia, such types of Entrepreneurship are in vogue.
- (3) **Joint Entrepreneurship:** This type of entrepreneurship is the joint venture of Government and private individuals. When an industry is jointly established, organized and operated by government and private entrepreneur it is called the joint entrepreneurship. Government in association with private individuals invests money in a definite proportion. In this type of entrepreneurship the government plays a vital role. India has adopted this type of entrepreneurship to prevent Centralization of economic power, for the industrial development of rural and semi-rural areas, to achieve the targets and objectives of 5th five-year plans and to promote new entrepreneurs.

- (4) **Co-operative Entrepreneurship:** When an industry or business is established, operated or managed in cooperation with many individuals, then it is known as co-operative entrepreneurship. In this type of entrepreneurship people in co-operation with each other show inclination to bear the risks together. In India, Dairy Industry, Small and Cottage Industry, Fertilizers, Food Processing, Textile, Sugar Industries have been established on the basis of cooperation. The chief aim of cooperation is to make the citizens self-reliant and promote mutual well-being among them.

India has adopted mixed type of economy. Prior to independence, British promoted and encouraged private entrepreneurship, but after independence Public Entrepreneurship witnessed rapid growth. In India, government is showing keenness to promote joint and co-operative entrepreneurship.

#### **On the basis of attitude towards change or Development**

On the basis of attitude towards change and development, entrepreneurship is of following forms:

- (1) **Traditional or Evolutionary Entrepreneurship:** When production system is traditional, process of change is slow and meager amount is spent on research and development, then it is known as traditional or evolutionary entrepreneurship. Traditional entrepreneurs believe in natural process of development, take calculated risks and pay little attention on innovations.

They don't show any willingness or eagerness to launch new product, introduce new technology in production. We generally find these types of Entrepreneurs in our country.

- (2) **Modern or Revolutionary Entrepreneurship:** When an entrepreneur introduce new methods of production, readily undertake risky projects, take courageous and bold decisions, make rapid expansions of his enterprise, he is called modern or revolutionary entrepreneur. Russia, China and Eastern European countries are examples of such types of entrepreneurship. Educated youth of modern period, believe in these types of entrepreneurship.

#### **On the Basis of Centralization**

Based on centralization, entrepreneurship is mainly of two types:

- (1) **Centralized Entrepreneurship:** When Industry and Business are established in any particular area or special region due to required facilities of infrastructure available for its growth and development then it is known as centralized entrepreneurship. New entrepreneurs are attracted to these particular regions because of the easy access of facilities and market, but such centralized entrepreneurships in the long run creates lots of socio-economic and cultural problems.
- (2) **Decentralized Entrepreneurship:** When different industries are established in different regions of the country then it is known as decentralized entrepreneurship. Governments of modern times always promote decentralization to avoid centralization of economic growth in one region or area. With an objective to create more employment opportunities, equal distribution of economic wealth, balanced and planned development of the country govt. by providing various types of incentives, facilities and grants, promote decentralization. Decentralized Entrepreneurship plays vital role in the balanced social development of the country and contributes significantly in strengthening socialist pattern of society.

#### **On the Basis of Size**

On the basis of size, entrepreneurship is chiefly of two types:

- (1) **Large Entrepreneurship:** Such establishment where huge amount of investment is needed, production is taken out on an enormously large scale, large number of heavy machines and tools are in use, process of production is complex and management of

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the business is done by qualified and experienced professionals, then it known as big entrepreneurship. In India Tata's, Birla's, Dalmiya's, Bangar's, Mittal's, Ambani's, Bajaj's and others come under this category. Many more industries like Coal, Iron and Steel, etc. have been established under this category. Large entrepreneurship gives birth to monopoly.

- (2) **Small Entrepreneurship:** The entrepreneurship, where the size of the enterprise is small investment of capital is low, small number of workforce is employed and the production process is simple, it comes under small entrepreneurship. Small entrepreneurship is labour intensive. Village, cottage and small industries fall under this group. Small entrepreneurship develops self-reliance, generates employment and is the mainstay for decentralisation of economic power, optimum utilization of local products and resources, balanced regional growth.

**On the basis of Entrepreneurial Function**

Liebenstein has classified entrepreneurship in two distinct forms on the basis of entrepreneurial function.

- (1) **Routine Entrepreneurship:** Routine Entrepreneurship is related with the routine managerial functions of an enterprise. The main function of the entrepreneur is to look after the day to day working of the establishment by implementing the programmes and policy of the enterprise. The chief aim of this type of entrepreneurship is to manage industry on minimum cost and at minimum risk.
- (2) **New Type Entrepreneurship:** New entrepreneurship implies innovative and creative entrepreneurship. The chief function of the entrepreneur is to introduce new method of production, discover new market, introduce new product, implement innovative and creative ideas bringing in new technologies to reduce cost and maximize profit. Such entrepreneur looks forward to change and improvement.

**On the Basis of Leadership**

Entrepreneurship is basically a product of individualistic leadership, group leadership or cooperative leadership. On the basis of leadership quality, it can be divided into below-mentioned form:

- (1) **Individualistic Entrepreneurship:** In the Individualistic Entrepreneurship all the function of planning and management is carried out by a single individual. The entrepreneur takes the decision of production, distribution, marketing and other related matters him-self single-handed. The ownership and management remain in the hands of one individual. Individualistic entrepreneurship is possible only for small industries.
- (2) **Group Entrepreneurship:** This entrepreneurship is based on the techno- structure of the society. This comes into existence due to the large scale production, division of labour, technology and capital, intensive production system and complex commercial activities. In such type of entrepreneurship leadership from one individual gets transferred to professionals or group of expert professionals. The experts who take vital decision and gives direction to day to day running of the enterprise are not generally the owner of the business but they generally plays an important role in decision making process. Such entrepreneurship intensifies the pace of industrial development. Such entrepreneurs are called by the name of 'promoters'. Sometimes these entrepreneurs desist from investing their capital in remote and undeveloped regions, which lack basic infrastructure development.

**Other Basis**

Besides the above-mentioned forms, the entrepreneurship can also be divided on other different basis such as Urban and Rural entrepreneurship.

- (i) **Urban and Rural Entrepreneurship:** The development of other entrepreneurship is limited to metropolitan towns like Mumbai, Ahmedabad, Kanpur, Kolkata, Chennai, etc. This creates lot of socio-economic problem such as slums, pollution, social crimes, congestion etc. When an entrepreneur comes from small towns districts, tehsil and villages they are called Rural entrepreneurs. Rural entrepreneurs are the chief agent of equal distribution of wealth, Poverty eradication and economic development of villages and small towns.
- (ii) **Systematic Entrepreneurship:** Peter. F. Drucker generally talks about systematic entrepreneurship rather than general entrepreneurs. Such entrepreneurs mostly functions under the guidance of certain principles and practices. They generally put focus on search of new market, new product, new customer and new opportunity.

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### Need or Importance of Entrepreneurship

Entrepreneurship is essential for the planned and balanced economic development of any country. With the development of entrepreneurship we can solve the problems of poverty, unemployment, low living standard, low production and many other complex problems. An ideal industrial society can be established in villages, tehsils and small towns by promoting entrepreneurship. we can overcome the evil of centralization of economic power generated by large and heavy industries in metropolitan urban areas. The importance and need of entrepreneurship can be explained by following illustrations:

- (1) **Establishment of Viable Units:** More and more viable productive commercial units would come up, if entrepreneurs would be equipped with necessary tools, techniques and training. Untrained, lazy and uneducated entrepreneurs would never succeed in turning or making any industrial establishment into viable, profit earning establishment. With the growth of entrepreneurship it would be possible to optimize the use of natural resources, which in turn would minimize the losses and build the confidence of the entrepreneurs. Moreover it would reduce the burden of government to revive the sick units.
- (2) **To Develop Entrepreneurial Tendencies:** With the planned development of entrepreneurship the spirit of entrepreneurial ability gradually grow among individuals. Corporate sectors and government by organizing various training programmes develops individuals and tries to harness their productive capabilities. Tendency to remain busy doing productive activities to achieve something purposeful leads to independent lifestyle, which in turn give birth to a rich and happy society.
- (3) **To Promote Innovations:** Growth of entrepreneurship leads to more investment in invention, research and development. Scientific temper and commercial outlook gets encouragement, which leads to growth of technical knowledge in individuals. Hence innovations get new recognition in society. New method, new techniques of production replace the old method. New goods are produced. Organizations embark on expansion and diversification.
- (4) **Optimum Utilization of Resources:** The human and natural resources such as natural wealth, minerals, raw materials, etc. available in different parts, regions and areas of the country are optimally utilized. Entrepreneurs take benefit of the new research and inventions, insists on utilizing new raw materials to increase the capacity of the production and improve on the quality of the goods. They put maximum effort to exploit and utilize natural and human resources effectively to derive optimum use with efficient managerial efficiency.
- (5) **Increasing Employment Opportunities:** Development of entrepreneurship leads to establishment of new business and commercial units, which gives employment to more and more people. Local community gets employed in such manufacturing units under various development programmes. Unemployed youths get opportunities of self-employment. Innovations, further leads to expansion of the existing units, which

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- in turn creates and generates more employment opportunities. Even more and more women, too, are getting employment in these types of small and medium industries.
- (6) **Balanced Economic Development:** Development gaps prevailing in various, regions, areas of the country are abridged, narrowed, reduced through the development of entrepreneurship. Developing countries are lagging behind in technical and development fields in comparison to developed countries of the world. Even vast gaps / differences in development and growth can be witnessed in various parts of the same country e.g. in India, Bihar, Orissa, North - East are less developed compared to Punjab, Haryana, Maharashtra and Gujarat. Such gaps at regional and provincial levels can be bridged or narrowed down by encouraging spread of small and medium entrepreneurs.
  - (7) **Rapid Economic Growth of the Economy:** Entrepreneurship strengthens and builds bold and courageous tendencies among individuals. People get encouragement and their confidence in creativity grows with each success. People remain in search of new opportunities of growth that helps in establishment of new industrial and commercial units. This outlook / spirit accelerate the economic growth which in turn takes rapid strides and the country achieves the level of full employment level.
  - (8) **Social Satisfaction:** The idea of privatization is gaining more acceptances all over the world in recent times. Government of many countries are promoting disinvestments, inviting private entrepreneurs to manage and operate public sector undertakings. This approach has further added responsibilities on private entrepreneurs to have a modern, progressive and forward-looking outlook to address the expectations of the common people fulfilling their needs satisfactorily. With the growth of entrepreneurship new values have been created, level of social satisfaction has been increased and more utility value has been created for the benefit of the common man.
  - (9) **Promote Capital Formations:** Entrepreneur functions as an important agent to mobilize the idle savings of public through the issue of industrial securities. Investment of Public Savings in industry and commerce results in productive utilization of natural resources. Capital formation is a crucial problem of each and every nation. Entrepreneurs by increasing the pace of industrial activities in the country can help in increasing the capital formation, which is essential for economic prosperity. Thus an entrepreneur is the creator of wealth.
  - (10) **Contributes to the in Execution of Government Policies:** Entrepreneurs contribute significantly in the execution of government policies and in achieving national goals. Entrepreneurs help government to complete development plans, balancing import and export transactions and promotes in the balanced development of the country. Entrepreneurs can join hands with the government in all development activities.

**Various Views about Entrepreneurship**

Scholars have defined the term entrepreneurship according to their own belief and thinking.

- (1) **Risk Bearing Capacity:** Frank H. Knight has defined entrepreneur as a person or group of special individuals who have the capacity to face, overcome uncertainties. He differentiates between 'common risk' and 'uncertainties'. He says, the uncertainties are such risks, which neither can be predicted in advance nor can be covered by insurance. Such risk bearing quality is called entrepreneurship. According to him entrepreneurship is the power, which guarantees to overcome all uncertainties.

**Richard Cantillon** has considered risk bearing an important and significant function of an entrepreneur. He believes that entrepreneurship stands for undertaking risks uncovered by insurance. As entrepreneurs face many risks bearing challenges both during establishment and operations of the business organizations. The opinion of Cantillon gained significance as complexities of modern business have increased manifold and risk bearing quality of an entrepreneur received an added importance.

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- (2) **Function of Organisation and Co-ordination:** Famous economist **J. B. Say** has termed entrepreneurship as a function of organizing various modes of production and its proper co-ordination. He looks to entrepreneur as an "efficient organizer". According to him an entrepreneur is an important component of economic activity who organizes all resources of production. He is an economic agent who produces socially useful goods through proper and effective co-ordination of various means of production such as land, labour and capital etc.
- (3) **Managerial Skill:** **B. F. Hossiles** has considered 'managerial skill' as an important aspect of entrepreneur. He attaches no significance to finance as an important element for the success of business. Famous economist **J. S. Mill** hold similar view. He considers 'inspection', 'control' and 'direction' as an important element of an entrepreneur. According to him besides risk bearing capacity, the direction to run and operate an organization and people, plays an important role. The quality of direction is important for the success of a business establishment. According to Marshall, entrepreneurship is the managerial work to bear risk, bring in labour and capital, initiate and execute plans. Accepting entrepreneurship as the quality to bear risk and managing various means of production, he said that an entrepreneur after establishing the organization acts as a courageous manager.
- (4) **Organization Building Ability:** **Fredrick Harbison** considers 'creative leadership' and 'organization building ability' as an important aspect of entrepreneur and terms it as a most significant base of industrial development. According to him, entrepreneurship is the leadership quality, which facilitates the development of establishments' resources, increases and develops the efficiency of human resources, brings in innovative ideas and with a coordinated effort increases the profitability of the business. With effective leadership quality and innovative ideas he infuses more efficiency in the existing human resources. He opines that creativity brings in innovative ideas and leadership quality, translates those ideas into economic prosperity. Establishment of any business in absence of innovative ideas can never become a base for economic prosperity and development. In other words entrepreneur besides being innovative should also have the quality of a good leader and better administrator. Through leadership, better administration and creative innovative ideas he can achieve the goal and make the establishment a success.
- (5) **Innovative Ability:** Entrepreneurship is a dynamic activity. Entrepreneurs thrive on changes in the environment. **Schumpeter** considers him as an agent of change, a product of environment and a schemer of innovative ideas. It is an innovative activity since it involves doing things in a better way and by a new method. Innovation may take several forms such as a new method of production, a new product, a new market, a new distribution system, new opportunities, new techniques, a new source of raw material etc. Flexibility and change is the hallmark of a successful entrepreneur.
- (6) **Group level Reactiveness:** **F. W. Young** denying personal ability and qualification as an important factor for development and progress of an enterprise says, "entrepreneurship can never be a personal quality". He lays emphasis on group level reactivity and opines that entrepreneurship is the result of collective and group level reactivity. Thus it is clear that entrepreneurship is not a personal quality of an individual but is a result of reactive capacity for social equanimity.
- (7) **Capacity of High Achievement:** **McLililand** has accepted entrepreneur as a psychological inspiration and not as an accidental behavior, which is inherent in every individual. The inspiration of high achievement brings qualitative behavioural change in human beings and makes him a successful and result oriented entrepreneur.
- (8) **Means of Social Change:** Entrepreneurs acts as an important tool of social change. Modern inventions and scientific outlook reduces and helps in mitigating traditional beliefs. Entrepreneurship brings in transformation in peoples outlook. Society enters

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into the new environ of hard work and enterprising activities. Education and knowledge spreads. As a result society discards outdated traditional, conservative approach to embark on new, lively, result oriented scientific culture.

- (9) **Minimise Socio-Economic Problems:** With the establishment of more and more industries and increase in commercial activities many existing economic and social problems of the urban areas such as class conflict, social crimes, increase in refugee camps, slums, impure environment etc. can be effectively addressed. Many social evils prevailing in rural areas such as dowry, drunkenness, drug addiction etc. can be reduced and people's attention may be diverted to saving, capital formation and productive use.
- (10) **Establishing Self-sufficient Society:** It is possible to establish self-sufficient and self-reliant society by bringing in productive revolution in the country. A developed and educated entrepreneur by increasing the productivity of an enterprise can contribute both in fulfilling the needs of the community and increasing the export of materials and services. People's standard of living would improve with the increase in employment and productivity. This will significantly help in saving, capital formation and a mark reduction in import of goods and services. This in turn helps in fulfilling the dream of establishing a self-reliant and self-sufficient society.

This elaborately explains that entrepreneurship has a significant role to play in developing country like India.

### Role of Entrepreneurship in Economic Development

No country in the world can achieve planned and rapid economic development without the growth of entrepreneurship. Entrepreneurship is the backbone of economic development. Entrepreneurs carry out a number of functions, which are extremely extensive and vital. Thus it is important to know, what is the role of entrepreneurship in economic development? Economists differ in their opinion. We will analyze the views of various economists on the subject elaborately.

- (i) **Classical Ideology:** Renowned economist **Adam Smith** considered, "Economic Development" as the basis of people's quality of saving and distribution. According to him the capacity to save depends on the productivity of the workers, which is the result of efficiency of workers and division of labour. **Adam Smith** in his book advocated the creation of capital or capital formation as the chief element of economic development. **David Ricardo** has acknowledged only three elements labour, capital and wealth as the important tool of economic development. He considered 'Profit' important device of saving which in the end becomes significant in capital formation.

Among the classical economists **J. B. Say** was the first such economist who recognized to consider entrepreneur as an important factor in the process of economic development. According to him it is the entrepreneur who combines various factors of production into a unit of production and transfers economic resources from low productivity area to high productivity area where more profit is earned.

Thus we find that classical economists were unanimous in their views. They hardly give entrepreneur an important role in the process of economic development. The process of economic development was self accelerating and self-controlled.

- (ii) **Modern Ideology:** In the past few decades the economists all over the world have recognized the important role the entrepreneurs play in the industrial and economic development of a nation. The achievement of Entrepreneurs of developed countries attracted the attention of undeveloped countries. Under developed nations in recent years have cautiously focused their attention to the development of entrepreneurs inspired by the great contributions made by entrepreneurs of advanced nations. Thus it has become crystal clear that only the entrepreneurs can accelerate the pace of

economic progress by optimum utilization of available natural resources of the nation e.g. labour, capital and technology.

Most of the modern economists are of the opinion that entrepreneurs are the backbone of economic development. **Schumpeter** advocated that innovative entrepreneur put science and technology to economic utility, which becomes the corner stone of industrialization. **Parson and Smellser** were of the view that entrepreneur and capital are the two distinct ingredients of economic development.

**Harbin** suggests that entrepreneur is the main driving force of any enterprise. The role of entrepreneur depends on the economic system in practice in a country, available physical and human resources, prevailing industrial, economic condition, political system, social values etc. The socio-economic condition of a country reflects the kind of entrepreneurs will grow in that country, where the opportunities of development are immense, the contribution of an entrepreneur would be manifold. In an undeveloped economy where capital, trained manpower, skilled labour force and infrastructure of development are of poor quality, there is always a dearth of innovative entrepreneurship. Such country will be a breeding ground for only lazy, imitative, cautious and calculative entrepreneurs. Dearth of capital, technology and undeveloped market results in establishment of small cottage industry in backward and undeveloped country.

With an objective to accelerate the pace of growth the government of undeveloped countries generally motivate small entrepreneurs by offering them various incentives in the form of tax cuts, availability of funds at low rate of interest etc. In our own country government is helping and promoting small and cottage industries. Government through various schemes has focused its attention to increase the productivity of labour force by imparting technical training, providing various types of socio-economic amenities. It is through educating and motivating people to start industry in rural, semi-rural areas both at individual as well as co-operative level, for the diversification of economic base economic imbalances of various regions can be abridged.

**Ralph Horwitz** is right in saying that as a man perishes without an idea so an industry or economy stagnates without entrepreneurs. Various elements such as natural resources, saving, capital formation, income, technology, social condition etc. contribute significantly. In the absence of entrepreneur all these factors of production remain unproductive and lifeless. According to **Drucker**, " Only entrepreneurs turn all these sources and factors of production into resources and convert it in the form of new products which has utility value. Thus an entrepreneur is not an independent and important source of production but is the father of all economic activity and development.

#### Important Questions for Examination

1. Discuss the major types of Entrepreneurship?
2. Explain the patterns of Business Entrepreneurship?
3. Discuss the role of Entrepreneurship in present scenario?
4. ' Entrepreneurship is not a personality trait, but a behaviour'. Discuss.
5. Entrepreneurship is created by environment. Discuss.
6. Discuss the role of Entrepreneurship in economic development.
7. What is meant by Entrepreneurship? Analyse the various views put by different proponents regarding its meaning.
8. Discuss the old and new concept of Entrepreneurship.
9. Write a note on " Entrepreneurship Development".
10. Discuss in detail the various theories of development of Entrepreneurship.

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Test your Progress

## NOTES

**FORMATION OF GOALS - PROBLEMS & SOLUTION**

In the present modern times a person fixes a definite goal prior to performing of any work. Work executed without any objective leads us nowhere. In fact doing work aimlessly deviates us from reaching a goal. It is also meaningless and absurd too to aimlessly perform any work. Motivation is an important element of development and expansion of industry. Inspired by the reward of attaining the desired result each entrepreneur aspire for high achievement and work with dedication. He puts his heart out and carries out his responsibilities with sincerity so that he should be proud of his achievements. The motivation of accomplishing the desired result becomes the foundation stone for his all round development. An entrepreneur does not merely work to earn profit but he struggles for achieving higher goals and earn commercial prestige and reputation.

Thus it is imperative for an entrepreneur to make his entry into the industrial world only after determining a target or goal for his enterprise. Goals can be related with production or service or profit. If an entrepreneur determines a target he remains intimately self-motivated to accomplish it and makes constructive efforts. Result oriented plans can easily be formulated after setting proper targets for the enterprise.

**Meaning of Goal**

Entrepreneurship is a process of economic and commercial activity performed by entrepreneurs for definite target or goal. An entrepreneur carries out various functions right from the establishment of an enterprise to operation, management and expansion of an enterprise, aiming to reach the desired goal.

Thus it can rightly be said that 'Target' is that desired goal in the field of entrepreneurship that governs and guides all the entrepreneurial activities. Entrepreneur focuses his attention and continuously makes combined efforts to achieve the desired goal.

**Definition of Goals**

The views of eminent scholars on Goal is given below:-

- (1) **Louis A. Allen** - "Goals / Target means the final result".
- (2) **Kuntz and O' Donel** have defined target as the final or end point of all managerial activities. Thus it is clear that Target / Goal is an entrepreneurial activity by which an entrepreneur manages and operates all business activities according to the common objectives of the business enterprise utilizing effectively all the available resources by which pre-determined goals are achieved.

**Concept of Goals**

Strategy begins with management process mission and target determination. Exercise on target determination starts once the "Mission Description" is decided at Board level. Target or Goals are those fundamental schemes or plans, which directs all the activities of the establishment towards attainment of final results.

In other words, Goals or Targets are final results for whose attainment all the activities of an organization is performed. All the efforts of the Board go haywire in absence of definite goals.

According to **Peter F. Drucker**, "Target is a necessary tool for the operation of an Industrial undertaking in various important fields. In its absence the very ambitious plans of management would be immaterial as it will be devoid of a definite pre-conceived direction".

Eminent scholar **Broom** says, "Targets can be defined as the future behavioral activities". According to him some Goals may be unachievable but each organization is established to achieve a set goal. It is not necessary that any establishment should have any one goal. In practice each organization has multiple goals, which can be at individual-level, organization level or office level.

### Importance of Goal Setting

Goal setting is the base of success of all types of managerial activities of any enterprise. All the efforts of various departments of the organization remains directed to accomplish the target set by it. It is necessary for every individual to be acquainted with goals of the undertaking. Once these goals are determined then following benefits can be derived by it.

1. Goal determination is helpful in decision-making; once the goals are determined the decision making exercise of the management becomes easier. In other words we can say that, management after setting the target easily takes many complex decisions.
2. Goal setting provides a base for long term employment policy of an enterprise.
3. Goal setting provides permanency to decentralized decision-making power of the officials of the company.
4. Goals provide a definite base for work to the employees of the organization. This generates interests in employee for work and they feel their importance.
5. Goal setting brings all round reform in the organization. Goals provide necessary guidelines, which the management desires to pursue. According to Sherwin, "Goal setting brings reforms in the operation of an enterprise; bring improvement in individual achievement and enhances the complete control over the organization".
6. Goal lessens ambiguity in the organization, directs the efforts to goals and provides solution to many peculiar problems.
7. Goals help in individuals to recognize the scope of their functions and make them aware about the management's efforts. By goal setting they can ascertain the differences between the two. At the same time they can focus their attention, time, effort and resources towards important areas.
8. Reaffirmation of goals provides sense of achievement.
9. Goals help in individual development as it offers opportunities to face new challenges, learn and experience new things.
10. Goal helps in exercising control over the organization. When an individual deviates from the pre determined goals of the organization, it gives sanction to enhance control over them.
11. Goal is an important tool of measuring work implementation. It provides clear evidence to exercise control. The majority accepts these evidences.

According to **Peter F. Drucker**, "Goals bring in organizational and individual reforms and provide clean evidence to enhance control".

### Main Characteristics of Effective Goals

1. **Specific:** Effective goals are specific. It clearly indicates what has been desired between quantity and quality and by what time the work would be completed. The research works have proved that definite goals have achieved higher results.
2. **Acceptance:** Specific goals are generally accepted by individuals. Their acceptance can further be enhanced by providing more information and increasing their power of understanding. Manager generally gets acceptance of the individuals in goals setting by peoples participation and the faith of subordinates in their managers, make the acceptance of goal setting task much more easier.

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3. Effective goals incorporate in it-self the important regulations of the jobs. Individuals work more in those areas in which goals have been decided. Hence it is necessary to fix goals in all areas of work implementation.
4. **Re-evaluation of effective goals with feedback:** Continuous re-evaluation and feedback makes task of achieving effective goals easier. Feedback enables us to measure the effective goals and priorities according to the determined goals.
5. **Challenging but realistic:** Effective goals are challenging in nature but realistic. Good and efficient manager puts stress on development of goals which are achievable with existing resources and does not dwell on lofty ideas which are unachievable.

**Process of Goal Setting:**

Goal setting is a complex and important procedure as it ensures the success of an enterprise. Management of all activities, carried out by an entrepreneur is done according to the pre-determined goals. Following are the procedures adopted for determining the goals.

- (a) **Motivation to attain the Goal:** "Profit" is the major element, which motivates an entrepreneur towards entrepreneurship. Entrepreneur indulges in business activities because it generates regular income along with employment. In fact entrepreneurship and profit are both complementary to each other.

Entrepreneurs are motivated to attain goals for "Profits". Entrepreneurs urge for profit is necessitated for the long-term operation for their commercial units, for the growth of the industry and expansion of the existing units. Besides profit, innovations and expansion of commercial activities motivates entrepreneurs to set targets. Creativeness of the customers also inspires the entrepreneurs to determine targets.

- (b) **Goal Setting:** Entrepreneurs determine the target soon after the establishment of the enterprise. Goal setting, in the present era of increasing cut throat competition, large scale production, development of new technology, changing methods of production and too much influence of labour organizations / labour unions makes it very complex and difficult affair.

According to Allen, a commercial institution can determine targets in various field of activities according to the following norms.

- (i) **Determining the Objectives of the Organization:** Entrepreneur first decides about the objectives of the organization. These objectives should be of wide ramifications, well coordinated to fulfill both long-term and short-term needs. Services of professional is desired while setting such objectives. Profitability, status of distribution, productivity, nature of product, personnel management, social responsibilities etc. are decided under this programme.
- (ii) **Time bound determination of Objectives:** After resolving the general aims and objectives, the organization's short and long term objectives are decided. Under this full coordination is required to meet both objectives.
- (iii) **Division of Objectives:** Under this entrepreneur divides the objectives at unit level, individual level and developmental level. These objectives are settled in the form of implementation. These objectives of the organization are realized.
- (iv) **Periodical Seminars:** It is essential for the success of goal setting that periodical seminars and symposiums be organized between seniors and subordinates from time to time. Through this medium the subordinates get necessary information about the commercial objectives, while the seniors, managers and entrepreneurs become aware of the difficulties faced by subordinates. Seminars also help in establishing cordial relationship between entrepreneurs and employees.

- (c) **Challenges:** Entrepreneurs face various kinds of challenges during the course of setting commercial goals. These challenges sometimes create obstacle in the development of an enterprise.

- (i) **Internal Challenges:** Internal Challenges consist of faulty selection of targets based on wrong information, faulty employment, imperfect management, defective production, insufficient production, capital shortage, excess production, shortage of labour force, desertion and mass migration of workers, lack of training, absence of motivation etc.

Entrepreneurs encounter, lot of difficulties while implementing development plans of the enterprise. Entrepreneur overcomes these challenges with great courage.

- (ii) **External Challenges:** External Challenges comprise absence of basic infrastructure facilities such as water, electricity, power, transportation, telecommunication facilities, banks and financial institutions etc. non availability of sufficient capital, loan facilities, irregular raw material supply, lack of proper inspection facilities, problem in the application of modern technology, problems of distributions, rigid government policies, excessive rate of taxation, corruption in government departments etc. are other external challenges.

Entrepreneurs must take stock of these challenges while formulating targets and find ways and means to overcome these challenges.

- (1) **Stability in Market:** Entrepreneur is required to take stock of the market condition before producing any article. He must find out whether the demand of the produce is stable or not, whether it is dependent or seasonal fluctuation.
  - (2) **Awareness about Competition:** Entrepreneur should be aware of the prevailing competition in the market for the produced item. He must have thorough knowledge whether the produced item would remain in demand for a long time in the competitive market conditions.
  - (3) **Knowledge of risk involved in Production Process:** Entrepreneur should be fully aware about the risk involved in the production process before setting production goal of the product. He must ensure that the technique should be easy and feasible.
  - (4) **A knowledge of Government Regulations:** He should be fully conversant with the existing rules, regulations and control of the government for the produce before deciding production target. He can consult legal experts and take their opinions in this regard.
  - (5) **Study about the demand of the Product:** Prior to deciding production target, a thorough survey should be carried out to ascertain the demand of the product. He must study whether the demand of the product is permanent or seasonal. He should also have a good knowledge about the fluctuations in the demand for the product.
  - (6) **Study about Cost of Production, Price and Profit:** He must analyze the cost of production, price and ratio of profit before deciding the production target.
- Thus we see that entrepreneurs face numerous challenges of market conditions, competition, pricing technique and method of production, demand etc. while setting objectives of the business establishment.

It is necessary to boldly face the challenges for the success of the enterprise. Business challenges and problems can be resolved in the following ways.

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(i) **Well-planned Programmes:** To face the day-to-day business challenges; a well planned business programme is formulated, which addresses problems easily.

- Money is borrowed at low rate of interest and on easy terms.
- Ensure regular supply of good quality raw material at competitive prices.
- Trained and experienced workers be employed in the business. Training to be imparted to the untrained and unskilled workers.
- Necessary industrial infrastructure should exist near the industrial establishment. Industrial units be established in such places where proper industrial infrastructure is readily available.
- New production technique should be easy and feasible.
- High quality modern machines and tools be used in production to maintain quality of the product. Only through application of modern tools; the target of best product at low cost can be realized.

(ii) **Product Planning:** Product planning depends on the following elements.

- Availability of technical know-how.
- Technical knowledge of the entrepreneur.
- Managerial Qualifications.
- Availability of infrastructure. For this a sufficient industrial guidance can be preferred.

(iii) **Technical Knowledge:** The work can be done in a numerous ways but the best work is done by only one method. We should adopt such techniques, which gives high quality product at zero cost. For this, only trained and skilled persons be employed.

(iv) **Human Resource Management:** Selection of right person for the right work increases the efficiency of the enterprise. Work oriented training should be imparted to the employees to increase productivity. Through proper manpower resource planning, we can increase the efficiency of an enterprise.

(v) **Market Study:** The problem of distribution creates great challenge in the way of development of entrepreneurship. In fact, the business market is infested with numerous risks. A successful entrepreneur overcomes all the challenges by formulating full proof strategy to ensure the success of the enterprise.

(d) **Creativity:** After detailed study of the problems, challenges, obstacles and analysis of the prevailing market conditions with regard to deciding the objectives, the entrepreneurs discharge many duties, implement various decisions, function under extremely odd situations in the process of establishment of the enterprise. All these functions are covered under creativity. However, scholars differ in their opinion and define creativity differently.

**The Entrepreneur should be Self-confident:** An ideal entrepreneur has to bear certain inherent risk involved in business to function independently. Hence self-confidence is required to manage the enterprise effectively. Self-confidence means belief in one self. The entrepreneur, who does not have self-confidence can not utilize their qualification and capabilities to the full extent. In spite of having higher qualifications and capabilities they are always fearful. Due to want of self-confidence they prove to be failures in all spheres. The entrepreneur, who have self-confidence get success in all fields. Hence self-confidence is called the key to success.

A person, who manages and run his business with self-confidence, has good scope for success. Moreover they encourage their subordinates and enhance their confidence level. He takes initiative; remain committed to the cause, enthusiastically comes forward to find solutions to the problems. Self-confident persons are always positive in their approach and sincerely strive to get desired results.

Following suggestions can help an entrepreneur to boost his self-confidence level.

- Training and workshops should be organized to impart basic knowledge to the entrepreneur.
- Entrepreneur may take the assistance of professional in Project Planning, Design, Production Techniques etc. to update their knowledge.
- Entrepreneur should make effort to find solution to the problem by his own self.
- Entrepreneur should keep positive attitude towards work.
- Entrepreneur should keep on updating his knowledge about latest know-how innovations and research.
- Entrepreneurs should give due importance to his subordinates and learn to appreciate their work and associate them in various decision making process.

#### **Important Questions for Examination**

1. What is the meaning of Goals?
2. What are the sources of achievements of Goals?
3. Point out the challenges for goal determination?
4. Define 'goals'. Discuss the process of determination of goals?
5. What do you mean by 'goals'? Discuss its concept and importance.
6. Define 'goals' and explain its characteristics.
7. Describe the process of "goal setting". Explain the challenges of goal setting.
8. Point out the problems of "goal determination" and explain its solution.



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**Test your Progress**

## MOTIVATION

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The function of management is to get the work completed by the effort of other people. But to get the work done by others depend on the fact, whether the person is mentally ready to perform the work? But for the employer that person has no importance as long as he does not utilizes his full potentials for the development of the undertaking. Sometimes employers are required to motivate the employees to make him ready for the work. This approach in management science is known as 'Motivation'.

'Motivation' has been derived from the word 'Motive', which means Inspiration. There is a motivational force behind all human activities. This motivational power or inspiring force is the expression of his needs and desires. This power governs the behavior of an individual and either it inspires him or desist or prevents him from performing a certain function. Thus motivation is the act of awakening this inspiring force in an individual.

### Motivation System

Motivation is basically a psychological process. It is a hypothetical fact, whose application explains the behaviour of an individual and tells us that an inspiring force remains inherently present in every individual and a person performs any acts inspired by that governing force. Motivational factor is that internal condition, which prompts a person to act and continues till he does not realizes his goal. With the achievement of goal, the needs or wants of the person get satisfied and the process of motivation gets completed. As the chief function of the manager is to take work from others, arouse desire for work in him hence it becomes essential for him to have knowledge of the process of motivation to guide his activity in a desired direction.

### Concept and Definitions of Motivation

Scholars hold different views about motivation. The following definitions help in clearing the concept of motivation.

- (1) According to **Koontz and O' Donnell** 'Motivation is a general term applying to the entire class of drives, desires, needs, wishes and similar forces'.
- (2) **Jucious and Schlender** says 'Motivation is the process of stimulus and response'.
- (3) **Mondy, Holmes and Flippo** believes that, 'Motivation is a process of influencing or stimulating a person to take action that will accomplish a desired goal.'
- (4) According to **Thomas W. Harrel**, 'Motivation is a state of tension which can be relieved by some incentives'.
- (5) **Michael J. Jucious** states, 'Motivation is the act of stimulating some one or oneself to get a desired course of action, to push the right button to get a desired reaction.'
- (6) **Bedeian R. Glueck** remarks, 'Motivation means, the will to perform, refers to behavior which is directed towards specific outcomes.'
- (7) **Stanley Vance** says, 'Motivation means any emotion or desire which so conditions one's will that one is propelled into action.'

The above definition makes it clear that motivation is that stimulating force which inspires employees of an undertaking working at different position to give their best collectively for the betterment of the institution.

## Nature or Characteristics of Motivation

**Motivation is a Process:** Every individual has some wants, keeping in mind these wants, managers provide some incentives, which motivates employees to work more and the workers are able to fulfill their needs / wants by those incentives.

Following are the chief characteristics of motivation -

- (1) Motivation is inherent in every individual.
- (2) Motivation affects a person in totality and not in part.
- (3) Motivation is a continuous process.
- (4) Motivation satisfies wants / needs of individuals.
- (5) Motivation can both be economic or uneconomic.
- (6) Targets or goals give direction to motivation.
- (7) Motivation is both cause and result of satisfaction.
- (8) External forces too motivate the personality of an individual.
- (9) Motivation is a power, which propels one to action.
- (10) Motivation is an explanation, control and direction of human behavior.
- (11) The base of motivation is wants / needs. As wants keep on changing with time, place and situation, so the nature of motivation too keep on changing.
- (12) Satisfaction of needs lessens the power of motivation.

