SECTION – A ENTREPRENEURSHIP

1.

- Introduction
- Concept /Meaning and its need
- Qualities and functions of entrepreneur and barriers in entrepreneurship
- Sole proprietorship and partnership forms and other forms of business organisations
- Schemes of assistance by entrepreneurial support agencies at National, State, District –
- level, organisation: NSIC, NRDC, DC, MSME, SIDBI, NABARD, NIESBUD,
- HARDICON Ltd., Commercial Banks, SFC's TCO, KVIB, DIC, Technology Business
- Incubators (TBI) and Science and Technology Entrepreneur Parks

2.

Market Survey and Opportunity Identification/Ideation

- Scanning of the business environment
- Salient features of National and Haryana State industrial policies and resultant business
- opportunities
- Types and conduct of market survey
- Assessment of demand and supply in potential areas of growth
- Identifying business opportunity
- Considerations in product selection
- Converting an idea into a business opportunity

3.

Project report Preparation

- Preliminary project report
- Detailed project report including technical, economic and market feasibility
- Common errors in project report preparations
- Exercises on preparation of project report
- Sample project report

SECTION –B
MANAGEMENT

4.

Introduction to Management

- Definitions and importance of management
- Functions of management: Importance and process of planning, organising, staffing,
- directing and controlling
- Principles of management (Henri Fayol, F.W. Taylor)
- Concept and structure of an organisation
- Types of industrial organisations and their advantages
- Line organisation, staff organisation
- Line and staff organisation
- Functional Organisation

5. Leadership and Motivation

a) Leadership
- Definition and Need
- Qualities and functions of a leader
- Manager Vs leader
- Types of leadership
- Case studies of great leaders

b) Motivation
- Definition and characteristics
- Importance of self motivation Factors affecting motivation
- Theories of motivation (Maslow, Herzberg, Douglas, McGregor)

6.

Management Scope in Different Areas

a) Human Resource Management
- Introduction and objective
- Introduction to Man power planning, recruitment and selection
- Introduction to performance appraisal methods

b) Material and Store Management
- Introduction functions, and objectives
- ABC Analysis and EOQ

c) Marketing and sales

- Introduction, importance, and its functions
- Physical distribution
- Introduction to promotion mix
- Sales promotion

d) Financial Management

- Introductions, importance and its functions
- knowledge of income tax, sales tax, excise duty, custom duty, VAT, GST

7.
Work Culture

- Introduction and importance of Healthy Work Culture in organization
- Components of Culture
- Importance of attitude, values and behaviour
- Behavioural Science – Individual and group behaviour.
- Professional ethics – Concept and need of Professional Ethics and human values

8. Basic of Accounting and Finance

a)

- Basic of Accounting:
- Meaning and definition of accounting
- Double entry system of bookkeeping
- Trading account, PLA account and balance sheet of a company

b)

- Objectives of Financial Management
- Profit Maximization v/s Wealth Maximization

9.
Miscellaneous Topics

a) Total Quality Management (TQM)

- Statistical process control Total employees Involvement
- Just in time (JIT)

b) Intellectual Property Right (IPR)

- Introduction, definition and its importance
- Infringement related to patents, copyright, trade mark

SECTION – A

ENTREPRENEURSHIP

INTRODUCTION

Entrepreneurship is popularly understood as the setting up of new business ventures. Everything all around has its roots in entrepreneurship in some way. It is the innermost component in the economic growth. It serves as a critical spur for the money making, introduction of new goods and services, as well as the opening of new markets to innovations.

Entrepreneurship is the philosophy in which an individual is an imaginative and innovative agent with an aspiration for ownership and the right to make proprietary decisions, a body of knowledge. Entrepreneurship on the further hand is the procedure of doing something new or creative or innovative to create wealth for individual and value to the society.

An entrepreneurial approach is appropriate business **management** in general, including the creations of new ventures, managing one's own business, business with family members, government or public institutions, charitable and non-profit **organizations** as well as the professional team.

MEANING OF AN ENTERPENEUR

An entrepreneur is an individual who creates a new business, bearing most of the risks and enjoying most of the rewards. The process of setting up a business is known as entrepreneurship. The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services, and business/or procedures.

Entrepreneurs play a key role in any economy, using the skills and initiative necessary to anticipate needs and bringing good new ideas to market. Entrepreneurship that proves to be successful in taking on the risks of creating a startup is rewarded with profits, fame, and continued growth opportunities. Entrepreneurship that fails results in losses and less prevalence in the markets for those involved.

QUALITIES OF AN ENTREPRENEUR

1. An entrepreneur must be able to understand the problems which may arise in the development of an industry easily and make up his mind to make the changes required.
2. The decision must be perfect and without any doubt.
3. The system dynamics gives an overall picture of the set up to be started. The entrepreneur must know that everything affects everything. Any change in the industry or business may affect the overall solution.
4. System dynamics is a tool to understand all kinds of problems and to find out the solution. 5. An entrepreneur must be frank everywhere while dealing with customers and suppliers and all the Government organizations. He must be able to decide, understand and take decision as per the situation of the problem.
6. For an entrepreneur, selection of the product is a very important factor while deciding for the establishment of any kind of industry. It is a crucial decision which may affect the entire working of the business. As per the marketing strategy the selection of the product is done by going through the various factors like (a) Product, (b) Price, (c) Promotion, and (d) Place.
7. He must be competent enough to solve all kinds of problems by negotiation.
8. He must be a qualified person having industrial experience.
9. An entrepreneur must handle all the problems related to the industry while starting the business. He must know how to set up an industry and to decide various factors which may affect the production programme as per the requirement. He should know how to make the project while considering all the factors like raw materials, preliminary expenses, sources of manpower, machinery, land and building and how to run the industry. For this purpose, the entrepreneur must strengthen himself so that there should not arise any problem while producing any item in the industry.
10. He should have a trading experience before starting any kind of business. He must know about the market because production of any item is easy in production hall but to market the product is very difficult. Therefore, he should have a market survey before starting any kind of production. He should know about the requirements in the market otherwise the product whatever is being manufactured may be affected and the losses may occur at later stage.

FUNCTION OF AN ENTREPRENEUR

1. **TAKING INITIATIVE** : **Entrepreneurship is a pro-active activity that takes such actions**, which others can't even perceive. This unique function of entrepreneurship provides our civilization with a wide variety of products, ways of actions, production techniques, etc. Therefore, taking initiative with such end and qualification is the prime function of entrepreneurship in every economy.

2. **ORGANIZING RESOURCES** : Organizing entails identifying those resources that are required to transform a particular idea into reality. The resources include human and nonhuman resources. Organizing in entrepreneurship will increase productivity, promote new ventures, distribute and supervise work and responsibility, and will remove barriers to work. Entrepreneurship, thus, is the taping tool fur assuming indigenous skills and resources for the productive purpose.

3**. IDENTIFYING OPPORTUNITIES AND PROSPECTS** : Entrepreneurship searches those activities of value that have an economic and social contribution. It identifies new opportunities in the socio-economic arena which have got profitable prospects therefore, entrepreneurs are called searchers of hopes into blind spots and this function enormously indebted our society to entrepreneurship.

4**. RISK-TAKING** : Entrepreneurship takes the risk for the new venture. For innovative actions in the field of production technology for new products in a volatile market and new raw materials used in production. Moreover, it also takes the risk for theft, robbery, snatching market fall and hooliganism that may be involved with new entrepreneurship This is a major function of entrepreneurship in developing countries.

5. **DECISION MAKING** : Entrepreneurship is a new initiative therefore, it has to decide multivariate issues that affect new ventures. Entrepreneurship has to decide upon equipment to be used quality, price and its variation, deficiency, capital structure, the feasibility of the project, organizational structure, philosophy of management, etc. that will guide, run and prosper the new venture or distinct attempt for entrepreneurship. We know that **decision-making is a process** and entrepreneurship to make n a success, goes through this process.

6. **TECHNOLOGY TRANSFER AND ADAPTATION** : Entrepreneurship throughout the world brings invented technology from different comers of the world and makes it

appropriate by making required adjustments for local conditions. This function of entrepreneurship involves identifying appropriate technology with market potentials and adapts it into the local environment. Sometimes, the technology uses indigenous materials that reduce cost and wastage of resources. This entrepreneurial function virtually makes the world united in terms of homogeneous technology.

7**. INNOVATION** : Entrepreneurship innovates a new production process or technology, market, sources of new materials, management, strategy or technique, investment opportunity, etc. that Schumpeter (1934) calls as the fundamental characteristics of entrepreneurship. Under the context of the changing environment, the entrepreneur locates the most feasible opportunity for the venture as well as improved or distinct technology that gives competitive advantages or a new opportunity to prosperity. Innovation is a creative means to add new utilities to existing situations or products. Entrepreneurship through innovation creates innovative products or operations for human society.

8. **FOSTERING AUTONOMY** : Entrepreneurship is an exposure of creative faculty that provides personal satisfaction and independence. The unique freedom to think differently is the impetus for entrepreneurship. Thus, entrepreneurship Fosters autonomy to advent something new of value by the application of devoted efforts and time.

9. **SOCIAL RESPONSIBILITY** : Entrepreneurship with its innovative technology somehow promotes human efforts. It restarts closed industries with innovative managerial strategies and techniques . It also motivates new entrepreneurs and attracts them to engage into an entrepreneurial venture. Entrepreneurship provides new products or ideas that give momentum and diversity into society. Therefore, entrepreneurship performs social responsibility that protects the welfare, benefit and economic gain of the society. It also promotes the community standard by providing jobs and amenities.

10. **PUBLIC RELATIONS** : Entrepreneurship is a new venture that requires social acceptance by the regulatory bodies and the public at large. The government, as well as the persons' who will be subject to entrepreneurship, would be convinced through public relations to accept and to allow the entrepreneur to execute an entrepreneurial venture. History tells that many entrepreneurs were disregarded, coerced and even eliminated for their entrepreneurial activities. Failure is costly and therefore, public relation is a significant function of entrepreneurship.

MEANING OF ENTREPRENEUR

The entrepreneur is defined as someone who has the ability and desire to establish, administer and succeed in a start up venture along with risk entitled to it, to make profits. The best example of entrepreneurship is the starting of a new business venture. The entrepreneurs are often known as a source of new ideas or innovators, and bring new ideas in the market by replacing old with a new invention.

It can be classified into small or home business to multinational companies. In economics, the profits that an entrepreneur makes is with a combination of land, natural resources, labour and capital.

In a nutshell, anyone who has the will and determination to start a new company and deals with all the risks that go with it can become an Entrepreneur.

CHARACTERISTICS OF ENTREPRENEURSHIP:

Not all entrepreneurs are successful; there are definite characteristics that make entrepreneurship successful. A few of them are mentioned below:

- **Ability to take a risk**- Starting any new venture involves a considerable amount of failure risk. Therefore, an entrepreneur needs to be courageous and able to evaluate and take risks, which is an essential part of being an entrepreneur.
- **Innovation-** It should be highly innovative to generate new ideas, start a company and earn profits out of it. Change can be the launching of a new product that is new to the market or a process that does the same thing but in a more efficient and economical way.
- **Visionary and Leadership quality**- To be successful, the entrepreneur should have a clear vision of his new venture. However, to turn the idea into reality, a lot of resources and employees are required. Here, leadership quality is paramount because leaders impart and guide their employees towards the right path of success.
- **Open-Minded**- In a business, every circumstance can be an opportunity and used for the benefit of a company. For example, Paytm recognised the gravity of demonetization and acknowledged the need for online transactions would be more, so it utilised the situation and expanded massively during this time.
- **Flexible-** An entrepreneur should be flexible and open to change according to the situation. To be on the top, a businessperson should be equipped to embrace change in a product and service, as and when needed.

- **Know your Product**-A company owner should know the product offerings and also be aware of the latest trend in the market. It is essential to know if the available product or service meets the demands of the current market, or whether it is time to tweak it a little. Being able to be accountable and then alter as needed is a vital part of entrepreneurship.

NEED OF ENTREPRENEURSHIP:

- **Creation of Employment-** Entrepreneurship generates employment. It provides an entry-level job, required for gaining experience and training for unskilled workers.
- **Innovation**- It is the hub of innovation that provides new product ventures, market, technology and quality of goods, etc., and increase the standard of living of people.
- **Impact on Society and Community Development-** A society becomes greater if the employment base is large and diversified. It brings about changes in society and promotes facilities like higher expenditure on education, better sanitation, fewer slums, a higher level of homeownership. Therefore, entrepreneurship assists the organisation towards a more stable and high quality of community life.
- **Increase Standard of Living**- Entrepreneurship helps to improve the standard of living of a person by increasing the income. The standard of living means, increase in the consumption of various goods and services by a household for a particular period.
- **Supports research and development**- New products and services need to be researched and tested before launching in the market. Therefore, an entrepreneur also dispenses finance for research and development with research institutions and universities. This promotes research, general construction, and development in the economy.

BASIC COMPONENTS OF ENTREPRENEURSHIP

INNOVATION

In the concept of entrepreneurship, innovation is the key factor. An entrepreneur adds to the economy in terms of innovation and variation and the degree of these guarantee a positive outcome. They carry out imaginative and unique thoughts on the available situations and bring out something new. It can be in terms of new product, technology, production technique, marketing strategy and so forth.

ORGANIZATION

Being an entrepreneur is basically a one-man-show and in order to run a business smoothly one should have the option to oversee and sort out his funds, his finances, his representatives and his assets. To manage all this, the entrepreneur needs to have organizational skill as a major component.

RISK

In order to facilitate both business and economy, one has to take risky decisions and in entrepreneurship the load is generally upon a single person. Not taking any risk can deteriorate the business whereas taking not so much calculated risks, can cause misfortunes.

VISION

An entrepreneur should be future-focused. If there is no vision, no goal, then the business will not move forward and it will not be profitable. Having a vision gives a future framework to the business – the assignments to finish, the risks to take, the way of life to build up and so on.

TYPES OF ENTREPRENEURS

1. INNOVATORS

Innovators are the types of entrepreneurs who come up with completely new ideas and turn them into viable businesses. In most cases, these entrepreneurs change the way people think about and do things. Such entrepreneurs tend to be extremely passionate and obsessive, deriving their motivation from the unique nature of their business idea. Innovative entrepreneurs also find new ways to market their products by choosing product differentiation strategies that make their company stand out from the crowd. And sometimes it is not just standing out from the crowd but actually creating a new crowd. To say that innovators like Steve Jobs, Larry Page of Google and Microsoft founder Bill Gates were obsessed with their business would be an understatement.

ADVANTAGES OF BEING AN INNOVATE ENTREPRENEUR:

- Get all the glory for the success of the business (and take all the arrows)
- Create the rules
- Face minimal competition during the initial days

DISADVANTAGES OF BEING AN INNOVATE ENTREPRENEUR:

- You will need a lot of capital to bring a new idea to life
- Often face resistance from shareholders
- The timeframe for success is longer
- The ability of an innovative entrepreneur to envision a new way of thinking makes them stand out from the crowd and wildly successful in many cases however it takes significant capital, patience and commitment to bring true innovation to life.

2. THE HUSTLER ENTREPRENEUR

Unlike innovators whose vision is the gas in their engine, hustlers just work harder and are willing to get their hands dirty. Hustlers often start small and think about effort – as opposed to raising capital to grow their businesses. These types of entrepreneurs focus on starting small with the goal of becoming bigger in the future. Hustlers are motivated by their dreams and will work extremely hard to achieve them. They tend to be very focused and will get rid of all forms of distractions, favoring risks over short-term comfort. A perfect example of a hustler is Mark Cuban. He started in business very young selling trash bags, newspapers and even postage stamps and this hustle later created a goldmine which was acquired by internet giant Yahoo!

ADVANTAGES OF BEING A HUSTLER

- They will outwork most
- Tend to have thick skin – they don’t give up easily
- See disappointment and rejection as just a step in the process

DISADVANTAGES OF BEING A HUSTLER

- Usually prone to burn out
- Wear out their team members who don’t have the same work ethic
- Often don’t see the value of raising capital as opposed to just working harder

Even though many hustlers never give up, a lot of them are willing to try anything to succeed which unfortunately means that they have a lot of hits and misses. Achieving their dreams takes a lot longer than most other types of entrepreneurs.

3. IMITATORS

Imitators are the types of entrepreneurs who copy certain business ideas and improve upon them. They are always looking for ways to make a particular product better so as to gain an upper hand in the market. Imitators are part innovators and part hustlers who don’t stick to the terms set by other people and have a lot of self-confidence.

ADVANTAGES OF IMITATORS

- Refining a business idea is easier and less stressful
- You can easily benchmark your performance with the original idea
- Can learn and avoid mistakes that were made by the originator

DISADVANTAGES OF IMITATORS

- Their ideas are always compared to the original idea
- Always have to play catch-up

Taking an existing idea and refining and improving it can be a great way to develop a business. It certainly does not have as much risk as the innovator but it might just not be as sexy.

4. RESEARCHER

Even after having an idea, researchers will take their time to gather all the relevant information about it. To them, failure is not an option because they have analyzed the idea from all angles. Researcher entrepreneurs usually believe in starting a business that has high chances of succeeding because they have put in detailed work to understand all aspects. As a result, these types of entrepreneurs usually take a lot of time to launch products to make decisions because they need the foundation of deep understanding. These entrepreneurs rely much more on data and facts than instincts and intuition. For a researcher, there should be no room for making mistakes.

ADVANTAGES OF BEING A RESEARCHER ENTREPRENEUR

- Plan for as many contingencies as possible
- Write detailed, well-thought-out business and financial plans
- Focus on data and information rather than gut feeling
- Won’t start unless they feel like they know the market
- Will minimize the chances of failing in the business

DISADVANTAGES OF BEING A RESEARCHER ENTREPRENEUR

- Typically moves slow
- Doesn’t like risk and that can hamper progress in a new venture

Even though these types of entrepreneurs spend a lot of time researching and digging into the data to ensure the success of their business, they can fall into the habit of obsessing over the numbers and focusing less on the running of the business. Jeff Bezos has spoken against this in a recent letter to shareholders where he asserted that “Most decisions should probably be made with somewhere around 70% of the information you wish you had”.

5. BUYERS

One thing that defines buyers is their wealth. These types of entrepreneurs have the money and specialize in buying promising businesses. Buyer entrepreneurs will identify a business and assess its viability, proceed to acquire it and find the most suitable person to run and grow it.

ADVANTAGES OF BEING A BUYER

- Buying an already established venture is less risky
- Doesn’t have to worry so much about innovation
- Can focus on building on something that has already gone through building a foundation
- Already has a market for your products

DISADVANTAGES OF BEING A BUYER

- Usually pays a high price for good businesses
- Will face the risk of buying businesses that have problems that you think you can turn around

Entrepreneurship Development Program

Entrepreneurship Development Programme (EDP) is a programme which helps in developing entrepreneurial abilities. The skills that are required to run a business successfully is developed among the students through this programme. Sometimes, students may have skills but it requires polishing and incubation. This programme is perfect for them. This programme consists of a structured training process to develop an individual as an entrepreneur. It helps the person to acquire

EDP is an effort of converting a person to an entrepreneur by passing him through thoroughly structured training. An entrepreneur is required to respond appropriately to the market and he/she is also required to understand the business needs. The skills needed are varied and they need to be taken care in the best possible way. EDP is not just a training programme but it is a complete process to make the possible transformation of an individual into an entrepreneur. This programme also guides the individuals on how to start the business and effective ways to sustain it successfully.

OBJECTIVES OF EDP

The objective of this programme is to motivate an individual to choose the entrepreneurship as a career and to prepare the person to exploit the market opportunities for own business successfully. These objectives can be set both in the short-term and long-term basis.