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## Purpose and Importance of Motivation

In any undertaking there are two important methods of increasing labour productivity:

(1) Technological development and automation and (2) Labour motivation. But motivation of labour is more important between the two because only a motivated labour force can give maximum output from an advanced and modern technology as optimum utilization of machinery and technology depends on labour. If there prevails labour unrest in an organization then modern machine, equipments and technologies cannot produce goods and services alone, on their own. In modern days the importance of ingredients have increased manifold in industrial undertakings. Following benefits can be derived from motivating staff and workers.

1. **Co-operation in realizing Organizational Objectives:** Motivation helps in realizing the target and the objectives of an organization. Through motivation employees are inspired to perform those work, which fulfills organizational goals and objectives. Managers perform various activities to realize organizational objectives and get the various works done through others. Motivation is necessary for systemic performance of work.
2. **Create Interest and Enthusiasm towards Work:** Interest and enthusiasm towards work can be created among the employees by motivation. In absence of motivation employees will show little inclination towards work, which will bring obstacle in realizing organizational objectives of getting maximum output from minimum input.
3. **Satisfaction from the Work:** Motivation plays important role in providing employees satisfaction from the work. Motivated and inspired work force, work with dedication and enthusiasm. He experiences delight and satisfaction from work.
4. **Co-operative Behavior:** Employees besides co-operating with the management also display co-operative attitude with fellow workers. This creates an working atmosphere in the organization. Motivated employees give their full co-operation to management in meeting their objectives and plans.
5. **Harmonious Management-Employee Relationship:** Motivation acts as a medium of bringing employees closer to management, which helps in developing harmonious relations between them. Motivation help in increasing production as well as enhancing

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- satisfaction level of employees and helps in developing good labour management relationship.
6. **Evolution of good Human Relationship:** In the age in which democratic principles and values of equality get precedence, it becomes imperative to fulfill the psychological and social needs of individual employees through motivation. The employees expect individual recognition and humane behavior. Thus, motivation commences the start of good human relations.
  7. **Boost in Morale:** Motivation boosts the morale of the employees. High morale strengthens the desire to work. During the motivation process when the individual social and psychological needs of the employees get fulfilled, their attention is focused towards work. They bring efficiency and quality in their work. The management can utilize capacity and capability of an employee to the maximum level through motivation.
  8. **Fulfillment of Employees Needs:** The physical, social and psychological needs of the employees can be effectively addressed with the help of motivation. Motivation is only possible and effective when the basic needs of the person are satisfactorily satisfied.
  9. **Utilization of Human Resources:** Through motivation the human resources of an enterprise can be optimally utilized. By developing the inner quality, capacity and talent of each employee through motivation, their caliber can be effectively utilized for the benefits of the organization.
  10. **Establishment of Industrial Democracy:** By employee's motivation one can strengthen the root of industrial democracy in an establishment. In the motivational process employees suggestion in managerial decision making and their participation are encouraged, which promotes industrial democracy.
  11. **Prevents Migration of Workers:** Motivation contributes significantly in preventing large-scale migration of skilled and unskilled labour force. Through motivation their just demands are properly addressed and their services are retained for a long time.
  12. **Helps in introduction of Reforms:** The working class generally abhors change in any form, even though the reforms are beneficial to them. Through sharing of knowledge, information and imparting training to the employees their opposition to the reforms can be lessened.

**Elements of A Sound Motivation System**

It is extremely necessary to have a powerful motivation system to motivate the employees. If motivational system is not strong then the objective of motivation cannot be realized. Hence formulation of motivational plans should be done cautiously after proper consideration. Following elements are necessary for a sound motivation system.

1. **Productive System:** Motivational system should be productive. Here productive implies that the system must continue to inspire employees effectively to enhance their interest towards the work.
2. **Competition:** Motivation system must have the element of competition so that it can prove to be the best in comparison to motivation that exists in other organization.
3. **Comprehensive:** Motivation system should also include the element of comprehensiveness. Motivation system must have the competence to satisfy the various needs of employees.
4. **Flexibility:** Motivation system must possess the attribute of flexibility so that its utility remains constant even in changed situations.
5. **Permanency:** Motivation must include the attribute of permanency. Provisional motivation has limited effect.

6. **Continuity:** Motivation system should be continuous because the needs of the people keep on changing whose fulfillment would be possible only by continuous motivation.
7. **Based on Standards:** Motivation system should be based on proper standard or measure.
8. **Mirror of the Undertaking:** Motivation system should be such that it should be reflecting the goals, ideology and objectives of the undertaking.
9. **Simple:** Motivation system should be simple enough so that it could be easily implemented.
10. **Understandable:** Motivation system should be such that all the employees could easily understand it.
11. **Related with efforts:** Motivation system should be related with the efforts of the employees.
12. **Judicious:** Motivation system should be judicious one. It should not do injustice with any section, class or category of employee.
13. **Based on Principles:** Motivation system should be based on certain principles.
14. **Increase Prestige:** Motivation system should be consistent to increase the prestige and reputation of the undertaking.
15. **Efficiency of the Employees:** Motivation system should be adequate enough to increase, enhance and boost the efficiency, productivity, morale and competency of the employees.
16. **Financial Burden:** Motivation system should not be such that it unnecessarily increase the financial burden on the establishment.
17. **Healthy Competition:** Motivation system should be adequately designed to develop healthy competition among the employees.

### Types or Methods of Motivation

An organization can practice different motivational systems to motivate its employees. Following are the important methods or kinds of motivation.

- (i) **Positive and Negative motivation:** Positive motivation implies such motivational methods by which an organization offers some benefits, monetary or promotional advantage or increases their power and responsibilities to its working employees. This enhances the morale of the workers and they work with dedication to achieve the goals and objectives of the organization.

This includes (1) Appreciation and felicitation, (2) Security to their service and assured increase, (3) Opportunities of promotion, (4) Good working condition, (5) Giving suggestion to improve their work efficiency, (6) To show individual interest in the person, (7) To give honour to their work, (8) Increment in the wages and Perks, (9) Increase in co-operation and Participation, (10) Sharing of important and crucial information, (11) To delegate more rights and responsibilities and (12) To organize competition to test their individual merit and provide recognition accordingly.

**Negative motivations** imply application of such motivational tactics such as punishment and threat and induce or compel the working employee to give more work or output. The motto behind this method lies with the fact that employees do not want to work by themselves hence by application of threat and punishment they will be compelled to work more.

This method includes (1) Threat of termination from job, (2) Termination of certain facilities provided earlier, (3) Harsh and rough treatment, (4) Demotion, (5) Cut in

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wages or wage cut, (6) Forced leave, (7) With held salary increment, (8) Threatening and (9) ignoring the employees.

- (ii) **Individual and Group Motivation:** Individual motivation means such motivational practice by which an individual is particularly identified and motivated to work. As a result with the increase in the efficiency of the person, the organizational objectives are realized. This includes.

(1) Appreciation, (2) Promotion, (3) Security to service and Income, (4) Wage increment, (5) Increasing their powers and responsibility and (6) suggestion and participation.

In-group motivation such methods are adopted by which all the working employees become its beneficiary as a result they are induced to work with dedication. This also bridges the gap between employer and employees, management and employees, employees and employees. This also lessens conflict, differences and reduces supervision cost. This method includes

(1) Bonus, (2) Welfare activities, (3) Profit sharing, (4) Group prizes and (5) special annual increments.

- (iii) **Internal and External Motivation:** Internal motivation methods are those benefits which employees receive during their terms of employment and get inspired to work. This include.

(1) Recognition (2) Felicitation-Appreciation, (3) Promotion and (4) increase in power and responsibility.

External motivation implies those facilities and benefits, which an employee receives after his service such as

(1) Retirement benefits such as gratuity, (2) Health insurance, (3) Pension and (4) Earned leaves etc.

- (iv) **Financial and Non-financial Motivation:** These methods of motivation have its own importance in directing the employees to achieve organizational goals. Financial motivations are directly related with wealth and income. Salary and wages, Extra Bonus, Share in profit, Pension, Insurance benefit, Leave with pay, Medical and house rent allowances etc., which increases monetary cost on employers are included in financial motivations.

Non-financial motivation too has its own importance along with financial motivation. Non-financial motivations are such motivations methods, which have no relation with finance and have no monetary implications. These motivations are psychological, these satisfy the internal feelings of an individual. According to Duban, non-financial motivations are utopian honour, which enhance the status of an employee and increase his position in organizational structure. Following are important non-financial motivations.

- (1) **Efficient Leadership:** Employees heart and trust can be won by providing efficient leadership. The efficient leader should show good behavior with the employees. He should believe in democratic principles and should not dwell an authoritative measures. This inspires and encourages workers to perform to their best.
- (2) **Participation:** Participation in crucial decision-making process satisfies the ego of the employees, which is not possible to get from the financial motivation. Hence by increasing employee's participation, inviting their suggestions and opinions, the productivity of the employees can be increased to a substantial extent.
- (3) **Goals:** Each effort done is inspired by some achievable definite goals. Hence it is essential to make the employees aware about the goals of the organization and the benefits they would receive after the goals are achieved.

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- (4) **Challenges:** Challenges some time increase the capacity of the employees hundred times. Hence management can take advantage of such behavioral aptitude of the employees, when necessary.
- (5) **Competition:** Employees can be persuaded to work more by making them aware about the competition faced by other commercial units. The spirit of competition makes individual effort a group effort and works, as a great motivating factor for employees.
- (6) **Changes:** Management can bring in changes in the employees mind-set by self example such as good behavior and ideal working conditions. Managers by doing hard work themselves, set example to others and would motivate them to work more.
- (7) **Security:** Providing security can motivate Employees. According Henry Moore, security can be of three kinds (1) Job security, (2) Economic security and (3) psychological security.
- (8) **Admiration:** Admiration and praise are the primary weaknesses of every individual. Individuals like to be admired in any respect. By admiring their work, one can encourage them to work more.
- (9) **Increasing Power and Authority:** Employees are inspired to work more with the increase in their power and authority. It works as a catalyst agent. According to **Edwin. B. Phillips**, to execute any work or discharge any duty, delegation of authority and responsibilities are essential. It works as an important catalyst and motivates the work force.
- (10) **Co-operation:** If proper co-operation is provided to the employees then they are encouraged to give more output. Hence management should co-operate with the employees.
- (11) **Good Working Conditions:** Good working conditions and environment facilitates employees to give more output.
- (12) **Welfare Activities:** Employees are motivated to give more output if officials present various welfare programmes for them.
- (13) **Promotion:** Everybody aspire for continuous progress and desires to reach to highest post. Opportunities of promotion motivate individuals, to give more output.
- (14) **Work Satisfaction / Job Satisfaction:** Employees are inspired to work more or give more output if they get job satisfaction from the work and get the respect from the work discharged.

Thus in conclusion we can say that under the employee motivational methods, financial and non- financial motivations have their own importance. In the initial stages financial motivations remain very significant but after financial needs of an employee are satisfied, the financial element loses the motivational power. Hence non-financial motivation takes its place and act as catalyst agent. Thus managers can rely on both these motivation methods and should apply those, which suit them most according to the situation and time.

### Motivational Technique

Motivation is a continuous process. **Michael. J. Jucious** has divided motivational process into four different phases.

- (1) **Identification of motivational needs:** According to Jucious this is the first stage of motivational process, in which investigation is made to find out the condition in which motivation is needed. At this stage efforts are made to find out the extent at which the group and department who need motivation, along with it facts and figures are collected about the mode, quantity, time etc. of motivation.

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- (2) **Preparing list of motivational tools:** After determining the individual, group and departmental motivational needs, the list of those tools are prepared by which individuals, group and departments are motivated. The list of those tools includes all the alternative motivational components and elements. This phase of motivational process remains connected with plan formulation because at this stage motivational plans are prepared.
- (3) **Selection of suitable motivation and its implementation:** According to **Jucious** this stage is the most sensitive and complex phase of motivational process. In fact the success of motivational objectives depend on the selection of suitable motivator and its proper implementation. Motivational plan should be implemented with great caution. Before implementation of these plans, its time, place and procedures need to be decided.
- (4) **Induction:** According to **Jucious**, at this stage the actual results derived from the implemented plans are compared with probable or projected results. In other words the impact of implemented plans are observed and studied. Whether it is producing desired result or not. If it is producing the desired results then to what extent? If it is not producing the desired results then the exercise is done to know about reasons of its failure, what should be the next step to get the desired results. At this stage critical analysis of implemented plans are done and to make it utility oriented; necessary amendment, correction and changes are introduced to suit the circumstances. Thus at this stage evaluation of motivational plans are done to formulate more effective plans for the future and to streamline its implementation.

**Prof. Keith Davis** has elaborately described the process of evaluation. According to him the motivational process has following six stages.

- (i) **Determination of Objectives:** In the beginning the managers should decide the objective of motivation to motivate the workers. In other words the managers should identify the circumstances in which they are required to offer motivation to the employees. Without the selection of the objectives it will be difficult to choose the method or type of motivation and measure the level of motivation required. In the absence of determination of objectives, the managers would be in the dark about the direction in which the employees have to be motivated.
- (ii) **Study about the feelings of the Employees:** After deciding the objectives, the managers are required to carry out proper study to understand the feelings, emotion and sentiments of the employees because the employees cannot be motivated unless and until their feelings are properly understood. Hence, it is essential to study the feelings of the employees prior to the formulation of motivational plans or objectives.
- (iii) **Communication:** **Davis** believes that the managers must properly communicate to the subordinates about the procedure of motivation. Lack of communication would produce undesired results and the plan would fail drastically. Communication doesn't mean only making the procedure or contents of motivation known to them. But also mean addressal of their reservations, reactions and opposition on the basis of feedback.
- (iv) **Satisfy the Interest of Both:** While formulating the motivational plans managers must exercise enough prudence to look after the interest, benefit of both the employees and management. In other words at this stage the managers display their competence in satisfying both, keeping in mind the organizational objectives and personal interests of the employees while formulating the motivational plans.
- (v) **Create favorable Condition:** **Prof. Davis** is of the opinion that favorable working condition should be created to motivate the employees to meet the organizational objectives. For these facilities for imparting proper training and knowledge to employees, providing the state of the art equipment and tools, good working

environment must be created to increase their productivity to bring in motivation for the work.

- (vi) **Group Perception:** After providing the employees with favorable condition, the management should focus towards developing the group perception among the employees, says Prof. Davis. The effort and work of each and every employee of the organization must be directed towards fulfilling the organizational objectives i.e. pre-determined organizational goals. Hence greater importance must be attached to the organizational goals, than to the individuals.

### Factors affecting Motivation

After the study of various principles of motivation, question arises that what important techniques should be followed by the management for motivating the employees. Keeping in view the same, we can divide the important technique or factors into two broad categories.

(1) **Financial or Monetary Motivation:** e.g. Wages, Bonus, Old age pension etc.

(2) **Non-Financial Motivations:** e.g. Job Guarantee, Good working conditions, Promotions, Participation in management, Good leadership, Building high morale, Job satisfaction etc.

Following are the brief description about the above elements.

- (i) **Financial or Monetary Motivators:** More wages or salary and bonus are effective motivators for a long term. Besides Taylor other engineers like Emerson, Grant and others in American industry, Hallies, Rowen and others in British industries practiced "motivational wages system", which increased the productivity of the workers substantially. In fact financial motivation proves to be more effective as it directly satisfies the individuals livelihood, prestige and honour related needs. But in developed countries where the employees receive huge amounts as wages and salaries, their basic needs have already been taken care off, the monetary incentive no longer acts as a motivator and has virtually lost its effectiveness, to produce the desired results and in such conditions non-monetary incentives prove very effective and are producing good results.
- (ii) **Non-Financial Motivators:** Non-monetary motivators play significant role in increasing the efficiency and productivity of the employees because employees derive psychological satisfaction, mental tranquility and energy from the non-financial motivators. These motivators also boost the morale of the employees, which in turn increases their efficiency and productivity. Following are non-financial motivators.
- (a) **Job Security:** Employees work with dedication and satisfaction, only where they get job security. Employee's work without any fear, which increases their productivity.
- (b) **Promotion:** By offering opportunities for promotion one can make the work / job more attractive. Most people whose basic needs are taken care off, they would like take more responsibilities and in such a situation the opportunity of getting promotion, acts as an effective motivator. Because promotion generally brings proportional increase in power, prestige, perks, responsibilities and salary. Hence attraction of promotion acts as a great motivator and individuals are compelled to display their skill and efficiency in the present employment to get the promotion.
- (c) **Job Satisfaction:** An employee is inspired to give his best and do more work only when he gets satisfaction from his present job. This comes only when he gets respect from the job, suits his temperament and helps in satisfying his family responsibilities. Hence it is essential to make his post attractive and respectful. Then only his creativity and artistic talent be exploited optimally.

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- (d) **Participation:** Inviting the working employees to participate in crucial decision-making process, which affects them directly is an important method of motivation. As the working employees are more aware about the problems regarding the particular job, they can offer fruitful suggestions. Participation in decision-making process gives the employees self-satisfaction and they feel their importance. This in turn develops faithfulness and loyalty to the organization among the employees.
- (e) **Working Conditions:** Working condition includes good working environment, cleanliness, co-operative attitude of the supervisors, impartial distribution of work etc. Hence good working conditions enhance or boosts the morale of the employees and they are inspired to work more and give more out put.
- (f) **Leadership:** Effective and dynamic leadership motivates employees to work with dedication and faithfulness. Good management raises the morale of the employees. It creates group spirit and maintains friendly relations, which motivates them to give their best to the organization.
- (g) **Equity in Salary and Reward Distribution:** Management should take care to properly evaluate the contribution of its employees and should honour and reward only the deserving employees. Rewarding wrong person or sycophants would produce discouraging results. Equity in salary and reward distribution gives satisfaction to employees, which strengthens their loyalty to the organization and motivates them to do more work.

**Important Suggestions for Effective Motivation**

Though financial and non-financial incentives motivate employees for giving more output but if used in haphazard manner without any wisdom and necessity it won't produce desired results. Following facts should be taken care of, while implementing motivational plans to make them more effective.

- (1) Motivational system should be implemented after carrying out thorough study about the needs and mind-set of the employees.
- (2) Motivation system should be based on the rules and principles of motivation.
- (3) Modern realistic and practical viewpoint should be given primary importance in motivational system.
- (4) While giving financial and non-financial motivation following facts should be taken care of.
  - (a) Impartiality must be maintained while giving monetary or financial motivation.
  - (b) Financial motivation should be implemented in scientific manner.
  - (c) Financial benefits / motivators must be sufficiently high to give encouragement to the employees.
  - (d) Financial motivations once introduced should be continued and not scrapped.
  - (e) Both financial and non-financial motivators should be applied simultaneously to increase the efficiency and perseverance of the employees.
- (5) Efforts should be made to make the motivational system directly related with the productivity.
- (6) Motivational system should be elastic, flexible and economical and must not put excess burden on the organization. It should be conveniently amended.
- (7) Motivational system should be judicious. This will enhance the prestige, reputation of the organization and satisfaction level of the employees.

### **Important Questions for Examinations**

- (1) Define motivation. Is motivation a process?
- (2) What do you mean by motivation? Explain the characteristics and objectives of motivation.
- (3) Discuss the theories of motivation.
- (4) What do you understand by motivation? Discuss measures for effective motivation.
- (5) Discuss the importance of non-financial incentives. Describe some of the forms of such motivation.
- (6) What is motivation? Describe the factors affecting the motivation.
- (7) Explain the meaning and importance of motivation. What should be the major characteristics in a sound motivational system?
- (8) What do you mean by Motivation? Discuss the main elements of a sound motivational system.
- (9) What do you understand by motivation? Explain its objectives and characteristics.
- (10) What is meant by entrepreneurial motivations? Discuss the components of entrepreneurial motivations.



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**Test your Progress**

## NOTES

**LEADERSHIP CAPACITY**

Leadership is an essential condition of an establishment. Changing environment influences business conditions and hence leadership is required to exercise control over the volatile market situation. Only efficient leadership will give suitable direction, makes serious effort to overcome all difficulties to take any industrial unit or business organization out of red.

Leadership is a special quality, which is identified or recognized by all. But very few can define the leadership correctly. The best and unanimously acceptable definition is, "To get the work done or the result from the people is called the leadership". In other words, it is a management of people to derive certain goals. This includes the leader, people and the goal. Thus it is an art to influence people because of which they work voluntarily and work with dedication to realize the goals of the organization. Leadership is that connection in which one individual or leader encourages other people associated with the goals of the organization to work voluntarily, to realize the organizational objectives. Leadership is to get results from the people.

Leadership is necessary for following reasons:-

- (1) For improvement and management of the functions of the group.
- (2) For bringing the collective works in proper order.
- (3) To establish healthy relationship among the group.
- (4) To take first step or to initiate action first to raise standard of the group or institution or establishment to put it on the top.
- (5) To provide moral direction to the group.
- (6) To inform and explain the viewpoint of the group to others.

**Meaning of Leadership**

Leadership implies that quality of an individual by which he provides proper guidance to others and manages their activities. In general leadership is that process in which an individual rally around himself, his followers and provide them guidance to get the work done according to his will.

**Definition of Leadership**

Scholars differ a lot over the actual meaning of leadership. Some believe leadership as a special position in the organization. While some define leadership on the basis of individual qualities that affects others. Various definitions given by scholars prove the above points.

- (1) According to **Mooney and Reley**, "Leadership is regarded as that form which the officials assumes when it enters into process of authority.
- (2) According to **Alvin Gouldner** "Leader is a member of a group who is given a certain status and exhibits behavior appropriate to the position he occupies."
- (3) According to **Robert C. Appleby**, "Leadership is a source of direction. It is a quality to win the confidence of subordinates and motivate them for group objectives or goals."

- (4) **Yardway Tead** has defined leadership as a combination of qualities by which a person gets his work done by others. People willingly agree to work for him under his influence."
- (5) According to **Louis A. Allen**, "A Leader is one who guides and directs other people. A leader gives the efforts of his followers a direction and purpose by influencing their behavior."
- (6) **George R. Terry** has defined "Leadership as a process of influencing people by which they willingly come forward to make effort to realize group objectives."
- (7) **Kuntz and O' Danel**, "Leadership is an art or process of influencing people so that they can willingly strive to realize or obtain group objective with faith and interest."
- (8) According to **Alfred and Beety**, "Leadership is that caliber of an individual by which he gets the desired work done voluntarily through a group of his subordinates without any pressure"

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**Concept of Leadership**

In general terms the leadership implies that special quality of an individual by which he provides guidance to his subordinates and other people as well. It is interpersonal procedure or process by which managers influences the working employees to realize predetermined goals / objectives of an organization. Leadership promotes voluntary obedient behavior to execution of work among the employees. It exchanges and inspires them to adopt the habit of performing any duty voluntarily.

A leader is the one, who-

- knows the way,                      • shows the way,      • and makes the way.

A good leader should be:

- fearless and courageous,      • dedicated,              • honest
- unbiased, impartial,              • participative,          • ready to put his viewpoint,
- humble,                              • energetic,              • powerful

A good leader should take care of the interests or benefits of his group ahead of his own personal interests or benefits. A good leader should possess,

- An objective, a goal              • A Good communication skill
- Hold always a positive and optimistic outlook

**Characteristics of Leadership**

Following are the salient features of effective leadership:

- (1) **Good number of followers** : One cannot imagine a leader without a number of followers. A good leader has a large number of followers. The importance and stature of a leader grow with the number of followers he possesses.
- (2) **Dynamic process** : Leadership is a dynamic process. The process of leadership continuously goes on in every organization. From the inception to the culmination of business activities the process of leadership continues.
- (3) **Active and live relationship** : Leaders maintain active and lively relationship with his followers. In any field of activities, leaders show initiative and guides his followers, lead them and plays an active role.
- (4) **Integrity** : Integrity of a leader extensively influences his followers. An honest leader is worshipped like a God. People are ever ready to sacrifice everything for him. A leader of a business concern, whose integrity is un-doubtable, is an ideal to his workers and his employees.



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- (5) **Unanimity of purpose** : Leader and his followers have great unanimity of purpose. They show great unity in their objectives. Leadership becomes ineffective when leaders and his followers work for different goals.
- (6) **Full awareness of circumstances** : A leader is always aware of the circumstances in which he functions. He is aware of his limitations and strength.
- (7) **Credibility** : A good leader always performs work to fulfill the expectations of his followers. To achieve credibility, is to do more than expectations and to do before expected time.
- (8) **Realistic view point** : Leaders possess a realistic view point. In modern days designs of products, policies of management, systems of production, systems of marketing are changing very rapidly. A leader must have A to Z knowledge about these and then only he can guide his people or followers correctly and lead them to success.

**Types of Leadership**

Leadership can be divided into various types depending on the nature of industrial and commercial enterprises.

- (1) **Democratic Leader**: Democratic leader is one who takes decisions of far reaching importance after due consultation from various groups. Rules and policies are framed with majority support.
- (2) **Autocratic or Authoritarian Leader**: In such type of leadership powers are centralized. One individual who considers himself the most efficient and capable, takes all the decisions. He believes that people are generally lazy and are averse to bear responsibility; hence they prefer to follow and obey the instructions. Thus an autocrat takes all the decisions, formulates policies and executes them. He gives the direction to his subordinates and gets the work done by them.
- (3) **Laissez-faire Leader**: He is such type of leader who leaves the group to their own fate. The members of the group themselves set target and solve their problems. They educate, train and motivate themselves with their own experiences and circumstances.
- (4) **Institutional Leader**: He is that type of leader who enjoys authority due to his position. Such leaders are in better position to influence their followers and subordinates as they hold high position in society.
- (5) **Personal Leader**: Personal leadership established on personal relationship. Such type of leader guide, direct and execute the task under their own direct supervision. Such leaders are more effective as they remain in direct touch with their subordinates.
- (6) **Impersonal Leader**: In big organizations where direct relations with the top leadership are not possible, impersonal leadership takes its place. All the orders, decisions, policies, rules, regulations and programmes are communicated to the last person in black and white through subordinates or deputy leaders. Thus impersonal leadership is in vogue in large and big business enterprises, which are multinational in nature.
- (7) **Functional Leader**: Functional leader are those leaders who command respect of his followers and subordinates due to their knowledge, behavior, efficiency, experience and intelligence. They win the trust of their followers because of their character and guide them accordingly.

**Functions of Leadership**

Following are generally considered as the chief functions of leadership -

- (1) **Planning and Direction**: The chief function of leadership is to assign target to the group and through scientific planning motivate the group members to achieve the goals. The leader of the group as a representative of the whole group participates in decision-making procedures and co-operates in formulating policies for the establishments. He also guides and motivates the members to accomplish the target.

- (2) **Motivation and Co-ordination:** The second most important function of the leadership is to co-ordinate between various groups and motivates them to work according to their capacity. Thus co-ordination and motivation is the second most important function of the leadership.
- (3) **Providing Information and Technical Help:** Leadership also provides information and technical know-how to the members to achieve results. It gives them technical help in times of any difficulty and stands by its members.
- (4) **Arranging Rewards and Punishments:** Leadership makes arrangement to reward its honest and efficient members and punish those who are inefficient or dead woods.
- (5) **Creation of Healthy Atmosphere:** Organizational atmosphere influences the working of the employees. It is the duty of a leader to create friendly and healthy atmosphere in the working place so that employees may be motivated to give more time to the establishment and work for its well-being.
- (6) **Promotion and Advancement of Members:** One of the important functions of leadership is to recognize and understand the ambitions and growth prospects of its members. Thus leadership should provide opportunities of growth prospects to its members and contribute significantly to satisfy their wishes.
- (7) **Securing Co-operation of Subordinates:** Leadership must adopt a working style to secure the co-operation and support of its subordinates whole-heartedly. For this he can adopt democratic view and must invite their suggestions in managerial decisions.
- (8) **Establishing Ideals:** Leadership must be impartial, selfless, courageous and bold. He must establish ideals so that the subordinates must be willing to immolate. By their own good deeds a leader can influence his followers and command their respect.

### Styles of Leadership or Leadership Styles

The success or failure of an establishment or enterprise depends on the styles of its leadership. Hence a big question crops up, what should be the style of leadership? In reply it can be said only that style of leadership is preferred which successfully handles an enterprise. Various managerial experts have advocated various styles of leadership, the important among them are -

#### (I) Motivational Style:

Motivational Style of leadership is the most acceptable and widely practiced style of leadership. Motivational Style believes in motivating and inspiring the employees through various methods. By this method the leader directly motivates his subordinates offering them positive opportunities and gets the work done through them.

- (1) **Positive Motivation:** Positive motivation implies monetary and economic benefits.
- (2) **Negative Motivation:** Negative Motivation is based on threat and punishment. In this type of leadership, the leader get the work done from its employees either by threatening them to terminate their services or deduction in their wages or some other threats. This negative motivation is not advisable and preferred but sometimes circumstances arises that leadership has to slap negative motivation on its employees.

#### (II) Power Style:

The second most practiced style of leadership is Power Style in which leadership style is based on Power one holds. Based on power, leadership is of three kinds.

- (1) **Autocratic Style:** It is such form of leadership in which all the powers are concentrated in one individual. This encourages sycophancy. An autocrat does not believe in decentralization of power. He takes all the decisions himself and likes his subordinates to follow his orders without raising any question. Such type of leadership can be positive or negative. But in practice it is always

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negative as employees feel insecure and remain afraid of management wrath. Positive leadership is generally considered liberal. It creates good industrial atmosphere, helps in increasing productivity and inspires followers to work with dedication to get the desired results.

- (2) **Democratic Style:** Democratic style of leadership is quite opposite to Autocratic style. In this form the leader decentralizes its power. Even policy decisions are taken after consulting the subordinates and their suggestions are given importance.
- (3) **Free-reign or Laissez-faire Style:** This is the third widely practiced and most acceptable form of leadership. In this form the leaders leaves his subordinates on their own fate. The followers him-self set target and take important decisions to achieve the goal himself.

**(III) Supervisory Style:**

The third widely practiced form of leadership is of supervisory style. The leader acts to fulfill certain objectives. In this form either the leader give importance to one important person who according to him is more diligent, efficient or active or he gives importance to production and works to fulfill that objective. Thus supervisory style of leadership may be of two types -

- 1. Employee Oriented Style. 2. Production Oriented Style.

However, it is suggested that a leader should provide such type of leadership that suits the occasion the most. It should be both employee oriented as well as growth and production oriented.

**Leadership Qualities**

Scholars have given various views about the qualities of leadership. According to **Shri. I Way Tead**, a leader must possess ten necessary qualities -

- (1) Physical and Nervous Energy
- (2) Sense of Purpose and Direction
- (3) Enthusiasm
- (4) Friendliness and Affection
- (5) Technical Mastery
- (6) Intellectual Knowledge
- (7) Integrity
- (8) Teaching Skill
- (9) Decision Making Power / Decisiveness
- (10) Faith

**Shree Chester Bernard** put emphasis on certain qualities for a good leader, they are

- (1) Decisiveness
- (2) Responsibility
- (3) Persuasiveness
- (4) Intellectual Capacity
- (5) Vitality and Endurance
- (6) Social Consciousness
- (7) Handsome Personality

According to **Erwin H. Schell**, the most successful qualities of leadership, is deep interest in the well being of people, handsome personality, love, affection and scientific approach to the human problems.

**Henry Feyol** opines that a good leader should be blessed with sound health, sound mind, good moral character, integrity, strong will power and a person of initiative.

**Peterson and Plowman** have very beautifully divided the qualities of efficient leadership into three categories, which incorporates in it all the qualities of leadership advocated by various scholars.

**(I) Physiological Qualities:**

A successful leader must possess good physical health then only he can influence his followers. Physical health includes following things.

- (1) **Sound Health:** A leader has to discharge many functions and responsibilities. He also has to maintain a large gathering of followers. It is essential to maintain a sound health for this.
- (2) **Vitality and Endurance:** Vitality means alertness and endurance implies maintaining patience even in most difficult situations. A leader must possess both these qualities.

## (II) Intellectual Qualities:

Besides physiological qualities a leader should also be blessed with following intellectual qualities.

- (1) **Capacity to Take Sound Decision:** A leader should take right decision at the right time. He should also be able to take quick decision. Delay in decision some times makes a leader unpopular.
- (2) **Mental Capacity:** A leader should also have developed mental capacity, which enables him for innovative new ideas.
- (3) **Receptiveness:** Receptiveness is the test of successful managerial communication. This quality includes following aspects - (a) Eagerness to use new knowledge, new ideas, new innovations for desired results. (b) Keeness to solve or find solutions to a problem. (c) Ready and willing to act on suggestions that comes from right sources. All these qualities add new feathers in the cap of a leader.
- (4) **Scientific Approach towards Problems:** A successful leader is one who besides possessing intellectual ability must have inherent quality to have a scientific approach to any problem. For this he requires a balanced mental make up then only he can effectively influence his followers.

## (III) Psychological Qualities:

Besides these a leader should also possess psychological qualities which enables him to gauge the minds of his followers. A good leader should have following psychological qualities.

- (1) **Personal Magnetism:** Personal magnetism is that power which attracts other persons naturally.
- (2) **Co-operation:** A leader should have the quality to work with numerous number of people. He should be co-operative and must give importance to the feeling, ideas of others.
- (3) **Enthusiasm, Courage and Devotion:** In business one suffers from many ups and downs. A leader should always be enthusiastic, courageous and devoted to the cause to successfully surmount any circumstances.
- (4) **Tact:** A leader should be tactful to handle any problem and come out from it with flying colors. He should have the proper ability to understand the prevailing situation and while dealing with people he must be able to act as to the requirement of the situation. Besides all these, a leader should have a sound moral character. In the absence of it all things go waste and he cannot command respect of his followers.

According to **Prof. Hawking**, "A man of character puts his heart in others by his behavior, by his work, by his deeds to win their affection and love."

### Importance of Leadership

Leadership plays an important role in the field of Management. Without able leadership no organization can survive for a long time. In the changed modern times too, leadership is the most important aspect of successful management. Following points shed light on the importance of leadership.

- (1) **Source of motivation:** Leadership is a quality, which motivates a group of people and generates unity in them for a certain objective. This brings out the inherent ability

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of individuals and provides them recognition. It offers opportunity for a certain objective. This brings out the inherent ability of individuals and provides them recognition. It offers opportunity to subordinates to show their mettle.

- (2) **Base to acquire co-operation:** Leadership provides a base to acquire co-operation amongst people. Absence of it leads to jealousy, revenge and other negative aspects which surfaces in the form of controversy.
- (3) **Management of collective activity:** Leadership is required for managing collective activity, absence of which leads to chaos. Unmanaged groups, despite their individual good effort, cannot realize the collective objectives and will fail in their endeavor.
- (4) **To maintain allegiance of group to Corporate objective:** Leadership helps to maintain allegiance of the group to realize corporate objectives. Employees work faithfully with dedication to realize corporate objectives.
- (5) **To bring management closer to changing social process:** Leadership makes management a factor of social change because of which employees work wholeheartedly for the benefit of the organization and management in turn looks after their grievances and provides them required amenities to bring in improvement in their social stature such as Housing, Education, Electricity, Transportation, Water, Medical Treatment and Provident Fund.
- (6) **For commercial success:** The success of any organization depends on the type of leadership and its nature. Successful leadership and able guidance takes business to the pinnacle of growth and prosperity whereas weak and indecisive leadership becomes a cause of failure too.
- (7) **Importance in other fields:** Leadership is important for the success of an enterprise, which has a percolating effect. It is important for establishing proper co-ordination, providing amenities to officials, for the personality development of subordinates and making the organization functional. Leadership provides dynamism to organization.

### Leadership Development

Leadership is an individual centered activity. Hence it is the responsibility of strategy makers to make elaborate effort for the development of leadership in an organization. Leadership development is a process for the long survival of an establishment. Many institutions create internal facilities for development of leadership quality among the employee whereas others take help of the professional management institution for imparting leadership training to their employees. Following are the chief elements of leadership development.

1. Ability to face boldly the changing situation and clear concept about the forthcoming challenges.
2. Capacity to bear risk.
3. Co-operative leadership style.
4. Capacity to understand multi polar culture and bring understanding among them.
5. Knowledge about the strength and weakness of the organization in order to get better results from the available human resources.
6. Increase the efficiency of the workforce, maintain the existing efficiency and maintain the balance between them.
7. Remove environmental obstacles / hurdles.
8. Develop trust, respect, faithfulness and emotional attachment.

### Leadership Styles

Generally leadership style implies the behavioral aspect of a leader or his style of functioning. It is that character by which a leader influences his subordinates and followers or put impact on them. Following are the chief styles of a leadership:

1. Motivational style of leadership.
2. Authoritative style of leadership.
3. Supervisory style of leadership.

### 1. Motivational Style of Leadership:

The style by which a leader exerts his influence over his subordinates or followers, guides them, motivates them to give more output and develops in them efficiency and confidence is called his style of leadership. This motivational element, which provides guidance to them, is called the motivational style of leadership. Motivational style may be of two kinds-

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- (i) **Negative Motivational Style:** In the negative style of leadership, the leader shows his power and get the work done from his employees by giving them threat, punishment, threat of termination, threat of demotion, threat of salary curtailment and like wise. He believes in passing the order and get the work done from his subordinates by force but this style of functioning is not considered appropriate as it neither lasts for a long time nor creates healthy atmosphere in the organization. Hence it should be cautiously exercised.
- (ii) **Positive Motivational Style:** In this style of leadership efforts are made to get more output from the employees or achieve the organizational objectives with help of inspiration, award, recognition, prizes and encouragement. Their participation in decision-making process too is welcomed and promoted. The leader gives necessary instructions, guides them, helps them and provides them financial and non-financial motivations. Subordinates are motivated to work more as they get financial benefits and social prestige too. This brings industrial peace and creates healthy working condition.

### 2. Authoritative Style of Leadership:

In this style of leadership, the leader possesses all the power. Authority flows from one centre. This can be of following types.

- (i) **Dictatorial Style of Leadership:** In this style the subordinates are afraid to discuss any matter with his seniors, they neither expect any fruitful suggestion from them nor any good advise. Leader does not believe his subordinates. All decisions are taken at the top, the subordinates are asked to follow the instructions. Threat and punishments are the medium of motivation.
- (ii) **Positive Authoritative Style of Leadership:** In this style of leadership the leader exercises some flexibility. He puts little faith on his subordinates. Sometimes asks for their suggestion. On some rare occasion acts on their suggestion and implement programmes based on their suggestions. In this style both negative and positive motivational methods are adopted.
- (iii) **Suggestive Style of Leadership:** In this style the leader shows sufficient faith on his subordinates. To motivate the subordinates only positive elements of motivation are generally adopted. Their suggestions are taken care off and if found suitable they are implemented too. Even in decision-making exercise their suggestions are welcomed.
- (iv) **Participative Style of Leadership:** In this style the leader not only takes advise from his subordinates or followers, but also makes them to participate at various decision-making exercises. With the help of financial and non-financial motivations employees are encouraged to work to their full potentials.
- (v) **Democratic Style of Leadership:** In this style the leader takes the help of his subordinates to implement organizational policies. Sometimes the leader amends his decisions to accommodate their suggestions and accordingly decides the working method and policies. Leader acts as a coordinator. This is based on delegation of authority to the subordinates. In such organizations friendly atmosphere is witnessed.

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- (vi) **Independent Style of Leadership:** In this type of leadership the leader fully authorizes his subordinates to take decisions on his behalf. We find total or complete decentralization of authority. Subordinates get personal or collective freedom to take vital decisions. In other words the leader shows little interest in organizational matters and gives complete freedom to his subordinates. Friendly and co-operative atmosphere prevails in such organizations.

**3. Supervisory Style of Leadership:**

Supervisory style of leadership is of two types.

- (i) **Employees oriented Leadership:** In this the leader attaches more importance to his employees and put full faith on his subordinates. Keeping in mind the emotions, feelings, ambitions, wishes, needs and hobbies of his employees, he too brings necessary changes in himself to produce an ideal example. Thus he commands their respect by his approach, motivates and guides them, keeping in focus the organizational objectives and achieves his goals.
- (ii) **Production oriented Leadership:** In this, the leader put more focus on production. Employees are neglected and too much attention, importance is attached to the production. He believes that by updating the production technology and know-how, the production can be increased; hence more thrust is given in acquiring sophisticated tools and equipments rather than providing more amenities to employees.

**4. Managerial Grid:**

This ideology advocates, the leadership behavior, based on both "work centered" or "relation centered" elements. Work measurement is done through production output and relation measurement by organizational set up. Each element makes its expressions from a certain platform or stage. At the bottom point we find minimum co-ordination and at the top we find too much cohesiveness. In this grid we find five different functioning styles of leadership with which the members express their proximity with the leader.

**ART OF LEADERSHIP**

- (1) A leader who works according to his own will is self centered, imposes his will on others, close minded-dictatorial, authoritative and selfish. Such leaders always try to super impose themselves on others.
- (2) Dejected or Indifferent leaders are leaders for namesake. He neither takes responsibility nor bears any risks and is of negative outlook. Such leaders are always sidelined as they never take any stern action or measures and remain ever eager to find fault in others work. Such leaders are timid and spineless.
- (3) Democratic or Co-operative leaders function in the form of others representative. He is respectful, responsible, co-operative, impartial, unprejudiced and supporting. Democratic leader always promote other leaders in the group. Democratic leadership is a boon for any organization, establishment.
- (4) In a disorderly anarchic leadership group everybody is a leader or nobody is a leader. In such group of leadership everlasting argument goes on as everyone likes to assert himself to prove his point of view. Such leaders are irresponsible, careless and confused. Chaos and lawlessness prevail under them.

Most leaders apply the mixture of all these leadership art depending on the group and circumstances. In a commercial environment a leader has chiefly two responsibilities.

- (a) Responsibility to get the work done.
- (b) To develop, nourish, maintain courteous and congenial relationship among people.

A leader adopts new method according to the need of the hour and acquires thorough knowledge about the nature of the work. To maintain co-ordination and courteous atmosphere

in the organization he follows the policy of 'Behave with others, the way you want others, to behave with you'. He always considers the others viewpoints and give due importance to their feelings and emotions.

An ideal leader always maintains co-ordination between both these elements to carry out his responsibilities. He attaches more importance to individuals rather than work in some special situations and circumstances like during formation of new group. In those circumstances when some new process is likely to be introduced, knowledge of leadership helps people to nurture an effective leader.

### OBSTACLES IN THE PATH OF LEADERSHIP

There are many obstacles in the path of able leadership. Alford and Beatty have identified certain hindrances that come in the way of a sound and effective leadership.

(1) Some leaders fail to come closer to their followers, which results in deadlock and revolt. (2) Some leaders are not matured and hence fail to gauge the mood of their followers. (3) Some leaders are insensitive to human feelings thus they create more enemies rather than friends. (4) Some leaders lack foresightedness hence encounter difficulties in implementing future plans. (5) Some leaders are not expert in their jobs thus they suffer from inferiority complex. (6) Some leaders fail to correctly express their desire before their subordinates. (7) Some leaders are inspired by negative motivation and like to slap punishment on their subordinates instead of rewarding for their good work. (8) Some leaders are indecisive and never show equanimity of purpose and are always misjudged by their subordinates and followers. Thus we find that leadership becomes a prey of various obstacles. To come out of this morass, a leader must keep on updating his knowledge, bring in flexibility in his nature and be co-operative to his followers.

### Important Questions for Examination

- (1) Define the term "Leadership". What functions does a leader perform?
- (2) What is meant by the term "Leadership"? What is its importance in modern times?
- (3) Describe the essential qualities of a successful leader and discuss the importance of leadership.
- (4) One view of Leadership is "leaders are born, not made". Evaluate the view.
- (5) Define Leadership. Describe the characteristics of leadership.
- (6) Define Leadership. Discuss the functions and importance of leadership.
- (7) What do you understand by Leadership? What is the difference between Leadership and Management? What is the importance of leadership in Entrepreneurship?
- (8) "Leaders are not born but made". Explain this statement and discuss the qualities of a good leader.
- (9) What are the leadership qualities of entrepreneurs? Explain the effective measures for developing the leadership qualities in the entrepreneurship.
- (10) What do you mean by leadership? Discuss the styles of leadership.



### NOTES

### Test your Progress



## GOVERNMENT PROJECTS

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### NOTES

Government is striving hard to bring happiness and prosperity in the life of people. But despite strenuous efforts of the Government, people in various regions of the country are suffering from number of problems due to which people around the country are unable to lead the life according to the parameters in which the Government likes them to live. The government is putting all the efforts to bring down the gap between the rich and the poor and also putting efforts to raise the standard of living of the poor by providing them alternative amenities.

The major problems in our country that are taking a ugly turn are Educational, Health, Employment, Water Conservation, Agriculture (Irrigation), Pollution and the problems related to livelihood in the villages.

The Government is responsible for resolving these problems because with this kind of problems no country can claim to be prosperous and happy.

To resolve these problems, the Government at times makes various efforts in which various projects, plans and special programmes are included for the people.

Projects are of two types -

- (1) Government Projects
- (2) Non-Government Projects

### GOVERNMENT PROJECTS

Government projects are those projects in which the Government through some government department or agencies or medium operates the projects by providing financial assistance. These projects are started with a definite objective and for a pre-determined period. At present the Government is operating many projects in different areas either directly or through some government department or agencies by providing them the financial assistance. The major areas in which the government is operating various projects are, Agriculture, Electricity, Education, Health, Environment, Cleanliness, Water Conservation and Employment etc. Following are some of the projects being operated by government.

(a) **Projects for Water and Irrigation:** Agriculture in India is dependent on irrigation. We suffer from acute water problem. During summer there is always scarcity of potable water. To address this problem the government has started the following projects.

(1) **Chambal Valley Project:** This project is constructed across Chambal River, which is southwestern tributary of river Yamuna. Chambal River originates from Mau near Janapao Mountains in Madhya Pradesh. This river is the source of water for Eastern Rajasthan and Western Madhya Pradesh. The average rainfall in the catchment area of this river is around 60-70%. Hence irrigation facilities in this area are very essential for the development of agriculture. Because of this the governments of Rajasthan and Madhya Pradesh jointly started this multipurpose project in 1953-54. This project is divided into three phases;

- (i) First phase includes Gandhi Sagar Project
- (ii) Second phase includes Rana Pratap Sagar Project and Jawahar Sagar Project
- (iii) Third phase includes Kota Embankment Project.

The first phase of this project includes the construction of Gandhi Sagar Dam and the construction of related canals. Gandhi Sagar Power Station and Kota Barrage were completed in the second phase and irrigation from this was started in 1960. The proposed Irrigation capacity was 11 Lakh acres of land for this phase. The height of the Gandhi Sagar Dam is 64 Mtrs and length is 514 Mtrs. Rana Pratap Sagar Dam, which was completed in the second phase is situated at 56 Kms. from Gandhi Sagar Dam and its catchments area covers an additional 1333 Sq. Kms. of land. Its maximum height is 54 Mtrs. and length is 1143 Mtrs. The capacity of the reservoir is 1567 Million Cubic Meter.

Jawahar Sagar is 23 Kms away from Rana Pratap Sagar and its catchments area covers additional 1944 Sq. Kms. The rainfall in this area in 1965-66 was much below the average rainfall, due to which the water levels of Gandhi Sagar went down hence drastic cut was imposed on both irrigation and generation of electricity.

The left bank canals of Chambal Project irrigate the lands of Rajasthan whereas the right bank canals irrigate the lands of Madhya Pradesh. Under this project the canals constructed in Madhya Pradesh had 15500 cubic feet of Soil work, 280.67 Lakh cubic feet of land harnessing and main canal is 325 Kms. long, Lower main canal is 56 Kms. long, branch canal is 170 Kms. long and branch canal is 1287 Kms. long. Ambaha, Morena and Mau canals were made ready during the third phase and irrigation capacity of 3.50 Lakh acres was generated. After the completion of this phase of project, the focus was put on other aspects during fourth five-year plan and this helped to a great extent in economic development of Chambal Valley.

- (2) **Indira Sagar Project:** Narmada is a interstate river and covers a greater part of Madhya Pradesh. From this river Madhya Pradesh gets 18.25 Million acre feet of water, Gujarat gets 9 Million acre feet, Maharashtra 0.25 Million acre feet and Rajasthan gets 0.50 Million acre feet of water. Narmada Sagar Dam in Madhya Pradesh and Sardar Sarovar in Gujarat hold prominent place in the Narmada Water Project. The economic development capacity of Indira Sagar is criticized as 91000 Hectares of land would be submerged and only 1.23 Million Lakh Hectares of land would be irrigated. While evaluating this project, we should overlook the fact, this project after completion would also help in supplying water to Omkareshwar, Maheshwar and Sardar Sarovar, which would help to irrigate 1,43,000 Hectare (Omkareshwar) and 19, 00, 000 Hectare (Sardar Sarovar) land. Besides this Indira Sagar has established 1000 Mega Watt Hydro Electric generating capacity. More capacity can be developed in lower regions of this project, which would produce 2382 Mega Watts of Electricity. (Omkareshwar 520 Mega Watts, Maheshwar 400 Mega Watts and Sardar Sarovar 1462 Mega Watts).

The work on Sardar Sarovar project commenced in 1980 and some work of Narmada Sagar also started during this period. The foundation of Indira Sagar was laid on 23-Oct-1984 by the then Prime Minister, Mrs. Indira Gandhi. The sarovar is named after her. Government of India cleared this project on 13-April-1987 on environmental ground too. On 7-Oct-1987 the Government of India granted permission for diversion of forestland likely to get submerged. On 19-Nov-1987 the project finally took off and the work was started.

The blue print of ambitious master plan of Madhya Pradesh has been planned for the optimum utilization and exploitation of the water resources of the state, which includes 29 Large, 135 Medium and 3000 Small irrigation plans. The project after completion irrigates 27.55 Lakhs Hectare of land and produces 2600 Mega Watts of electricity.

- (3) **Bawanthadi Project:** The project is a joint venture of Madhya Pradesh and Maharashtra states. This is under construction across Bawanthadi River, situated in village Kudwa

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of Katangi Tehsil of Balaghat District. Across this river Spillway of 31 Meter height and 148 Meter long plus Earthen Dam of 6.692 km. long on both sides would be constructed. Two canals would also be constructed, the left canal would run through Madhya Pradesh and the right canal would run through Maharashtra. Both canals would irrigate approximately 18615 Hectares and 17537 Hectares of land respectively. The construction work on the project started in 1978.

- (4) **Upper Wainganga Project:** This project is under construction across Wainganga river situated in Madhya Pradesh in the lowland of Godavari river. This is also known as Sanjay Sarovar project. Under this project a dam is being constructed near Bheemgarh village. The main canals and the sub canals of the dam would irrigate 80,929 Hectares of land. This project is proposed to irrigate 1,03,722 Hectares of land annually. The construction work on this project was started in 1972.
- (5) **Thawar Project:** This project is across river Thawar near village Jhulpur in Mandla District. The construction work was started in 1977. Earthen Dam of 990 Meters long would be constructed on both sides of the river. The right side sub-dam would be of 405 Meter long and the proposed length of left side is being studied. Main Canal of 48 km. would be constructed under this project. The project would irrigate 18,212 Hectares of land.
- (6) **Pench Project:** This project is an inter-state project of two states, Madhya Pradesh and Maharashtra. This is situated across river Pench near Manchgora Village of Chhindwara District. The total water storage capacity of this project is 57,700 Million Cubic Meter. Madhya Pradesh would get 35,000 Million Cubic Meter of water and Maharashtra would get the rest. This would irrigate 63,338 Hectares of land of 158 villages in the command areas of Chhindwada and Balaghat Districts.
- (7) **Bana Sagar Project:** This project is being constructed in co-operation with three states, Madhya Pradesh, Uttar Pradesh and Bihar. The contribution towards the construction cost is in the ratio of 2:1:1. A Dam of 63 Meter Height and 1020 Meter Long would be constructed across river Son under this project. The project is under construction at around 50 kms. south of Rewa on Rewa-Shahdol road. It is proposed to construct three Hydro Electric Power Stations, which can produce 405 Mega Watts of Electricity. Provisions are made to produce 435 Mega Watts of Hydro Electricity under this project.
- (8) **Bariapur Left Canal Project:** Uttar Pradesh government constructed Bariapur Pick-up Ware across river Ken in the 1906. This is situated near the border of Chatarpur in Panna District of Madhya Pradesh. The right bank canal of the same is irrigating the lands of Banda District in the state of Uttar Pradesh.
- (9) **Urmil Project:** This project is across river Urmil and situated in village Bhirota in Chatarpur District around 30-40 Kilometers away from Chatarpur on Chatarpur - Kanpur highway. An Earthen Dam of 18.34 Meters height and 4.7 km long both sides is proposed under this project. Canal of 135 km long is being constructed in Madhya Pradesh. The Uttar Pradesh Government is constructing the Dam and Madhya Pradesh Government is executing the construction of the Canal. The length of the main Canal is 30 km and the length of the sub-canal is 105 km. The project would cost Rs. 20.70 Crores.
- (10) **Ranagawan High Level Canal Project:** Uttar Pradesh Government has constructed Ranagawan Water Reservoir across the tributary of river Ken. The project after completion would irrigate 17,099 Hectares of land in Chatarpur District. At present 16.190 Hectares of land is being irrigated under this project.
- (11) **Rani Awantibai Sagar Pariyojana (Bargi Project):** This project is across River Bargi near village Bijoura in Jabalpur District. The work on this project was started in

1971. An earthen and masonry dam of 69 Meter height has already been constructed along with 483 Meter of Non-overflow and 385 Meters of Spillway. The length of earthen dam is 4506 Meters. Jabalpur, Mandla and Sivani districts would be benefited from this project. Around 5475 families of 162 villages of these districts have been affected by this project. The rehabilitation plan is getting ready for the affected families. The Left Bank Canal of the reservoir is 135 km long and the construction work of 80 km long is already completed. This project would irrigate 2,19,800 Hectares of Land.

## NOTES

- (12) **Tawa Project:** Tawa multipurpose project is coming up near village Ranipur in Itarsi Tehsil of Hoshangabad District. A Masonry Dam of height 57.91 Meter is being constructed with a Earthen Dam of maximum height 32.52 Meters. This project would irrigate 3.33 Lakh Hectare of land and at present 2.47 Lakh Hectare of land is being irrigated.
- (13) **Kolar Project:** Kolar project is under construction across river Kolar, a tributary of Narmada near Lawa Khedi village of Sehore District. This project will help in irrigating 45087 Hectares of land in Sehore District besides additional 0.15 Million Cubic Meter water to Bhopal District. After completion the project would benefit 22544 Hectares of Kharif Crop and 38323 Hectares of Rabi Crop, in other words 60867 Hectares of land would be irrigated.
- (14) **Barna Project:** This project is situated on National highway near Badi Town in Raisen District, around 105 kms from Bhopal Railway Station. After completion, this project will help in irrigating proposed 48,805 Hectares of land in Raisen District and 11,695 Hectares of land in Sehore District annually.
- (15) **Sukhta Project:** This project is situated in Khandwa District around 40 Kilometer from Khandwa across river Sukhta. This project would provide irrigation to 18,583 Hectares of Land and the provision is also made for providing drinking water to the city of Khandwa. The estimated cost of the Project is Rs. 13.03 Crores. After completion of the project, 18,583 Hectares of land would be irrigated.
- (16) **Mahi Project:** Mahi river originates in Dhar District. It flows in the borders of Dhar and Jhabua Districts and after flowing through Ratlam District the river enters Rajasthan. Two Dams and Two Canals are proposed under this project. The main dam would be constructed near village Labariya in Dhar District, which will be 3090 Meter long and 42.15 Meter high. This covers 754 Sq. Kilometer area of Dhar District. A sub-dam will be constructed near village Kalikarai, which will be 990 Meter Long and 29.80 Meter High. This covers 170 Sq. Kilometer area. Main canal of 17.64 Kilometer long would be constructed on left side of the main dam in Jhabua District, which will irrigate 12,770 Hectares of land. Another canal of 26.2 Kilometer long would be constructed on right side of the main dam in Dhar District, which would irrigate 5457 Hectares of land. Under this project, 137 Kilometer long canal would be constructed. Present estimated cost of the project is Rs. 99.50 Crores. After completion of the project, it is possible to irrigate 11,847 Hectares of Kharif Crop and 14,583 Hectares of Rabi Crop. 7913 Hectares of land in Dhar District and 18,517 Hectares of land in Jhabua District would be irrigated.
- (17) **Sindh Project:** Construction work of Pick-up Ware has been started near village Mohni in Shivapuri District. This project includes construction of Mohni Pick-up Ware, Harsi Support Canal, Renovation Harsi Support Canal System, Doab Canal, Kaketo Tigra Feeder Canal etc. The estimated cost of the project is Rs. 32.70 Crores.

At present 35,200 Hectares of land is being irrigated from this project. Provisions are made to irrigate 37,561 Hectares of land in Gwalior District, besides providing 1.5 TMC of drinking water to Gwalior city after completion of the project.

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In the second phase of the project, Mohani Pick-up Ware is being constructed near village Mohani in Narwar Thesil of Shivapuri District. The construction work on 2173 Meter long and 266 Meters Spillway is under progress on this river around 70 Kilometers away from Dabra and 45 Kilometers from Shivapuri. The height of the dam is 45 Meters.

Mohani Sagar Dam is situated near Madikheda village in Narwar Thesil of Shivapuri District, which is around 1.5 Kilometers away on east of Dhamkanpur on Dabra-Satanwada Road. The proposed Dam would be constructed across river Sindh, which will be of Earthen Dam of 50.43 Meter high, 59 Meter high Stone Masonry Dam and a Spill Way of 281.102 on the river-side and 18 high rising Crest Gates would be fixed. This project on completion would provide irrigation to 44,572 Hectares of Gwalior District, 40,117 Hectares of Shivapuri District, 23,103 Hectares of Bhind District and 12,208 Hectares of land of Datia District.

(18) **Rajghat Project:** Rajghat Dam Project is an ambitious joint project of Madhya Pradesh and Uttar Pradesh governments, which is situated in Bundelkhand region. The construction of the project is being executed by Betwa River Council, which is constituted by Ministry of Water Resources, Govt. of India. Rajghat Dam is being constructed across river Betwa at a cost of Rs. 213.67 Crores. Hydro Electric Power Station with generating capacity of 45 Megawatts is also proposed in the project at an estimated cost of Rs. 96.50 Crores.

(19) **Bhander Canal Project:** Uttar Pradesh Government started the construction of this irrigation project under the agreement of 1953 for irrigation purpose from water of Matatila Dam of Madhya Pradesh area. This incomplete project was handed over to Madhya Pradesh in 1965 and was supposed to be completed by Madhya Pradesh so that 44, 535 Hectares of land in the districts of Gwalior, Datia and Bhid is irrigated. The length of the main canal of this project is 57.6 Meter. The length inclusive of Branches and Sub-branches is 448 Kilometers. The estimated cost of the project is Rs. 9.5 Crores.

(20) **Samrat Ashok Sagar (Halali) Projects:** This large irrigation project is a joint venture of Vidisha and Raisen Districts. Around 136 Villages of both the districts would be benefited from this project. It would be possible to irrigate 37,637 Hectares of land from this project. A dam has been constructed near village Khoaa on the border of Vidisha and Raisen Districts, which is 40 Kilometers away from Bhopal Station and 16 Kilometers away from Salamatpur Railway Station in Sanchi Development Block of Raisen District. The dam is 945 Meter long and 29.57 Meter high. The length of the main Canal is 3.30 Kilometers, Left Bank Canal is 17.40 Kilometers, and Right Bank Canal is 23.80 Kilometers and Sahodra Branch Canal of 13.70 Kilometers has been constructed. Many sub-canals have been constructed.

Besides these prominent projects, many medium projects are under operation in Madhya Pradesh.

(b) **Projects operated for generation of Electricity:** The requirement of electricity has become an important and necessary part of modern life in every field of activity. The progress of a nation is measured in terms of consumption of electricity in its households. It is also necessary for its rapid progress. Madhya Pradesh is mainly an agricultural state. Hence to make the green revolution a success in this state electricity is a must.

Madhya Pradesh has good potentials of Hydro Electricity generation. Adequate facilities exist for Electricity generation. The state gets sufficient rainfall as a result many river flows from mountaineous region namely Narmada, Tapti, Mahanadi, Son, Betwa, Ken and Chambal. Madhya Pradesh hold 10% Hydro Electrical power generation capacity in comparison to whole India. Presently almost all the towns, tehsils and villages have electricity supply.

**Status of Electricity generation during Five Year Plan Period:** During the first five year plan various types of schemes and small distribution centers of Electricity generation existed in Central Bharat, Vindhya Pradesh and the then Madhya Pradesh such as, Gwalior, Morena, Dabra, Ujjain, Dewas, Indore, Mhow, Katni, Sehore, Jabalpur, Itarsi, Hoshangabad, Betul, Chhindwara etc. There were 72 Thermal Power Station in Madhya Bharat in 1955, in which 9 Stations generated Electricity from steam, 57 from Diesel and 6 from both Steam & Diesel. Rs. 5548 Lakhs was spent on Electricity generation in second five-year plan and the thrust was given towards development of Thermal and Hydro Electricity generation. Allocation of Rs. 117.80 Crores was made in the third five-year plan for development of Electric Power generation. Additional 1131 towns and villages were provided with Electricity during the period of this plan. Madhya Pradesh had 758 MW Electricity generation capacities by the end of fourth five-year plan in 1974 and 1300.5 MW in 1979-80 and the same reached to 29997.7 MW in 1987-88. Rs.2660 Crores was allocated to Madhya Pradesh for generation of Electricity and distribution. This was 35% of the total plan budget of the State. Rs. 4191.75 Crores was allocated to Madhya Pradesh for Electricity, which was 32.25% of total budget allocation for the State. In the ninth five-year plan Rs. 3479.45 Crores was allocated for Electricity from the total out-lay of Rs. 20075/- Crores, which was 17.33% of the total out-lay for the State. By the end of the first six months of financial year 2002-03, out of total 51,806 villages 50,312 villages had electricity supply, which is 97.12% (October 2002). Electricity was provided to 12.29 Lakhs of Pump Sets for irrigation and 25.06 Lakhs of houses were given with one point electricity connection. The present total established Electricity generation in Madhya Pradesh is 2900 MW (1999-2000) of which 747.5 MW is generated from Hydro Electric power station. The share of the state in Electricity generation by Central Government Undertakings is 1718 MW.

## NOTES

Prominent Electricity Generation Plants of Madhya Pradesh:

State has mainly two types of Electricity Generation Plants.

- (1) Thermal Power Stations
- (2) Hydro Electric Power Stations.

(1) **Thermal Power Station:** The power station, which uses Coal for generation of Electricity are called Thermal Power Stations. Low ash content coal is required for generation of Electricity. Electricity generation in the state of Madhya Pradesh has major contribution from Thermal Power. Maximum percentage of Electricity of the total capacity is generated from Thermal Power Stations. All the Thermal Power Stations are situated near the Coal Mines. The provision of water for running the Electricity Generation Equipments installed in these Power Plant is also made available closer to Power Plants. Following are details of major Thermal Plants in Madhya Pradesh.

- (i) **Amarkantak Thermal Power Station:** This Power Station is located in Sohagpur Coal Region of Shahdol District and is spread on 13.14 Hectares of land. Keeping in view the requirement of Electricity for the State, the proposal was made during second five-year plan for constructing Amarakantak Thermal Power Station with 2 X 30 MW Electricity generation capacity plant at Chachai in Shahdol District but this Thermal Power Station got off during the period of third five-year plan.

In the first phase of the project 2 X 30 MW generation capacity was established and in the second phase 2 X 120 MW generation capacity was established. This plant has four units with installed capacity of 300 MW. Water supply to this plant is from Son river and coal is supplied by Western Coalfields Ltd. from Amlai and Chachai coalfields of Sohagpur Region. Bundelkhand and Baghelkhand area of Madhya Pradesh receive the Electricity supply from this plant.

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- (ii) **Vindhyachal Super Thermal Power Station:** This project is situated at Baidhan of Sidhi District in Madhya Pradesh. Large Singrauli coalfields are located near this plant. The total installed capacity of this plant is 2260 MW.

Six units each of 120 MW and two units each 500 MW Electricity generation capacity would be installed in the first and second phase of the project respectively. The Electricity generated from this unit would be supplied to Madhya Pradesh, Maharashtra, Goa, Gujarat, Daman, Diu, Dadar and Nagar Haveli. The total installed capacity of this plant is 2260 MW.

- (iii) **Satpuda Thermal Power Station:** This power generation station is situated in Pathar Kheda coal belt in the northern slopes of southeast Satpura mountain range in Betul District, which is around 80 Kms from Itarsi Railway Station. The proposal to establish Power Station was made in 1960 but the construction was started in 1962. The first unit of 62.5 MW was commissioned in November 1967. The second was commissioned in March 1968, the third in May 1968, the fourth in July 1968 and the fifth unit was commissioned in March 1969. The water supply to this Power Station was arranged by constructing a dam across river Tawa.

During the first phase of expansion of this Power Station, 200 MW unit was commissioned in June 1979 and 210 MW unit was commissioned in September 1980. After commissioning of these two units, the installed capacity of Power Station increased to 722.5 MW. During the second phase of expansion, two units each of 210 MW were commissioned in January 1983 and February 1984 respectively and after completion of second phase of expansion, the total installed capacity increased to 1192.5 MW.

- (iv) **Chandani Thermal Power Station:** This Power Station was established in the year 1953 to meet the Electricity requirement of Neapanagar Newsprint Factory. Three units of 55 MW and one unit of 9 MW are functioning at present. The total generation capacity of this Power Station is 17 MW and the Electricity generated from this Power Station is supplied to Neapanagar, Burhanpur and Khandwa Districts.

- (v) **Jabalpur Thermal Power Station:** The power generation capacity of this plant is 15 MW. Three units each of 44 MW, four units each of 2 MW and one unit of 1 MW are at operation in this Power Station. Madhya Pradesh Electricity Board has taken over this Power Station under its control from 11-September-1974.

- (vi) **Sanjay Gandhi Thermal Power Station:** This Power Station is situated at Birasinghpur in Shahdol District. Two units each 210 MW capacity would be installed in the first phase of the project. The first has been commissioned in December 1991; the second unit would soon be commissioned. In the second phase two more units 210 MW each were expected to be commissioned by September 1993 and March 1994 respectively but the same were commissioned in 1995.

- (vii) **Pench Thermal Power Station:** This Power Station has been established near the border of Madhya Pradesh and Maharashtra in Chhindwara District. Two units each of 210 MW are in operation here.

- (viii) **Bandhav and Mandu Thermal Power Station:** This Power Station is a joint venture of Madhya Pradesh and Gujarat Governments.

(2) **Hydro Electric Power Stations:** The place where Electricity produced by harnessing the water falling from great heights are known as Hydro Electric Power Stations. Madhya Pradesh has very high potential for generating Hydel Power. There were no Hydro Electric Power Stations prior to independence. Chambal, Narmada, Tapti, Son and Mahanadi are the prominent rivers that flow through Madhya Pradesh.

Hydro Electricity was first produced under the Chambal Valley Project. This project is a joint venture of Madhya Pradesh and Rajasthan governments with equal share of 50-50. Madhya Pradesh gets 300 MW of electricity from this project.

- (i) **Chambal Valley Project:** Chambal is the prominent river of Madhya Pradesh and Rajasthan. This river is 961 kms long. Keeping in view the optimum utilization of the water of Chambal river, both Madhya Pradesh and Rajasthan state governments started this project. Under this project construction of 3 Dams, 5 Hydro Electric Power Stations and a reservoir by irrigation Barrage. This project was completed in three phases. 376 MW of electricity is generated from the Power Stations situated at three Dams.

## NOTES

(1) **Gandhi Sagar Hydro Electric Power Station:** Gandhi Sagar Dam was constructed in the year 1960. It is situated at Bhanpura Thesil of Mandsur District, 33 kms from Bhanpura and 8 kms away from Chaurasigarh. The width of the valley gets narrower here. The Dam is 510 Meters long and 62 Meter high. Gandhi Sagar Hydro Electric Power Station is 93 Meters long. It has five generating units each of 23000 KW of capacity and are installed at a distance of 15 Meters from each other. Total of 80000 KW of Electricity at 60% load factor is made available from these units.

(2) **Rana Pratap Sagar Hydro Electric Power Station:** Rana Pratap Sagar Hydro Electric Power Station is 48 kms away from Gandhi Sagar Dam. It is situated near the 40 ft. high Dhulia Water Falls at Rawatbhata in Chittorgarh District. This Dam is 1100 Meters long and 36 Meters high. The area of the reservoir is 113 Sq. Kms. Bhopal Power Station is very close to this Water Falls. Rana Pratap Sagar Hydro Electric Power Station generates 43000 KW of Electricity from four generating units.

(3) **Kota or Jawahar Sagar Hydro Electric Power Station:** This plant is constructed at a distance of 32 Kms. from Rana Pratap Sagar Dam. The width of the Chambal River gets narrower here by 122 Meters as compared to Chaurasigarh. This is only Pick-up Dam. The water released from the two Dams is used for generating the Electricity. This Dam is 548 Meters long and 45 Meters high. Three units each of 33000 KW of capacities are installed here. Total of 60000 KW of Electricity at 60% load factor is generated here. Total of 1,86,000 KW of Electricity would be generated after completion of all the proposed schemes of Gandhi Sagar Dam.

- (ii) **Bargi Project:** Rani Awantibai Sagar (Bargi) Project is under construction near Bijaura village in Jabalpur District. Generation of Electricity has already been started here after installation of two units of Hydro Electric Power Plant.

The electricity generated is supplied in the radius of 322 Kms area circumference through electric wires. The electricity generated by Gandhi Sagar Power Plant is distributed through two main lines, the first towards south to Indore and the second towards north to Gwalior. The availability of electricity has benefited the Cement Factory in Neemuch, the sugar and alcohol plants of Morena, Bhind and Ratlam, the Chemical Industry in Nagda, Card Board Factory in Nepanagar and Electric Insulating Equipment Factory in Mandsaur District.

Besides the above, Narmada Sagar Project, Maheshwar Hydro Electric Project, Omkareshwar Hydro Electric Project, Birsinghpur Hydro Electric Project, Rajghat Hydro Electric Project and Madikheda Hydro Electric Project are under construction.

(c) **Projects directed towards development of Energy:** Madhya Pradesh Urja Vikas Nigam was established in August 1982 with an objective to find out alternative source of energy besides the conventional sources of energy and its development and utilization to the maximum extent. The Nigam started functioning on commercial basis during 1983-84. The Nigam since its inception has contributed significantly towards development and utilization of non-conventional energy sources and exploitation of renewable energy sources. Following are the main achievements of Urja Vikas Nigam in the year 1987-88.



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- (i) **Solar Energy Hot Water Plant:** Total of 17 projects of Solar Energy Hot Water Plant were completed at a cost of Rs. 234.71 Lakhs. Its total capacity is 1,89,500 Ltrs. per day. Another 35 projects with capacity of 8,59,000 Ltrs. are under progress.
- (ii) **Solar Distilled Water Plant:** Total of 129 plants have already been supplied, which is more than the double of the determined target of 56 plants. Rs. 1.01 Lakhs was spent on this.
- (iii) **Solar Cooker:** Nigam had fixed a target to supply 2,000 Nos. of domestic cookers and 350 Nos. of community cookers; whereas it supplied 3,719 Nos. of domestic and 660 Nos. of community cookers. It is gaining popularity day by day.
- (iv) **Solar Photovoltaic Plant:** This plant is more beneficial, particularly for rural areas, where electrification has not been done and there is no possibility of electrification in near future. Under this scheme the Nigam has installed 132 Nos. of Street Light Plant, 36 Nos. of Plants for Domestic Lighting and 8 Nos. of Plants for Water Pumps at a total cost of Rs.35.24 Lakhs.
- (v) **Wind Mill and Aero Generator:** This year 10 Windmills and 4 Aero Generators of 4 MW capacity have been installed at a cost of Rs.14.26 Lakhs.
- (vi) **Biogas Plant:** Under this scheme, Rs. 38.32 Lakhs were spent and 22 projects of 1,300 cubic meter capacity were commissioned, which is double than the set target of 10 projects.
- (vii) **Biogas Gassy-fire:** Under this scheme Rs.13.54 Lakhs were spent on installation of 62 Gassy-fire plants of 289 KW capacity.
- (viii) **Hydrant:** 63 Hydrant running on waterpower current were established on hundred percent grant basis. Rs. 3.62 Lakh were spent on this scheme.
- (ix) **Improved Stove:** Like all the previous years the scheme got off to a flying start this year too. 1,23,055 improved stoves were manufactured which was five times more than the estimated 25,000 stoves.
- (x) **Village Power Project (Urja Gram Project):** For overall development of villages in the field of Energy / Power, Urja Gram Pariyojana was started. Five projects have been successfully completed under this scheme. Work on another 36 projects is under progress. Rs. 61.68 Lakhs were spent on this scheme.
- (xi) **Integrated Rural Energy Programme:** Under this programme Rs.14.03 Lakh were spent on initial survey work carried out by Durg Development block in Durg district, Gandhwani Development block in Dhar district, Konta Development block in Bilaspur district and 7,933 Improved Stoves, 9 Hydrants and 36 Domestic Lighting Plants were installed. In the year 1998-99, Rs.162.35 Lakhs were spent on implementation of various programmes in short-listed 85 Development Blocks.

Following are some of the important projects, which are under operation besides water / irrigation, Electricity and Energy - Power Development.