- **Short-term objectives:** These objectives can be achieved immediately. In the short-term, the individuals are trained to be an entrepreneur and made competent enough to scan the existing market situation and environment. The person, who would be the future entrepreneur, should first set the goal as an entrepreneur. The information related to the existing rules and regulations is essential at this stage.

- **Long-term objectives:** The ultimate objective is that the trained individuals successfully establish their own business and they should be equipped with all the required skills to run their business smoothly.

The overall objectives of EDP are mainly to help in the rapid growth of the economy by supplying skilled entrepreneurs. This programme primarily aims at providing self-employment to the young generation.

BARRIERS' IN ENTREPRENEURSHIP

or

CAUSES OF ENTREPRENEURIAL FAILURE

Following factors are responsible for the failure of an enterprise :

1.Management factors

(a) Incompetency10

(b) Inexperiencell in line

(c) Inexperience in management

2.Production factors

(a) Poor raw materials

(b) Lack12 of technical knowhow

(c) Lack of production planning and control

(d) Frequent13 power cuts

(e) Frequent mechanical breakdown!4

(f)Labour problems

(g) Insufficient 15 quality control

SOLE PROPRIETORSHIP

Sole proprietorship1? or individual proprietorship is the simplest and the oldest form of business organisation. It is a business owned and controlled by one person. The individuall? may borrow money and employ assistants for the smooth running of his business. But he alone is responsible for the results of the business. According to Wheeler," the sole proprietorship is that form of business organisation which is owned and controlled by a single individual. He receives all the profits and bears all the risks in the success or failure of the enterprise. Thus sole proprietorship is established, financed, owned and managed by a single individual who bears all the risks and receives its gains.

Salient features of sole proprietorship :
(i) Single ownership14
(in) One man control
(u) Unlimited15 liability
(iv) Undivided risk
(u) No separate legal16 entity17 of the firm

Merits of sole proprietorship :

(U) WHERE THE DEMAND IS LOCAL, SEASONAL OR TEMPORARY I.E. RETAIL TRADE, LAUNDRY,

FRUIT SELLERS ETC.

(VI) WHERE FASHION CHANGES QUICKLY.

(VI) WHERE THE BUSINESS OPERATION IS SIMPLE AND DOES NOT REQUIRE SKILLED MANAGEMENT.

PARTNERSHIP FIRMS

AS A BUSINESS ENTERPRISE EXPANDS BEYOND THE CAPACITY OF A SINGLE PERSON, A GROUP OF PERSONS HAVE TO JOIN HANDS TOGETHER AND SUPPLY THE REQUIRED CAPITAL AND SKILLS. ACCORDING TO PARTNERSHIP ACT, 1932" PARTNERSHIP IS THE RELATION BETWEEN PERSONS WHO HAVE AGREED TO SHARE THE PROFITS OF A BUSINESS CARRIED ON BY ALL OR ANYONE OF THEM ACTING FOR ALL". IN OTHER WORDS, A PARTNERSHIP IS AN AGREEMENT AMONG TWO OR MORE PERSONS TO CARRY ON JOINTLY A LAWFUL BUSINESS AND TO SHARE THE PROFITS ARISING THEREFROM. PERSONS WHO ENTER INTO SUCH AGREEMENT° ARE KNOWN INDIVIDUALLY AS 'PARTNERS' AND COLLECTIVELY AS 'FIRM'.

CHARACTERISTICS OF PARTNERSHIP FIRMS:

(it) Agreement-written or orall

(in) Lawful? business

(iv) Sharing of profits

(u) Unlimited liability

(vi) No separate legal entity of the firm

(vil) Restriction' on transfer' of interest.

MERITS OF PARTNERSHIP FIRMS

The following are the merits of partnership firms :

(1) Ease of formation : A partnership is easy to form. An agreement is necessary and the procedure for registration' is very simple. Registration of the firm is not essential and partnership agreement need not essentially be in writing. Similarly, a partnership firm can be dissolved easily at any time without undergoing legal formalities®.

(2) Larger financial resources : As a number of partners contribute? to the capital of the firm, it is possible to collect larger financial resources as compared to sole proprietorship. There is great scope of expansion or growth of business.

(3) Specialized and balanced approach : Combined abilities an judgment of several partners result in more efficient® management of the business. Partners meet and discuss the problem of business frequently° so that decisions can be taken quickly.

(4) Flexibility of operations : A partnership firm enjoys sufficient flexibility in its day to day operations. The agreement deed can be altered easily with the consent of all the partners. New partners can be admitted or existing partner/partners can exit at any time. The nature and place of business can be changed whenever the partners desire.

(5) Personal interest and supervision : Personal control by the partners increases the possibility of success. Unlimited liability encourages caution 10 and care on the part of partners. Fear of unlimited liability discourages reckless" and hasty action and motivates the partners to put in their best efforts.

(6) Chances of survival more : The survival capacity of the partnership firm is higher than that of sole proprietorship. Risk of loss is distributed among two or more partners.

(7) Better human and public relations : In this system, it is possible to develop personal touch with employees, customers, government and general public. Healthy relations with the public help to enhancel? the goodwill'4 of the firm and pave1s the way for steady16 progress of the business.

(8) Business secrecy : Important secrets of business remain confined to the partners and are unknown to the outside world.

- Expenses
- Profits

NEED OF INSTITUTIONAL SUPPORT FOR NEW ENTREPRENEUR

An entrepreneur interested to start a new enterprise has to face a number problems and may have to run from pillar to post and spent a lot of time and energy, to get his problems solved. Some entrepreneurs may be totally raw and may not have much knowledge on production, marketing and finance etc. Hence such a person has to consult! many experts to gain considerable? knowledge about the project and problems relating to that. For this purpose and to encourage the establishment of new enterprises, the government has constituted and establisher many institutions and boards who extend different types of assistance to the new entrepreneurs in order to solve their problems. Some agencies provide general information about different projects, some provide technical and marketing assistance in specialised areas, some provide technical and financial assistance and also help in the implementation' of the projects.
The entrepreneur has to consult the appropriate organisations, departments or institutions for assistance. In order to help the entrepreneurs, to get information from various sources, the government has constituted various agencies at both the state and

national level. Starting a business or industrial unit requires various resources and facilities. Small scale enterprises find it difficult to manage finances at their own. Recognising it, the government through its financial institutions and nationalised banks has come forward to help small entrepreneurs provide them funds. Availability of the institutional support helps in making the economic environment more conducive to business or industry.

TYPES OF ASSISTANCES AVAILABLE TO ENTREPRENEURS FROM

DIFFERENT AGENCIES

For developing entrepreneurship, different agencies provide various types of assistances that can be studied under the following categories :

(1) Industrial sheds : In every state, the directorate of industries has established industrial estates where industrial sheds are provided to entrepreneurs at subsidised6 rates.

(2) Subsidised power supply: Power is the lifeline? of an industry.

Therefore, preference® is given to small scale industry in providing power connection. In every state, certain small scale units are provided power at subsidised rates.

(3) Registration with state directorate of industries : In order to make the existence of a unit known to different agencies, the prospective° entrepreneurs are supposed to register with the directorate of industries of the concerned state. Only after this registration, an enterprise is eligible to procure' different types of assistance including the financial assistances from department of industries, state financial corporations, various commercial banks, machinery on hire purchase basis from NSC and other assistances to procure controlled and imported raw materials, electric power connections etc.

(4) Financial assistance : The state governments grant liberally? industrial loans on long term basis at concessional rates of interests to the entrepreneurs for acquiring fixed assets like land, building and machinery. Different banks provide short term loans to meet the working capital requirements of the entrepreneurs.

(5) Machinery on installments : For providing indigenous? and imported machines to the entrepreneur on hire-purchase basis, national small industries corporation is operating which has attractive terms of payment at low rates of interests.

(6) Availability of raw materials : In order to ensure fair and equitablet supply of indigenous raw materials often running in short supply, the central government allocates® the quota to the state directorate of industries for distributing the same to the small scale industrial units.

(7) Marketing assistances : Marketing is the greatest problem facing the entrepreneur to flourish® his industry. Small scale industries development organisation helps him to a great extent by conducting market research for marketing his products at reasonable? rates. Another major marketing assistance to the entrepreneurs is provided by helping him to participate: in central or state government stores purchase programme.

(8) Miscellaneous assistance: In addition to the above, the following

facilities are also provided to develop small scale industries :

(i) Exemption° in octroi duties

(ii) Various tax reliefs (sale tax, income tax)

(iii) Subsidy in interest rates

(iv) Distribution of raw materials at subsidised rates (v) Providing free technical know-how.

VARIOUS INSTITUTIONS PROVIDING SUPPORT TO SMALL ENTREPRENEURS

The following are the institutions which provide different types of support to small entrepreneurs :

1. State Financial Corporations
2. District Industry Centers (DICs)
3. Small Industries Service Institutes (SISIs)
4. Small Industries Development Bank of India (SIDBI)
5. National Bank for Agriculture and Rural Development (NABARD)
6. National Small Industries Corporation (NSIC)
7. Small Industries Development Organisation (SIDO)
8. Small Scale Industries Board (SSIB)
9. Entrepreneurial Guidance Bureau (EGB)
    (a) Khadi and Village Industries Commission (KVIC)
10. Technical Consultancy Organisations (TCO)
11. Small Industry Extension Training Institute (SIETI)
12. Small Industry Development Corporation (SIDCO)
13. National Research Development Corporation of India (NRDCI)
14. Technology Business Incubator (TBI)
15. Science and Technology Entrepreneur Parks (STEP)

DISTRICT INDUSTRY CENTRE (DICs)

Governments, both central and state, have in the past taken a number of measures for the development of small and village industries, but the actual achievements' have been far below expectations?. Because the focus of attention for industrial development was mainly on large cities and state capitals. Also the multiplicity? of institutions involved in the development of small industries and complicated* systems and procedures made the job of promoting the industrial units an uphill task for small entrepreneurs. Hence, it was felt necessary to establish a development agency which could provide all services and facilities to village and small industries under one roof. Accordingly, the DICs were established on Mav 8. 1978 in order to cater the needs of small units.