**Programmes for Women and Child Development:**

Madhya Pradesh administration with an objective to bring an improvement in social, economic, health and nutrition quality of women and children to strengthen their personality in all aspects have implemented various projects, plans, programmes, schemes and policies. Following are some of the important programmes started for this purpose.

- (i) **World Bank aided Consolidated Child Development Project:** 244 Consolidated Child Development Projects are under operation with the help of World Bank in the state. The main objective of these projects is to bring in improvement in the quality of health and nutrition among children and women belonging to poor category. The

beneficiaries of these projects are children up to the age of 6 years, pregnant women and foster mothers.

Under this project, a total number of 34,681 Aanganwadi Kendra are in operation. In these Aanganwadi Kendra for Building Construction 8,041 Aanganwadi Bhavans have been sanctioned and 3,324 Aanganwadi Bhavans have already been constructed. The construction work of rest of the Aanganwadi Bhawan is under progress at different stages. Under this scheme in 244 projects, hundred percent CPDO office-cum-godown is being constructed. By now construction of 143 buildings have already been completed.

Government of India has also sanctioned the installation of total number of 7,367 Hand Pumps in World Bank Project regions. Till date 2731 Hand Pumps are working in different regions. Under this scheme, those Anganwadi Centers who have own building are providing the villagers with improved smoke-free stoves. A total of 5394 improved smoke-free stoves are already distributed by now. Children and women are being provided with free medical check up and medicines through Anganwadi Centers and they are also being provided with to and fro fares for visiting the Block Health Centers in the form of "referral service".

- (ii) **Integrated Child Development Service Scheme (I. C. D. S.):** Government of India is operating this scheme in the state of Madhya Pradesh since the year 1975-76 for the all round development and welfare of children and women.

The objective of this scheme is to bring in improvement in the health and to provide appropriate base for psychological, physical and social development by providing supplementary nourished diet to the children up to 6 years of age and also to provide the benefit to pregnant women and children through Anganwadi Centers. The Anganwadi Centers are equipped with the below-mentioned facilities, under this scheme, to fulfill these objectives.

- (a) Supplementary Nourished Diet.
- (b) Health Check-up.
- (c) Primary Health Care / Consultation Services.
- (d) Vaccination.
- (e) Nourishment and Health Education.
- (f) Informal Pre-school Education.

This scheme according to the standards set by Government of India is operative in state in rural and tribal development blocks (Adivasi Vikas Khand) and also in the urban areas. Anganwadi Centers have been established in rural and urban areas with a population of 1000, in tribal areas with population of 700 and in inaccessible and stony mountain areas with a population of 300.

- (iii) **Development of Women and Children of Rural Area (DEWACARA):** This programme is a sub-plan of Integrated Rural Development Programme. Under this programme women living below the poverty level are organized in a group to engage them in community level income generation / earnings programmes. Trainings are imparted to rural women in Cloth Weaving, in making of Papad, Pickles, Spice, Toys, Dolls, Plantations and Silk Industry etc. Marketing facilities are also provided to them to sell the products manufactured by them. They are made aware with the knowledge of Health, Nutrition, Education and Legal Rights.

Under this scheme 50 groups are organized in each development blocks. Each group consists of 10-15 women members. Each group is provided with a lump sum amount of Rs. 25000/- in the form revolving fund of to start their financial activities. Government of India and the State Governments have equal share in this programme.

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This programme has been started in Madhya Pradesh since 1982-83. This programme is currently implemented in the development blocks of each district.

- (iv) **National Teen Age Girl Scheme:** National Teen Age Girl Scheme has been started in Madhya Pradesh through Anganwadi I. C. D. S. programme. This scheme is implemented in 48 Non World Bank and 45 World Bank aided projects.

## NOTES

Projects in operation for Poverty Eradication or Poverty Alleviation Project-

**Indira Gandhi Garibi Hatao Yojana:** Madhya Pradesh Government has given top priority to village, poor, sourceless, landless and marginal farmers. The state government has done lot of work during the past years for the welfare of these people.

While making the decisions for the welfare of the villages and the poor and to bring in desired changes in social and economical status of the poor from the chosen villages of fourteen backward districts, "Indira Gandhi Garibi Hatao Yojana (D. P. I. P)" has been implemented in the state recently. This project would be operational for five years with assistance from World Bank and the cost of this project would be Rs. 600 Crores. World Bank would provide Rs. 500 Crores as Soft Loan and the balance cost would be borne by the State Government and also from the contributions from the community.

Indira Gandhi Garibi Hatao Yojana is very different from the earlier efforts and methods adopted in the direction of eradicating the poverty. The project is different as instead of the prevailing practices and techniques of the administration and the government, the project directly reaches to the poor people living in the far off places by making direct contacts and with their collective participation easily makes improvement in their life and living standards. As a strategy of the project more importance is given to collective efforts than the individual efforts or more importance has been attached to the group rather than the individuals. The contribution amount is directly transferred in the account of the group organized for a common purpose and objective to enable them to address their common needs. Thus it increases the participation of the poor people in the group, their collective strength, power and effort to pull their resources collectively, management at village level, transparency at every stage and effort to learn from each other makes the project quite unique from the other government projects, as it brings people, particularly the down-trodden at one platform, to bring in improvement in their social status through self effort. This project raises hopes to fulfill the dreams of millions by finding new methods, opening new opportunities and creating new possibilities.

The area of operation of the project covers North and Northwest part of the state that includes Sagar, Narsinghpur, Vidisha, Raisen, Damoh, Panna, Tikamgarh, Rajgarh, Shajapur, Guna, Rewa, Sidhi, Chhatarpur and Shivpuri. Approximately 2,100 villages of 47 Development Blocks of the fourteen districts are covered under this project.

This project is for whom?

Families of short listed villages of the project are selected on following criteria.

- (1) Scheduled Caste / Scheduled Tribe Families.
- (2) Migrating families from villages for work / labour.
- (3) Those families who have no permanent residence.
- (4) Women and those families whose head person is a woman.
- (5) Families of landless and marginal farmers.

Below poverty level is not the final yardstick to provide the benefit to the families under this project. Arrangement have been made that people of the village only select those families who constitute 70% of them who falls under poor or destitute category and needs help. The present position of poverty is done through the method of co-operation by wealth

ranking system. Thus people of the villages decide who is poor in the village and who is not and the categorization is done through their participation.

### Schemes of Government Departments

Government implements various schemes for the benefit of its citizens besides the large government projects. The objectives of these schemes are to make the children, women and family of the poor, the weaker section resourceful enough to solve their own problems.

Each government introduces plans and manages these schemes during their tenure and advertises, propagates and implements to provide benefits to the needy people. Generally the schemes too become inoperative with the exit of these governments. Department wise such schemes are as follows.

#### Schemes of Woman and Children Development Department:

- (1) **Balika Samridhi Yojana (Girl Child Prosperity Yojana):** Government of India announced a new scheme "Balika Samridhi Yojana" on 15th August 1997 to provide equal opportunities and rights to girl child, which was introduced in all the districts of Madhya Pradesh from 2nd October 1997. Under this scheme Rs.500/- would be contributed to the mother of the girl child whose family falls under Below Poverty Line (BPL).
- (2) **Mahila Samridhi (Women Prosperity Scheme):** This scheme is going to be introduced in the state of Madhya Pradesh with an objective to encourage the saving aptitude / attitude among the women to promote efficient management of domestic resources, to develop self confidence, self respect, the feeling of self reliance among the rural women folks. Any rural women can open an account in village Post Office with a contribution of Rupees Four under Mahila Samridhi Yojana (MSY). She can deposit a sum of Rs.300/- in her account in a year and she gets Rs.375/-. Any rural woman who has completed 18 years of age is eligible to open account in her name.
- (3) **Rashtriya Matritwa Sahayata Yojana (National Maternity Benefit Scheme):** This scheme is implemented from 15th August 1995 in the whole country. The main objective of this scheme is to provide medical and economic benefit to women falling under Below Poverty Line category during the pregnancy period. A woman of 19 years of age or above falling in BPL category is eligible to receive a sum of Rs.300/-, 8 to 12 weeks before the childbirth. The woman beneficiary is eligible to receive this amount for the first two living deliveries. The right of approval has already been given to respective Village Gram Panchayats and Municipal Corporations.
- (4) **Indira Mahila Yojana:** Government of India introduced Indira Mahila Yojana from 20th August 1995. This scheme is implemented in fourteen development blocks of two districts. The main objective of this scheme is to create awareness among women about subjects such as equality of women, legal rights of women in property, constitutional safeguards, to encourage economic development activities related with women. Under this scheme "Indira Mahila Kendras" are formed at anganwadi level and "Indira Mahila Vikas Khand Societies" are formed at Block Development level and are registered so that these samitis get loan from Banks, National Mahila Fund and other financial institutions for running various economic activities. One group consists of 20-25 women members. A grant of Rs. 5000/- is given to each women centres for organising training to its members.
- (5) **Vatsalya Yojna:** A grant of Rs. 500/- is being given to the pregnant women of age 19 and above belonging to rural landless families for organizing better amenities for safe deliveries in Government Hospitals. This grant is provided to the women upto two living deliveries. Apart from this free health check up and vaccination facilities are provided free of cost to both mother and child.

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- (6) **Urban Nutritious Diet Programme:** This programme is going to be implemented with an objective to provide nutritious diet to the children up to the age of 6 and fostered mother and pregnant women living in urban slum areas and women belonging to weaker section living in Jhuggi-Jhopadi. Under this scheme 80 gms. of Bread or 60 gms. nutritious diet is provided to each beneficiaries.
- (7) **Ayushmati Yojana:** This scheme has been launched from November 1991 to provide better treatment facilities to women of rural landless families with hospitals of six affiliated Medical Colleges of the state and from 1st April 1992 this yojana will be implemented from all the district hospitals of the state. Rs. 400/- will be given to a women admitted in district hospital for a period of one week and Rs. 1000/- to a women taking treatment in district hospital or government hospitals affiliated to medical colleges of the state for more than a week. Besides this the medicines, tonic and nutritious diet is also provided to them.
- (8) **Mid-day Meal Programme:** The main objective of this programme is to encourage children of SC, ST and OBC for studies and provide them nourished diet for their physical and mental developments / growth. The beneficiaries of this programme are regular students of age 6 -14 years of an educational institutions.
- (9) **Adopted Daughter's Education Programme:** The main objective of this programme is to encourage the education of the girl child, create awareness among guardians about the need of the education for girl child, create awareness in society and encourage the participation of the society in the education of the girl child. Any individual can adopt one or more girl child. Such individual has to pay a fee of Rs. 30/- per month for the primary education of the child and Rs. 40/- per month for secondary education.
- (10) **Jabali Programme for Abolition of Prostitution:** Prostitution has got social recognition in some most backward castes of Madhya Pradesh. Women and girl child are mainly affected by this evil custom. Madhya Pradesh government started Jabali programme to end this evil custom. Under this programme Reclusory for children, Reform homes, Economic programmes for women, Health check-up, Treatment, Social and Public awareness, Publicity and propaganda activities are organized.
- (11) **Organizing women awareness Camps:** Awareness camps are periodically organized for women at District level, Block development level and Village level to make them aware about various programmes, schemes, laws and other aspects of development projects launched or implemented by state government or central agencies.
- (12) **Nari Niketan:** Nari Niketan have been established in 6 districts to provide shelter to widows, divorcees, destitute, unwed mothers, socially discarded women and others. In these Nari Niketans free accommodation, education, food, cloth and commercial training is provided to women and her 7year old child for their rehabilitation.
- (13) **Women Reform House ( Mahila Uddhar Griha ):** Shelter is provided to those women detained under Trafficking of Women (Prevention) Act by court orders. Besides shelter, Education and Training are imparted to them to reform their moral character at this reform center. This center is situated in Indore.
- (14) **Rajkiya Balika Anurakshan Griha:** The main aim of such Grihas is to provide separate shelter to the healthy children of leprosy affected parents to prevent the spread of the disease in them and provide the social and educational maintenance. Presently 8 Children Maintenance Griha are in operation for the children of 13 - 18 years of age group in the state.
- (15) **Mahila Wasati Griha (Women Hostels):** The domicile women of the state have to leave their original place of residence for work and carry out professional activities in major towns and cities. To provide them safe and clean accommodation, working women's hostels are run and managed by state government at Jabalpur and Indore.

- (16) **Government Managed Jhoolaghar:** The State Government is operating Jhoolaghar in 10 Districts to look after the children and provide nursery education to the children of working- women of low and medium class families.
- (17) **Balwadi Saha-Sanskar Kendra:** Six Nos. of government Balwadi Saha-Sanskar Kendra are in operation in the state with an objective to develop good physical, mental and moral values among the children of poor, backward, labour, working class, scheduled caste and tribal women.
- (18) **Matri Kutir:** The objectives are to bring-up orphan and destitute children in a well-knit family atmosphere and provide them educational facilities. Such children are kept with women members, who look after them as mother till their adolescent. Funds are provided for the subsistence of mother and the child.
- (19) **Sewing and Embroidery Center (Silai Kadhai Kendra):** 19 Nos. of tailoring and embroidery centers are in operation in various districts of the state to impart training in tailoring and embroidery to the women of poor, destitute, low and medium income group families.

Apart from the above, the following are the other programmes for the development of women:

Madhya Pradesh Mahila Arthik Vikas Nigam has been established in 1998 under M. P. Non-negotiable act. The acquired capital of the corporation is Rs. 5 Crores and paid up capital is Rs. 3.53 Crores. The share capital of Government of India is Rs. 0.98 Crores where as share of the State Government is Rs. 2.55 Crores. Following are the programmes implemented by the corporation, towards making the women economically prosperous.

- (1) **Gramya Yojana:** This is the most popular scheme organized by the corporation. Interest free loans of Rs. 500/- is provided under this scheme to the poor women to start small and micro business with an objective to make them self-reliant. Credit of Rs. 1000/- is given to them after the initial loan is cleared / returned.
- (2) **Photocopier Scheme:** The Corporation provides 10% of the sanctioned bank loan or Rs. 10,000/- margin money in the form of grant to start photocopier business under self-employment scheme to economically backward women. This scheme is going to be implemented in all districts of the state.
- (3) **Samarth Yojana:** Under this programme, widows, divorcees, destitute, socially discarded, neglected women are encouraged to take technical training / education. The government bears the educational expenses and other expenses incurred by the women to get admission in technical institutes.
- (4) **Typing Training Programme:** The objective of this programme is to make the poor educated unemployed girls / women self-reliant by imparting training to them in typing. Free typing training is imparted to the 25 women of each district. Stipend of Rs. 250/- per month is given to each beneficiary. All expenses of the training are incurred by the Nigam.
- (5) **Establishment of Self-Service Group:** For the empowerment of the rural women, the Nigam has implemented Self-Service Group programmes. The main aim of this programme is to provide informal loan / credit facilities to rural women by encouraging in them the habit of saving.
- (6) **Mamatva Mela:** Mamatva Mela is organized by the Nigam every year for exhibition, distribution and marketing / sales of the products produced / manufactured by women entrepreneur and rural women groups. This directly helps the producer / manufacturer of the product.

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(7) **Norad Scheme:** The aim of this scheme is to provide employment-oriented training to the women of weaker section with the assistance from the Government of Norway. Grants are sanctioned to the institutions directly for the operation of the scheme. The corporation invites applications from the Non-Governmental Organizations, scrutinizes their portfolios and sends it to the Government of India with recommendations.

(8) **Silk Project:** The Nigam has started the Silk Project at a cost of Rs. 718 Lakhs in 18 districts with the co-operation from Silk Directorate to encourage, motivate and make women self-employed and self-reliant.

Besides these schemes and programmes various grant schemes and activities are implemented in the state by Voluntary Institutions operating in women and child development field.

**(A) Grant Schemes of the Central Government:**

- (1) Grants for Organizational Help / Organizational Assistance Grants.
- (2) Women's Hostel for Working Women
- (3) Establishment of Infant Homes for adopted children.
- (4) Grants from National Children Fund
- (5) Grants from National Infant Fund.
- (6) Temporary Residential Home Management Programme.
- (7) Assistance for the Publicity and Conducting Educational Programme to prevent atrocities on women.

**(B) Grant Schemes of the State Government:**

- (1) Grants to Orphanage.
- (2) Legal Advice and Help Programme to Women and Children.
- (3) Grants to M. P. State Social Welfare Advisory Board.
- (4) Grants to Jawahar Bal Vikas Centers.
- (5) Grants to Destitute Children Homes.
- (6) Rehabilitation Training to Disaster Affected Women.
- (7) Grant for General Activities.

**Other Important Schemes:**

(1) **Ladli Laxmi Yojana:** Madhya Pradesh Government has announced to start new Ladli Laxmi Yojana from 1st April 2007 for the girls. Rs. 24 Crores have been allocated in the budget for the year 2007-08. This unique scheme addresses all the needs of the girl child till their marriage. This scheme covers the girl of all the religion and caste but is limited to two children only. All the girls, who have born after December 31, 2005 and whose family falls under Non-Income Tax payer category and are registered with any of the anganwadi Kendra would be the beneficiary. Regular attendance at the center has been made compulsory. Besides the family with two daughters, the girls living in orphanage and Reform Houses too would benefit from this scheme.

After registration under this scheme National Saving Certificate worth Rs. 6000/- would be issued in their name continuously for five years. Thus an investment of Rs. 30000/- is made in the name of each registered girl child. With the interest accrued on their investment a lump sum of Rs. 2000/-, Rs. 4000/-, Rs. 7500/- is given to each girl when she passes class fifth, eight and tenth respectively. Scholarship of Rs. 200/- is given to each girl every month in class 11 th and 12 th. In the end a sum of Rs. 1,00,000/- is given to the girl when she reaches the age of 21 provided she has not married before 18 years of age.

- (2) **Vijay Raje Janani Kalyan Yojana:** The yojana is operated in Madhya Pradesh to help the pregnant women of those families living in below poverty line. Under this scheme the beneficiary or the conceived woman receives Rs.1000/- as medical expenses during pregnancy and in case of death during pregnancy her heirs will receive the insured amount of Rs.50,000/-. The conceived woman can derive benefit of the plan only when she is medically examined at least three times during the pregnancy and the delivery is done in the Government Hospital. If she gives delivery in an approved hospital then she will get the advantage of the yojana but the amount will be paid to the hospital. Besides this, additional amount of Rs.1400/- or Rs.1000/- would be paid according to the eligibility of the beneficiary under Janani Suraksha Yojana.
- (3) **Usha Kiran Yojana for Domestic Violence Oppressed Women:** Usha Kiran Yojana has been started in Madhya Pradesh for the domestic violence afflicted women to give them economic security and make them self-reliant. President Mrs. Prathiba Patil started the yojana in Bhopal on June 29, 2008.
- (4) **Jawahar Rojgar Yojana:** This yojana was started on 1st April 1999 in which the ratio of central and state government is 80:20 but in 1999-2000 this yojana was renamed as Jawahar Gram Smrudhi Yojana and the expenditure ratio of central and state government changed to 75:25. The main objective of this yojana is to create additional profitable employment to unemployed and semi-employed youths (both men and women) of rural areas. Along with this, the yojana aims to create productive community capital to strengthen rural economic and social structure to provide direct and continuous benefits to the rural poor community and group. Priorities are given to scheduled castes / scheduled tribes and employed bonded laborers of rural areas. 30% employment opportunities are reserved for rural women. Each of the district level Gram Panchayats have got the rights of expenditure up to 80% of the approved amount.
- (5) **Kalpaturu Yojana:** The sub-plan of Employment Guarantee Scheme was introduced in the state in 1995-96 for the families and farmers living below poverty line, small and marginal farmers with an objective to encourage them to grow plantation and fruits.
- This scheme is implemented in those Development Blocks where Employment Guarantee Programme is in operation. Maximum of Rs.15000/- per hectare is given as assistance to the beneficiary. This assistance per beneficiary is maximum one hectare.
- (6) **Indira Awas Yojana:** Till 1995-96 this yojana was sub-plan of Jawahar Rojgar Yojana but in 1996-97 this was given the form of an independent yojana. The objective of this yojana is to provide economical assistance to those people who are living below poverty line in rural areas. Gram Panchayats select the beneficiary under this scheme. The beneficiary himself makes compulsory provision for the toilet and smokeless stove in the house. The available land must be in the joint name of both male and female. The unit cost per house was kept Rs. 20,000/- of which Rs.17,500/- is included as House construction cost and Rs. 2500/- for general amenities. Out of the total allotment 80% was for new houses and 20% for converting Kachha House into Pucca House for which beneficiary was to get Rs. 10,000/- as grant for this purpose.
- (7) **Rajeev Swavlamban Yojana:** The state government has decided to start a new yojana to promote self-employment in the state. Under this plan shops would be constructed in all the 334 Municipal Corporation area and they will be rented out to unemployed youths on concessional terms.

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- (8) **Jeevandhara Yojana:** This is also known as Ten Lakh well project. This was earlier the sub plan of Jawahar Rojgar Yojana, but from 1996-97 it became an independent plan. The main objective was to facilitate small and marginal farmers living in rural areas to dig wells in their own lands for irrigation purpose on 100% economic assistance. The beneficiary himself digs the well and money is provided to him according to the progress of the work. The amount is decided on the basis of set criteria decided by NABARD.
- (9) **Nehru Rojgar Yojana:** The yojana is for the people living in urban areas below poverty line. Training is imparted to them for self-employment. This yojana includes five programmes.
- (i) Establishment of Cottage Industry in town.
  - (ii) Establishment of Small-scale Industries in town.
  - (iii) Programme on the basis of urban workers.
  - (iv) Renovation, construction and management of Houses and Shelter Homes.
  - (v) Residential accommodation and Shelter homes renovation (Training).
- (10) **Pradhanmantri Rojgar Yojana:** This programme is under implementation since 1993. Under this scheme loans are made available to the urban unemployed to start their own industry, trade and services. Government contributes 15% of the total unit cost or Rs.7500/- maximum per beneficiary. The beneficiary should be in the age group of 18 to 35 years. Scheduled Castes, Scheduled Tribes, Ex-soldiers, Physically disabled and women are eligible for 10 years concession in their age. They can apply up to the age of 45 years.
- (11) **Consortius Bank Credit Scheme:** This yojana is sponsored by Khadi and Gramodyog. Under this yojana an individual is entitled to get concessional loan up to Rs.10 Lakhs and an institution up to Rs. 25 Lakhs. The beneficiary has to invest 10% of the total project cost. Grants are provided to the beneficiary after total repayment of the loans.
- (12) **Margin Money Scheme:** Khadi and Gramodyog in which loan facilities are provided by commercial banks and Khadi and Gramodhog Board gives margin money to promote establishment of industries in rural areas to solve rural unemployment problem. This yojana is applicable in the areas with 20,000 or less population. The beneficiary should be an expert in traditional art and must have sufficient experience to start such cottage industry. The beneficiary must not be a bank defaulter, must have the capacity to furnish Bank Guarantee should be eligible to pay 10% margin money. Minorities, Ex-soldiers, Physically handicapped, Women, Backward class, SC, ST, candidates were required to pay 5% margin money under this scheme.
- (13) **Family Oriented Unit Yojana (Pariwarmulak Ikai Yojana):** The benefit of this yojana is provided to all categories of people through Gramodyog unit for self-employment. 90% of the unit cost and capital cost is given as grant whose maximum limit is Rs.13500/-. Rest 10% either the beneficiary deposit himself or through Bank loan.
- (14) **Gramin Aawas Loan and Anudan Yojana (Rural Home Loan and Grant Scheme):** This yojana is applicable to those people who live either below poverty-line or above BPL and those who have been left or excluded from Indira Aawas Yojana or could not derive advantage due to non approval of the grants. Such needy persons can get advantage of this yojana but their income should not increase more than Rs.32000/- per annum. The maximum loan limit is Rs.40000/- and grant amount is Rs. 10000/-. Loans are provided to the beneficiary through Lead Bank. The selection of

beneficiary is done through Gram Panchayat but the programme is implemented by District Panchayat. Provision has been made to spend 60% of allotted amount on Scheduled Castes, Scheduled Tribes, Freed Bonded Laborers. 75% of the Grant amount is provided by the Central Government where as the State Government contributes 25% of the Grant amount.

- (15) **Jawahar Gram Samridhi Yojana:** The objective of this yojana is to create profitable vocations to the un-employed, semi-employed youths male or female in rural areas. All beneficiaries living below the poverty line are eligible for this yojana. Priorities have been given to the Scheduled Castes, Scheduled Tribes and Freed Bonded Laborers.

The yojana is operated through Gram Panchayat. Provision has been made for 50% expenditure on labor payment bill in which remuneration or wages to be paid to the worker should be according to the declared government rates and equal payment for both male and female worker. In no case the women workers be paid less than 30% of the male workers.

The total allotted amount is directly transferred to Gram Panchayats from the district administration. Out of that 60% amount is spent on Scheduled Castes and Scheduled Tribes of their total population and balance is spent on the total population.

The Gram Panchayats can spend 7.5% or Rs.7500/-, whichever is less on government and incidental expenses and under technical advise and 15% on the maintenance of community centers and buildings situated in their geographical areas.

- (16) **Udyaniki Vikas Falodyan Yojana:** Under this scheme the loans are provided through commercial banks. Farmers who are not interested in availing the loans can avail the grant facilities available under this scheme. Farmers get loan up to Rs.33000/- according to NABARD unit cost and grants in case of 90% of living plants.
- (17) **Antyodaya Swarojgar Yojana (Antyodaya Self Employment Scheme):** The objective of this yojana is to provide credit facilities to the families of Scheduled Castes living below poverty line to start their own business. Only the families of Scheduled Castes are eligible for this yojana. The annual income of the family should not be more than Rs.364.65 per individual per month. The maximum limit for financial assistance is Rs.50000/- and grant amount is Rs.6000/-.
- (18) **Pratishtha Yojana:** The main objective of this yojana is to provide freedom to the sweepers engaged in sanitation work, their rehabilitation and training in selected vocations. Only workers engaged in inhuman activities such as removal of human excreta etc. are eligible under this scheme. A sum up to Rs.50000/- is provided for this purpose. Scholarship of Rs.500/- is also given during the training.
- (19) **Unemployment Allowances:** Provision has been made to provide Rs.200/- p.m. as unemployment allowance to the educated unemployed with qualifications of Higher Secondary and Intermediate. To avail benefit under this scheme registration with Employment Office (Rozgar Karyalaya) is compulsory.

#### **Social Welfare Programmes:**

- (1) **Social Security Pension Scheme / Old Age Pension Scheme:** The main objective is to provide economical help to the destitute persons. Persons above the age of 60 years, disable persons of 60 years and above, widows, and divorcee women of age 50 years and above are eligible under this scheme. Disabled persons of age 6 to 14 years are also eligible provided they are enrolled with some recognized school and continuing their education. 6 to 14 years old disabled school going children of families living below poverty line (BPL), even if they are not destitute can avail the benefit of this scheme. Under this scheme the beneficiaries also receive a Social Security pension of Rs.150/- per month.

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- (2) **National Family Help / Assistance Scheme (Rashtriya Pariwar Sahayata Yojana):** On the death of the head of the family, who was living Below Poverty Line (BPL) aged between 18 years of age and above to 65 years of age, lump sum economic assistance is given to the dependant members of the family of the deceased. This scheme is operated in the entire state. Lump sum economic assistance of Rs.10000/- is granted under this scheme in case the death is due to natural calamities. Central Government provides 100% amount to states for the implementation of this scheme. Following are the eligibility criteria.
- (i) The family should be living below the Poverty Line.
  - (ii) Death of that family member who was the main bread earner for the family.
  - (iii) The deceased must have completed 18 years of age and should not be more than 65 years of age on the day of death.
- (3) **Bhagyodaya Yojana:** 'Bhagyodaya Yojana' was started in Madhya Pradesh from 01-June-2002 to promote small savings. Lucky draw coupon would be provided to the members who would invest in this scheme for a certain period. Total prizes of 72,188 worth Rs.12.37 Crores would be distributed under this scheme.
- (4) **One Panchayat One Product Yojana (Ek Panchayat - Ek Utpad Yojana):** With an objective to bring in improvement in the economic condition of the people by creating new employment opportunities. 'One Panchayat One Product' scheme is going to be launched in rural areas of Panna District of Madhya Pradesh. Under this scheme people of one Panchayat region would specialize in the production of the product and their product would be marketed all over the state.
- (5) **Assured Income Plan (Sunishchit Income Yojana):** Under this scheme scholarship of Rs.200/- to Rs.500/- is given for six months to one year on the basis of the educational qualification of the trainees.
- (6) **Setwin Yojana:** Under this scheme employment opportunities are generated by establishing and constructing Gumti's at various locations.
- (7) **Swarna Jayanti Urban Employment Scheme:** This includes combined programmes of Nehru Rojgar Yojana, Pradhan Mantri Co-ordinated Programme to eradicate urban poverty (Pradhan Mantri Ka Samanwit Shahri Garibi Upsaman Karyakram) and Basic Service Programme for urban poor (Garibon Ke Liye Moolabhoot Sewa Sansadhan Karyakram)
- Pryavaran Sudhar Karyakram (Clean Environment Programme)
  - Rashtriya Gandhi Basti Vikas Karyakram (National Slum Area Development Programme)

**Schemes In The Name of Deendayal Upadhyaya:**

The then Chief Minister of Madhya Pradesh Shri. Babulal Gaur announced five big mass friendly projects on 25-September-2004 on the birth anniversary of Pt. Deendayal Upadhyaya. Following are the brief description about these schemes:

- (1) **Deendayal Samarth Yojana 2004:** This programme has been started by Madhya Pradesh Government for physically and mentally handicapped persons with an objective to develop their potential and make them an integral part of mainstream society. The scheme got cabinet approval on 02-June-2004. The state Government is planning to spend Rs.30, 36, 53,000/- on this time bound scheme.

Special arrangements would be made to provide education to the physically and mentally challenged children under this scheme. Special training would be given to the teachers to teach such children. Along with scholarship and other allowances free educational aids would be provided to such children in the school.

Arrangements have been made for the employment of the disabled children. 1% reservations in the Commercial Complexes and 6% reservations in the Government jobs would be given to such children. Special employment cell would be established in Bhopal and Indore for such children. Special encouragement incentives would be given to the institutions and organizations engaged in the service of destitute children and handicapped. Besides this, the District Handicapped and Rehabilitation Centers would be expanded all over the state. Telephone Help Line Service would be provided to the disabled. More than 50,000 disabled, physically and mentally challenged persons have been identified from this programme, which was started on 25-September-2004.

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- (2) **Gokul Gram Prakalp Yojana 2004:** Integrated development of selected villages on the basis of fundamental principles of Panch-Ja have been undertaken for a year in a coordinated way under this scheme, which was started from 25-September-2004. All types of infrastructure development facilities would be provided to these villages. Pt. Deendayal Upadhyaya Excellence Schools would be established in each such villages at a cost of Rs.10.00 Lakhs. The then Chief Minister of Madhya Pradesh Shri. Babulal Gaur inaugurated the Gokul Gram Yojana in village Salaiya of Akbarpur Gram Panchayat near Bhopal. The State Government plans to develop approximately 20,000 villages with all infrastructure development on the patterns of Gokul Gram in next four years in the state.
- (3) **Deendayal Rojgar Yojana 2004:** Educated unemployed would get benefit from this yojana. Necessary margin-money would be provided to the educated unemployed for Bank Loan under this scheme by Madhya Pradesh Government.
- (4) **Deendayal Antyodaya Upchar Yojana 2004:** This scheme was started on 25-September-2004 was particularly tailor made for Scheduled Castes and Scheduled Tribes and families surviving below poverty line. Under this scheme the administration will bear the treatment cost of such categories of people and will spend maximum of Rs.20000/- on treatment per family in a year. For this purpose Blue and Yellow Colored Special Cards are being distributed to the beneficiary families by the administration.
- (5) **Ayodhya Yojana 2004:** Ayodhya Yojana has been started for Urban Jhuggi Bastis on the pattern of Gokul Gram Prakalp Yojana for the villages of Madhya Pradesh. Chief Minister dedicated the first Ayodhya Basti of the state in Rahul Nagar-Pampapur in Bhopal.

Under the Ayodhya Basti Scheme cemented roads, Concrete Water Drainage System, Electric Connection, Sanitation, Cleanliness and Water Supply mechanism would be provided in the Jhuggi Basti by the state administration. The Residents of these areas will not have to suffer for basic infrastructure facilities.

**Madhya Pradesh Gramin Aajeevika Yojana:** Madhya Pradesh cabinet approved this yojana on June 2004 in their meeting held in Mahua. The objective of this yojana is to eradicate poverty in the state. In the first phase, this programme will be implemented in Six Adivasi abundance districts of Dhar, Jhabua, Badwani, Mandala, Dindori and Shadol.

**Anna Kosh:** Mid-day meal programme was introduced in the state from July 1, 2004 in Government and Government aided primary schools. Farmers, social welfare organization, institutions could be able to contribute Wheat, Rice etc. in the 'Anna Kosh' instituted for this purpose and NGOs would provide cooked food to the students.

**Swami Vivekananda Career Guidance Yojana:** Madhya Pradesh administration has prepared "Swami Vivekananda Career Guidance / Counseling programme" for the school and college students to provide them with information about adequate career opportunities

besides academic qualifications prepared by Higher Education Department. The scheme aims to provide maximum career opportunities to the youths. Department of School Education, technical Education and Adim Jati Kalyan Vibhag (Department of Scheduled Caste Welfare) would operate this scheme in co-operation with each other. Career Guidance Cell will soon be set up in each Higher Secondary schools and colleges.

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Trained Teachers and Professors would provide guidance to the students about career in the Career Guidance Cell. For the rural background students information and guidance would be provided related with agriculture and career opportunity options available in rural areas. The cabinet has approved approximately rupees one and half crores for the year 2005-06 for this scheme. The scheme will be made permanent to enable the students to choose right vocation for themselves. Information about career opportunities would be made available to them through Internet also.

**Bal Shakti Yojana:** Survey carried out under Bal Sanjeevami Abhiyan (Bal Sanjeevani Campaign) in October-November 2005 in Madhya Pradesh revealed that about 33.48 Lakhs of children in the age group of 5 Years suffer from malnutrition. This is almost 50% of the total population of children in the state in this age bracket. Among the malnutrition affected children 10913 children fall in Category IV where as 67352 children in Category III grade of malnutrition. Most of the malnutrition-affected children belong to poor and backward category.

To eliminate malnutrition among the children, the State Government initiated "Bal Shakti Yojana", managed jointly by Public Health Department and Women and Child Development Department. The programme aims to bring down the total number of Grade IV and Grade III category of children to 1%.

**Rashtriya Rojgar Guarantee Yojana-2005:** The 18 shortlisted districts for the first phase programme of Rashtriya Rojgar Guarantee Yojana of Madhya Pradesh is, Jhabua, Mandala, Umariya, Shahdol, Badwani, Khargone (West Nimad), Shivpuri, Sidhi, Tikamgarh, Balaghat, Chattarpur, Betul, Khandwa (East Nimad), Sheopur, Dhar, Shivani, Dindori and Satna.

State government has allocated Rs.140 crores for the implementation of this programme in the financial year 2006-07 under the provision of National Rural Rojgar Guarantee Bill Act, 2005. Madhya Pradesh State Rojgar Guarantee Council has been constituted to implement the yojana in the state. Chief Minister is the ex-officio Chairman, of the General Meeting of the council. Panchayat and Gramin Vikas Mantri is its Deputy Chairman and Finance, Forest, Water Resources, Public Finance, Public Works Department, Agriculture, Adim Jati and Anusuchit Jati Kalyan Mantri, State Planning Commissions Vice President, Chief Secretary, Principal Secretary, Panchayat and Gramin Vikas and Two non-governmental members nominated by state government are the members of this council. The state level empowerment committee of the council, Rojgar Guarantee Authority headed by Chief Secretary will be constituted for its efficient management.

**Vivekanand Group Insurance Scheme for the Poor:** State Government has started this scheme to provide accident benefit to the adult members of those families living Below Poverty Line (BPL). Chief Minister Shivraj Singh Chouhan inaugurated the scheme on 28th January 2006. State Government provided Rs.3.45crores to ICICI Lombard General Insurance Company to implement this scheme in the state. Two Crores of individual members in the age group of 18-65 of 50 Lakhs of families would receive Security Shield from this scheme.

**Tejaswani Gramin Mahila Sashktikaran Yojana (Tejaswani Rural Women Empowerment Scheme):** Madhya Pradesh State Cabinet gave its approval to Tejaswani Gramin Mahila Sashktikaran plan, another women beneficial scheme on June 05, 2006. The Rs.161.59 Crores, Eight years project to be implemented in co-operation with International Fund for Agriculture Development will benefit and strengthen 12000 Women Self-help Groups in 2400 Villages of Six Districts. The scheme will directly help 1.80 Lakhs of women. The

six districts in which the scheme will be implemented are Balaghat, Dindori, Mandla, Panna, Chhatarpur and Tikamgarh.

The chief aim of this project is to form self-help groups, organize an apex body of that organization, to provide easy accessibility of women to Micro Financing Services and creation of better opportunities of livelihood for women. Tejaswani Gramin Mahila Sashaktikaran Project would be implemented in the state by Department of Women and Child Welfare through Madhya Pradesh Women Finance and Development Corporation.

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**Aam Admi Bima Yojana (Common Man Insurance Scheme):** This scheme was launched by Life Insurance Corporation of India Limited on 02 Oct 2007 for the landless rural workers. Government of India has decided annual premium of Rs.200/- per annum per member for its implementation. State Government contributes Rs.100/- per member in this scheme. The age limit of the member under this scheme should be 18 to 59 years. Insured person should be headman of the landless family or an earning member of the family. Under the scheme in case of general death the insured person would receive a sum of Rs.30000/-, in case of death in accident he will receive a sum of Rs.75000/- and also incase of 100% of disability in accident, in case of losing one eye or one hand or one leg or on partial impairment of limbs he will receive Rs.37500/-. Children of insured member would get free aid on scholarship under this scheme. Two students per family would receive Rs.100/- per month as scholarship from class IX to XII.

**Mukhya Mantri Annapurna Yojana (Chief Minister Annapurna Yojana):** The Mukhya Mantri Annapurna Yojana was launched in the state from 26 April 2008 to provide food grains at concessional rates to the population living below poverty line in the state. BJP's National Vice-President Shri. M. Venkaih Naidu inaugurated this scheme in the presence of Chief Minister Shri. Shivaraj Sing Chouhan. Under this scheme BPL families would get Rice at Rs.4.50 per Kg. and Wheat at Rs.3/- per Kg. 20 Kgs. of food grains would be provided to each of BPL families per month.

- (1) **Schemes Related to Primary Education:** Rajiv Gandhi Primary Education Mission was established on January 04, 1994 in the name of former Prime Minister Late Rajeev Gandhi for universalisation of Primary Education. Following schemes are in operation in Madhya Pradesh.
  - (i) Scholarship Campaign
  - (ii) Education in Rural Areas
  - (iii) Informal Education
  - (iv) Operation Black Board
  - (v) Manisha Scheme
  - (vi) Rajeev Gandhi Primary Education Mission
  - (vii) Mid-day Meal Scheme
  - (viii) Environment Oriented Schemes
  - (ix) Yoga Education Scheme
  - (x) Education Guarantee Scheme
- (2) **Schemes Associated with Secondary Education:** Following schemes are in operation in Madhya Pradesh related with Secondary Education.
  - (i) 10 + 2 Education
  - (ii) Navodaya Vidyalaya
  - (iii) Professional Education

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(iv) Study and Earn Education

(v) Computer Education

**(3) Schemes for Qualitative Improvement in Education:**

(i) Teachers Training

(ii) Science Improvements / Research Education

(iii) Television Supply

(iv) Excellent Teachers Scheme

(v) Sports Oriented Education Scheme

(vi) Consolidated Education Scheme for Handicapped Children

(vii) Education for Human Values

**Special Programmes Organized by Government Departments**

Various Government Departments are organizing following schemes and programmes.

**By Education Department:**

(i) **Study and Grow Programme :** Mass awareness campaign by organizing and forming committees in every village.

(ii) Initiative to bring qualitative improvement in education.

(a) Improvement in Class V and VIII results.

(b) Timely presence of Teachers in Schools.

(c) 100% admission of children between 6 to 14 years age group.

(d) Health check-up of children.

(e) Decrease in school drop-out numbers.

**By Rural Development Department:**

(i) **Swarna Jayanti (Swa-Rozgar) Self-Employment Scheme:**

(a) Selection and implementation of individuals and self-help groups to establish Small and Micro Units.

(ii) **Jawahar Gram Samridhi Yojana:**

(a) Construction of permanent and stable infrastructure according to the needs in rural areas and villages.

(b) Employment generation in rural areas and villages during off cropping seasons for villages.

(iii) **Indira Awas Yojana:**

(a) Selection of Beneficiaries for constructing new houses.

(b) Selection of families for converting mud built houses in to Pucca or Partially Pucca Houses.

**By Health Department:**

(i) To organize disease diagnosis camps at village levels.

(ii) Time bound Vaccination programme.

(iii) Mal-nutrition eradication programme.

(iv) Family welfare programme for family planning.

(Maternity and Child Care Programmes)

- (v) Leprosy Eradication Programme.
- (vi) Blindness prevention Programme.
- (vii) AIDS Control Programme.

**By Public Health Engineering Department:**

- (i) Cleanliness Operation.
- (ii) Maintenance and management of rural Water Pipeline Schemes.
- (iii) Maintenance and repair of Pumps / Hand Pumps.

**By Panchayat and Social Justice Department:**

- (i) Taxation Scheme to increase the Panchayat Revenue.
- (ii) Establishment of Kanzi House (Awara Pashu) for control of wandering animals.

**By Animal Husbandry Department:**

- (i) Organizing Animal Diseases Control Camps at village level.
- (ii) Programme to improve Animal bread.
- (iii) Training and Employment Programme for Gau-Sewaks (Cow-attendants)

**By Fisheries Department:**

- (i) Encouragement to Fisheries / Pisciculture in villages by digging ponds / fish ponds.
- (ii) Encouragement to Pisciculture in small ponds and tanks.
- (iii) Implementation of self-employment oriented Pisciculture scheme.

**By Agriculture Department:**

- (i) Use of quality seeds.
- (ii) Use of chemical fertilizers.
- (iii) Construction of Nadep Tanks.
- (iv) Construction of Biogas Equipments.
- (v) Expansion of National Water Conservation Programme or Areas.
- (vi) Development and Expansion of Horticulture areas.

**By Department of Industries:**

- (i) To revive cottage and small scale rural based industry by providing Training Facilities to rural artisans to promote various rural self-employment cottage industry and Handicrafts.
- (ii) Establishment of Small Scale Industries by adding unique schemes for Tool manufacturing under Prime Minister Rozgar Yojana.

**By Water Resource Department:**

- (i) Providing irrigation facilities to the farmers, time to time from existing Water Resources.
- (ii) Maintenance, deepening of Canals with the assistance of farmers for better irrigation facilities.

**By Public Finance Department:**

- (i) Settlement of undisputed nomination claims.
- (ii) Settlement of undisputed Land-Division claims.

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- (iii) Settlement of Credit Ledgers / Loan Pass Books.
- (iv) Providing copies of Computer generated or computerized copies of Khasara and Khatouni.
- (v) Enquiry and settlement of Land boundary limits and laying of milestones.
- (vi) Settlement of Population or inhabited area.
- (vii) Enquiry of encroachments on Government Lands and its restoration or dispossession.

**Important Questions for Examination**

- (1) What are Projects? Explain its objectives.
- (2) What do you mean by Government Projects? Describe its types.
- (3) Explain the objects of Government Projects and its importance.
- (4) Describe various projects and also explain its importance.
- (5) Describe the various schemes of Government Plans? Explain any two plans (Schemes).
- (6) Describe two projects in the field of irrigation.
- (7) Describe in detail the project managed and operated for Electricity generation.
- (8) Describe in detail the projects established for Energy Development.
- (9) Describe in detail the projects run and managed by Women and Child Development Department.
- (10) Which are the prominent projects in operation in the State for Eradication of Poverty? Explain in detail.
- (11) What different Projects the Government Departments operate and manage? Describe in detail.
- (12) Which are the projects organized and operated by Education Department? Explain in detail.
- (13) Which are the different projects organized, managed and implemented by Women and Child Development Department? Explain in detail.
- (14) Write Short Notes on following three projects.  
(a) Ladli Laxmi Yojana, (b) Swami Vivekanand Career Guidance Scheme, (c) Pradhan Mantri Rozgar Yojana, (d) Nehru Rozgar Yojana, (e) Madhya Pradesh Gramin Aajeevika Yojana (Rural Livelihood Project), (f) National Employment Guarantee Yojana (Rashtriya Rozgar Guarantee Yojana).
- (15) Which are the projects in operation in the state in the name of Pt. Deendayal Upadhyaya? Explain in detail.
- (16) Which are the projects in operation in the state for Social Welfare? Explain.
- (17) Which are the projects organized and managed by Government Departments? Describe in detail.

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**Test your Progress**

## NON-GOVERNMENT PROJECTS

Non-Government Projects are those projects, which are run, managed, organized and operated by Non-government organizations or by social Self-Help Groups.

**Meaning of N.G.O:** Non-government organizations are those organizations, which functions in non-governmental areas. In other words it is such organization of individuals or people who are not related with government or individuals non-related or unrelated with governmental body / institutions or government agencies. Those influential or capable persons who have missionary zeal to do something for the welfare of the society establish such organizations. These organizations do not function under any type of government control or guidance, they function either on the aid of foreign government, industrialists, contributions, self-earned money, or without any financial assistance on people's contributions. If such organizations do take financial aid, help, contributions from any financial institutions or agencies for the welfare of people, particular community or group or for weaker class of society then they have to manage their books of accounts according to the terms and conditions of the donor institutions and they have to fulfill only those objectives for which money so received. They have to spent money only for fulfilling or realizing those objectives for which such donations or financial assistance have been received by the organization.

**Objectives of N.G.O's:** Each N.G.O. or Non-government organizations have certain objectives for its formation or establishments and each N.G.O. functions in certain areas to fulfill those objectives or criterias.

1. Working for the or problems related with child labour.
2. Function for the problems related with women and children development.
3. For the prosperity of weaker section of people.
4. For old people's rehabilitations and care.
5. For adults and youth's upbringing / development.
6. For Universalization of education.
7. To bring awareness among people about their rights and duties.
8. To function in the field of environmental control, protection and conservation.
9. For the protection of wild animals, flora and fauna.
10. For the conservation of Natural Resources.
11. To work in the field of scientific development and orientation towards science and technology.
12. For the publicity of Government schemes and plans.
13. To organize literacy campaign and their publicity by organizing Nukkad Natak.
14. To Conserve and safeguard social security schemes.
15. To produce goods and services supplying / fulfilling basic human needs.
16. To help in restoration and establishment of social justice.
17. For Self-employment Training etc.

Thus in other words it can be said that Non-Government organizations work or functions to fulfill the prime objectives of creating awareness among people for their rights and duties,

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for its conservation, protection, establishment of human values and social responsibilities creation and conservation of natural environment, environment protection, and safeguard from all types of exploitations etc.

**Areas of Operations of Non-Government Organizations:** Non-Government organizations function in different areas to fulfill certain objectives. It is necessary to know which organization or individual actually establishes a NGO? What are the primary conditions to establish such organizations?

How the finances and money are organized to manage human resources, infrastructures to meet the objectives of these organizations, the policies, procedures and use of these resources?

Certain conditions have been formulated for the establishment of Non-government organizations (N.G.O.). Here it is important to know, who actually is establishing that N.G.O.? What are the primary conditions applicable to establish that N.G.O.? From where is the manpower, infrastructure and finance for the operation of the activities of that N.G.O. is forthcoming? And how are the resources obtained so is utilized?

There are certain conditions to establish an N.G.O. Only those organization or individual who satisfies those conditions can establish that N.G.O. Moreover they must possess helping attitude, leadership quality, foresightedness, future oriented, self-confidence, motivational quality, sociability and dutifulness in plenty.

Non-government organizations (N.G.O.s) can function in any areas related with human prosperity, development, atrocities and exploitation against human values, curtailment of freedom of expression etc. There scope of operations may include following areas of activities:

- |                                |                               |
|--------------------------------|-------------------------------|
| 1. Agricultural                | 2. Industrial                 |
| 3. Social                      | 4. Economic                   |
| 5. Political                   | 6. Environment                |
| 7. Women and Child Development | 8. Cultural                   |
| 9. Educational and Training    | 10. Science and Technology    |
| 11. Employment creation        | 12. Infrastructure            |
| 13. Environment                | 14. Tribal Development        |
| 15. Welfare of weaker sections | 16. Health and Family welfare |
| 17. Labour and Workers         | 18. Sports and Youth welfare  |

**Agricultural Area:** Now-a-days agriculture includes various activities. Cultivable land, indiscriminate division of land, in place of animal based cultivation, rural technology based cultivation method, scarcity of water for irrigation, use of chemical fertilizers in place of traditional manures and pesticides, those pasture land on whom the landless people of rural areas remained dependent for various activities, due to application of rural technology have become orphaned. Those who possess land are indifferent to engage themselves in cultivation and are interested to engage themselves in cultivation and are interested in migrating to town and cities. Thus the landless of rural areas cultivate their land on Batai or share-cropping.

Tribal who enjoys their rights from ages on forest produce are deprived of their rights and are displaced from forest areas. Thus, these are some of the major problems in agricultural sectors. The other significant problem is of not getting fair price of their produce; sometimes even it becomes difficult to realize the cost of production. As a result, in many states the farmers are forced to commit suicide. As long as agriculture is not declared as an industry, the problems of farmers would remain the same, as it was earlier. The urban and middleman are making huge profits exploiting the farmers pathetic conditions by lending them at high interest rates and purchasing their produce at lowest rates during season. Can't these farmers

by taking proper training and by united action, collectively solve their problems? Government machinery may solve their problems to some extent by marketing their produce and making easy accessibility to market for their produce. But for all these factors and others it is not proper to depend totally on government actions, policies and initiatives. Sometimes it becomes imperative to oppose government oppressive and irrational policies. To bring awareness among farmers and make them organize, to fight for their just and rightful demands collectively is the fundamental duty of N.G.O.

**Industry:** The prosperity and development of any country is not possible without industry. Only government should establish industry, it is not always advisable. Because government controlled industries, never function as effectively as Trust or Society or an individual managed and operated industry. Non-government organizations perseverance and efforts, in this direction have given fruitful results as it gives birth to healthy atmosphere of competitiveness and perfect competition which ultimately leads to prosperity of a nation.

**Social Sectors:** Healthy society gives birth to healthy outlook. The prevailing stratification, religious diversity, cultural mixture, distinction between higher and lower, upper caste; Backward class, scheduled castes, scheduled tribes, women and child welfare, old persons, minorities, non-resident Indians etc. are some of the unique distinctive evils which creates great hurdle in the path of social, economic and political development and leads a nation on warpath. To remove this stratification and promote the concept of "Sarve Bhawanti Sukhinah" (universal happiness and well being of all) and work for the establishment of such an Utopian Society is the main role of an N.G.O.

**Environmental Awareness:** Physical development taking place at such rapid pace has made the human beings blind. He least cares for nature when it happens for his self-benefit. He is bent on destroying nature and the natural balance. In doing so he forgets that nature strikes with impunity and takes its own due share. Earthquake, Flood, Tsunami, Drought, Ultra-violet rays, Green house effect, Hot ozone layer all leads to mass human destruction and new types of epidemic kills human beings untimely in large number. We must become aware of it. Hence Non-government organizations can significantly contribute in this direction and help in saving environment and environmental balances.

**Employment Creation:** There are lakhs of N.G.Os functioning in different parts of the country at present. These N.G.Os receives financial aid from foreign countries, different ministries assign various types of work from time to time to these organizations. Leading industrialists of the country, too, provide financial assistance to them. With their help the N.G.Os run their machineries. Lakhs of self-serving people join them and get employment to feed their family and dependent members. They also impart training to various sections of people in self-employment, which leads to establishment of cottage, micro units, small industries and small trading units. There are many Self Help Groups (SHG), which are functioning in different areas and contributing a lot for the development of nation.

**Environment Conservation:** Numerous families due to poverty and displacement are forced to live under open sky, near shade of tree, in tunnels, besides railway lines in Jhuggi and Jhopris. Nobody takes care of them. To help them in a concerted manner either with government help or by other kind of assistance, NGO's can bring changes in their lives by providing basic facilities to protect environment.

**Establishment of Orphanage Homes:** Changing policies of the government, the right of equality, dazzling life style of urban rich people, lavish life patterns, pleasure seeking demonstration effect have rapidly increased the number of orphans in the society. Thousands of stray children can be seen moving in the streets of big metropolitan cities and urban business centers, many take to beggary, thousands work as child labour, many as bonded labourers, old people are forced to live out of the homes like rubbish. This type of culture will lead us nowhere. It will bring degeneration in our society. Are these pseudo development and pseudo progress not leading us to the category of animalist who live only to feed their

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belly and roam around for this and nothing else? The NGOs can do a lot of work in this direction to ameliorate the lives of millions.

**Handicap Up-liftment:** Thousands of young children, youths and old persons are living a cursed life. Whereas their lives can be adorned with little help and efforts. Many NGOs have come forward in this direction and doing yeoman service. They have become a leader, a guide and torchbearer to the society. By helping them to provide value education, imparting technical training and rehabilitation work they are bringing cheers and smiles on the lips of the hundreds of handicaps.

**Rehabilitation Work:** Lakhs of people lose their lives in natural calamities such as floods, earthquake, Tsunami, drought, cyclone etc. In India, every year, thousands go homeless. Government helps generously the victims of these natural calamities. This area offers good scope for NGO to operate to serve the humanity and bring some cheers in the lives of those who have lost all their belongings, near and dear ones for their rehabilitation.

**Drug Addiction:** Increasing number of drug addiction is a blot on our society. Globalization and Commercialization of education have increased frustration among the youths as a result they become addicted to drugs and other types of addiction. These grim area possesses ample challenge for NGO to work.

### CHARACTERISTICS OF NGO

Following are the main characteristics of NGO:

- Organization of individuals either working in groups or independently who believe in certain social values and keen to restore, maintain and expand those values. Thus they form an organization and work in this direction for the development of society.
- Non-government organization is a non-profit organization. It is self-oriented, service oriented, development oriented organization.
- It is an organization, which empowers people and helps in strengthening the basic tenet of society.
- It is an organization of independent and democratic people who believe in helping the poor and destitute section of society and work with missionary zeal.
- NGOs are not associated with any political party. It is a non-political organization. They work independently without any external pressure and work for community development and welfare of people.
- Their chief objective is to bring qualitative improvement in the lives of people, especially those who are socially discarded, economically poor and backward whether they live in urban or rural areas.
- Generally these organizations are known as voluntary organization, voluntary group and voluntary development organizations.
- Thus NGOs are such organization who work for the welfare of people or society without in any way depending on government help or patronage and work independently without any fear and intimidation.

### FORMATION OF NGO

Basically NGOs are known as persons, individuals or associations who directly work for certain objectives and are registered by name while most of them remain under registered. But work for greater benefit of people without in any way depending on government patronage and help. But such organizations that need financial assistance and aid from some institutions do get themselves registered, as it is imperative for them to get registered. As the donor agencies likes to know about the credibility of that association and also safeguards itself from legal aspects and legal tangles.

**Establishment of NGO in the form of Association or Samiti :** NGO can be stated in the form of an Association, Organization or Samiti. Samiti can be defined in terms of a company. Forming an association of people, group or organization working for a common objective.

According to Societies Registration Act 1860, a Society can be formed in association with at least seven people. The objective of the society is to accept grants, contributions, creation of military orphanage fund, development of science, development of art, literature, culture; expansion of knowledge, spread of political education or ideology, establishment of Library, Public Museum, Painting Gallery, Invention and Research, Philosophical development, invention, discovery of tools, equipments, lands, and other related activities. The chief benefit of this is, it gets wide scope for various activities, where it functions voluntarily with independence and self interest.

Two types of documents are required to form a Samiti or Organization:

1. Memorandum of Association
2. Rules and Regulations

**Memorandum of Association:** This is a charter or letter of authority of any organization. It clarifies and shed light on the identity and basic tenets of the society. It should be constituted carefully as it indicates the rights, prerogatives and objectives of the society. Following information's are included in the Memorandum.

- Name of Society.
- Address of permanent location of the society.
- Objectives of the Society.
- Name of the members of organizing committee, their address and their professions.
- Name of at least seven persons who sign the Memorandum of Association. Notary should duly certify it or any authorized officials.

**Rules and Regulations:** The rules and regulations of the organization works as a directory or guideline for the members of the association. It guides the functions of the Samiti and helps in efficient management of the organization. Following factors are taken care of in general rules and regulations.

- (1) Conditions for Nomination of Members.
- (2) Responsibilities of Members.
- (3) Appointment of Trustees, their rights and powers.
- (4) Conditions and circumstances for the removal of Trustees.
- (5) Rules for termination of membership.
- (6) Rules for appointment of members and their termination.
- (7) Method of information for General body Meeting.
- (8) Clarification about quorum.
- (9) Financial conditions, Expenditure, Income and Expenditure, Maintenance of Ledger etc.
- (10) Those articles or subjects which are put to general body consideration.
- (11) Conditions and circumstances in which the Committee be dissolved.
- (12) Conditions and Rules applicable to utilize the assets and property of the dissolved committee.

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(13) Any other issues / primary issues.

Besides the above mentioned important points some sub-paras / points / conditions / rules / articles are mentioned below, which remain implied in the main articles or rules but at times becomes crucial and important. They are as follows:

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- Total hours for the working of the committee.
- Rules governing the activities of the organization in terms of meeting its objectives.
- Issues related with the appointment, termination of members, their rights, responsibilities and amenities provided to them / perks.
- How the Samiti will transact its business obligations.
- Rules and procedures for General Body Meeting.
- Any other important and crucial issues.

**Registration Procedure:** It should be noted that if any Samiti have to be formed it should be compulsorily registered, Under Society Registration Act, 1860. After the preparation of Memorandum and Rules and Regulations members should also complete the registration formalities. Following documents should be submitted in the office of the Registrar.

- The Original Application Form which includes the original signature of all the members or their authorized persons.
- The second copy of Memorandum of Article.
- The signed document of at least three members of the Managing Committee, the duplicate copy of the rules and regulations governing the Samiti duly signed by the members.
- The affidavit and declaration paper signed by other members along with the Chairman / President of the Samiti, or Secretary of the Samiti defining his relationship with other members duly certified by authorized officials, Notary, First Class Government Officer or Commissioner.
- Other proofs, which must not raise any disputes such as Property Tax, Receipt of land revenue, Rent receipt etc.
- Declaration letter from member that the funds, contributions, received, generated or managed by the Samiti would be utilized in a right manner.

After the satisfaction of the Registrar, the members / applicant deposits the Registration fees. After that the registration procedure is considered complete.

**Preparation of Project Report by NGO:** Project in general terms are considered such plans which have certain definite objectives. These objectives are fulfilled or attained under a definite time period with particular resources. The meaning of project in the context of NGO implies bringing desired / definite change in the condition or direction of the derived objective in a particular period of time.

The very objective of formation of NGO is to provide Justice, Security, Prosperity and Development to particular group, caste, tribe, community, individual or place, area and region. To realize these objectives a plan has to be formulated and all activities be governed according to the proper planning. Hence NGOs are required to be registered in the form of a Society or Samiti or Association. A big network is established to regulate the activities of the organization. After gaining experience that comes in the way of management of the association. NGO prepare the project to give right direction, arrange funds to carry out their work to realize the goals and fixes list of priorities according to which the problems may be addressed. Preparation of Project and management of finances are the backbone of any NGO. To form an NGO is a very easy task. But to operate, manage and carry it towards

right direction towards the goal for which it was organized is a hard nut to crack. Right direction can be given only when the means adopted to realize the goal is on sound footing and the project is based on fool proof scientific method.

Generally whenever we start new product, or manufacture new items, our motto always remains to make it the world's best item or product. Hence if any project maker wants to make his project the best one, he must study thoroughly, should possess detailed knowledge and gather complete information about the salient features of other ideal projects.

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### PRACTICAL FEATURES OF AN IDEAL PROJECT

1. **Purposive ness:** The first characteristic of an ideal project is its determined precise purpose. In other words the preparation of good project is only possible when its precise objective, goal and problems are clearly defined. It is virtually impossible to prepare a project in a void without knowing the situation and circumstances for which the project is going to be started. As project is only a medium to realize certain set objective. If the objective is not clear then what is the need of medium. Thus prior to the start of any project its problems, its goals and objectives must be decided first.
2. **Comprehensiveness:** The second important feature of good project is its comprehensiveness. Comprehensiveness implies complete addressal of all aspects of problems that arises in its operation. In other words it can be said that the project should be comprehensive enough to realize its set objectives. It must focus on all points on which it has to work. It should be widely acceptable too.
3. **Economical:** Frugality is the basic necessity of an ideal project. Because in the present age of globalization and industrialization it is essential to be economical in all manners. Thus good project must be economical in all respects.  
  
Its preparation should be done keeping in mind the time, the fund / wealth / money and individuals. Its subject matter should not be such that required huge funds, too much time and large number of manpower, because in the age of complexities there is always a scarcity of money, lack of time and absence of cooperation of people. Thus it is essential for a good project to be economical from all angles.
4. **Easiness:** The other characteristics of an ideal project are that it should be easy to implement. It must be so easy that its implementation requires no extra burden and be implemented from the available resources. What is the advantage of preparing such project? Whose implementation becomes difficult affair. To achieve the goals, objectives should be so clear that all the functionaries and workers can easily understand it.
5. **Acceptability:** Acceptability is the most important feature of a project. Projects should be such that its implementation provides benefit to the people, to the society, to the community and to the place in all circumstances.
6. **Representativeness:** The practical importance and quality of a good project is its representative ness. The various aspects covered for the development of a region, of a society, of a community must have sufficient representativeness in its implementation.

### PROCESS OF PROJECT FORMULATION

NGOs are mostly wandering in different regions, areas in connection with implementation of various projects. Thus project is the backbone of NGO which has a definite objective. NGO gets financial assistance / aid from its project and also gives employment to many. An organization comes into existence and groups of people, community derive benefit from it, which leads to its development and progress.

There are certain rules in vogue for formulation of a project. A thought, an ideology should not be in void. It should have some surface, a definite base. Project should be such that it provides benefit to a large number of people living in a certain area or territory. Thus



a project formulation requires sufficient time, labour and wealth or capital. If a project prepared by an NGO does not suit its donor or promoter of the project, then the whole effort of labour, time and wealth goes in vain. Thus the formulation of a project is a difficult process which requires lot of patience.

Following are the various phases of Project formulation:

**Various steps of Project Formulation:** Project formulation has six main steps.

1. Conceptualization
2. Planning
3. Objective
4. Adjustment
5. Budget
6. Fund or Financial arrangement

1. **Conceptualization:** Conceptualization means some original thought which after taking physical shape can provide benefit to a large section of people or some chronic problem or social practice or evil that hinders the progress of people and acts as an obstacle and whose solution brings cheers on the lips of thousands that paves way to societies progress and development is called conceptualization. Thus in other words thinking is conceptualization. It has four steps.

- (i) Identification of a problem
- (ii) Understanding for solution of the problem
- (iii) Listing out activities related with solution of the problem
- (iv) Work for mass opinion or awareness campaign

(i) **Problem Identification:** The project's first step is to conceptualize the problem. The related activities with it are transacted to reduce the problem. Some individual, group inherit certain problem by birth, such as economic, social, health, educational backwardness etc. These effect the way of living of human beings or it creates psychological, social, physical and environmental stress on human beings. As a result the individuals effectiveness or his societal role gets affected to a great extent. For this it becomes essential to understand and identify the community problems, its background, its principal cause, its ideological facets etc. To understand and know the exact problem certain methods are adopted e.g. individual contacts, group discussion, group meeting, surveys, collecting data, research study, available old records of various communities etc. A thorough study of all these helps us to understand and identify the problems.

(ii) **To understand the solution of the problem:** The possible solution of a certain problem is the main activity of a project. For it, logical understanding and analysis is essential. It can be understood by two different ways.

**First:** Remedial training to escape from the problem which is of temporary nature.

**Second:** A developmental activity, which provides permanent remedy to the problem and remains effective for a long time. Reconciliation, removal of doubts, inferiority complex, can be addressed by accommodating other people, or taking the help of expert opinion, advice.

(iii) **List of Activities:** It is always advisable to list out the different activities that specifically solves different problems, it is not essential that by doing those activities the problems would be solved permanently but it is essential to make efforts.

## NOTES

- (iv) **To form General Opinion:** Management of a project is a community or group activity, it can be performed by and with the co-operation of the people, by preparing volunteers and associating the employees. Continuous discussion among the people for possible solution and activities should continue to find a long lasting solution. Encouragement must be given for open discussion to know the relevance or efficacy of the programme, to find out the necessity of certain resources and various steps of implementation scheme. If necessary expert advice of professionals, too, also be entertained.

**Planning:** Planning is a logical medium to accomplish determined goal or target, which gets shape from conscious thinking or intensive contemplation. This also provide sufficient material for people's thought, motivates people for development, compels them for activity which in the end provides benefit to the human being. Planning is necessary for effective services, development of infrastructure, efficient administrative system, for arranging and organizing conferences, for managing finances etc. without a scientific planning no organization can accomplish its determined objectives. A good planning requires following solid ground.

- (i) Objectivity                      (ii) Continuity  
(iii) Participation at all stages (iv) Evaluation

- (i) **Objectivity:** It is essential to spell out the objective of the plan at primary stages itself to make it more effective. Planning must be clear, objective and achievable. It must not be confusing, doubtful and ambiguous.
- (ii) **Continuity:** Planning is a continuous process. Regular discussion, debate and self-evaluation, is its characteristics. This exercise offers opportunities to rectify and amend the plan time to time to accommodate according to requirements of time. This makes the task easier to realize.
- (iii) **Participation at all stages:** Participation of all associated departments and individuals for discussion, appraisal and evaluation is necessary for planning. Planning should not be imposed from the top, it must accommodate all section of people and views of each and everyone should be duly considered. Ideological openness too is required for its success. Due weightage should be given to each one's views and opinions.
- (iv) **Evaluation:** Evaluation should be done from time to time to ascertain and know the effectiveness of the planning.

**OBJECTIVE:** Objectives are those Utopian dreams, which are related with the project and which an organization strives to realize. The general objective of N.G.O is to serve the mankind, despite that each NGO work to realize a specific objective. Each NGO work in a separate field to realize a specific objective. Such as, Old Age Homes, Orphanage, Tribal Welfare, De-addiction, Education, Employment Training etc. Objective should be clearly spelt out in a positive manner. The time period to achieve the goal should be expressed in annual terms e.g. so and so activities of the Project would be completed in six months, in one year, two year or... so on. It is not necessary that the goal be achieved in a given time frame. Target or goal should be realistic and achievable.

**ADJUSTMENT:** Adjustment means to execute a work in an organized manner and distribution of available resources according to the requirements. It includes Human Resources, Material Management, Services and Financial Resources. Through it, predetermined targets and goals could easily be accomplished. It incorporates following elements.

- Target oriented activity planning.
- Preparing volunteers to serve.
- Appointment of employees on definite emoluments according to requirement.

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- To assure supply of necessary material from market either by direct purchase or on donation.
- Financial Management.

Once all the resources are acquired then co-ordination and control mechanism are applied to avoid any type of inter-rivalry so that goals should be realized at low cost, less labour and minimum time.

**Budget Allocation:** Once the picture regarding the management of the organization, resources required for the implementation of the project according to its set objectives; what goods can be procured locally, which things have to be imported, or to be hired, or to be procured on direct purchase basis, then budget is allocated and allotted for this purpose. Agencies which funds the resources too, are identified. Many institutions and organizations provide fund for human and animal welfare, for conservation of nature, and General welfare. Project report along with the budget requirement copy is sent to such organizations. In the budget it should be clearly mentioned from where the funds have been planned to be procured. How much amount is required for what period? What are the different activities on which the amount would be spent? Thus preparation of Budget is an important document for any N.G.O. Generally Budget is prepared for a year or one financial year. If any NGO function at different stages and a different places, separate Budget for each unit can be prepared. All these separate budgets then are incorporated in a central budget are made in advance. Budget must exhibit realistic and practical picture. Its sanctity should not raise any doubt or apprehension.

**Fund Arrangement:** It is a real fact that World is inhabited by honest and dedicated individuals but it is also true, that the number of immoral, corrupt, lazy, Sycophants, Greedy, narrow minded, selfish persons are also numerous. Now a days NGO Sector has become a 'Business Center' rather than 'Service Sector'. It has become an acceptable principle of many NGOs to utilize the government funds, international funds, national funds and voluntary self-help group funds for personal gains and profit rather than serving human kinds. NGO should pay attention on following points in connection with fund arrangement.

1. **Identification of Donors:** Capable donor may be an individual, an organization, an industrialist, or Trust or some financial institutions or any government. To run a project, the NGO should not depend for fund on any one individual or organization; he must try to get assistance from many.
2. **Maintain Communication link with Donors:** To maintain contact with the donors Postal Services, Personal contacts, advertisement, distribution of hand bills, pamphlets are the positive medium. The initial communication should be brief but concise.
3. **Preparation of Project Proposal:** Generally, large donors for example government, Foreign agencies. Big Corporate Houses invite projects on their own, prepare pro-forma, however, a NGO can send their own proposal format for acceptance.

Project proposal should contain necessary information and detailed report about financial credibility of their organization. The NGO who considers the problem important must specify, why he considers certain problem as more important? Why is it necessary to find a solution? What is the efficacy to run the programme? What resources would be required for accomplishing the goal? What are the specific achievements of that N.G.O.?

### Financial Management of Non-governmental Organizations

No Organization, Group, Samiti, Institution or Sangh can function without finance. How an organization which has been established to help mankind, animal or a community or region can implement its programme without any source of income. Hence, such organization who have been established for long term prospective, requires semi financial management methods / sources. N.G.O can arrange funds in two ways.

1. Internal Source                      2. External Source

## NOTES

1. **Internal Sources:** Internal source implies that NGO should be so developed that after getting funds from external source it mobilize its resources in such a manner that the organization while implementing its programme also generate funds for its own or plan self Finance Generation. Scheme to manage its affairs internally without any external help. Besides this the other internal source may be

- (i) From members contribution
- (ii) Sponsorship Fee
- (iii) Interest
- (iv) Individual Donation
- (v) Through sales (By own developed source)
- (vi) By getting contribution from society's respected persons.

2. **External Sources:** The external source, too, have two major source

- (i) From their own country
- (ii) From other countries

**INDIA:** To run an NGO, Government of India motivates and inspires people, organization, and communities. Different Ministries of Central and State Governments provide financial assistance to NGOs. These funds are given for a specific work. Various types of agencies provide free Medicines, Clothes, Food grains, Food articles, Books etc. to many NGOs. Big Private Corporate sectors, too, help these NGOs in different ways. Big corporate houses organize charity shows; sports etc. the fund so generated after selling the tickets are contributed to the organization. Income can be generated through advertisement and self-publications also. A list has been prepared and given at the end of the book from where the NGOs can get financial assistances from both Central and State Government Ministries and Departments.

**From Foreign Countries or Agencies:** This too has many classification and regulations such as

- Bipartite financial arrangement
- Multi-party financial arrangement
- Private institutional financial arrangement
- By non-resident Indians.

Funds received from foreign countries falls under "Foreign Contribution Regulation Act (FCRA) 1976. Some type of funds / contributions / donations are received from foreign countries which require no document, nor comes under FCRA.

**Necessary Conditions:** Some necessary conditions are required to fulfill before getting any contribution either internally from India or from foreign countries or externally.

1. **Legal Position:** The Legal position of NGO should be proper in other words it should be a registered organization or institution.
2. **Constitutional and Work Rule:** NGO cannot receive fund or financial assistance in the absence of its own approved constitution and articles.
3. **Management:** It is essential to have management committee according to the objectives of the organization.
4. **Helpful Oriented Images:** The image of the organization should be clean, it must exhibit that the organization is fulfilling its objectives for which it has been established and funds are not utilized for personal benefits.

5. **No Discriminatory Image:** NGO gets difficulty in generating funds if it is found following discriminatory policy against any community, class, religion or country.
6. **Past Records:** Its past records should be good.

**Application for Receiving Financial Aid:** To receive financial aid following information's should be elaborately mentioned in the format.

**General Information about NGO:** (Blue print of NGO's activities) This includes name of the organization, its address (Postal), Legal position, Chief Objective, Name of members and their addresses, Management committee and details about the Chief member of the organization, sources of Finance, prominent achievements in the past. If any qualitative recognition in favour of the organization has been received, it should be mentioned in detail.

**Blue Print of Projection:** Under the blue print of Project, comes the title of the Project, Goals, Objectives, Proposed beneficiary, Group, Action plan, Training, Available experts, Available resources, Financial needs, Income source, Expected time limit of donations, management and evaluation report.

**Documents:** Following documents are required to be submitted with the application.

- Proof of Registration.
- Memorandum and Article of memorandum.
- Current Annual Report.
- Audited copy of Financial Report and Auditor's Report.
- List of prominent workers.
- Conditions applicable to receive Government aid.