Each district has a DIC at its headquarter. The main responsibility of DIC is to act as the chief coordinator or multi functional agency in respect of various government departments and other agencies. The prospective small entrepreneur would get all assistance from DIC for setting up and running an industry. The metropolitan cities of Delhi, Mumbai, Kolkata and Chennai have been kept outside the purview of the DIC.

Entrepreneurship

ORGANISATIONAL SETUP OF DICS

Usuallv each DIC consists of :

One general manager in the rank of joint director of industries as the head. Four functional managers, of whom three would be in the areas of economic investigation, credit and village industries. The fourth functional manager would be entrusted' with the responsibility in any of the areas like raw materials/marketing/training etc. depending on the specific requirements of each district.

Three project managers to provide technical services in the area relevant to needs of the district concerned. Their role is to facilitate? modernisation and up- gradation of technology in the small sector.

At the sub-division level, there could be assistant director of industries and industry promotion officer. But these positions do not exist in every state.

FUNCTIONS OF DICs

The DIs role is mainly promotional and developmental. To attain this purpose, it has to provide needed services and support to small and village industries. Its various functions include the following :

(i) **Identification of entrepreneurs :** DIC develops new entrepreneurs by conducting entrepreneurial motivation programmes throughout the district especially in small towns.

(ii) **Selection of projects :** DIC offers technical advice to new entrepreneurs for the selection of projects suitable to them.

(iii) **Registration under SSI :** DIC provides provisional and permanent registration to the new entrepreneurs. After the selection of projects, entrepreneurs are issued with provisional SSI registration which is essential for obtaining assistance from the financial institutions. Once a unit comes into being then the unit is registered permanently.

(iv) **Clearances from various departments :** It takes the initiative to get

clearances for the project from various departments and takes follow up measures to get speedy power connection.

(v) **Recommending applications to various other**

departments : The district industries centre recommends the applications of SI units for availing loans and working capital facilities to commercial banks and other financial institutions.

(vi) **Arranging seed money :** The DICs, through various associated

corporations, provide seed money to entrepreneurs who are technically qualified for setting up their small industrial ventures, but are not in a position to muster' their own capital as a part of their contribution towards the financial assistance whieh they are to get from the banks or from the financial institutions.

COMMERCIAL BANKS AND ENTREPRENEURIAL DEVELOPMENT

Commercial banks play an important role in the growth and development of economy in general and the enterprise sector, in particular®. The role of banks in promotion and development of business and industry has become all the more important in post liberalisation" . These days commercial banks have not confined themselves to mere° extension! of finance to small entrepreneurs but have shown genuinell concern for their progress and development. They have now entered the challenging field of promoting new small scale entrepreneurs through entrepreneurship development programmes. In their new role as promoters of small scale sector they have accepted yet another challenging task. They are now holding EDPs in collaboration' with specialised institutions such as DIC, SIS, TCOs etc. with a view to identify entrepreneurs, especially in backward areas, and training and monitoring? them to start new ventures.

STATE BANK OF INDIA (S.B.I.)

State Bank of India is the oldest and largest commercial bank in our country. In order to accelerate the development of backward areas by monitoring potential entrepreneurs to take up risky new ventures, the S.BI. launched entrepreneurship development programmes (EDPs) in 1978. As per bank's venture, the EDPs consist of one month's intensive? training in behavioural science, management aspects', field training. During the training period, the entire cost of boardings and lodging® is borne by the Bank. The bank's EDP consists of three phase:

(1) **Initiation? phase®:** For creating awareness® about entrepreneurial opportunities.

(2) **Development phase** : Through training programmes developing motivation and managerial skills.

(3) **Support phase** : Counselling10, encouragement and infrastructural' support for establishing and running an enterprise. This bank launched12 several schemes of financial assistance to small-scale industries. Salient13 features14 of these schemes are detailed below :

a) Liberalised scheme : In 1959, S.BI. launched its liberalised scheme of assistance to small scale industries at all it branches. Under its liberalised scheme, S.BI. extends financial assistance upto 75% of project cost in the following forms: Term loans for purchase of factory land and construction of buildings. Term loans for acquiring plant and machinery for renovation15, modernisation etc. Working capital on cash credit basis, to meet all production needs.

b) Entrepreneurs scheme : In 1967, the S.BI. launched entrepreneurs scheme for providing financial assistance to technically qualified or trained entrepreneurs to the extent of 100 percent, if necessary. The target group is the technocrats who lack the financial capacity to meet the normal margins stipulated16 by the bank. Even there is provision!? of entrepreneur's sustenance18 needs during the start- up period. Concessional rates of interest are prescribed for such advances for the first three years of the unit's operation.

c) Equity fund scheme (EFS) : S.B.I. introduced its equity fund scheme towards the end of 1978. The objective of the scheme is to assist new SSI units in need of equity support through interest-froe loan to meet the equity gap upto Rs. on, lakh repavable on long-term basis. The actual amount of assistance is the differeng between 25% of the total project cost and the promoter's contribution. There is no repavment of EFS assistance during an initial period of 5 to 7 years during which other loans are rapaid. Thereafter, it is to be repaid over a period of 5-7 years through installments, Funds lent under equity fund scheme bear no interest.

PUNJAB NATIONAL BANK (P.N.B.)[2]

Through its merchant banking division it offers similar package of assistance to small scale units. The package of measures include the following : (a) The banks study the economic viability! and technical feasibility of the proposals and help in preparation of market-survey report with the assistance of technical consultants.

(6) The bank provides assistance to entrepreneurs in obtaining various government consents' required for industrial projects.

(c) The bank assists the entrepreneurs in raising finance in the form of debentures, term loans, deferred payment guarantees from financial institutions.

(d) The bank assists in raising foreign exchange resources required for import of plant and machinery, components, raw materials etc.

(e) The bank suggests strengthening the capital base of small scale industries, which intend' to expand/diversify by conversion of partnership firms into private limited company or conversion of private limited company into public limited company.

Note : In most of the nationalised banks, there are entrepreneurship service cells which provide consultancy services to entrepreneurs right from identification of a project to its implementation and marketing.

STATE FINANCIAL CORPORATIONS

State financial corporations have been established in different states under SFs act of parliament passed in 1951. These corporations' provide medium and long term loans to small and medium-scale industries. Loans are given to new as well as existing® industries. Following are the important schemes of these corporations:

(A) **FINANCING SCHEMES** :

(1)Composite loan scheme : A composite loan upto Rs. 50,000 without any margin money is given to artisans in villages and small towns involving utilisation of locally available raw materials and natural resources.

(2) Scheme for technical entrepreneurs : The corporations have a scheme for financing industrial units promoted by technical personnel possessing a degree or diploma in any discipline of engineering. The maximum limit under the scheme is of Rs. 2 lakh with a margin money of 15%.

(3) Tiny unit scheme : The corporations grant assistance to tiny units which acquire plant and machinery upto the value of Rs. 2 lakh at a margin of 20% on fixed assets.

(4) Scheme for physically handicapped persons : The corporations extend financial assistance to the extent of Rs. 3 lakh to physically handicapped (40% orthopaedically handicapped) persons for setting up industrial units as sole- proprietor or partnership concerns with minimum of 60% share.

(5) Special scheme for ex-servicemen : The corporations extend financial assistance to ex-servicemen (including widows of ex-servicemen) and disabled service personnel sponsored by director general (re-settlement) ministry of Defence, government of India. The maximum loan limit under the scheme is Rs 11.25 lakh and minimum promoter's contribution is 10%. Scheme for scheduled

caste/scheduled tribe entrepreneurs :The corporations are financing units promoted by scheduled caste and scheduled tribe entrepreneurs at a nil margin money upto Rs. 50,000 and at concessional rate of interest applicable to units set up in rural areas.

(6) Scheme for women entrepreneurs : The corporations extend financial assistance for setting up S.S.I. units (including cottage?, village and tiny industries) promoted and managed by women entrepreneurs. The promoter's contribution under the scheme is 15% of the project cost.

(7) Incentives for export-oriented units : The industrial concerns whwere sanctioned loans on or after 1.4.1987, will be entitled for rebate? of 20% on the interest in the years in which their export sales reach or exceed 25% of the total sales. In addition to this rebate, 100% export oriented units will also be entitled to the rebate even during the construction period not exceeding two years.

(B) PROMOTIONAL SCHEMES :

(1) **Special capital scheme** : Under the special capital scheme, the soft loan assistance in the form of equity is provided upto 20% of the cost of the project or Rs. 4 lakh, whichever is less, to such entrepreneurs who are technically qualified or otherwise possess experience in the line.

(in Seed capital assistance : This assistance is granted to fill the pay between minimum promoter's contribution required and funds actually available

(2) **Bridging loan scheme** : The corporations extend bridging loan facilitie, on a restrictive basis in those cases where the loans have been sanctioned by the corporations but the terms and conditions could not be complied with by the parties at first instance? due to reasons beyond their control.

(3) **Modernisation scheme** : Most of the corporations have a scheme for modernisation and renovation of the existing units involving export orientation, import substitution, energy saving, improving in capacity utilisation at normal margins (Minimum promoter's contribution should be 10%)

(4) **Equipment refinance scheme** : The corporations provide quick financial assistance to the existing, well running units for acquiring capital goods/equipment (imported/indigenous) at 22.5% margin.

(5) **Scheme for rehabilitation of sick units :** The corporations provide relief and concessions to potentially sick units which have been assisted by the corporations. The assistance is provided under the IDBI's refinance scheme and guidelines of reserve bank of India.

Note : Nature of scheme, various rules and regulations like eligibility conditions, maximum limit of loan, rate of interest, promoter's contribution may go on changing from time to time. Also there may be some changes in policies of one State Financial Corporation from another depending upon the local conditions and requirement of the time. Above mentioned schemes are only a general broad idea of the policies of the

Gout. to help and promote entrepreneurship through financial corporations. For latest uptodate the bulletin issued by the SFs may be consulted.