Donations or contributions from Central Government are received only after fulfilling following conditions:

1. The organization receiving the grant has to give written declaration that he abides by all the rules, regulations and conditions of the government and it is acceptable to him. He has to furnish a bond in the name of President of India specifying that in case of termination or closer of the organization before the completion of the project, the grant amount has to be returned to the Central Government according to the rules applicable for it.
2. The receiver of the grant will allow any person / or representative or nominee of the Central Govt. / ministry for inspection and survey in his office and premises.
3. For proper record of the ledger book and Book of account a separate copy would be maintained so as to produce it any time on demand.
4. Audited Accounts duly certified by CA would be produced from time to time.
5. All goods received would be documented in a register. It will not be utilized for any other purpose, unless and until the permission is not given for this. If found violation or transgression the said facilities or good would be withdrawn or returned.
6. Fund will be used and utilized without resorting to discrimination of any kind. If any complaint is received any time the fund will be returned.
7. Grant and Fund would be used in a logical manner.
8. If the concerned Ministry / Department is not satisfied with the progress of the project, it can be suspended or terminated and amount so received have to be returned.
9. The Ministry or Department providing the grant / aid may at any time give instruction, issue guidelines for the appointment of STs / SCs and the same should be complied with.

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10. If the receiver of the donation is organizing any Seminar, Workshop or conference and want to invite foreign dignitary or member, he should take prior permission from the concerned Ministry or Department.
11. In the case of Building construction, after the receipt of first installment, the building construction work should be completed within two years. Otherwise permission has to be taken from N.G.O.s for its expansion or alteration.
12. In case of any irregularities found any time in future such as receiving of donation or grant from other agencies as sources, the concerned ministry can impose fine, or terminate the aid, or impose ban and the fund received has to be returned.
13. If any equipment purchased for implementation of the project from said fund, the property, Asset would be the property of the ministry or department. After the completion of the project, the ministry would decide about its fate.
14. The progress report of the organization and its income-expenditure details has to be furnished for six months and expected expenditure and Income report for next six months have to be essentially furnished to the Ministry.
15. Required information asked by the Ministry from time to time has to be furnished.
16. All other conditions would be the same which is applicable under Finance Rules 1963 and amendments done in subsequent years.

## NOTES

**Grants from Foreign Countries:**

All the funds received from abroad are governed by FCRA 1976 Act. FCRA implies Foreign Contribution Regulation Act. Three types of organizations are eligible to receive funds from abroad.

- (i) Organizations registered with Central Government.
- (ii) Organizations not registered with Central Government.
- (iii) Political form of organization.

A brief description about these three types of organizations.

- (i) **Registered Organizations:** Those organizations which have definite Cultural, Economic, Educational, Religious and Social Programmes. These organizations can receive foreign contributions provided they are duly registered with Central Government. These registered organizations submit form FC-3 in duplicate to Central Government providing information's about the name of the organization from which they are receiving funds, the purpose, and expenditure details how, when and where the funds was / will be utilized. If found any irregularity or hiding of facts, the same would be suspended, terminated or cancelled.
- (ii) **Unregistered Organizations:** Those organizations which are unregistered with the Central Government. Take or receive grant / aid from abroad but they have to take prior permission of the Central Govt. for it.
- (iii) **Political type of Organization:** Political type of organizations but not Political Parties can receive foreign aid on grant of prior permission from Central Government.

**Who is not eligible to receive Foreign Aid:**

- (i) Declared candidate of any Political Party.
- (ii) Newspaper correspondent, Column Writer, Cartoonists, Editors, Printers, Publishers, who are registered with Press and Book Registration Act 1867.
- (iii) Judges
- (iv) Government servants or employees of Government undertakings.
- (v) Member of Parliament or Legislature.

(vi) Political Parties and their Office Bearers.

**Foreign Source:** Foreign source implies Foreign Government or its institution, any International Organization, Foreign Company Multinational Company or Corporation, those company whose 50% share is foreign controlled, Foreign Trust, Samiti, Club or group of any individual which is registered outside India.

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**Foreign Aid:** Foreign Aid means any type of money or service received from foreigners in the form of foreign currency, gift, and foreign security. Those Indian institutions whose source of income is received from foreign countries can be considered foreigner.

**Registration / Prior permission:** Any organization, Trust or Religious body who require foreign aid to run educational, economical, social welfare and cultural programmes, if they, require foreign aid they have to get themselves registered under article 6A of FCRA - 1976. Those organizations which are unregistered have to take prior permission from Central Government under Article 6(LA) of FCRA - 1976. Those organizations which have not applied for Registration or for prior permission cannot receive foreign aid.

**Registration Process:** Organizations seeking to apply for registration under FCRA must complete legal formalities and should give legal shape to their organization prior to applying for Foreign Aid. For Registration they have to submit FC-8 form with following documents.

- (i) Memorandum Article or any other document by which a trust has been formed.
- (ii) Registration copy of the Samiti / Institution / Organization.
- (iii) Report of organization's activities.
- (iv) Audited copy of three consecutive years balance sheet, besides these detailed information about form of organization, its objectives, Chief Executive Officers name and address, Chief Executives name, Bank's name, Banks Branch, Account number have to be furnished.

Application form duly signed by Chief Executive has to be submitted addressed to FCRA, Secretary of the Division, Home Ministry, G.O.I, Loknayak Bhawan, Khan Market, New Delhi. FCRA Division, on the basis of the furnished information, conduct enquiry at its own level. Then only decides to register an organization or Institution.

**Process for Prior Permission:** Prior permission is taken to receive special funds from single or more than one institutions or organizations. This should be submitted along with the contract paper with which the Donor Organization and the receiver have entered into agreement. Project Report should be in detail form, the paper of Central Government in which Prior Grant or Permission Clause have been mentioned along with supplementary documents has to be attached, which provides complete information about the project.

**Maintenance of Bank Account (In context with Foreign Aid under FCRA):** Transactions of foreign funds should be done only with one Bank while applying for registration under FCRA, the Bank account number has to be furnished. If the organization wants to change the Bank account he has to state the reason for doing so. No local transaction should be done with this account.

Each organization which receives Foreign Aid must submit following information within four months of each financial year.

- Certified copy of FC 3 form duly signed by Chief Executive and certified by Chartered Accountant.
- Balance sheet up to March 31.
- Receipt and Payment vouchers till March 31.
- Nature of Foreign Aid / contribution and list of its uses.

**Penalty:** Any Organization or individual who receives money from abroad or sends money abroad against FCRA, violates the rule and is liable for 5 year imprisonment or

economic penalty or both. Generally decisions are taken within six months after the submission of the Application form. In case of Prior permission decision are awarded within 3-4 months.

**Non-government Projects in M.P.:** Non-governmental Projects are managed and operated by Non-government Organization (NGO). These NGO organize projects in different areas.

These areas are:

1. **In the field of Women empowerment and Progress:** Non-government Organizations functions in different parts of Madhya Pradesh and organizes various programmes forming project for women empowerment by strengthening their hand economically and raising their problems. Through training, education, creating employment, forming self help group in the field of agriculture, industry etc. provide them a regular source of income to make them self reliant. Following reputed NGO. are functioning in these areas :

**Sambhav** Social service organization (Gwalior), **Sudeep Education Society** (Bhopal), **Mahila Chetna Manch** (Bhopal), **Abhivyakti** (Bhopal), **Douglas Memorial** (Seoni).

2. **In the field of Child Welfare:** In the modern era Child labour is a serious problem which is practiced in all parts of the country. Government has made many serious law to check it and put a curb on it. Non-government organizations are active in many areas to solve the child labour by providing them quality education they strive to make their future bright. Following reputed NGOs working in this field are (i) **Jeevodaya Society** (Itarsi), **The Exodus Mission Trust** (Raisen), **Sudeep Education Society** (Bhopal).

3. **In the field of Education:** "Illiteracy is a curse" Government is making serious effort to abolish illiteracy particularly in rural areas. NGOs have come forward and through various projects have started Literacy campaign in rural areas to teach women, children and old persons. Now-a-days awareness towards value of education has dawned among the men and they are coming forward to learn 3 Rs. The prominent NGOs working in this area are

(i) **Eklavya** (Bhopal), **Abhivyakti** (Bhopal), **Cyriac Elias Rural organization for Women and Children** (Mandideep), **Lupin Human Welfare and Research Foundation**, (Bhopal), **Rajeev Gandhi Initiative for Elementary Education**, (Bhopal), **Sudeep Education Society**, (Bhopal).

4. **In the field of Health and Family welfare:** Though Government is implementing various programmes and plans in Madhya Pradesh in the area of Health and Family Welfare, but the situation in rural Madhya Pradesh is very deplorable and acute. NGOs have come forward to co-operate the government in its endeavor and through various projects are helping people and creating awareness among them for health and family planning. The important NGOs working in this area are **Arogya Kendra** (Bhopal), **Jeevodaya Society** (Itarsi), **M.P. Welfare Association for the Blind** (Indore), **Douglas Memorial** (Seoni), **Sudeep Education Society**, (Bhopal)

5. **In the field of Rural Development and Social Welfare:** Gandhiji used to say "If you really want to see heaven, go to the villages" to make this dream a reality many NGOs are working in rural areas to provide basic amenities to the poor rural folks. The problem is so gigantic that their efforts seems to be a drop in the ocean. NGOs to realize the objectives of the government have started many programmes through their projects to create basic amenities in rural areas. They work on the principles of "Sarve Bhavantu Sukhinah" to bring happiness among all and to make everybody happy. The prominent NGO active in this field are:

**NOCER - INDIA** (Indore), **Deenbandu Samajik Sanstha**, (Indore) **Douglas Memorial**, (Seoni); **Cyriac Elais Rural Organisation for Women and Children** (Mandideep), **Lupin Human Welfare and Research foundation**, (Bhopal), **Sambhav Social Service Organization**, (Gwalior), **Sudeep Education Society** (Bhopal), **Samarthan** (Bhopal).

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6. **In the field of environment conservation:** In our country excessive pollution have caused many serious diseases. Government has come out with a number of schemes to save and conserve environment. Environment Department is operating various programmes to conserve environment but increasing population white washes their efforts. Non-government organizations are actively associated with various afforestation Projects to conserve and save environment. They have also launched many campaign through people participation to create awareness among masses. Green Hearts Nature Club, Bhopal is an important NGO active in the field of Environment conservation.
7. **In the field of AIDS / HIV:** AIDS / HIV is a fatal disease. Mass awareness is necessary to contain this disease, because, due to illiteracy and ignorance our people are not concerned with its seriousness. To meet this challenge both Central and State Governments are making vigorous effort to fight this menace. Side by side, the NGOs, too, have joined hand with government to control this disease. Famous among them are Madhya Pradesh AIDS Control Society, (Bhopal), Arogya Kendra (Bhopal); Jeevodaya Society, (Itarsi) Douglas Memorial (Seoni), Sudeep Education Society, (Bhopal).
8. **In the field of Khadi Gramodyog:** In M.P the NGOs are providing employment opportunities to women's through self help group by promoting rural, small and cottage industries. The prominent NGO working in this area are Amarsakti Gas Rahat Jute Udyog, Bhopal ; Rajiv Smriti Gas Peedit Punarvas Kendra, Bhopal.
9. **In the field of Human Rights:** NGOs are making people aware about their rights by educating them. The famous NGO working in this field is Asian Institute of Human Rights Education, Bhopal.

**IMPORTANT QUESTIONS FOR EXAMINATION**

1. What do you mean by Non Government Projects? How they are prepared?
4. What do you mean by NGOs? Explain its Objectives.
5. Explain the field in which NGOs works.
6. What are the NGOs? Explain its characteristics.
7. Explain the Objectives of NGOs and give the process to form it.
8. What do you understand by NGO Projects and how are they prepared?
9. Write short note on Financial Management on the Non Government Organisations.
10. How the financial requirements of NGOs are fulfilled? Give its process.
11. Write the name of NGOs which are currently running in MP and give their Objectives.
12. Explain the importance of NGOs in M.P.



**Test your Progress**

## CONTRIBUTION OF BANKS

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For the origin of the word "Bank", different Scholars have different notions and views. But it is true that modern banks originated in 12th century in Europe and slowly spread across the entire world.

The word 'Bank' is made up of Italian word 'Banco' or 'Banues', which means Bench. In this regard many scholars hold following views. The dealers of **Lomvardy** used to run their business sitting on benches. Whenever any dealer closed his business then his bench used to be broken. Some scholars were of the view, that the word "Bank' originated from German language. In German "Banck' means loan, whereas some scholars think that the word bank, originated from the French word "Banke'. In Italian language the word Monte is used to denote loan. Monte means a Mountain, which is used for the joint stock fund. From the French word "Banke' the English word 'Bank' came into use. And then it was also adopted in Hindi also.

French Scholar '**Rebulput**' says "actually no body knows from where the word Bank has originated and it has no practical importance. The fact is, it may have originated from the banking trade of middle age Europe.

### Meaning and Definitions of Bank

The word Bank implies such an institution, which is engaged in accepting deposits and advancing loans. That's why it is said that Bank is that institution which deals in money and credit. Bank is an institution, which accepts the deposits of public, makes payment on demand and advances loans to public according to their need. Besides this Banks provide many precious services in the present time.

In the present time the word 'Bank' has become so wide spread and common that it seems irrelevant to limit it under one definition. To make the definition of Bank easier and understandable it has been divided into three parts.

(A) **Definitions given by Scholars** - Some definitions are as follows:

According to **Dr. Herbert L. Heart**, "Banker is he, who in general order of his business, makes payment of cheques to those persons whose names figures on it and who have or for whom the amount is deposited in their current account".

According to **Prof. Kinley**, "Bank is such an institution who advances loans to those persons who needs it on condition of certain safety precaution for loans and accepts deposits from those who have money of their own but do not require it for use."

"According to the **Webster Dictionary**, "Bank is that institution which deals in money, an organization where money is deposited, conserved and issued, and where the facilities of advancing loans and deductions are available and which facilitates in transferring amount from one place to another".

According to **Horrest White**, "Bank is the creator of credit and is an instrument to make the exchange easier.

(B) **Legal Definitions:** Definitions given in Banking legislation and sub-clauses of various legislations of different countries are known as legal definitions of Bank. Following are some important legal definitions of Bank:

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- (1) Banking Regulatory Legislation, 1949 Section 5 B states that "Banking implies acceptance of public money in the form of deposits for the purpose of advancing loan and investment, which can be withdrawn on payment demands or through cheque, draft, pay order etc".
- (2) According to Parkramya Likhata Legislation 1881 Section 3; "Banker includes any person or post office saving bank who functions as a banker".
- (3) According to Section 2 of Exchange Paper Legislation, 1882 of Britain, "Banker includes a body of individuals, combined together to deal in banking business whether incorporated or not.

**(C) Definitions given in the form of Institution that deals in credit business:**

- (1) According to R. S. Sayers, "Bank is that institution whose loans are broadly accepted to pay the mutual loans of other persons."
- (2) According to Walter Leaf, "Bank is that institution or person who is always ready to accept money in the form of deposits and who makes the payment to the depositors through cheque."

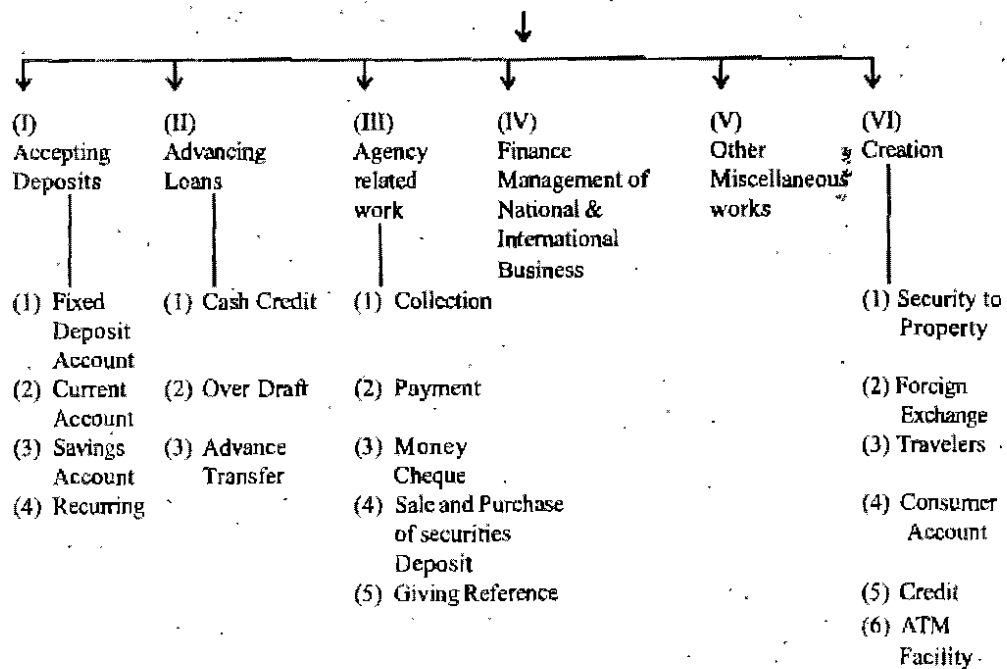
After going through all these definitions we come to the conclusion that, "Bank is such an organization which performs the function of accepting deposit and advancing loans. In simple words, 'Bank is an institution which deals in money and credit.'

**TYPES OF BANKS**

Banks have been divided into following categories according to their nature and function:

- |                          |                         |
|--------------------------|-------------------------|
| 1) Commercial Banks      | 2) Industrial Banks     |
| 3) Agricultural Banks    | 4) Exchange Banks       |
| 5) Saving Banks          | 6) Indigenous Bankers   |
| 7) Central Banks         | 8) Investment Banks     |
| 9) Co-operative Banks    | 10) Development Banks   |
| 11) Regional Rural Banks | 12) International Banks |

**FUNCTIONS OF BANKS**



In the Banking Regulatory Legislation, 1949 (Section 5 B) definition of Bank; the main functions of bank have been included and Section 6 describes other banking functions, besides the main functions of the Bank, which a banker can perform. Thus following are the functions of modern banks, which they perform or can perform.

1. **Accepting of Deposits / Acceptance of Deposits:** Accepting deposits from the public is the main functions of bank. Now-a-days Banks are collecting people's saving in the form of deposits and this deposit is one kind of public loan to Banks as banks takes the responsibility to return that money and pay interest on deposits, on itself.

Banks provide facility to deposit money from following accounts.

- (a) **Current Account:** Current account is that account in which the depositors can deposit his amount and withdraw it as many times as he can in a day. This account is beneficial to Traders, Industrialists and Businessmen. Bank does not pay any interest on the amount deposited in this account. The account holders have to pay some service charges in lieu of the cheque services provided to them. Banks provide Cheque Book, Deposit receipt book, Deposit slip and Passbook free of cost to the account holders.
  - (b) **Fixed Deposit Account:** In this account the deposited amount is accepted for a fixed period of time. This time period varies from minimum 3 months to maximum 20 years. In this account, the account holder gets the deposit receipt, called the Fixed Deposit Receipt (FDR) or Term Deposit Receipt (TDR). After the maturity, the bank returns the amount with interest. In this type of account the interest rate is very high, which is fixed according to the time limit.
  - (c) **Saving Bank Account:** In this account, the person can deposit money as many times as he can in a week. This account is helpful for those people who wanted to deposit the money in small amount. Now-a-days most of the employees, small traders, businessmen and students who receive scholarship open their account in this. In this type of account, the depositor gets a Pass book in which entries are made about deposits and withdrawals. Account holder who wants cheque facilities gets Cheque book.
  - (d) **Home Saving Bank Account:** This scheme is very popular now-a-days under small saving plan. In this the Bank provides a Pigi Bank to the account holder in which the account holder / depositor and members of his family put day-to-day small savings in it, the Gulak is opened in the Bank after a fixed period or Bank agent opens the Gulak on a fixed time period visiting each house and deposits these savings in their account. Thus it is the easiest way to make these small savings mobile. Very low rate of interest is paid on this type of account. Now a days, Banks instead of 'Gulak' leaves a bunch of slips at the depositors house and Bank agent collects the money and makes entry into the slip. After a fixed time period the amount is returned to the depositor with the interest.
- (2) **Granting Loans and Advances:** This is the second most important function of the Bank. Accepting deposits and providing loans are the two pillars on which the modern banking structure is standing like a monolith. Loans are provided generally for productive works and the interest rate obtained from it is very high. Banks are very cautious while giving loans and they verify each and every document presented by the customer very carefully because in case of any mistake, the Banks have to suffer the consequences. Following procedures are followed while granting of loans.
    - (a) **General Loans and Advances:** Under this the banks grant a fixed amount as a loan to a person on mortgage of property or any valuable or on securities. This amount is deposited in the current account of the Debtor and the debtor

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can withdraw money from this account according to his need. Bank can anytime ask the debtor to return the loan amount.

(b) **Cash Credit:** Under this the bank provides loan to its customers on the basis of goods, stocks, company shares, other accepted sureties and bonds. Loans are generally provided on the security of surety, goods, stocks, and bonds on 75% of its market value. This margin is maintained because the prices of sureties keeps on fluctuating and in case the rate of sureties go down, the Banks will not incur any loss after selling these sureties and stocks.

(c) **Bank Overdraft:** Banks provide overdraft facilities to its prestigious customers. This is one type of loan. This facility is generally provided to current account holders. Bank fixes the overdraft amount. Bank provides cheque facility to its customers. Customer pays interest to the Bank for the amount withdrawn in excess of the deposited amount.

(d) **Discounting the Bills of Exchange:** The method of providing loans to customer on their Bills, Hundies, Promissory notes etc. before maturity after deducting certain discounts is called Discounting the Bills of Exchange.

These loans are given for a short time on proper sureties. By discounting the bills, both the customer as well as the bank gain profit. Bill holder gets money before maturity and gets his work done in time and bank gets the money from the confessor after maturity and earns profit in the form of discount.

(3) **Agency Functions:** The bank discharges following functions as an agent.

(a) **Transfer of Money:** Bank transfers the amount of money from one place to another on the instructions of his customers.

(b) **Collection of Cheques, Bills and Slips:** Banks collect all the cheques, bills and slips on behalf of his customers and transfers the amount to their account for which they charge collection fee from its customers.

(c) **Purchase and Sale of Shares and Sureties:** On behalf of his customers, the banks purchase and sell the shares, debentures and sureties.

(d) **Underwriting work:** Banks perform the underwriting work for their customers.

(e) **Reference letter:** Banks prepare financial report and status report of its customer and send it to national and international businessmen for reference on advice of its customers.

(f) **Banks also collect Dividends:** Banks collect dividends from shares of his customers and deposit the amount of their account.

(g) **Payment on behalf of Customers:** Banks make payments of loan installments, premises rent, insurance premium etc. on the advice of its customers.

(h) **Functions of Patron and Managers:** Banks in special case also performs the functions of patron, manager, advisor and attorney etc.

(i) **Collection of payments on behalf of customers:** Banks collect dividends, interests, commissions etc. on behalf of his customers and in lieu of this services charge some nominal commission.

(4) **Buying and selling of foreign currency:** Banks deal in purchase and sell of foreign currencies. Generally these works are done with foreign banks. But in India many commercial banks do this work. This includes Discounting of bills, Transfer of money through Telegram, arrangement of ships for export - import, making arrangement of warehouse for the safely stocking the goods unloaded from ships.

(5) **Functions of issuing Promissory Notes:** In 19th century all banks had the right to issue notes but now-a-days this right is limited only to the Central Bank of each

country. In India, the Reserve Bank of India is the central bank, which issues notes according to the monetary requirements of the country.

- (6) **Financial support to Domestic and Foreign Currency:** Banks by providing facilities to discount the Bills of Exchange facilitates finance support to domestic and foreign trader. Sometimes banks provide short-term loan on Exchange papers, Hundies and Debentures. The banks role in the field of Foreign Trade is very significant and crucial.
- (7) **Credit Creation:** Issue of Credit Papers / Cards are one of the important functions of Banks. Bank issue credit cards on the basis of Self-cheques, Bills, Drafts, Hundies and Debentures.
- (8) **Banking Education and Training:** Banks provide Training facilities to its employees from time to time. After receiving training the Bank officials and employees work with their full potentials. Commercial Banks send their officials and employee to these training centers for Training for a short period.

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### OTHER FUNCTIONS

- (1) **Security of valuable items:** Now-a-days Commercial Banks are providing locker facilities to its customers. In these lockers the Bank safely keeps the customers ornaments, gold-silvers, valuable important documents, shares of companies, Debentures etc in proper security. For this the Banks have a separate department, "Safe Deposit Vault". Banks charge annual commissions from its customers for this service.
- (2) **Travellers cheque and Credit facilities:** Banks issue travelers cheque or mobile credit certificates to its customers, which saves them from the risk of carrying cash currencies.
- (3) **Collection and Publication of Economic Data:** Banks collects information, data, facts and figures related with Bank, Industry, Trade, Business and Commerce and publish it for the benefit of its customers.
- (4) **Underwriting the loans of Government and other Prominent Institutions:** Banks discharge the functions of underwriting on the debentures issued by the Government of India and other reputed institutions.
- (5) **Individual / Personal Credit Facilities:** Bank provides personal credit facilities to its important customers and gives them cash credit and short-term loans.
- (6) **Providing information and advice:** Bank gives many types of commercial information and advice to its customers.
- (7) **Advise on Financial Subjects:** Banks remain aware with the financial conditions of the country, hence they give advise to their customers on financial matters.
- (8) **Sale and recovery of amount from mortgage property against their claims and maintenance of the property.**
- (9) **To carry out such business, which is not objectionable and illegal from the point of Banking Laws and Regulations according to the Official Gazette published by Central Government.**
- (10) **To establish Union, Trust, Organization, Committee etc. for the present working employees or former retired employees.**
- (11) **To work for the development of the company or which increases the business of the company.**
- (12) **Provide other important services.**
- (13) **To deal in all types of securities and promissory notes.**

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- (14) Responsibilities of property administration as a Trustee, Executor.
- (15) Discharge all associated functions related with Contingent Banking Development.
- (16) Financing for Leasing.
- (17) Consumer Credit.
- (18) Mutual Funds Scheme.
- (19) Issue of Credit Cards.
- (20) Issuing Gift cheques.
- (21) Providing Lock Box facilities.
- (22) Providing Night Safety Service.
- (23) Issuing Emergency Certificates.
- (24) Providing help on Personal Taxes and preparing Income Tax, Property Tax, Sales Tax Return forms.
- (25) Functions of Clearing House.
- (26) Sales of units of Unit Trust and certificates of National Saving Certificates.
- (27) Providing customer service.
- (28) Establishing extension counters.
- (29) Adoption of Innovative Banking System.
- (30) Establishment of multi-service Agency Branch.
- (31) Discharge the travel agent functions for customers.
- (32) To make customers aware from commercial trends (Ucchawachano).
- (33) Providing merchant banking services.

### Importance of Banks

Looking at the various functions of Commercial Banks, it becomes clear that Banks play an important role in our social and economic life. Banks are the important tools of economic development and are the important organs of monetary market of a country. Banks are the nerve centre of Trade, Commerce and Industry. Banks function as artillery veins and endeavours hard to make the economy strong and stable. According to Wichsell, "Bank is the heart and centre point of modern day monetary system".

A powerful, strong and organized Banking system is necessary for the overall growth of an economy of any country as Banks increase the productivity of capital and by collecting deposits from the general public utilize that money into profitable channels and productive outlets which helps in capital formation. In a planned economy the contributions of Banks are very valuable and prestigious, because Banks help in conservation and development work of society, which provides it credibility. In India, where the inclination to consumption is high, the structure of capital formation and investment is very weak and fragile. Banks by collecting excess money from the public, utilize that saving to provide lubrication to different sectors of economy. The increasing role of Banks in the developmental works has introduced a new mode of development banking. Following are the importance of Banks:

- (1) **Utilisation of Savings for Productive Purposes:** Banks attract the excess saving of public by offering them good return in the form of interest, security and other services, receives it as deposits. Then by providing loans and advances to the capable entrepreneurs and industries earn profit. Thus by collecting the savings of public, Bank utilizes the collected fund in productive channels, which is beneficial to whole society.

- (2) **Helps in Capital Formation:** The rate of development of a country depends on the rate of capital formation. Bank utilizes the deposits collected from public to productive use. When Banking System was not in practice people use to hoard money in the form of Gold, Silver and ornaments and used to store it safely under the soil. This made the peoples saving idle and was never used for productive purpose.
- (3) **Aid to Commerce and Industries:** Banks by collecting data, information related with Industry and Trade and by publishing, it helps the traders and businesspersons. They also encourage industrialization by addressing the loan related needs of the Industrial World.
- (4) **Encouragement to Banking Habits:** When people come in contact with the Bank, they develop a tendency to make payment through cheque. The use of cash money thus becomes slower. This leads to growth of banking habits in public.
- (5) **Facilities for Transfer of Funds:** Banks provide easy, cheap, secure and safe method to transfer fund from one place to another, which gives mobility to money and capital that leads to expansion of trade and commerce.
- (6) **Control of Credit:** It is very essential to have balance between demand of credit for commercial need and supply of credit in required quantity. An imbalance between them will compel government to bring changes in value of money frequently, which will pose a serious repercussion on economy. Commercial Banks create credit formation and Reserve Bank exercises control over credit.
- (7) **Elasticity in Monetary System:** The credit related needs of the business and supply of money keeps on changing. Hence it becomes essential that the monetary system of a country should have sufficient elasticity so that necessary changes can be introduced according to the needs of time without any difficulty. Banks through credit fluctuations bring elasticity in monetary system.
- (8) **Help in Remitting money:** Business requires remittance of fund from one place to another. Bank does this work at nominal expenses and in lieu of this service charges some money as "Transfer fees"
- (9) **Facility in Payments:** Banks by widespread use of cheques have made the Payment system easy and cheap because it is easier to transfer and saves people from counting and inspection. Even in Foreign Payments, Traveler's Cheque, Credit Cards, Foreign Exchange facilities etc. serve this purpose.
- (10) **Custodian of Foreign Resources:** Banks invests the money redeived from the public in the form of deposite in produce and profitable business. This increases the production and also the National Income of the country and thus act as a custodian of Resources.
- (11) **Protective Services:** Banks by keeping the valuables of people such as Diamonds, Pearls, Ornaments and other important valuables in lockers, provide them security and makes them free from all worries.
- (12) **Contribution in Economic Development:** Banks contribute significantly in the economic development of a nation. Banks increases the rate of capital formation and provides mobility to capital and money. Facilities of overdraft, advances, credit limits and loans addresses the cash requirements of business and trade which helps in smooth running of the business enterprise.
- (13) **Services to customers:** Banks provide many useful services to its customers eg. Cheque, Collection of securities, Transfer of funds, Underwriting of securities, payment according to the instruction of its customers, providing information to customers about economic conditions and situations, providing locker facility to customer for safe keeping of their valuables etc.
- (14) **Important for Government:** Banks provide many useful services to the government. All the transactions related with Public income, Expenditure and loans, takes place

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through Bank. Banks play an important role in government policy making and its implementation.

- (15) **Development Banking:** Banks share and participation in developmental work is becoming crucial and important day by day. Many specialized Banks have been established for making arrangements for Institutional finance. Along with the economic development, Banks now-a-days with lead bank scheme helping in development programmes.
- (16) **Catalytic Agent of Socio-Economic Growth:** In India Commercial Banks after nationalization have increased their share of contribution in the development of socio-economic programmes. In all the fields of economic development whether it is Agriculture, Industry, Trade, Transportation, Small and Cottage Industry, Insurance, Rural Development related activities, the Banks have emerged as an important catalytic agent for socio-economic growth.
- (17) **Social Responsibility and People Orientation:** Now-a-days Banks have linked their Banking policies and programmes with the socio-economic priorities of the nation. They have also increased their popularity by providing easy finance to priorities sectors.

Hence we find a sea change in the traditional form and operations of Banks. Banks have expanded their geographical and operational areas tremendously with the development. A revolutionary change has come in their general perception of work.

#### **Contribution of Bank in the field of Entrepreneurship**

The nationalized commercial banks of the country are used to provide loans for the establishment and expansion of Industry and Commerce. Banks can provide loans to all types of units, functioning in different areas such as industry, trade, services, manufacturing etc. No upper limit for loans has been fixed.

Banks easily provide loans to entrepreneurs according to their business needs, capability, project requirements and skills. In public and co-operative sectors many Banks provide loans to these institutions for commercial operations. These Banks provide loan for purchase of lands, construction of buildings and workshops, modernization of equipments, renovation and renewal of tools, machineries and buildings for the expansion of existing units and for working capital. These loans are provided to these institutions for long and medium term. The Rate of interest depends on the quantum of loan, which keeps on changing according to the guidelines of Reserve Bank of India.

#### **Items on which Bank Loans can be Received**

In general Banks can provide loans for all the items referred in the project such as Land, Building, Plant, Machinery, permanent capital, assets, pre-operational expenditure and working capital. But it is always helpful and beneficial to get loans through Bank for working capital because it can be comfortably taken care of according to the requirements as most of the things can be addressed locally. Thus scheduled commercial banks without any floor or ceiling limits can provide loans for most of the items mentioned in the project to all the units functioning in different areas.

We often hear that it is very difficult to get loans from Bank. Complaints are also received that Banks hardly helps to new entrepreneur, that's why many struggling entrepreneur leaves their plan of establishing an industry in the middle because of the difficulties or trauma they face to get loans from Bank. However we also see that hundreds of new industries are coming into existence every month and most of them have got bank loans too, whereas others have struggled for month, didn't get a penny and left the project in the middle.

Bankers really face a dilemma when a person approaches him for loan without any track record or business experience. Moreover they do not have even future estimation or projection about the business. In such situation it is very difficult to decide whether the

applicant will succeed in his venture and the information and projection which he has mentioned in his project report will stand to his expectation or not. Bankers need a lot of information before deciding to grant loan to an entrepreneur. As the Banker do not get convinced by the approach of the individuals, he puts his project in cold bag because he hardly finds sufficient capability in the individual to establish an industry. The banker also analyses the prospect whether the client will return his loan money with interest in time or not. If an entrepreneur provides correct information to the bankers, shows enough zeal and proves his competence to start, manage and successfully operate his business enterprise to profit, he will not face much difficulty in getting loan from Banks. Moreover, he can save himself and also the Banker from all that troubles.

### Financial Schemes of Banks

Following matters are included in this -

- (1) **General Introduction:** Under this following descriptions are required to be mentioned. Name of the organization, Form of the organization, Date of Registration, Date of start of business, Place, Address, Nature of the project (New / Expansion / Modernisation / Any other), Production etc.
- (2) **Name of Promoters / Entrepreneurs:** Under this, name of promoters, entrepreneurs, their father's Name, Address, Date of birth, Educational qualifications, Experiences, Description about other industries should be elaborately given.
- (3) **Particulars of the business concern:** Introduction of Business unit; Its brief history; Commercial progress, Description about main company and its associate sister organizations, profit and loss a/c of last five years, photocopy of bills, documents, production, sales stock, profit etc and description about organizational structure, particulars about managers should be mentioned.
- (4) **Particulars of project:** Under this the cost of project under different head such as established and present capacity of the project, procedure, technique, management, land, building, plant, raw materials, labour availability etc. the full description of all this should be mentioned,
- (5) **Cost of the project:** Under this, detailed description about project cost under different titles e.g. cost of land; cost of building; cost of plant and machinery; fees of Technical experts; initial expenditure; incidental expenses; working capital's; margin money etc, should be clearly mentioned.
- (6) **Means of financing:** Details about various sources of finance to find the cost of the project, the amount to be received from different source etc is mentioned. Capital received from hereditary source, loans procured from internal and external source, foreign exchange etc should be elaborately mentioned.
- (7) **Marketing and selling arrangements:** In this detail information regarding market for Produced goods, Area, Competition, Prices, Distribution, Sales estimation and receipt amount is required to be given.
- (8) **Economic consideration:** Under this the entrepreneur is required to give detailed report about competitive product available in the market, their area of operation, other competitors, process of goods, marketing and distribution strategy, differences in prices of domestic and foreign markets, price differences, description about production and sales.
- (9) **Government consents:** Along with it the entrepreneur is required to submit photocopy of Industrial license, Registration certificate, Export license, Foreign exchange acceptance certificate and any other licenses or certificates required about the business, their date of issue and validity period.
- (10) **Declarations and signatures:** Entrepreneur should give declaration and put his signature at the assigned place with date on the application form.

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The procedure, which an entrepreneur should follow to get loans from Bank are as follows:

- (1) Provisional Registration Certificate of small industry issued by concerned District Industries Centre.
- (2) Copy of Rent receipts / Lease deeds etc.
- (3) Bio-data of Promoters.
- (4) Copy of approved building plan by concerned authority.
- (5) Brief description about construction process.
- (6) Estimated expected cost of building with price break-up in sequential order given by approved Architect.
- (7) Description about machines and other fixed permanent assets.
- (8) Copy of Electric connection permission.
- (9) Copy of permission of water connection.
- (10) Copy of Agreement of distribution.
- (11) Purchase order and its inspection copy.
- (12) Study Report of distribution.
- (13) Projected profit accrued, cash flow, Analysis Report, Copy of profit & loss a/c.
- (14) Copy of Income Tax of last three years, description of Property tax of last three years.

Banks consider following points in detail prior to granting any credit limits to an applicant- Reputation of the applicant, his loan capability and viability of the industry.

**Objective of Loan:** Technical and Economic viability of the project.

Prescribed Loan Application form duly filled with complete information with copy of Project Report, Assets and Properties to be acquired from Bank Loan, Share of margin money, Production capacity, Distribution eligibility etc. should be submitted to the banker.

Loans are accepted only on the basis of actual requirements. It should be taken care of that excess finance support or insufficient finance support should be discouraged.

When an entrepreneur submits his application fulfilling all the above listed requirements to Banks, the banker after full satisfaction from the information details; grants him loan and makes payment.

**Test your Progress**

**Important Questions for Examination**

1. What do you mean by 'Bank'? Discuss its functions.
2. Define 'Bank'. Explain its working.
3. What is 'Bank'? Explain its importance and functions.
4. Write a short note on 'Social Importance of Bank'.
5. What is the importance of a Bank? How can it help in the sector of an Entrepreneurial?
6. Write a note on 'Financial Plan of Bank'.
7. Explain the process of loan from a Bank.
8. What do you mean by 'Bank'? Explain the importance of Bank for an entrepreneurial.



## **FUNCTIONS, QUALITIES OF A GOOD ENTREPRENEUR**

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An Entrepreneur is the backbone of Industrial World, who is helpful in the making of a well-civilized and systematic society.

It would not be an exaggeration to say that an entrepreneur helps to solve the financial, social and political problems of the nation.

That is why well-known Economist said, "An Entrepreneur is the captain of Industrial Sector because he not only takes risks and bears uncertainties, but also acts as a good organizer, inventor, producer of new product and creator of economic structure of the nation".

He helps to make a very good financial outlook of the country. To maximize his gains, he not only takes full care of the internal administration of the industrial sector, but also on the other hand closely watches the activities of his competitors.

### **Meaning of an Entrepreneur:**

An Entrepreneur is a person who establishes a business and takes the risk of developing it fully. He collects the necessary resources and organizes them together to establish his business projects.

### **Definitions of Entrepreneur:**

Various scholars have defined entrepreneur differently on the basis of traditional, developing and developed economy. Hence the definition of entrepreneur can be classified into three basic categories.

- 1) Based on Traditional Economy.
- 2) Based on Developing Economy.
- 3) Based on advanced or developed Economy.

#### **(1) Based on Traditional Economy:**

Under this category the scope of Entrepreneur is limited. The classical economists have defined entrepreneur as "Risk Bearers". Following are the important definitions of entrepreneurs according to classical economists..

- (a) According to **Frank Knight** :

Entrepreneur is a "Specialized group or persons who bears 'risk' and meet the challenges".

- (b) According to **Richard Cantillon** :

"An Entrepreneur is that businessmen who sells the factors of production at a fixed price".

- (c) **F.V.Hane** says:

"The person who bears risk during the production process is called Entrepreneur".

In the above definitions Entrepreneur has been defined as a person who takes risks and bears uncertainties involved in the business. Many risks can neither be exactly measured nor properly evaluated. These definitions highlight only the one aspect of an Entrepreneur.

#### **(2) Based on Developing Economy:**

In the industrial world the Entrepreneur is considered as an organizer, innovator, a sponsor and as a coordinator considered as a person who establishes a new business, collects the factors of production, takes managerial decisions and conducts different production related tasks..

The person who does all this can be termed as an Entrepreneur. In the context developing economy following are the chief characteristics of an Entrepreneur.

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1) **James Burn** says:

"Entrepreneur is a person or group of persons responsible for the existence of a new industrial enterprise".

2) **R.T. Elly** says:

"An Entrepreneur is the person who organizes and directs productive factors".

3) **Arthur Dewing** comments on the same topic and says:

"Entrepreneurs is one who transforms ideas into a profitable business".

All these definitions suggest that an Entrepreneur is that person or group of people who conceive / imagine any business and collects various factors of production e.g. Capital, Labour, Raw Material, Equipments and techniques of the same.

**Based on Developed Economy:**

In developed countries the industrial activities become very specialized and professional, which increases the complexities of the business.

In such countries, the function of an Entrepreneur becomes very difficult and broad. In these countries the "Social Personality" of the Entrepreneur gains significance. He performs his role as an innovator, social reformer and guide. Following are definitions, which express such views.

1. **Forrest Frantz** says:

The Entrepreneur is more than a Manager. He is an innovator and promoter as well".

2. **Herbertan G. Evans** says:

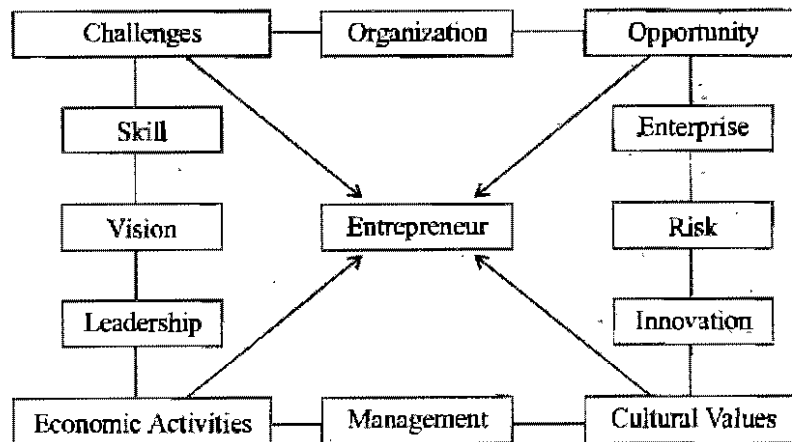
The person or group of persons who has (or assumes) the task of determining the kind of business to be operated".

3. **Clarence Danh** of says:

"An Entrepreneur is primarily concerned with changes in the formula of production over which he has full control".

4. **Peter F. Drucker** says:

"The Entrepreneur always searches for change, responds to it and exploits it as an opportunity".



All these definitions clearly indicate that the role of Entrepreneur in modern world has become very dynamic, he has to remain in touch with the changes taking place around him

both internally and externally. Thus it is clear that entrepreneur is that person, who finds profitable opportunities in the business, combines economic resources, gives birth to innovations, manage the inherent risks and uncertainties involved in business. The chart explains the fundamental elements of an entrepreneur.

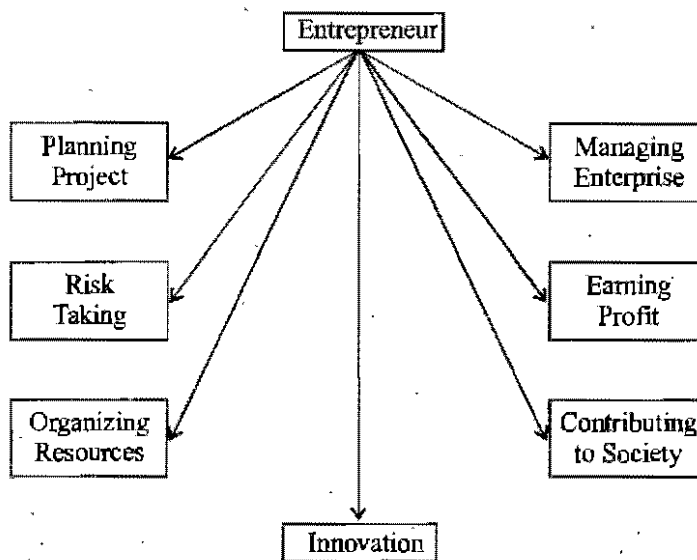
### Functions of Entrepreneur

An entrepreneur has to perform various functions right from the establishment of an enterprise, marketing of the produce but his scope of work is not limited to the production of commodities and its distribution, he has to perform various functions for the progress and development of his society and nation. He initiates the commercial activities in the society and encourages social transformation. He provides dynamism to economic activities. Thus the functions of an entrepreneur varies from time, place, situations and conditions prevailing in a country.

The different responsibilities of an Entrepreneur are categorized into three different groups:

- 1) Establishment Related Functions.
- 2) Management and Organization Related Functions.
- 3) Modern Functions.

The chart explains the functions of an Entrepreneur:



#### (1) Establishment Related Functions:

The important function of an Entrepreneur is to introduce innovation in his enterprise for which he has to perform various other task, the important among them are -

##### (1) To imagine a Business Idea:

An entrepreneur through his power of imagination and thoughtfulness discovers creative ideas. He by his original and practical behaviour and conduct establishes an enterprise or industry.

##### (2) Investigation of the Proposition:

By it, it is ensured that his thoughts can be feasible and all doubts about mis-utilization of money are properly addressed.

##### (3) Project Planning:

For the success of the business enterprise, effective planning is very necessary. An entrepreneur takes many important decisions to turn his project into an institution. Hence he develops various alternative by elementary research prior to reaching at a final decision.

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**(4) Preparing the Project Feasibility Report:**

Project Feasibility Report is a detailed analytical description of facts, figures and information prepared on the basis of Project Planning.

**(5) Getting the approval of project:**

The entrepreneur submits Project Report to concerned departments and institutions for Registration of his enterprise; for getting permission and license, various amenities and facilities, for getting credit facilities from banks and financial institution. This exercise is called submission of Project Report of the enterprise for getting approval to start the project.

**(6) Establishing Enterprise:**

At this stage the entrepreneur completes all required formalities demanded by the concerned departments to establish his pre-determined project. Now-a-days industries are generally established in selected industrial areas only.

**(II) Management and Operational Functions :**

After establishing the enterprise the entrepreneur is required to manage it properly for its efficient operation. He takes various managerial decisions and set himself to the task of creating suitable organizational structure. He takes various managerial decisions and supervises and control various activities. That's why the role of an "Entrepreneur Managers" are becoming more important in big and multinational corporations. Following are the managerial and operational functions of an entrepreneur:

**(1) Organising and Managing the Enterprise :**

For preparing organizational structure the entrepreneur decides about different activities. Distribute work among the employees and different departments. Different employees are given various powers and responsibilities. The entrepreneur should have organizing ability.

**(2) Getting Finance:**

The Entrepreneur has to arrange necessary finance from various sources according to his financial requirements. He should manage short term and long term finance requirements and also arrange funds for working capital.

**(3) Bearing Risks:**

An Entrepreneur lives with risks and uncertainties for the development and operation of his industry. It is virtually impossible to think about business without risk.

**(4) Distributing Remuneration:**

During this work, the Entrepreneur has to distribute the required amount of remuneration to his people who have helped him in production of goods. He pays fair remuneration to each sources of production in lieu of their services.

**(5) Making Efficient Marketing Arrangement:**

In context of extreme competition and international markets, the Entrepreneur's main function is to make efficient distribution system for his product.

**(III) Modern Functions:**

Entrepreneur carries these functions at this high stage of economic development. Entrepreneur has to perform some functions in the interest and for the benefit of society. Such functions are as follows:

**(1) Innovations and Diversifications:**

The most important function of an Entrepreneur is to bring a change in the society. Through experiments, research as well as creative thoughts he brings qualitative improvement in production and in process too. He remains always busy experimenting new ideas to satisfy the ever-growing need of the customers, to improve their standard of living to create new values in society; bring improvement in the utility of goods and services.

**(2) To participate in Entrepreneurship Programmes:**

To participate in such programme various workshops like Development Programmes, Training Programmes, Workshops, Seminars etc. are being organized by various governmental and non-governmental bodies such as Govt. Departments, Banks, Financial Institutions, Commercial and Technical Institutions, Management Institutions, Boards, Corporations etc. from time to time for the development of entrepreneurship skill. Entrepreneurs get information to update their knowledge and keep abreast with new ideologies, commercial changes from these mediums.

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**(3) To contribute towards National Development:**

Entrepreneur uses the resources of society, so he is bound to contribute to society for its well being. By optimum utilization of the physical and human resources available in the country by creating employment opportunities, generating sources of income and fulfilling the social responsibilities, an entrepreneur contributes to the development of the society.

**(4) To make business's future safe:**

Entrepreneur by efficiently managing the operation of his enterprise makes its future safe. His main function is to make the present and future position of his enterprise safe.

**(5) Ingredient of Modern Production System:**

Production of today is based on the demands of the future. Market conditions keep on changing in view of the choice of the customer, prevailing fashion and change in the socio-cultural outlook of the people. The method and techniques of production too has become extremely complex. In such situation the role of entrepreneur is gaining significance.

**(6) Organizer of the Society's Productive Resources:**

James Burn believes that "Entrepreneur is an organizer of the society's productive resources". It is true also as it is the entrepreneur who combines the factors of production e.g. Capital, Labour, Land, Raw Material and Technology etc. to produce economic utility goods.

**(7) Establishment of New Business Units:**

Because of the new industries set up by the entrepreneurs, new business comes into existence in society. Entrepreneur converts factors of production into productivity.

**(8) Dynamic Agent:**

Entrepreneur brings dynamism in the whole economy by introducing various reforms and transformations in business, trade and commercial activities.

**(9) Ambassador of social changes:**

Entrepreneurs are considered to be the father of industrial civilization. Many creative changes take place in the structure of the society because of an entrepreneur's foresighted progressive outlook. Society discards the orthodox evil customs and practices to adopt modern scientific outlook.

**(10) Business Prophet:**

Gesternburg says that a "successful entrepreneur by establishing an enterprise does a public service. By his sharp business acumen he turns business, commercial projects into reality". Hence he is rightly called as the 'prophet of business activities'.

**(11) Catalytic Agent:**

An Entrepreneur is the catalytic agent in economic development. Wealth and capital is created in society. He accelerates the rate of growth introducing modern technology in production system which in-turn, helps in eradication of poverty fighting problems of unemployment etc. By optimally utilizing the available natural resources of the country, he lays down the foundation of a self-reliant and self-sustaining society.



## Importance of Entrepreneurs or Role of Entrepreneurs in Economic Development

### NOTES

Entrepreneur plays an important role in economic development of a nation. He is the leader, guide and fore runner of economic growth. He provides dynamism to economic prosperity and holds significant place in the rapid economic development of a country. Entrepreneur by putting the natural resources of the country to optimum use, increases the role of growth. He by combining land, labour, capital and technology utilizes it to best use and derive maximum benefit from available resources. Hence, Entrepreneur is an important and independent medium of production. He is also called as the father of economic development. Entrepreneur by innovation, creates opportunities for economic development, increases export potentials and through import substitution helps in removing all the obstacles that comes in the way of economic and industrial development. Famous management scientist Prof. R. C. Agarwal has rightly said "Entrepreneur plays a pivotal role in rapid economic development of a nation".

Following points further clears the importance and contributions of an entrepreneur in economic development.

#### (1) Captain of Industry:

Famous economist Prof. Marshall has termed entrepreneurs as the Captain of Industry because the entrepreneur besides bearing risks is also a manager of industry, an economic investor and with his special ability of foresightedness also provides leadership to guide his enterprise to a profit earning organization.

#### (2) Organizer of the productive resources:

Entrepreneur by collectively combining various means of production such as land, capital, labour and technology makes production a possibility. That's why James Bern said, that an entrepreneur is the organizer of various factors of production.

#### (3) Promotion to innovations:

An entrepreneur promotes innovations. He encourages production of new things in new ways applying new techniques even though he has to take risk and thus is called as the promoter of innovations.

#### (4) Important part of modern production system:

An entrepreneur is an important organ of modern production system. In the present times, industrial success is based on changes and innovations, which are possible only by an entrepreneur.

#### (5) Dynamic Agent:

Schumpeter refers to an Entrepreneur as 'Dynamic Agent'. This is because an entrepreneur provides momentum to production by innovations; introducing new method of production, new goods and new raw materials in production technique.

#### (6) Development of new business units:

It is a well-known fact that in the absence of an entrepreneur all means of production are useless. An entrepreneur directs all the means of production towards productivity due to which development of new business units occurs.

#### (7) Ambassador of Social Change:

An entrepreneur is that important organ of social process, who brings manifold changes in the social structure by his creativity. The society becomes industry oriented and thus superstitions start disappearing and the society gets rid of many old beliefs and makes way for industrial development.

He makes the best use of resources due to which the national economy increases and the country becomes self-reliant.

**(8) Generator of Employment Opportunities:**

An entrepreneur is called the creator of employment opportunities. He establishes new industry, develops the already established units, uses modern techniques, re-establishes and expands old industrial units and due to which new employment opportunities are created.

**(9) Catalytic Factor:**

An entrepreneur is considered as the catalytic agent of industrial development. He makes the best use of available resources due to which the national economy increases and the country moves towards self-reliance.

**(10) Role in Economic Development:**

An entrepreneur is called the harbinger of economic development. He plays an important role in the economic development of a nation. He is such a clever driver of economic system, who provides speed and momentum to economic development and puts the economy on the road of growth and prosperity.

**Qualities of a Successful (Good) Entrepreneur**

The personality of an entrepreneur is made up of many qualities. His personality influences his behavior, his outlook and his views. Thus his personality leaves a deep impact on his thought process. Some individual qualities and pre conceived notions are essential to make him a successful entrepreneur. On the basis of his minor unique qualities he reaches to the top of the business ladder and becomes a successful entrepreneur.

Some personal qualities are inherited by birth. But many qualities can be acquired only through hard work and practice. In every country various techniques and coaching centers have been established, which help in enhancing the qualities of an entrepreneur. He can get advice, guidance and training from these institutions and increase his potentials. Different scholars and writers have following opinions.

**David Mcley Land** says that a good and successful entrepreneur should possess the following qualities.

- |                                      |                                      |
|--------------------------------------|--------------------------------------|
| (i) Strong determination to succeed. | (ii) Craving desire to achieve goal. |
| (iii) Propensity for risk taking.    | (iv) Energetic behavior.             |
| (v) Forward looking outlook.         | (vi) Extraordinary creativity.       |

**Christopher** is of the opinion that an entrepreneur must have the following qualities.

- |   |                                      |
|---|--------------------------------------|
| (i) Determined and hardworking.                     | (ii) Quality to bear the risk.       |
| (iii) High expectation.                             | (iv) Desire to learn.                |
| (v) Dynamic and creative.                           | (vi) Accommodative.                  |
| (vii) Innovative.                                   | (viii) Efficient salesmanship.       |
| (ix) Capacity to solve the problem and win friends. |                                      |
| (x) Initiative.                                     |                                      |
| (xi) Self-confidence.                               | (xii) Strong resolve and will power. |
| (xiii) Determination to succeed.                    | (xiv) Attractive personality.        |
| (xv) Good behavior.                                 | (xvi) Strong character.              |
| (xvii) Responsible to cause.                        | (xviii) Efficient in working.        |
| (xix) Appreciation for value of time.               |                                      |

**Prof. B. C. Tandon** feels that an ideal entrepreneur should possess the following qualities.

- |                            |                                 |
|----------------------------|---------------------------------|
| (i) Capacity to bear risk. | (ii) Sound Technical knowledge. |
|----------------------------|---------------------------------|

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- (iii) Willingness for change.
- (iv) Administrative quality.
- (v) Ability to mobilize resources.
- (vi) Organizational qualities.

After analyzing the views of the above scholars we are able to classify the qualities of a good entrepreneur in the following categories:

### I. Physical and Mental Qualities:

- (a) **Hard Worker:** An entrepreneur's success depends on his hard work. For an individual devoid of hard work, achievement remains a thing of imagination, a sheer dream. A successful entrepreneur never leaves anything to fate but strive hard to achieve his goal.
- (b) **Sharp Intelligence:** An entrepreneur must possess sharp intelligence, he can only then be able to manage the enterprise successfully and utilize the commercial opportunities that come his way for the benefit of the organization. A person with sharp intelligence can easily influence another person with a view to put his views strongly.
- (c) **Imagination:** Creativity, foresight and imaginative qualities distinguish an entrepreneur from ordinary individuals. Imaginative power gives birth to creative thoughts, which helps him in planning profitable projects.
- (d) **Alertness:** In the age of competition it is very difficult to manage an enterprise. Hence entrepreneur functions with alertness.
- (e) **Sharp Memory:** Entrepreneur should have sharp memory. He must remember every incident correctly. An entrepreneur is required to do a number of work at a time. He uses his sharp memory and executes the work.
- (f) **Self Confidence:** Entrepreneur should never loose his self-confidence under any circumstances. He must possess the capacity, capability and power to face the commercial challenges boldly and remain cool even in odd circumstances.
- (g) **Maturity:** A matured entrepreneur fulfills his responsibilities and duties efficiently. He never gets excited to criticism, keeps his mental balance in full control during conversations, business meetings etc.
- (h) **Foresightedness:** With foresightedness an entrepreneur predicts about the future happenings, safeguards himself and protects the organization from possible future misfortunes.
- (i) **Dynamic Ideas:** An entrepreneur's success depends on his dynamic ideas. Conservative outlook and traditional views is an obstacle to progress. Hence, an entrepreneur should be a man with dynamic ideas.
- (j) **Willingness to accept new Challenges:** Entrepreneur possesses the quality to accept new challenges readily.
- (k) **Optimism:** An entrepreneur should always be optimistic. He should never get disheartened in failures. He must consider "Failure as the key to success".
- (l) **Ambitions:** Entrepreneur is an ambitious person. A man lacking in ambition neither reaches his goal nor fulfils the target.

### II. Social and Moral Qualities:

It is essential to have social and moral qualities in an entrepreneur. With this ability he can successfully interact with people of different categories and increase the credibility of the enterprise. The qualities are as follows:

- (a) **Sociability:** An entrepreneur should be social and tactful. He must win the confidence of his employee, kinsmanship, be courteous and of cheerful disposition.
- (b) **Politeness:** Entrepreneur should always be polite. He can substantially increase his status, command others respect, keep his employee happy and satisfied by showing politeness to them.

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- (c) **Sound Character:** Sound character is very essential for a successful entrepreneur. A man of character is a man of high determination. Only a determined and committed person lays the solid and sound foundation of an organization and helps the organization to reach the pinnacle of glory.
- (d) **Honesty:** The entrepreneur who carries the functions of his enterprise honestly achieves success for a very long time and earns profit.
- (e) **Co-operative:** Organization is the result of co-ordination. An entrepreneur works in co-operation with others and interacts with various categories of business people.
- (f) **Loyal:** Entrepreneur must be loyal to his people, to his organization, to his business associates. He is required to keep his personal interest subsidiary to be faithful to the interest of his customer, distributor, government and other enterprise who helps his business.
- (g) **Respectful:** Entrepreneur should be respectful to the genuine grievances of the others point of view. He must show respect to the suggestions and the views of others.
- (h) **Likeable Disposition:** Entrepreneur should be of humble and likeable nature. Good habits, humility, politeness, tolerance, forbearance and endurance make him a respectful person.
- (i) **National Outlook:** Entrepreneur should be broadminded. He must not keep himself confined to a particular area, region or state. He must possess national outlook. He should whole-heartedly co-operate in the implementation of national development schemes and other economic planning formulated by the government.

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### III. Business and Leadership Qualities:

Every entrepreneur must possess some unique commercial qualities as it directly affects his progress. Professional entrepreneur by successfully marketing his commercial qualities and business tact ensures the success of the enterprise. Following are some of the essential qualities of a successful entrepreneur:

1. **Entrepreneurial Ability:** The courage is the basic principle for doing business. "Without courage business cannot be done". To have courageous ability the entrepreneur must have the following qualities.
  - (a) **Entrepreneurial Philosophy:** Entrepreneur should always possess courageous attitude and progressive views. He gets strength to achieve the target by his positive approach. Each failure teaches him some lessons; he rectifies his mistakes and continues his work with extra vigor to achieve the targets positive and forward-looking approach constantly keeps him aware about his responsibilities and goal. He always keeps his "ideal entrepreneur" image in mind and tries to inculcate his teachings, beliefs and working style.
  - (b) **Positive Attitude:** Entrepreneurs generally have keen and deep interest about his business. They feel proud of their achievements and get satisfaction from their work. Positive attitude helps them in maintaining entrepreneurial philosophy.
  - (c) **Desire for Responsibility:** Entrepreneurs execute their responsibilities to get the desired result with sincerity. They have strong desire to bear responsibilities.
  - (d) **Preference for Moderate Risks:** Entrepreneurs are very balanced and disciplined in bearing risks. They never gamble while undertaking any risks. They never set any impossible and unattainable target but always prefer to go for achievable goals and take moderate risks.
  - (e) **Perception of Probability of Success:** An entrepreneur always remains confident of his success. To ensure hundred percent success he studies the market conditions, environment, seriously weighs the demand - supply positions,

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collects data as well as facts and figures available in the market and then decides. They also depend on their self-confidence.

- (f) **Stimulation by Feedback:** Entrepreneurs remain stimulated by the feedback of their past performances and results. They evaluate the effectiveness of their actions, performances with the progress of the work. They do carry self-appraisal of their work.
- (g) **Energetic Behaviour:** Entrepreneurs remain always active and energetic. They do possess some extraordinary energy and power. They generally remain more active and energetic than common people.
- (h) **Future Orientation:** Entrepreneurs cherish positive outlook. They always remain hopeful of their future prospects. They evaluate the future prospects of their business in a planned manner.
- (i) **Organizing Skill:** Entrepreneurs possess special ability to organize their resources effectively. They do have unique skill to handle manpower, utilize their finance optimally to get the desired results. They identify and optimally to get the desired results. They identify and select such persons who carry their responsibilities effectively.
- (j) **Attitude towards Money:** Entrepreneurs attach more importance to 'high achievement' rather than only monetary gain or cash prizes. They consider money as reward of their ability. They do not attach importance to financial results.

2. **Leadership Ability:** Entrepreneurs develop team spirit in the enterprise by their leadership ability. They inspire, give proper direction to the employees to boost their self-confidence. Hence leadership is an essential quality of an entrepreneur. Marshall has rightly said "entrepreneurs are the captain of their enterprises". Entrepreneur is mostly recognized by the nature of their functioning. They find business opportunities, commence new projects, plan future growth, collect physical, human, financial resources, fix targets for the enterprises and goal for themselves to achieve desired results. Meredith and Nelson were of the view that "a successful entrepreneur is a successful leader whether he guides few employees or hundreds of workers".

Entrepreneur should develop leadership capacity by self-appraisal. There is no set procedure to develop leadership quality. Leadership qualities vary from entrepreneur to entrepreneur. Successful leadership quality produces meaningful and desired results for the growth of an enterprise in all circumstances. An entrepreneur's leadership behaviour can be classified mainly in two categories.

- (a) **Task-Oriented:** In this entrepreneur focuses his attention to achieve results. He gives priority to increasing productivity and measuring the progress of an enterprise, but ignores the expectations and needs of the employees.
- (b) **Person-Oriented:** In such leadership behaviour the entrepreneur carries the functioning of the enterprise giving due importance to the expectations, desires, needs and views of its employees. He maintains team spirit, co-operation and co-ordination. He puts more emphasis on the importance of personal exchange of opinions and human behaviour.

3. **Risk taking capacity:** To live in risks is the fundamental quality of an entrepreneur. He remains always ready to face uncertainties and bear risks but the entrepreneur never gambles, he takes only calculated risks.

4. **Explore possibility of other options:** An entrepreneur should explore the possibilities of various alternative options keeping in view the objectives and propensity of risks involved in business.

5. **Evaluation of options:** An entrepreneur collects various information from market, studies the forecasts, competitions, financial conditions, evaluate various options and then select the most practical and feasible options.
6. **Reduce the risk factor:** An entrepreneur can take following steps to reduce risk factors working against odds and unfavourable situations.
  - (a) Study the maximum capacity of an enterprise.
  - (b) Experiment creative innovative option in odd circumstances.
  - (c) Plan strategy to implement the revised plans.
  - (d) To generate enthusiasm, motivation, inspiration, co-operation while implementing new plans.
7. **Implementation:** Entrepreneur should make scientific planning in implementing the new plans after selecting the feasible options. Bearing risks is an inherent quality of an entrepreneur. In fact, entrepreneur is aware of his capacity while taking risks and accepts it as a challenge.
8. **Decision Making Ability:** An entrepreneur should have instant decision making capability then only he derives maximum benefit from the commercial opportunities. Emerson was right in saying, "Nothing is impossible for a person who takes right decision". Entrepreneur should follow following procedures for effective decision making.
  - (1) **Identification of Problem:** He must identify the nature of the problem. Search for the possible reasons or cause of the problem.
  - (2) **Search of Alternative Solutions:** Having identified and classified the nature of the problems, entrepreneur should search for alternative solutions. He can experiment with various creative practically feasible alternative solutions.
  - (3) **Finding the Best Solution:** Entrepreneur should select the best possible solutions based on various yardsticks. These yardsticks may be focused on intensity of risks involved, limitations of resources, focused on intensity of risks, time and efforts put in solving the problems.
  - (4) **Implementing Decision:** Implementation of decision is more important than taking decision. The success of a decision depends on the way it is implemented. Even a good decision turns bad if not implemented either properly or timely.
9. **Ability of Business Planning:** Entrepreneur establishes and manages the enterprise by his imaginative power and creativity. He turns the dream into reality by his ability of business planning. To achieve this he keeps himself associated with Market Research Organisation, Productivity Research Institutions, Budget making association and various other federations and syndicates etc
10. **Organization Skills:** Entrepreneur prepares the organizational structure of an enterprise. He selects people, allocates their portfolios depending on their skills and abilities. By effectively managing the physical, financial and manpower resources he creates proper working condition.
11. **Ability of Managing Time:** Time is the most scarce and expensive source of an entrepreneur. Innovations, search for opportunities and effectively solving the problems are the most important functions of an entrepreneur, but all these works remain incomplete due to lack of time. Entrepreneur can carry out important functions only by his ability to manage time.

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12. **Technical Skill:** Entrepreneur must possess special technical skill required to run an enterprise. In the age of specialization an entrepreneur must possess basic knowledge about various techniques, machines, production processes, methods etc. used in production.
13. **Human Skill:** Entrepreneur has to interact with various groups and categories of people. Hence he is required to be a master in human behaviour with the ability to inspire, motivate and co-operate with them in normal functioning of the enterprise.
14. **Knowledge of Business Enterprise:** Entrepreneur executes his plans and projects in society for the society. Hence he must be aware of the business environment.
15. **Innovative Ability:** Entrepreneurs must possess innovative ideas and ability to apply his creative ideas to business programmes.
16. **Awareness towards Social Environment:** Entrepreneurs are the industrial and commercial leaders of the society. They are expected to manage and operate their business according to the social expectations and demands of the society. Hence they must be aware of the traditions, customs, lifestyle, culture, habits, opinions of the people.

**Important Questions for Examination**

1. Define Entrepreneur. Explain its functions.
2. Define Entrepreneur. Discuss his main characteristics.
3. Who is Entrepreneur? Explain his changing role and identity in modern business.
4. "An Entrepreneur is a person who creates an on-going business enterprise from nothing." Explain. Describe the main functions of an Entrepreneur.
5. "To study the Entrepreneur is to study the main figure in economic activity." Discuss the role of entrepreneurship in economic development of a country with reference to above statement.
6. Discuss the role of Entrepreneurship in economic development.
7. Define Entrepreneur. Discuss his main characteristics.
8. Who is Entrepreneur? Explain his changing role and identity in modern business.
9. "Entrepreneur is a 'Captain' of industry and 'Economic leader of society'." Elucidate.
10. "The Entrepreneur is more than a Manager. He is an Innovator and Promoter as well." Explain this statement and describe the various types of Entrepreneur.
11. "An Entrepreneur is a catalytic agent in economic development." Explain and discuss the role and importance of entrepreneur in developing economy.
12. "Entrepreneurs are born, not made." Explain.
13. Narrate the main functions of an industrial entrepreneur. What is his role in industrialization of underdeveloped country?
14. Describe the essential qualities of a successful Entrepreneur.
15. Discuss the qualifications of Successful Entrepreneurs.
16. Define Entrepreneur. What are the qualities of a good Entrepreneur?

**Test your Progress**



## MANAGEMENT SKILLS OF THE ENTREPRENEUR

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"An Entrepreneur is a person of unlimited talents who possesses different types of potentials".

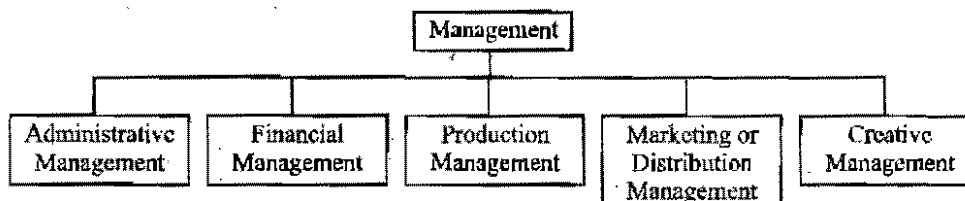
That means an Entrepreneur is that person who possesses all the qualities of a successful Entrepreneur. He can fulfill all the social responsibilities along with carrying out business activities, exploring, and innovating new options with expansion of his enterprise. He plays a very significant role in the industrial and social development of the nation.

For the establishment of an industry, an Entrepreneur has many roles to play. He takes and bears risk, make arrangement for finance, co-ordinate with the various agencies for the operation and expansion of his industrial unit and performs various functions for the business. For the execution of all these works he needs different types of expertise and ability to successfully run the organization.

Ability and art to influence people is an acquired quality.

Normally some functions of an entrepreneur such as taking risks are inherent quality of an entrepreneur's life. But some entrepreneurial activities require special skill and talent, which can either be acquired, developed through experience or by continuous training. Besides the inherent quality some acquired quality and skill too play important role in the success of an enterprise. An entrepreneur has to consider many technical aspects, study about the various opportunities of business, has to prepare an outline to make the enterprise commercially viable. Moreover he has to interact with various agencies for the efficient management of his enterprise.

Hence it is important to understand the fundamentals of management. To have a better understanding of management, we can divide it into five categories.



To have a better understanding about all these five elements or management we will study the importance of each one separately.

(1) **Administrative Management:** This element is the backbone of the management as it includes all those sub-elements, which are essential to start an industry, that motivates and encourages an entrepreneur to venture for an unknown territory. In management terminology this sub-element is called "Decision Making Process". Now we will consider the main aspects of Administrative Management.

- (a) **Planning:** We keep on preparing some small and minor temporary and permanent plans right from the inception till termination of the project. In short to give a proper shape to any project without proper plan is just suicidal and madness. Preparing plan is a decisive and ideological activity
- (b) **Organising:** To keep an industry smoothly running and in continuous operation is called organizing. The chief factor of organizing is to arrange the activities of an organization in proper sequence according to priorities in a time bound manner.
- (c) **Staffing:** It implies selection and appointment of right person for the right job. It is necessary to pay due attention to persons qualification and experience while



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appointment.

- (d) **Leading:** An entrepreneur must possess the ability to lead. If a person does not have leadership quality he cannot make his mark in the industry. He uses his leadership quality to encourage his subordinates, to motivate them, to make the work done from them and to get their voluntary allegiance to the organization.
- (e) **Controlling Ability:** Controlling ability is administrative functions which implies implementation of all activities in a disciplined manner without any controversy and hurdle.

To streamline the administrative management it is necessary to contemplate on following facts.

- (1) Inclination to determine the goals for the group.
- (2) Proper arrangement for exchange of information.
- (3) Selection of the workers on the basis of their qualifications.
- (4) Getting advice from able and experienced employees and develop the attitude of loyalty towards the organization among the employees.
- (5) Assigning works to the employees according to their ability.
- (6) Encouraging the employees to achieve the production targets on their own self.
- (7) Every person must get an opportunity to express his views.
- (8) To make available training facilities for the development of employees.
- (9) Timely payment of remuneration and paying personal attention to employee's individual problems.
- (10) To develop a sense of competition among the employees.
- (11) To follow the rules of Labour Association, Factory Act and Labour Laws.

(2) **Finance Management:** It is important for the Entrepreneur to have basic knowledge of financial management. Investment of financial sources in a planned manner, production and security test activities come under finance management. Finance Management has two major functions.

- (i) Preparation of plans or formulation of plans.
- (ii) Exercising control.

(3) **Production Management:** In small industries, entrepreneur should have thorough knowledge about production processes; along with it he should also address the basic requirements of artisans and workers during working hours such as proper lighting facilities, fresh air, proper ventilation, toilet, drinking water etc.

If there is any problem in the production or production is not up to the quality, then he must discuss the matter with the workers take their suggestions peacefully, take proper decision, implement the plans in right earnest to increase and enhance their morale. This approach will earn their faithfulness to the organization and they will do their best to increase the production. Keep limited and skilled staff to avoid disruption in work.

Production management includes the following activities.

- (i) Production plan and its control.
- (ii) Decision about equipment, machines and techniques.
- (iii) Adequate knowledge about proposed production and its distribution.

- (iv) Information about employees and exercising control over them.

An entrepreneur has to make good plans for achieving good productivity. Good productivity means getting maximum production from minimum available input.

An entrepreneur should concentrate on quality also apart from production. Present day's market is a customer-based market hence entrepreneur should maintain quality in production besides the services.

(4) **Distribution or Marketing Management:** In the present age of cut-throat competition, it is necessary to have market oriented ideology.