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)

With a view of ensuring larger flow of financial and non-financial assistance to the small-scale sector, the Government of India set up the Small Industries

Development Bank of India (SIDBI) under a special act of the parliament in October 1989 as a wholly owned subsidiary? of the IDBI. The bank commenced' its operations from April 2,1990 with its head office in Lucknow. The SIDBI has taken the outstanding portfolio of the IDBI relating to the small-scale sector.

FUNCTIONS OF SIDBI

The SIDBI was set up to function as the principal financial institution for the promotion, development and financing of industry in the small scale sector and for coordinating the functions of institutions engaged' in similar activities. It has taken over the responsibility for administering small industries development fund and national equity fund which were earlier administered by the IDBI.

The SIDBI has outlined the following three areas as Immediate. Thrust Areas:

(1) To initiate steps for technological upgradation and modernisation of existing units.

(2) To expand the channels for marketing the products of SSI sector in domestic and international markets.

(3) To promote employment oriented industries especially in semi-urban areas to create more employment opportunities and thereby checking migration:
of people to urban areas.

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD)

The National Bank for Agriculture and Rural Development. (NABARD) was established in 1982, for providing credit for the promotion of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts and other allied' economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas.

FUNCTIONS OF NABARD

(1) Nabard provides short-term refinance assistance for periods not exceeding 18 months to state co-operative banks, regional rural banks and other financial institutions for a wide range of

purpose, including marketing and trading relating to rural economy.

These short term loans can be converted by the NABARD into medium term loans for periods not exceeding seven years under conditions of drought®, famine? or other natural calamities®, military operations or enemy action.

(2) Nabard can grant medium-terms loans to the state co-operative banks and regional rural banks for periods extending from 18 months to 7 vears for agriculture and rural development.

(3) Nabard is empowered® to provide by way of refinance assistance, long term loans extending upto maximum period of 25 years to the state land development banks, regional rural banks, scheduled commercial banks, state co-operative banks or any other financial institution approved by the reserve bank, for giving loans to artisans, small-scale industries, village and cottage industries etc.

NATIONAL SMALL INDUSTRIES CORPORATION (NSIC)

The National Small Industries Corporation (NSIC) was set Up in 1955 with the objective of suppling machinery and equipment to small enterprises on a hire purchase basis and assisting them in procuring' government orders for various item. of stores.

FUNCTIONS OF NSIC

The SIC has taken up the challenging task of promoting and developing small scale industries almost from scratch? and has adopted an integrated approach tn achieve the socio-economic objectives.

The following are the main functions of NSIC:

(1) To develop small scale units as ancillary units to largescale industries.

(2) To provide small scale industries machines on hire-purchase basis.

(3) To assist small enterprises to participate in stores purchase programme of the central government.

(4) To assist small industries with marketing facilities.

(5) To distribute basic raw materials through their depots.

(6) To import and distribute components and parts to actual small scale users in specific industries.

(7) To construct industrial estates and establish and run prototype? production cum-training centres.

KHADI AND VILLAGE INDUSTRIES COMMISSION (KVIC)

Khadi and Village Industries Commission was established in 1953 with the primary objective of developing khadi and village industries and improving rural employment opportunities. Its wide range of activities include training of artisans, extension of assistance for procurement of raw materials, marketing of finished products and arrangement for manufacturing and distribution of improved tools, equipment and machinery to producers on concessional terms. KVIC provides assistance to Khadi and Village Industries which require low capital investment and ideally' suited for manufacturing utility goods by using locally available resources. There are many specified village industries such n8 processing of cereals' and pulses, leather, matches, gur and khandaari, non-edible oils and soaps, bee-keeping, village pottery, carpentry and blackemithy ete.

KVIC's policies and programmes are executed through State Khadi and Village Industries Boards, institutions registered under the Societies Registration Act, 1960 and Industrial Cooperative Societies registered under State Cooperative Societien Act. Activities involving pioneering? type of work, such as developing new industries in hilly, backward and inaccessible areas are undertaken by KVIC directly.

NATIONAL RESEARCH DEVELOPMENT CORPORATION OF INDIA (NRDCI)

NRDCI makes available various processes which have been developed by various laboratories in the country. It brings out periodically a publication entitled PRDC Processes', which gives in brief particulars of the various processes, uses of the products, raw materials required and capital outlays. If an entrepreneur is interested to adopt a process, he can adopt it by paying a lump sum premium. In addition to this, royalty is also payable bi-annually for a specified period after starting production. The concerned institute or laboratory releases the process details to the licensee after he has executed an agreement.

TECHNICAL CONSULTANCY ORGANISATIONS (TCOs)

The network of COs was established by the all India financial institutions in collaboration with state level financial institutions in order to provide consultancy3 services to entrepreneurs setting up small and medium scale units.

Functions of TCOs : The functions of TCOs cover all the stages of project cycle starting from the stage of identification of project ideas by entrepreneurs to project implementation and operation.

The following functions are performed by TCOs:

(i) To prepare project reports and feasibility4 study.

(ii) To undertake industrial potential surveys.

(iii) To identify potential entrepreneurs and provide them technical and management assistance.

(iv) To undertake market research and surveys for specific products. (v) To supervise the project and render technical and administrative assistance wherever necessary.

(vi) To undertake export consultancy for export-oriented projects.

(vii) To conduct entrepreneurship development programmes.

SCIENCE AND TECHNOLOGY ENTREPRENEUR PARKS (STEP)

A major problem faced by the emerging group of new entrepreneurs is the lack of appropriate testing facilities. This gap can be bridged by establishing science and technology entrepreneur parks. A technology park is an area where applied research on high tech projects is conducted with the collaboration of companies, universities and technological institutions.

A conventional science and technology park was set up by the Birla Institute of Scientific Research (BISR) in 1972 at BIT Ranchi. This park has succeeded very well due to committed academic community of BIT, support from Bihar Govt. and a higher motivated group of BIT students.

TECHNOLOGY BUSINESS INCUBATOR (TBI)

Technology business incubators are a powerful economic development tool. They promote the concept of growth through innovation and application of technology, support economic development, strategies for small business development, and encourage growth from within local economies, while also providing a mechanismi for technology transfer.

Business incubation is the temporary, facilitative support provided to start-up enterprises through the delivery of complex services and special environment with the aim of improving their chance of survival in the early phase of life span and establishing their later intensive growth.

Technology business incubators have emerged from two influences:

(1) In increasing interest in fostering indigenous business development, particularly small business entrepreneurship, as an economic development strategy.

(2) The desire to develop high- technology business in the era of globalisation Business incubation programs are often sponsored? by private companies and public institutions. Their goal is to help create

and grow young businessmen by providing them with necessary support and financial and technical services.
Business incubators provide numerous benefits to owners of startup businesses. Their office and manufacturing space is offered at below market rates, and their marketing plans.
staff supplies advice and much-needed expertise in developing business

NIESBUD (NATIONAL INSTITUTE FOR ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT)

NIESBUD is an apex body for co-ordinating and overseeing the activities of various institutions and agencies engaged in entrepreneurship development particularly in the area of small-scale industry.
Obiectives of NIESBUD

The main objectives of the institute are:

1.To accelerate the process of entrepreneurship development throughout the country and among all segments of the society.
2.To help institutions/agencies in carrying out activities relating to entrepreneurship development.

3.To evolve standardised process of selection, training support and sustenance to potential entrepreneurs enabling them to set up and run their enterprises successfully.
4.To provide information support to trainers, promoters and entrepreneurs by organising documentation and research work relevant to entrepreneurship development
5.To provide functional forums for integration and exchange of experiences helpful for policy formulation and modification at various levels.
Functions

The main functions of the Institute are as follows:

(i) Evolving effective training, strategy and methodology.

(ii) Formulating scientific selection procedure)

(iii) Standardising model syllabus for training for various groups.

(iv) Developing training aids, manuals and other tools.

(v) Supporting 9ther agencies engaged in entrepreneurship development. (vi) Conducting such programmes for promoters, trainers and entrepreneurs which are commonly not undertaken by other agencies

(viI) Organising all those activities that help develop entrepreneurial culture in the country.

HARDICON

HARDICON was set up in 1985, jointly by all India Financial Institutions viz.

IFCI Ltd., SIDBI, SBI, besides several PSU Banks and State Level Institutions viz. HFC. HSUDC and DEC of the two State Governments with the twin objectives of facilitating overall industrial development of the country by catering to the technical consultancy needs of the industry and promoting entrepreneurship.
In the initial years, the focus of operations was confined to the states of

Haryana and Delhi. Post liberalization HARDICON expanded its service base beyond Haryana and Delhi and now undertakes nationwide assignments. Its broad spectrum of activities include Preparation of Techno-Economic Feasibility Reports, Project Appraisals, Valuation of Assets, Business Valuation, Skill
&

Entrepreneurship Development Training, Market Research/ Impact Assessment

Studies, Implementation of Corporate Social Responsibility (CSR) activities of PSUs.

CHAPTER :- 2

MARKET SURVEY AND OPPORTUNITY IDENTIFICATION

SCANNING OF BUSINESS ENVIRONMENT

Business environment scanning' can be defined as "the study and interpretation? of the political, economic, social and technological events and trends which influence a business, an industry or even a total market." The factors which need to be considered for environmental scanning are events, trends, issues and expectations? of the different interest groups.
There are a number of common approaches for such type of analysis. One of the most important analysis is PESTEL analysis.
The six environmental factors of PESTEL analysis are the following :

P

Political factors

E

Economical factors

S

Socio-cultural factors

Technological factors

E

Environmental factors

INPUTS REQUIRED FOR A NEW ENTREPRENEUR

A new entrepreneur may not be possessing all the qualities, characteristics, skills and talent required for a successful entrepreneur. He may not be an expert in tackling? all the problems related to his new enterprise. He may not be able to decide what is right or what is wrong. Therefore, an entrepreneur needs a special training so that he can develop entrepreneurial abilities and skills sufficient enough to face the various business related problem boldly. Though there is no such formal training on all aspects yet he has to be given sufficient inputs to create confidence in him. An entrepreneur learns more from experiences. Therefore, before starting a new enterprise, an entrepreneur must visit several similar industries and projects to gain practical knowledge on different aspects of the project and their functioning. He should also interact with some successful entrepreneurs and try to know the secret' behind their success. Similarly he must visit some sick industry and failed entrepreneurs to know about the reasons for their failures. These visits will create a lot of confidence in the entrepreneur and he will develop a sort of awareness of his own activities and their implication on the future of the project.