Many companies are manufacturing various types of products in which some companies focus on increasing the market size where as others are keen to increase their share in the sales. As a result there are many winners and many are struggling to capture a part of the market share. Different products have different distribution process. Hence, an entrepreneur should be aware of the distribution network of that particular product, which he is manufacturing. Because it is through good distribution network, the company actually earns profit. If a company has a good product but it is poor in distribution then its working capital will go down substantially in future, which will lead to closure of production.

Distribution process plays important role in marketing of a product. Mostly distribution process is of four kinds.

- (1) Manufacturer - Distributor - Seller - Purchaser.
- (2) Manufacturer - Seller - Purchaser
- (3) Manufacturer - Purchaser.
- (4) Manufacturer - Agent - Purchaser.

It is very important for an entrepreneur to choose the right method of distribution. He must select the existing distribution system prevailing in the market for that particular product. Advertisement plays an important role in marketing of product but they have no direct relationship on sales.

It is mere foolishness to think that more advertisement means more sales. In order to make the advertisement more effective, we must consider the following facts.

- (1) An advertisement is just a process of providing basic information about the product to the people. One must choose appropriate advertisement method in relation to the product. e. g. Print Media, Broadcast Media, Hoardings, Posters, Electronic Display, Advertisement through Vehicles etc.
- (2) To broadcast the advertisement at right time.
- (3) To send maximum message to others with minimum subject matters.
- (4) The content of the advertisement should be clear and easily understandable.
- (5) **Creative Management:** Generally, in big industries there exists a separate unit for this purpose, known as Research and Development, but in small industries this function is carried out by entrepreneur and his staff, hence both should essentially inherit creativity in them selves. Creative management implies that activities, which keeps the production process continuously going on in absence of certain raw materials required for production of a particular product with introduction or application of alternative substitute. For this the entrepreneur mostly relies on the suggestions given by its employees, sellers, purchasers, distributors, agents or any other individual. The entrepreneur must patiently listen to their advice and consider their suggestions in right earnest.

Thus in this way the entrepreneur develops in himself the five-pronged

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management skills to successfully manage his established enterprise and can expect to turn his enterprise into a profitable venture.

### Management Skills:

Entrepreneur should have sufficient knowledge about operational management and leadership skill to run his enterprise after its establishment and start of the business operation. Entrepreneurs' management skill implies maintaining of accounts, financial control, investment, employment, organizational structure, production and distribution plan and able management of employees. The entrepreneur should be well versed in managerial skill, principles and techniques. He should have decision making power and capacity to lead. He should deftly implement the action plan prepared according to the determined principles to accomplish the target. Organizing ability and co-ordination are the essential qualities of an entrepreneur.

An entrepreneur has to acquire various managerial resources, interact with varying groups and has to develop various types of skills among the employees.

Management skills of an entrepreneur consists of following points:

- (1) **Planning Ability:** An entrepreneur shall have the ability to forecast the future position of his enterprise. He should decide the target and goals of the industry keeping in mind the existing opportunities and future challenges. He should accordingly prepare the strategy for his enterprise.
- (2) **Organizational Skill:** The entrepreneur should be a good organizer through organizational skill he prepares an integrated structure of people, their positions, their functions, their power and responsibilities, their liabilities and their inter-personal relations with each other.
- (3) **Skill to lead or Leadership Skill:** Entrepreneur is indispensably is a pioneer of society and his enterprise. The organizations success is assured under his efficient direction. Entrepreneur should have the necessary qualification to guide his employees, to give necessary instruction and information, and to find solution to their problems.
- (4) **Skill to exercise control:** Control implies directing the works and decisions to achieve desired results. The entrepreneur remains alert to achieve the predetermined goals. Entrepreneur is a practical person. He not only prepares plan but implements it successfully to achieve desired results. Thus he should have the ability to constantly evaluate and monitor his works, plans and goals.
- (5) **Decision making ability:** An entrepreneur has to take numerous decisions for the success of his enterprise. He should prepare viable strategy for production, investment, employment, distribution and expansion of his business enterprise. Hence he should have the qualification to analyze the various alternatives to find out the real challenges, to analyze the various alternatives and select the one, which suits him most, or select the one, which is the best among them.

### Important Questions for Examination

1. What do you meant by Management? Explain its elements.
2. What is Management Skill? Explain its different elements.
3. Explain the necessity of Management Skill for an entrepreneur.
4. What do you mean by Management Skill of an Entrepreneur? Explain its importance.
5. Write short note on -
  - i. Administrative Management
  - ii. Financial Management
  - iii. Production Management
  - iv. Marketing Management

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Test your Progress

## MOTIVE FACTORS OF THE ENTREPRENEUR

### NOTES

Entrepreneur is the backbone of industrialization of a nation. His contribution in the Industrial and Economic development of society is immense because due to their innovative work the nation reaches a milestone. Thus it is true that entrepreneurs are the foundation stone of rapid industrial development. It will not be an exaggeration to say that in the absence of entrepreneurs many developing countries blessed with plenty of natural resources and large human power are still backward in the field of industry and commerce.

Famous economist Marshall highlighting the importance of entrepreneurs has said that, "Entrepreneurs are the captain of industry, who is besides being a manager, inventor and prophet is also a builder of economic structure of a nation".

Hence it becomes imperative to understand the importance of an entrepreneurs, which can be explained by the following points:

- (1) **Contributes in the economic development of a nation:** Entrepreneur contributes significantly in the economic growth of a nation. He establishes new industries, utilizes available resources, creates and increases employment opportunities, and helps in increasing the National Income of a country. Hence he plays an important role in the economic development of a nation.
- (2) **Organizes useful resources for the society:** Entrepreneur organizes the productive resources of the society. He collects the various sources of production in a definite proportion and with proper co-ordination at minimum input gives maximum output.
- (3) **Producer of new goods:** Entrepreneur provides new goods to the society. He by his constant new discovery, research and inventions make the production of new goods a possibility and makes arrangement to produce new things for the society.
- (4) **Increase in employment opportunities:** Entrepreneur by establishing new industry and expanding, diversifying the existing one helps in increasing the employment opportunities.
- (5) **Foundation stone of industries:** Entrepreneur is the foundation stone of an industry. He bears risks and faces uncertainties along with carrying out managerial functions. He is a manager, a capitalist, a employer, a planner and also a prophet of industry.
- (6) **Searches new market for the product:** Besides producing and manufacturing new goods he searches new markets for the growth and expansion of his business. He discovers new market and produces goods according to its need and supplies it.
- (7) **Helpful in capital formation:** Rapid economic and industrial development depends on capital formation. Entrepreneur helps in increasing capital formation. By establishing new industry he makes effort to increase employment, income and saving. This leads to increase in rate of capital formation.
- (8) **Base of commercial activities:** In fact, entrepreneur is the base of all commercial activities. It is the entrepreneur who produces new goods by establishing new industries. This activity leads to more commercial activities.
- (9) **Encouragement to Research and Development:** Entrepreneur besides being a promoter of industry is also an innovator. This encourages research and development, which ultimately is beneficial for the society.
- (10) **Change in social structure:** Through innovation, the entrepreneur is also helpful in bringing change in social structure. He by manufacturing new goods, applying new

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techniques, introducing new technology, creating new market, discovering new market and establishing industries in new regions, areas, takes society on the road of progress and prosperity.

- (11) **Encouragement to innovations:** Entrepreneur is basically an innovator and creator of new goods, new ideas, new markets and new production techniques. For this he carries out research and development programmes which raises the standard of living of the society.
- (12) **Encouragement to economic development:** Entrepreneur is the fundamental base of all economic development. The economic development of a country is the result of entrepreneur development. Entrepreneurship helps in implementation of economic plans of a country.
- (13) **Removal of poverty:** Entrepreneur establishes new industry, which creates employment opportunities that helps in providing employment to the unemployed.
- (14) **Dynamic agent:** Entrepreneur is a dynamic agent of any economic system. He through his commercial activities and innovations provides dynamism to all economic systems that boosts economic development.
- (15) **Catalyst element:** Entrepreneur plays the role of catalyst element. Because of this wealth and capital in society is created and we witness a sharp rise in wealth creation as resources of a country are optimally utilized.
- (16) **Establishment of new industrial organizations:** Entrepreneur do not keep themselves limited to establishing one or two or three industries but continues to keep this activity in practice and the process gets momentum with passage of time. More and more industrial organizations come into being which prepares an atmosphere of industrial development in a country.
- (17) **Expansion of existing enterprises:** Entrepreneurs establish new enterprises but they also keep on expanding the existing enterprises under their control, so that the existing units too keep pace with the development process.

#### Role of Entrepreneur As an Innovator

Famous scholar Peter F. Drucker has remarked that, Entrepreneurs do something new creates something different. They bring in change and transformation in values. Each entrepreneur enter into the market with a dream of launching something new. Thus whenever an entrepreneur thinks of establishing an industry he carries market survey to know the nerves of consumers, make research on the availability of resources and strives hard to give something new to the consumers. He creates conditions for innovation in following manner.

- (1) **Searching new market:** Whenever an entrepreneur bring in new product he also fulfills his duties that is, search for new market. By new market we mean, where the new goods would be sold. He accordingly decides about the product to suit the taste, fashion and category of consumers. To supply consumer oriented goods become the priority of the entrepreneur.
- (2) **Introduction of new goods:** Entrepreneur as an innovator, first of all introduces the new goods to the consumers. Accustomed to the use of old product consumer expects something more from the new chain of production and the entrepreneur successfully does this work.
- (3) **Beginning of new process of production:** When the entrepreneur carries out the important task of bringing new product in the market according to the expectation of the consumer, he definitely tries to bring modification in the process of production to provide quality product. Thus he lays the foundation of introducing new process in production methods.

- (4) **Discovers the new source of raw materials:** When decision to produce new goods with new techniques or process is taken, then the entrepreneur focuses his attention towards the discovery of new alternate source of raw materials than the existing one.
- (5) **Development of new forms of industrial organization:** Public undertakings are considered the biggest form of industrial establishments. Hence its organisational structure too is very solid. But it has one major defect, as it is not very elastic. In other words no changes can be introduced according to the needs of the enterprise. Whereas an entrepreneur when brings in innovations, he selects that form of organizational structure that suits his industrial organization the most and continues to strengthen it further.

Thus an entrepreneur functioning as an innovator carries the important responsibilities and duties to prove himself useful to the common man and society as a whole.

### **Entrepreneur as a Generator of Employment Opportunities**

A renowned scholar's view gains significance that, "in a developing country, the entrepreneur is the provider of employment opportunities", because a progressive entrepreneur in true sense is the creator of employment opportunities. He makes new experiments, starts new industry and thereby creates new employment prospectus. Following points further clears the viewpoint.

- (1) **Establishment of new industry:** When the entrepreneur decides about his goals he starts establishing new units of production. When new industries are established in new areas then the people of that particular area, region, town gets employment.
- (2) **Full exploitation of resources:** A successful entrepreneur is also known and recognized as a creator as he fully exploits the available resources for productive gain, so that he may not incur loss. He gets the direct benefit in the form of increase in employment opportunities.
- (3) **Development and expansion of existing units:** When the established units start production according to the expectation of the entrepreneur, then he focuses his attention towards expansion and diversification. He makes plan for hundred percent exploitation of resources and maximum production. Thus expansion and diversification exercise leads to more creation of employment opportunities.
- (4) **Use of modern techniques:** It was often considered that adoption of modern technology will lead to more unemployment but it proved wrong in Indian context. It was found that adoption of new technology increased the employment opportunities for both skilled and unskilled work force. Thus entrepreneur by adopting modern technology and state of the art production methods have fulfilled his responsibilities as the creator of employment for the overall development of a nation.
- (5) **Re-investment of profits:** Remuneration of an entrepreneur is considered as his profit, which is also known as income. But entrepreneur pays Income Tax. If by his skill an entrepreneur increases his income, the tax proportion or quantum of tax too increases, to save taxes he further invests the income for starting new unit to get tax relief benefit. This new unit further generates employment opportunity.
- (6) **Revival of sick units:** Entrepreneurs not only establish new enterprises but also have helped in reviving sick units or industries, which were on the threshold of closure by some reason or the others. He finds out the reason, why and how the units became sick? And finds solution for its revival. He replaces the old and worn out machineries and installs modern state of the art technology to make it a viable unit which provides employment to many.

Thus an entrepreneur by creating employment opportunities plays an important role in economic development of a nation.

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## Entrepreneur as a Catalyst Agent of Economic Development

An entrepreneur is considered as a catalyst agent of economic development of every nation. For the rapid economic development of a country, the development of entrepreneurs is a necessary pre-condition. Only by developing entrepreneurial ability many socio-economic problems of a country such as unemployment, poverty, economic disparity, low production, low standard of living etc. can be solved and an utopian society can be formed. Entrepreneur is a catalyst agent of economic development, can be proved by the following points:

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- (1) **Provides dynamism to economic development:** A country where more entrepreneurs live, makes rapid economic development. Because of this individuals who are always in look out of opportunities both commercial and industrial set up, new industries and strive hard to exploit the available resources at their command to the maximum to derive benefit which encourages industrial activities.
- (2) **Optimum use of resources:** The natural and human resources such as natural wealth, raw material, minerals, human skills and resources etc are optimally utilized for productive purpose with the growth of entrepreneurs. Entrepreneur by his management skill utilizes the unused resources lying idle and put to constructive utilization which increases national productivity.
- (3) **Balanced development:** At national level we find vast differences in development among the states whereas at state level we witness disparities in growth prospects in various districts. Entrepreneur establishes industry in such locations where there is hardly any facilities exists. Thus with the establishment of a new industry infrastructure development starts taking place, many ancillary and small cottage industry comes into being to cater to the needs of Heavy Industries. Thus the benefit of development percolates to a great number of people and area leading to balanced development of a nation or state.
- (4) **Helps in capital formation:** Entrepreneur is such a factor, which helps in reinvesting the saving of the people in productive activities, which creates capital formation. Capital formation is an important economic problem of each nation. Entrepreneur by increasing commercial activities boosts the rate of capital formation.
- (5) **Increase in employment opportunities:** With the growth of entrepreneurship, more and more industries come into existence, which increases the opportunities of employment.
- (6) **Essential organ of modern production system:** The present day production is based on further demands. The condition of market, inclination, liking of customers and fashions keeps on constantly changing with time. The process of production and techniques too are becoming complex day by day. In such volatile situation, only the entrepreneur can demonstrate his mettle and ventures into unknown production field and becomes an important instrument of economic prosperity.
- (7) **Contributes in National Development:** Entrepreneurs uses the available natural resources of the country and utilizes it for productive purpose. He has to give his full co-operation and support for creating an ideal social structure. By optimally utilizing the natural resources of the country and by providing opportunities of employment, he helps in raising the per capita income of the people which in turn increase the national income. Thus by playing such a pivotal role an entrepreneur fulfills his social responsibilities and duties.

Available facilities and motivation for the Development of Entrepreneurship

In our country various facilities and motivation have been provided for the all round development of Entrepreneurship.

- (1) **Creation of Industrial Regions and Industrial Belts:** To encourage industrial entrepreneurship, the administration motivates individuals to start industry in various regions. Facilities of Transportation, Banking, Godowns, Warehouses, Electricity, Training, research Laboratories etc. are developed by government to attract entrepreneurs. In the backward areas District Industries Centre, Laghu Udyog Nigam, State Development Corporations, Directorate of Industries develops basic infrastructure facilities.
- (2) **Development of Training Facilities:** Government organizes Training and motivational programmes to develop entrepreneurial ability among the entrepreneurs through its various institutions, management schools, technical schools and professional vocational institutions.
- (3) **Managerial Development:** Government through Industrial Finance Corporation of India established Management Development Institutes, to solve the management problem of entrepreneurs and develop managerial abilities in them, which is in operation since last 15 years.
- (4) **Interest Grant Schemes:** The main objective of Interest Grant Scheme is to motivate unemployed youths and women entrepreneurs for self-employment and adoption of quality control methods.
- (5) **Development of Vocational and Technical Education:** To impart quality employment oriented technical and commercial education to new entrepreneurs, the government established Technical and Vocational Educational institutes. These institutions are showing keen interest to make the college education entrepreneurial oriented too.
- (6) **Government Grants:** With an objective to encourage establishment of industries in backward regions and reduce the capital investment in industries and promote export, the government is providing economic aid to industries in the form of grants.
- (7) **Revival of Sick Industries:** Government is making serious efforts to revive sick and closed industries and industrial units by framing laws and providing financial help.
- (8) **Advertisement and Publication of Literature:** Government by publishing various books, literature and pamphlets trying to create awareness among its citizens to start new industries and providing them information about various facilities and programmes available for it.
- (9) **Research and Development:** Government is continuously encouraging Research and Development in various areas of production and distribution.
- (10) **Encouragement to Women Entrepreneurs:** Government has made efforts to create awareness among the women entrepreneurs. Special package and grant schemes have been launched through District industries and Trade centers to bring the women at the forefront of economic development and make them self-reliant.
- (11) **Standardization of Goods:** To encourage production Government provides facilities for standardization of goods. Indian Standard Institute (ISI) of G.O.I. is functioning in this area. This institute does research in quality control.
- (12) **Policy to purchase finished and semi-finished product:** Government has assured industries established in backward regions to purchase their finished and semi-finished goods produced by them for a particular fixed period at a certain fixed price.
- (13) **Preparation of Industrial Maps:** District Industries Centre and Directorate of Industries is preparing Industrial maps collecting information from various regions and districts about the possibilities of industrial development to help the entrepreneurs in procurement of raw materials, labour, industrial commodities etc.

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- (14) **Entrepreneurship Development Programmes:** Various Entrepreneurship Development Programmes are regularly conducted to develop required qualities and determine the possibilities of entrepreneurship abilities among the educated youths.
- (15) **Export-based unit scheme:** Under this scheme the units are free to produce tools, raw materials, components, consumable goods etc. meant for export. No tax or excise duty is levied on such items. Such units have to export all their produced items and have to earn 1% of the total export in the form of minimum Net Foreign Exchange.
- (16) **Encouragement to Foreign Investment:** To promote and encourage foreign investment, government has set up Foreign Investment Protection Board (FIPB), Foreign Investment Protection Council (FIPC), Foreign Investment Implementation Authority (FIIA).
- (17) **Special Schemes:** Various special schemes and programmes have been started for the speedy development of entrepreneurship in the country. Among them following schemes are most important eg. Self-Employment Schemes, Central Grants Schemes, Margin Money Scheme, Gramin Kargar Yojana (Rural Workmen Scheme), Gramin Rozgar Karyakram (Rural Employment Programme), Government Purchase Scheme etc.

**Important Questions for Examinations**

1. Define Entrepreneur and explain its importance.
2. Explain the role of entrepreneur in the present Economy.
3. What are the motivational factors of an entrepreneur and explain its importance?
4. "Entrepreneur is a generator of employment opportunities". Explain.
5. Describe the role of an entrepreneur in the Economic Development.
6. What are the incentives and subsidies given to an entrepreneur in India for Development of Entrepreneurship? Explain.



**Test your Progress**

## PROBLEMS OF THE ENTREPRENEUR

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### Meaning of a Problem:

When we find or feel an obstacle in the fulfillment of our objectives, we term it as a Problem. Problem arises when we either loose or find something more or less than our expectations. Every time the problem does not come single handedly. But it brings with it many opportunities also. That's why it is important that the problem should be observed carefully and its appropriate solution must be sought after. So that we may keep up-coming problems at the bay, and also find new opportunities. Problems are broadly classified into two major groups:

1. First category consists of those problems, which are unexpected.  
*For example* - The resignation of an important candidate or the absence of any significant person in a meeting or a sudden strike in a factory etc.
2. The second category consists of those problems where we want to change our present circumstances, but there are many obstacles and problems that do not allow us to complete the task. That's why it is often called as the "Problem of achievements". The second problem is again sub-divided into three parts:
  - (a) Those problems where we are unable to reach our present target.  
Example: Sale or Production target.
  - (b) Problems where our present target could have been enhanced due to better work potential. But it could not happen.
  - (c) How can we stimulate people's mind to think creatively with the help of brainstorming?

### Basic requirements for solving a problem -

During the solving of problems all those works are included which help in removing the obstacles. But to find the solution of all types of problems and getting a suitable solution of every problem is not possible until and unless the person does not have rational thinking. Any entrepreneur or organizer can become a good decision maker only if he increases his imagination power. So that he be able to handle all his assignments well without connecting his problems to the past, also he find easy methods of maintaining good balance between the problems and the new ideas that are required to solve the problems.

If we want to increase our potential of creative and rational thinking in solving the problems, we must take care of the following:

- (a) What are the problems / barriers in the way of creative thinking?
  - (b) How can the potential of creative thinking be increased?
  - (c) For the development of new thoughts, how can the brainstorming of the general public be done?
- (a) **Barriers to Creative Thinking**

In the path of creative thinking there can be obstacle due to many reasons.

**Example:** The mental preparation, restriction of mind for certain limits. So that other independent thoughts are not able to come in, having pre-assumptions about a particular thing. All things should be avoided like, coming to a conclusion very quickly without

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rational thinking, pre-assumptions of "What others would think" etc. In reality no person can think creatively until and unless he comes out of the above given barriers.

**(b) Developing Individual Capacity for Creative Thinking**

To increase the individual potential of creative thinking, the best way is that entrepreneur or the organizer understands those factors inside him, which have maximum impact on his thinking.

**Example:** His family environment, his education, his special attachment towards caste or place, person or thing due to which he is forced to follow a certain path. Along with this his past experiences, old strategies, his rules, regulations also should be studied carefully because they are barriers, which do not allow him to inculcate new thoughts. Any problem solver or judicial person should constantly check that in what conditions his pre-assumptions come true.

It is also important for him that he does not think on the same pattern, so that there are variations in his thoughts. It is important that our mind must be open and independent so that it can work independently so that new and different thoughts are produced from it. We must keep ourselves in such situations that our mind is compelled to think differently.

For any specific person to think creatively, it is important that he keeps a balance between "origin of new thoughts" and "examination of new thoughts" because if it is not done then he ends up fearing that his thoughts are not mixed up. He won't allow new thoughts to grow in his mind. The worst part in the creative development of mind is that the entrepreneur or organizer starts making pre-assumptions in his mind.

**Example:-**

- (1) "This cannot be successful".
- (2) "We have done it before and it has failed".
- (3) "It is quite risky".
- (4) "It would require more input and so customer, higher authority or employees would be angry etc."

Because of all the above-mentioned reasons we don't let the new or optional thoughts come in our mind and so our thinking is restricted.

**(c) For the Production of New Thought**

One good method is that we must use the collective capacity of the group of people to develop new ideas by "brainstorming". To keep these thoughts in option, it is important that we take into consideration the thoughts of the general public.

During that time it is important that we don't give any good or bad reactions because if it happens, people would be reluctant to give their true opinions and thus we won't be able to get the general view of the people. First of all, these must be collected and examined so that out of them the "best one" is accepted.

**SOLVING PROBLEM**

Any industrialist or organization needs to go through the following steps to solve his problems -

**1. To develop an attitude for solving problems :**

To solve any problem, a person needs to show a keen interest into its solutions and he must constantly seek its solutions. Basically a person shows three types of interests or tendencies:-

- (i) Those category of people who show interest from their own side in solving a

problem and give pressure to their mind to find out the best options that are suitable and required.

- (ii) Those category of people who show procrastination or postpone their work. These people always hope that somebody else will find out the solution of a problem. In these kind of persons, the tendency of classification of problems based on their positive and negative points and finding out its solutions keeps on decreasing because they are showing less interest.
- (iii) Third kind of people are those who are neither interested in solving the problems by themselves nor they ask anybody to solve the problems. Thus they end up creating problem for others. Due to this habit, instead of solving any problem, they create problems for the other people, those who are already interested in solving a problem. They do this even if it creates a problem for themselves only.

## 2. Identifying the problem and its seriousness:

During solving the problem, it is important that the person fully understands them because some problems seem easy but basically they are not so easy to deal with. They may be just its symptoms not the entire problems. Thus without knowing the problem from the depth, it is not so easy to seek its appropriate solution.

**Example:** For a person who has high fever is a disease but for the doctor, it is just the irregularity in some part of the body because of germs. That is why the doctor tries to identify the root cause of the fever; similarly loss in a factory or strike by its employees is not a problem. That is why it is important for the person to understand the root cause of a problem in order to solve it in an appropriate manner.

During solving of a problem, it is also important to know the seriousness of the same and the manner in which the problem is to be solved.

- (i) Urgent action is needed
- (ii) Or action can be taken after few hours or days.
- (iii) Or it is a problem where urgent action is not required as of now.

For any entrepreneur, it is important that the problems are divided into three parts as explained above so that he solves the same based on the urgency or need to solve the same.

## 3. Describing or defining a problem:-

Describing the problem and recognizing the same fully is the most important task because-

- (i) Finding out the solution for an unrecognized or unidentified problem is waste of time.
- (ii) Finding out the right solution for the wrong problem is useless because what is wrong is always wrong.

To solve a problem correctly, it is essential to define the problem in words or classify it in as many correct ways as possible so that the problem becomes more clear and easy to understand.

**Example:** The best example is the way our doctor puts number of questions about pain / health disorder during preliminary clinical examination. The doctor asks about our family history, life style etc, so that he understands our pain / health disorder thoroughly and analyze the same before suggesting for further investigations or the course of treatment to cure the same.

Similarly, during a strike the entrepreneur wants to know, what are those causes due to which his employees are unsatisfied, so that he successfully finds out the solution for

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them. Classifying a problem is useful only if the person involved in solving them, takes maximum information about it, and uses them accordingly and takes their use in solving them.

**4. Preparing list of possible causes:**

To understand a problem, it is important that we know every reason related to that problem. So that we make a detailed list of that and it can help in solving the problems of other types in future. During the preparation of this list find out as many reasons as possible and know the details of every kind of causes because during the primary stage we don't know, which cause is really responsible for this problem.

As we have already mentioned we must think more creatively during the preparation of the list and we must not have any pre-assumptions in mind during the preparation of this list because if it happen then we would take the pre-assumed cause and not try to know the real cause.

**5. Testing or evaluating possible causes:**

During the preparation of the problem list, the entrepreneur needs to know all the causes and also test them, which is the root cause of all problems. If we know the details of the causes we can know the before and after effects of these problems.

**Example:** Our doctor never prescribes a medicine until and unless he conducts various tests - Blood test, Urine test etc.

Similarly an entrepreneur must investigate first to know the right reasons and causes of a strike before going for a solution.

**6. Developing alternative solutions for problems:**

After the identification and examination of problem only, the various options of its solutions can be given. To prepare this list we must take as many options as possible and take the advise of as many people as possible. In this regard once again the opinion of the general public and their mental make-up can be beneficial. Whenever we are not able to think of an appropriate solution, then an alternative solutions comes in front of our eyes, then whatever alternative solution comes we accept it as right solution and thus may remain deprived of from an appropriate solution.

Also whenever we think of only one solution for a problem, then we must try to find out other solution also. Because that one solution can sometime gives rise to a new kind of problem.

**Example:** If an entrepreneur is dealing with only one person for his sale and suppose his relation with that organization become sour, then he has no other option but to go in loss. That's why we must constantly think creatively, so that we are always be able to get alternative options.

**7. Understanding and comparing solutions with objectives:**

After the list of options is prepared, the person should compare it and find the final best option so that all the useless options are deleted / omitted.

**8. Deciding to implement the solutions:**

After finding the solutions of a problem it is advisable for the organizer to implement it well so that the goal is reached. For doing this it is important to know how much the prescribed plan is beneficial, for how many days it will work, what are its impacts on other processes. All these information must be collected before hand, because one solution, if not good, can give rise to different other problems.

**9. Anticipating problems that are likely to arise in future and making preparation for solving the same:**

For a problem, no solution is the ultimate solution. In future, any other problem can arise due to a specific solution. That is why, it is advisable for the people concerned that they make themselves capable of solving those problems which may arise due to that particular solution.

He must be capable of guessing, what could be the after affects of a particular solution and how to deal with them in future?

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## **Problems of Entrepreneur**

At the start of any business people pray for its success. Any trade has its own specific characteristics but it needs to change itself according to times.

In order to become a successful entrepreneur, whether the trade / business is small or big it needs to be managed with the right interaction. Because an entrepreneur basically deals with new products, he also takes the risk of presenting it in a new way.

As such every business measure has certain problems and no entrepreneur is untouched with them. He has to deal with personal organizational and other outer problems. If we classify these we find that personal problems can be due to taking less risks, insufficient education or family problems or technical problems. But in modern time an entrepreneur has to deal with not just the personal problems but also many other different kind of problems. That's why the problem of entrepreneur can be broadly divided into two types -

- (1) Problems of primary stages
- (2) Problems faced after the entrepreneur has reached certain stage.

It is known that an entrepreneur carries problem right from the beginning, because the field in which he is entering is full of new experiences and he doesn't have adequate knowledge of them. The general problems faced by an entrepreneur are -

### **Problem of making the Project**

When an entrepreneur is about to establish a project, then it is important for him to make a plan and then progress further because he needs to know the estimate of loan taken, electricity connection, registration of the project. He needs to talk to people and gain knowledge and information because he himself is not trained in it. Therefore it is important for him that he prepares the project keeping in view his own future.

### **Problem of collecting the initial amount of Money**

An entrepreneur faces the initial problem of money. He thinks of taking it from friends, relatives etc. because he himself is in hand to mouth condition. He finally thinks of arranging a loan, because the different opportunities given by the Govt. may help him in procuring loan. But it is again a long-term tiring and pitiable process. Thus, in the beginning an entrepreneur faces the problem of collection of money.

### **Problem to get a place in Industrial Area**

An entrepreneur needs to create his own place and establish his own recognition. If the entrepreneur is doing production of related work, it is important that he keeps his project in the right industrial area. For which he has to get the land from the industrial center of that district. After many legal formalities, an amount is deposited. It is not necessary that the entrepreneur gets the place or land of his choice because sometimes the clerks or employees of that center may misguide him and thus he fails to get an area of his choice and thus it becomes a serious problem.

### **Problem of getting N. O. C.**

An entrepreneur, before putting his project requires "No-objection" certificates, which is not easy to get in present time, because during this procedure the entrepreneur needs to give the authorities under-hand money which they demand. The main reason for this is that

the department from which he has to get a "No objection certificate" requires so many information or documents which a new entrepreneur cannot fulfill them. So he better give "short cut money" and gets the certificate and thus saves himself from all the headache.

### **Problem of Family Background**

The biggest and basic problem in front of an entrepreneur is his image. If he has an industrialist background then it is not a big problem because he has already seen all the problems for members of his family. But if he does not have an entrepreneur background then he faces many problems.

### **Problem of Raw Material**

The problem of raw material is also a problem for an entrepreneur because from where and how to get the raw material is a serious issue as production depends on raw material. Thus to get regular supply of raw material undisturbed, is a significant issue for a new entrepreneur.

### **Problems of Power**

After starting a project the entrepreneur should concentrate fully on the arrangements of power. He has to take the legal commercial power connection for which there are many kinds of legal formalities. To deal with these formalities becomes difficult for the entrepreneur because of the present method of working at the offices. That is why an entrepreneur should concentrate on arranging undisturbed power supply for his project.

### **Problem of Registration**

All those entrepreneurs who are starting a new project should do their registration, because in future many higher authorities would check it from time to time. They would also demand the required or related documents. Thus the registration should be done. For this they need to take rounds of different offices and due to the complex procedure of offices, he face a lot of problem.

The above-mentioned problems compel the entrepreneur to struggle in the beginning and at the same time after establishment they give rise to following problems:

### **Problem of Capital Formation**

The entrepreneur needs a good amount of capital for his business and he personally tries to get it. But when he runs a short of it, he goes through the different financial policies of the government. For this he has to go through certain legal formalities and he has to present the format, which shows the increase in his business. Based on this, it is decided that how much finance needs to be arranged in this way. After all these formalities, then coded finance is made available to him. But in this procedure, the entrepreneur faces many problems. So he must invest carefully.

### **Problems of Labour**

An entrepreneur needs good and trained labourers to run his project successfully. In the present time, an entrepreneur faces many problems in retaining these labourers. In the beginning, first of all, the labourers and officers are not honest and even they are honest, they demand more wages. Even if that is done, they leave the job for a better-paid company, which creates a problem for entrepreneur. Since the entrepreneur has trained them for his work, it becomes very difficult for him once they leave his project, to recruit new person readily.

Thus an entrepreneur should appoint officers and labourers very carefully.

### **Problem of Availability of Infrastructure Facilities**

An entrepreneur should establish his project at a place where there is availability of sufficient infrastructure facility. Because the success of such projects depends on the

availability of electricity, water, transport, communication, storage etc. Therefore it is said that the entrepreneur will face the problem because of any facility, which is unavailable.

### **Lack of Marketing Facilities**

An entrepreneur faces the biggest problem of marketing. If the entrepreneur does not have good marketing facilities, then he faces a lot of problem. He has to do the marketing of his goods at other different places for which he faces many transportation facilities also. Therefore it takes a heavy toll on him and so the entrepreneur should take special measures to deal with them.

### **Problem of old Technology of Production**

An entrepreneur faces the biggest problem when the production is not at par with time or the quality of raw material gets affected due to technological problem. Therefore he should be aware of the complex technologies of today's business. He should know all the financial and technological problems. Apart from this he should be aware of the latest information in the changing environment because without them no one can ensure success to his organization.

### **Problem of Late Payment**

In modern time, the entrepreneur sometimes sells his raw material or products on credit. But even at a due date, he does not get payment in time. But the merchants and businessmen keep on extending the date of payments and it becomes difficult for the entrepreneur to get back his payments and suffers a lot.

### **Exploitation of Property Brokers**

Mostly, property brokers exploit new entrepreneurs. He faces problems related to buying and selling of property. When these deals are not done at the right time, they create problems. The property brokers demand more money and blackmail him that is why the entrepreneur gets exploited due to lack of support from their side.

### **Problem of Government Policies**

The entrepreneur faces big problems of government policies, which are related to his business. Because the development policies, programmes and targets of government becomes a hurdle in entrepreneurs development. The entrepreneur's development depends on the financial and industrial policies of the government. Therefore changes in the government policies from time to time act as an adverse effect on entrepreneur's development because each government changes its policies from time to time.

### **Problem of Consciousness towards Social Environment**

The social environment is made up of human desires, mental level, ethics and customs. The entrepreneur cannot ignore them. In fact no body can become a successful entrepreneur after neglecting them. Thus an entrepreneur has to do his duties towards the society, he has to accept social customs and practices and make a balance between it. The creation of a "Social attitude" is an important problem.

### **Problem of Proper Use of Capital**

The entrepreneur faces a problem of building a complete capital structure. He has to act with logic so that he can invest minimum capital and get maximum return. But he has to find out the different sources of getting the input and choose the best source at the same time he must make the plan of the maximum utilization of the capital.

### **Social Use of Economic Power**

The entrepreneur can earn maximum profit and establish his financial dominance in the market. Many can exploit those who have financial dominance, but from the social point of view, financial dominance should be used for the benefit of the society. The entrepreneur

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has to earn gains keeping the benefits of the society above everything. The balance between profit and social service becomes a major problem.

### Minimum Social Costs

Due to the setting up of new entrepreneur projects in society, pollution, deterioration of human values, ecological imbalance, business injustice, polluted environment etc., are common. The entire society is in problem, because of the above-mentioned impacts. Thus entrepreneur development must be done keeping in mind that the social equilibrium are not disturbed.

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### Time Management

The entrepreneur has to do complete work in a planned way. Bringing the raw material from the market, taking the finished product to the customers, all these should be done on the right time.

### Problems of Management and Administration:

Thus an entrepreneur has to make all the efforts to develop his enterprise and when the business or enterprise get expanded he requires to appoint staff to look after the interest of his enterprise such as accountant, supervisor, storekeeper, guard etc. These people help him in running his enterprise smoothly. But the entrepreneur cannot keep his eyes on their activities always. He has to rely on their trust and faithfulness and believe on them to a certain extent. In this way an entrepreneur also faces the problem of management and administration of his enterprise.

### Problems of Ownership

An entrepreneur expands his project with time and increases his capital potentials also. At this point, he faces problem of tax also. The entrepreneur sometimes involves his family members also in order to save tax. This becomes a major problem for him in future, as he has to overcome with the problem of Proprietorship too.

### Other Problems

It would be correct to say that an entrepreneur is made up because of problems and he carries himself forward, because of problems. All types of the above given problems such as family, social, political problems take a heavy toll on him from time to time, which he has to solve and then only he can move further and become a successful entrepreneur.

### Important Questions for Examination

1. What do you mean by Problems? How can you solve it?
2. Explain the main elements of solving problem.
3. Discuss the main problems of entrepreneurship.
4. How should an entrepreneur solve the problem? Explain.
5. What is problem? How should be understand it? Explain.
6. Explain the problems of an entrepreneur in primary stage of Business.
7. Explain 10 important problems faced by an entrepreneur in Business.
8. Write short notes on -
  - (1) Problem of Capital
  - (2) Problem of Power connection
  - (3) Problem of Management and Administration
  - (4) Problem of Registration

Test your Progress