Apart from this, the entrepreneur may be given some input training on the followings :

(a) Behavior modification' techniques

(b) Identification of business opportunity

(c) Project report preparation

(d) Financial aspects

(e) Accounts

(f)Sales promotion, marketing and advertising

(g) Production, planning and control

(h) Different aspects of management

(i) Legal matters

(j)Sale tax, income tax etc.

(k) Collection and analysis of information for decision making.

DATA COLLECTION FOR SETTING UP SMALL VENTURES (MARKET SURVEY)

During the preliminary stages of project planning, a new entrepreneur needs lot of informations on various aspects of the proposed project. It is, therefore, suggested that during the planning stage of setting up an enterprise, an entrepreneur should carry out a detailed market survey in order to gather? various informations. These informations will enable an entrepreneur to understand the nature of his business and take final decision about viability of the project.
The data to be collected for setting up new ventures may be classified into following heads :

1.Raw materials data

2.Machinery and equipments data

3.Market data

4.Financial data

5.Personnel data

6.General data

Raw materials data :

(a) Name of the major suppliers of the raw materials needed for the proiect. (b) Materials to be imported, if any. Govt. policies regarding the import of this material.

(c) Prices and availability of raw materials in the last few years.

(d) Does any govt. policy affect the price and availability of materials in the market?

(e) Is there any alternative raw material which can be used.

2. Machinery and Equipments data :

a) Who are the manufactures/suppliers of the machinery needed for the

b) What are the specifications of different brands of machineries available in the market?

c) Whether the spare parts of the machinery are easily available?

d) What is the market standing of the machine manufacturer and to whom has he supplied his machines in the past? What is the performance levels of these machines supplied already in the market of performanceis given by the Company.

e) What guarantee/warranty manufacturer/supplier?

f) What are the terms of supply?

g) What is the normal repair and maintenance cost?

h) Whether special type of transport and handling will be required?

i) Do you need any imported machine? Has permission been taken for import of such machine?

3. Market data :

(a) Collect the data from the existing manufactures/competitors of the proposed product regarding the following :

(i) Range of products

(ii) Installed and utilised capacity of their units

(iii) Prices of their products

(iv) Their terms of business

(v) Their plans for expansion/diversification', if any.

(vi) Specific problem of the proposed industry, if any

(vii) Collect the following data from the traders/suppliers of the proposed product .

(b) Existing traders of the proposed product

(i) Their terms? of business and commission etc.

(ii) Are they dealing in other products also?

(iii) Market area and annual turnover? of the suppliers

(iv) Find out whether the traders would like to trade with you. What terms of business do they expect?

(c) Collect the following data regarding the consumers :

(i) What is the requirement of an average consumer?

(ii) What are the present sources of supply?

(it) Whether he is satisfied with the present products?

(iv) What are the preferences! of the customer in case of your product?

(v) What are the purchasing criteria and how much purchasing power does the consumer hold for the products in consideration?

(vi) Consumption pattern of the products which you want to manufacture. Any expected change in consumption pattern.

(vi) Is the consumption of the product is uniform throughout the year?

4.Financial data :

(a) Approximate financial requirements of the proposed unit. (b) Prevailing? rates of interest on term loan and working capital loan offered by different financial institutions.

(c) Financial incentives available in the present case

(d) Financing pattern

(e) Sources of term loan and working capital loan

5.Personnel data:

(a) Total manpower needed for the proposed unit

(b) Categorywise requirement of manpower and their qualifications and skills required

(c) Are the key personnel like engineers/technical personnel/supervisors easily available as per the requirement of the proposed project?

(d) What are the prevailing wage and salary rates?

6.General data :

(a) Is there a possibility of getting a shed on rent in the industrial estate? What are the prevailing rents?

(b) Possibility of acquiring an industrial plot in the area identified for the project and cost of the same.

(c) Electric power supply position in the area identified for the proposed project.

ASSESSMENT OF DEMAND AND SUPPLY IN POTENTIAL AREAS OF GROWTH (SALES FORECASTING)

The entrepreneur is required to know the demand of the product likely to be manufactured. In other words, he must know the estimate of sale potential of the firm in future. All manufacturing units are based on the sale forecasts. This forecast helps the management in determining as to how much will be the turnover, how much profits to manufacture and what shall be the requirement of men, machine and money.

IMPORTANCE OF ASSESSMENT OF DEMAND & SUPPLY

Sales forecasting is a very important function for manufacturing concern, since it is useful in following ways :

(i) It helps to determine production volumes considering availability of facilities like equipment, capital, manpower etc.

(ii) It helps in taking decisions about the plant expansion and changes in production schedule or should it divert! its resources for manufacturing other products.

(iii) It facilitates in deciding the extent of advertising etc.

(iv) Sales forecast helps in preparing production and purchasing schedules.

FACTORS FOR SALES FORECASTING

Following factors should be considered while making the sales forecast :

(i) **Competition** : To assess demand, it is most important to know about the existing and new competitors and their future programme, quality of their product, sales of their product. Opinion? of the customers about the products of other competitors with reference to the product manufactured by the firm must also be considered.

(ii) **Changes in technology :** With the advancement? of technology, new products are coming in the market and taste and likings of the customers go on changing with the advancement and change of technology. These factors must be considered.

(iii) **Government policies :** Depending upon the government policies and rules also the sales of the products is affected. Demand of a product also depends upon the factor whether government is a buyer of that product or not.

(iv) Factors related to the concern itself : These factors are related to the change in the capacity of the plant, change in price due to the change in expenditure, change in product mix etc.

METHODS USED FOR FORECASTING THE DEMAND

Following methods are generally used for forecasting of sales :

1.Customer's views

2.Salesmen's opinion

3.Trends

4 projections

1.Customer's views:
This is the most direct method for making forecasting for short term, in which customers are asked what they are thinking to buy in near future. In this method, everything depends upon the customer's views, which may mis- judge or mislead' or may be uncertain about the quantity to be purchased by them in near future.
2.Salesmen's opinion :
In this method, forecasting depends upon the salesmen's estimation for their respective areas. As the salesmen are closest? to the customers, they can estimate more properly about the customer's reaction, about the product and their future requirements. All the estimates of salesmen are consolidated to know the total estimate of the sales.

3.Trends projections:
A well established firm has considerable data on sales. These data are arranged in a chronological? order, which is known as 'time series.' Thus time series are analysed before making the forecasts. The trend

line is projected by some statistical method generally by least square method

IDENTIFYING BUSINESS OPPORTUNITY

To establish an enterprise, one needs a situation in which his ideas can be converted into project and profits. One has to catch the right opportunity and use this opportunity in his favour to establish a new enterprise. There are a lot of opportunities available in the world of business, but they are not visible1 to everybody. They are visible only to those who constantly remain in search of them. Opportunity does not come to anyone by chance, but the entrepreneur has to struggles for it. The entrepreneur has to collect necessary resources to convert the opportunity into a successful business venture.

An entrepreneur is not expected to be an expert in searching and analysing business opportunities.

When someone starts new venture, he needs guidance on various points. He has to contact various persons and collect a lot of information. He has to meet entrepreneurs in different lines of business to know their projects and activities. He has to meet some successful entrepreneurs to know about the secrets of their success. Also he has to meet some entrepreneurs who could not be successful, to know the possible reasons of their failures. He has to collect informations on few business opportunities and analyse them so that he may be in a position to select the best opportunity. But before selecting an opportunity, the entrepreneur has toensure two things :

a) There must be a good demand for the product he is going to design, He should analvse the gap between the demand and supply of the product into consideration. The demand must be sufficiently higher than the supply. Not only the present demand and supply should be studied but also the future demand and suppLY position has to be projected. While analysing the demand and supply position, the entrepreneur has to take into account the possibilities of establishing another new units and inter-regional flow of the goods.

(b) There must be a good returns on the investment : If the rate of returns on the investment is not attractive, the entrepreneur should not go ahead to explore! the opportunity even if there is a good scope for the product. The rate of return must be higher in comparison to other alternatives available. The rate of return on the investment should also be such that it covers the remuneration of the entrepreneur, interest on the loans and something extra to repay the cost of project so that the entrepreneur will be able to recover the entire cost of the project in near future.

There are several other factors also for the project related to technical, production, managerial and feasibility point of view which must be considered before taking the final decision about starting of a new enterprise. For all these informations, the entrepreneur has to remain in close touch with a number of other entrepreneurs, institutions and business publications so that he acquires a lot of knowledge and feedback regarding his proposed new ventures.

CONSIDERATIONS IN PRODUCT SELECTION

1It is the first step towards a successful venture that the product to be manufactured is profitable. Hence product idea is the single most important factor in business success.
In order to increase the likelyhood of finding a successful product idea, as many products as possible should be considered. Those products, that appear most promising must then be subjected to a more detailed feasibility analysis.
The product to be selected must meet one of the following criteria :
(a) The product is the pioneer in the market and will satisfy a presently unserved need.

(b) The product is such that for which there is already more demand than the

existing supply in the market

(c) The product is such that which can successfully compete with existing similar products in the market due to its improved° design or lower price etc.

The following factors must be considered in product selection :

(a) **Present market** : The size of the presently available market is the main deciding factor in the product selection. Estimates of the number of potential customers and their expected individual capacity to consume, gives the sales estimate of the product in consideration. The presence of similar products in the market and their quality and price also must be considered.

(b) **Scope of growth of market** : There should be a prospect for rapid Growth in the market. Projected' increase in number of potential customers, increase in need, favourable economic trends must be taken into account while selecting a product for manufacturing.

(c) **Costs** : The cost of production and distribution must permit an acceptable profit when the product is priced competitively. Costs of raw materials, labour costs, distribution costs, after sale-service costs etc. must be considered before taking a final decision on product selection.

(d) **Availability of main production factors :** Production factors such as raw materials, water, power, fuel and skilled labour should be examined to ensure their availability comfortably and at competitive rates.

(e) **Risks :** It is impossible to look into the future with certainty2. While it may be difficult or impossible to predict the future, we can examine with considerable confidence the possible effect of unfavourable3 future events on the product to be manufactured. The possible risks are technological risks, competition, market stability, quality and reliability' risks, predictability of demand, seasonal demand, change in Govt. policies towards the product etc.

CHAPTER :- 3

PROJECT REPORT PREPARATION

Starting a business is a serious proposition' for which proper planning is very essential. For this purpose, an entrepreneur has to work out the details of his business well in advance. The document which contains the required details like the personal bio-data of the entrepreneur, the product to be manufactured, its design, manufacturing process, raw materials, machines and equipments required, staf needed, the amount of money required, the source of finance, cost of goods to de produced, market demand of the product and the likely profits anticipated' etc. is called a project report.

In simple words, project report is a written statement of what an entrepreneur proposes to take up. It is a kind of guide or course of action what the entrepreneur hopes to achieve in his business and how is he going to achieve it. In other words project report serves like a kind of big roadmap to reach the destination? determined by the entrepreneur. Thus, a project report can best be defined as a well evolved course of action devised to achieve the specified objective within a specified period d time.

SIGNIFICANCE OF A PROJECT REPORT Or NEED OF A PROJECT REPORT

An objective without a plan is a dream. The preparation of a project report is of great significances for an entrepreneur. The project report serves the following purposes:

(i)The project report is like a roadmap. It describes the direction, the enterprise is going in, what its goals are, where it wants to be and how it is going to get there. It also enables the entrepreneur to know whether he b proceeding in the right direction.

(ii) It helps the entrepreneur in getting provisional%/permanent registration d the project from the district industries centre.

Project Report Preparation

(iii) It helps in allotment of industrial plot or shed for the project from state industrial development corporation.

(iv) It helps the entrepreneur in obtaining working capital loan or term loan from banks/state financial corporation/other financial institutions.

(v) It helps in securing supply of scarce! raw materials required for the product to be manufactured.

(vi) It helps the entrepreneur in establishing techno-economic viability of the project.

Hence project report is of great importance. It highlights the practicability of a project in terms of different factors like economy, finance, technology and social desirability. An important aspect of the project report lies in determining the profitability of the project and minimising risks in the execution" of the project.

CONTENTS OF A PROJECT REPORT

A well-prepared project report is a must for success of the proposed project. Therefore, the project report needs to be prepared with great care and consideration'. A good project report should contain the following :

(i) **Promoter's profile**: Such as family background, educational qualifications, past experience of service, business or industry, project related experience etc.

(ii) **Location** : Exact location of the project, leases or freehold®, locational advantages etc.

(iii) **Land and building** : Land area, constructed area, type of construction, cost of construction, detailed plans and estimates along with plant layout.

(iv) **Plant and machinery** : Details of machinery and equipments required, electric loads, capacity, suppliers, cost, various alternatives available, laboratory equipments and other infrastructure etc.

(v) **Production process** : Details of production process, process chart, technical know how, technology used, alternatives available, production schedule etc.

(vi) **Other utilities** : Requirement of water, power, steam, compressed air requirements, sources of these utilities and their cost estimates etc.

(vii) **Raw materials :** Requirement of raw materials, sources, prices, properties of raw materials. Alternative raw materials, if any. Tie-up arrangements, if any, for procurement of raw materials.

DETAILED PROJECT REPORT

Detailed project report is nothing but a detailed elaboration' of each and every information and estimates mentioned in the preliminary project report. While preparing a Detailed Project Report (D.P.R.) the entrepreneur may take the help of experts to do the job. Preparation of the DPR requires a lot of time and hence it is a voluminous? work. Detailed analysis of each and every item is necessary in a D.P.R. Detailed project reports are also available with the consultants' and can be purchased by the entrepreneur. D.P.R. for different products are also available in the form of book which may be helpful for the entrepreneur to prepare his own D.P.R.

PROJECT APPRAISAL

It is a well established fact that every industrial project involves risk. There are certain ways and means to reduce risk involved in it. Project appraisal is one of them. The exercise of project appraisal simply means the assessment of a project in terms of its economic, technical, social and financial viability. Simply speaking,

project appraisal means the assessment of a project. Hence project appraisal' is a multi-dimensional analysis of the project i.e. a complete scanning of the project.

NEED OF PROJECT APPRAISAL

Project appraisal is a costs and benefits analysis of different aspects of proposed project with an objective to adjudge its viability. A project

involves employment of scarce resources. An entrepreneur needs to appraise various alternative projects before allocating the scarce resources for the best project. Thus, project appraisal helps in selecting the best project among available alternative projects. For appraising a project, its economic, financial, technical, market, managerial and social aspects are analysed.
Financial institutions do project appraisal to assess its credit-worthiness before extending finance to a project. Appraisal exercises are basically aimed at determining the viability of a project and sometimes, also in reshaping the project so as to upgrade its viability.

STAGES OF PROJECT APPRAISAL

Project appraisal is a scientific tool. It follows a specific pattern'. The appraisal of a project is usually carried out by an official from financial institutions or a team of institutional officials. The appraisal of a project is undertaken by the financial institutions with the twin objectives of determining the market potential of a project and selecting an optimum? strategy. The methods of analysis vary? from project to project. Nevertheless', there are certain common aspects of appraisal. The relative importance of these different aspects can vary considerably according to circumstances and type of project. The main stages of the system of project appraisal are the following:

1.Economical Analysis

2.Financial Analysis

3.Technical Feasibility

4.Managerial Competence

5.Market/Commercial Analysis

1.ECONOMICAL ANALYSIS:

The economic aspects of appraisal are fundamental as they logically precede® all other aspects because the bank will not finance a project unless it stands assured that the project represents a high priority use of a region's resources. In view of the limited availability of financial resources the financial institutions would like to finance those projects which are relatively? better than others in terms of socio-economic benefits likely to accrue? from implementation of the proposed projects. Normally, the following criteria are used while appraising a project for socioeconomic benefits.

(j) The project should create adequate! direct and indirect employment.

(ii) The project should comply? with the national priorities. The priorities may include setting up of industries in a particular area, promoting new units in a particular industry, establishing export oriented units etc.

(iii) The project should substitute? imported goods, if any.

(iv) The investment in the proiect should result in adequate cash generation which is higher than the anticipated inflationary rates.

2.FINANCIAL ANALYSIS:

Finance is one of the most important pre-requisites to establish an enterprise. It is finance only that facilitates an entrepreneur to bring together the labour of one, machine of another and raw materials of yet another to combine them to produce goods. An entrepreneur conceives the idea of starting a new enterprise with the ultimate objective of making profits. Therefore, the benefits likely to accrue out of implementation of the proposed project are required to be analysed with the help of various financial statements.
In any project, capital is invested in two types of expenditures :

(a) Fixed capital or capital expenditure

(b) Recurring expenditure or working capital.

Fixed capital normally called fixed assets' are those tangibles and material facilities which purchased once are used again and again. Land and buildings, plant and machinery are the familiar examples of fixed assests or fixed capital. The requirement of fixed capital will vary from enterprise to enterprise depending upon the type of operation, scale of operation. While assessing the fixed capital requirements, all items relating to asset like the cost of asset, architect and engineer's fees, electrification and installation charges, depreciation°, pre-operation expenses of trial runs etc. should be duly taken into consideration. Working capital expenditures are required to produce the goods or provide services and to keep the enterprise going. In a project, the entrepreneur after creating capital assets, converts finance into raw material, raw material into work in progress, work in progress into finished goods, finished goods into credit sales and finally credit sales into finance. The time taken in completion of this cycle is known as business process cycle. The finance required for completion of a business process cycle is called working capital.
If the revenue earned by way of selling the goods manufactured during a process cycle exceeds the expenses incurred thereon, the unit earns profit. On the other hand, if the expenses incurred are more than the revenue earned, the unit makes a loss. The financial aspect of project appraisal covers the following :

(a) **Cost analysis:** In the case of cost analysis, it is to be worked out wha would be the cost of production. There are different methods of finding out cost.

(b) Pricing: This strategy concerns the fixing up of the price of the produc Price fixation is a very tedious! job. The price must be fixed very judiciouslyi because the price decides the demand of the product in the market. If the price ; high, the demand may be low and vice versa and low price will result in less profit.

(c) **Financing:** The funds needed to finance the project is an important aspec of project appraisal. It is concerned with raising the funds and making their most efficient? use. The funds must be raised from those sources where the rate of interest is lower.

(d) **Income and expenditure** : The income and expenditure profiles is concerned with the estimates regarding the income expected and expenditure involved in the project. This helps in ascertaining the cost involved in production and profit expected therefrom. Financial institutions examine the project to ensure economic justification of investments. They study the marketing scope of the product and also its worths to the national economy by analysing the consumption pattern and potential demand. It may be mentioned here that financial projections are made, based on certain assumptions. Normally, the following assumptions are made while preparing a project report :

(i) Any change in prices of inputs in future will be adjusted by the corresponding change in prices of finished goods.

(ii) The duration of business process cycle will not change appreciably®.

(iii) There shall not be any change in market situation.

(iv) The government policy will not change with respect to the industry to which the project belongs.

(v) No such natural calamity will take place which will result in adverse! health of the project.

(vi) Total produce of the unit will get sold in the market. The financial viability of the project is established when in the judgment of the Promoters. other investors and financial institution, the profitability is adequate.

3.TECHNICAL FEASIBILITY:

While making project appraisal, the technical feasibility of the project also needs to be taken into consideration. In the simplest sense, technical feasibility implies to mean the adequacy of the

proposed plant and equipment to produce the product within the prescribed norms. As regards know-how?, it denotes the availability of technical knowledge for the proposed plants and machinery. It should be ensured whether that know-how is available with the entrepreneur or is to be procured form elsewhere'. If the project requires any collaboration then the terms and conditions of the collaboration should also be spelt out comprehensively and carefully. In case of foreign technical collaboration, one needs to be aware of the legal provisions in force from time to time.
While assessing the technical feasibility of the project, the following aspects need to be covered in the report :

(a) Process technology : Certain products can be manufactured by using alternative manufacturing technologies. The choice and suitability of the particular manufacturing technology identified by the entrepreneur for his project should be justified in the project report.

(b) Economic size of the project : For each project there exists a certain minimum economic size below which the project will not be viable. Installed capacity of the project should be more than the minimum economic size of the unit.

(c) Technical know-how and consultancy: Certain projects need sophisticated technologies and project consultants. Arrangements made for technical know-how and consultants identified for implementation of the project may be mentioned in the project report.

In addition to the above, the following aspects must also be mentioned in the project report :

(i) Plant location, site selection, proximity® to target market, raw material sources, availability of infrastructure facilities etc.

(ii) Suitability and adequacy of plant and machinery, basis of selection, reasonableness' of cost and availability of components and consumables for the machines.

(iii) The entrepreneur should have flexibility in-built in the project so that in case of unfavorable circumstances the unit can diversify? in some other direction.

The scope of such flexibility should be discussed in detail in the report. In the light of the factors mentioned above, if financial institutions and other concerned agencies feel that the entrepreneur will be in a position to produce the required quantity and quality of products, then the project is considered to be technically feasible.

4.MANAGERIAL COMPETENCE:

Managerial ability or competence plays an important role in making an enterprise a success or otherwise. Strictly speaking, in the absence of managerial competence, the projects which are otherwise feasible may fail. On the contrary, even a poor project may become a successful one with good managerial ability. Hence, while doing project appraisal, the managerial competence or talent of the promoter should be taken into consideration. Research studies report that most of the enterprises fall sick because of lack of managerial competence or mismanagement:.

It is rightly pointed out that if the project is weak, it can be improved upon, but if the promoters are weak and lack in business acumen', it is difficult to reverse the situation. It is, therefore, natural that financial institutions very carefully appraise the managerial aspects before sanctioning assistance for a project. A project report should contain information such as family background, educational qualification, past experience of service, business or industry and innovative ideas of promoters so as to enable financial institutions to assess managerial and entrepreneurial capabilities of the individual. It is not necessary that the entrepreneur should possess all managerial and entrepreneurial traits and perform all the functions himself. He should either be in a position to perform all such functions himself or should be competent and resourceful enough to hire and use the required managerial resources. Project report should, therefore, mention the managerial structure of the enterprise.

If a proper appraisal of the managerial aspects is made in the beginning itself future problems in this area can be avoided to a large extent. It is, therefore, necessary that the overall background of the promoters, their academic qualifications, business and industrial experience, their past performance etc. are looked into in greater detail to assess their capabilition for implementing the project for which financial assistance has been sought.

MARKET/COMMERCIAL ANALYSIS:

Before the production actually starts the entrepreneur needs to anticipate the possible market for the product. He has to anticipate who will be the possible customers for this product and where and when his product will be sold. This is because production has no value for the producer unless it is sold.

Normally the goods and services of a new enterprise are required to meet the unfulfilled present demand and to cater to the future demand. The project report should have all information which could help in identifying the size of present demand, gap between present demand and supply and future potential of demand of the proposed products or services. It is, therefore, suggested that the report should contain the following informations :

(i) The size and composition of the present demand.

(ii) Market segments' identified for the proposed project.

(iii) Short and long-term demand projections of the overall market and of the segments identified for the proposed project.

(iv) The market penetration ratio that the proposed product is expected to achieve over the projected period.

(v) Broad pricing structure on the basis of which future demand has been projected and market penetration ratio has been calculated.
(vi) The strategy of marketing in the target markets.

An intensive? scanning and analysis of the proposed environment in which the industrial unit has to function should form the basis for analysing market opportunities as well as for specifying the marketing strategy. Thus, knowing the anticipated market for the product to be produced becomes an important element in every business plan.
The commonly used methods to estimate the demand for a product are as follows :

(a) Opinion poll method

(b) Life cycle segmentation analysis

In the opinion poll method, the opinions of the ultimate users, i.e. customers of the product is estimated. This may be attempted with the help of either a complete survey of all customers or by selecting a few out of the relevant.

CHAPTER :- 4

INTRODUCTION TO MANAGEMENT

MANAGEMENT

Management is getting things done through others. The job of management is not only to provide dynamic leadership, but also to exercise a positive influence to make the future events favourable for the enterprise. Management provides new ideas, imaginations and visions to the group working and integrates its efforts in such a manner so as to account for better results.
Many people consider the management as an art, but others consider it as a science. Now-a-days, management has become a separate branch of study and is the most sought after course worldwide.

4.2 DEFINITION OF MANAGEMENT

It is very difficult to give a precise definition of the term management.

Different scholars from different disciplines view and interpret? management from their own angle. Some of the definitions of management are given below :

Management is knowing exactly what you want men to do and then seeing that they do it in the best and cheapest way.-F.W. Taylor
Management is a process consisting of five functions which every manager performs to manage i.e. to forecast' and plan, to organise, to command, to co-ordinate and to control.

-Henry Fayol

Management is a distinct process consisting of planning, organising,

actuating' and controlling performance to determine and accomplish the objectives by the use of people and resources -George R. Terry

Management may be defined as the art of getting work done through people with satisfaction for employer, employees and public.

The art of getting things done through the people organised in formal groups is called management.

Management is principally the task of planning, co-ordinating, motivating and controlling the efforts of others towards a specific objective.
Having gone through the above definitions of management, it can be said that management is getting things done through others.
Management is primarily an executive function to determine what you want people to accomplish, check periodically how well they are accomplishing it and to develop methods by miy they will perform more effectively.

NEED OF MANAGEMENT or IMPORTANCE OF MANAGEMENT

Management is the real force behind production. The success of an organisation, largely depends upon management. A good and scientific management ensurage maximum output from a riven amount of input. The importance of a pow management is due to the following reasons :

(i) Tough competition in the market : The growing industrial competitin has necessitated that maximum economy should be obtained in production. This calls for an organised management to secure the best results.

(ii) Production efficiency : A good and scientific management is a dynamic: force behind an industry. It helps in increasing plant efficiency by reducing wastag of time, materials and money.

(iii) Industrial peace: The most important factor for the success of an organisation is the industrial peace. A good management ensures co-ordial relation between employer and employees. This prevents strikes, lock-outs1 etc.

(iv) Limited financial resources : Due to limited financial resources, it very essential that factors of production are controlled effectively. This is possib only if industry is run by a well organised management.

(v) Expansion of industries : As the size of an industry increases resulting increased labour, machinery and building, it becomes essential to concentrate m on proper management to harvest the benefits of large scale production.

(vi) Complexity of industries : Modern industries have grown quite big in and a large number of jobs are to be performed. For this, large number of departme are required which can be governed only by a good industrial organisation.

NATURE OF MANAGEMENT

or

CHARACTERISTICS OF MANAGEMENT

The followings are the main characteristics of management :

(i)**Mangement is a purposeful activity :** Management is an activity stil hw moncerned with the establinsculd cotorcination between human and ror achravo freources of production. Wanagement directs the efforts of the group to achieve the common goal. It is the driving force.

(ii) Management is a social process : Koontz in his book, "The Management Theory of lunele" rightly donined that management is the art of selting things done throush and with people in formally organised groups. This shows that management is a social process. Management is concerned with directing and co-ordinating the human efforts to achieve the desired targets. In the modern time, when the concept of social obligation' is getting momentum; management is also concerned with utilising the resources for the benefit of society as a whole.

(iii) Management is associated with the efforts of a group : Management is a directive activity aiming at the effectivenesg? of collective® human effort. A good management inspires it and increases its willingness to work.

(iv) Management is an integrating process : Management integrates the men, machines and material to carry out the operation of the organisation. This integration' process is result oriented.

(v) Management is an intangible force : Management has the intangibles quality which means that it cannot be seen or touched. It can only be observed by the quality of the organisation and the level of the organisation.

(vi) Management is an universal activity : Management involves getting things done through and with the people. Managers perform the same functions regardless of their place in the organisation structure or the type of enterprise in which they are engaged. Henry Fayol rightly remarked, "Management function is to be performed in every concern.'" The technique and tools of the management are universally applicable.

(vi) Management is separate from ownership : Today, big corporations are owned by a large number of shareholders, while their management is in the hands of qualified and competent managers who normally do not possess ownership interest in the business.

(viii) Management is getting things done : A manager does not do any operating work himself. He gets the work done by, with and through the people. He has to direct them and develop their talent by adopting technical, human and psychological® skills.

(ix) Management is needed at all levels of the organisation : Levels of the management imply a division of the management functions. Thus management is needed at all levels, either it is top level, middle level or bottom level irrespectivel0 of the nature and scope of authority.

(a) **Management is goal-oriented :** Management provides an environment in which group goals can be achieved with the least amount of time, money, materials etc. Management aims not only to achieve economic objectives, but also to achieve. social objectives.

(b) **Management is a process :** Management is a distinct' process consisting of planning, organising, activating and controlling to determine and accomplish the objectives by the use of human beings and other resources.

(c) Management is a fast developing profession : Now-a-days, management is regarded as a profession. The development in the size of the business has contributed to the emergence? of the management as a profession. In the world of competition, management feels safe in the hands of professional managers.

(d) **Management is both science and art :** Management is science because it has developed certain principles and laws. At the same time, it is an art also because it is concerned with the application of knowledge for the solution of the organisational problems.

FUNCTIONS OF MANAGEMENT

The primary organisational objective of an industry may be production, financing and distribution of produced goods. In addition, it may include assuring continued growth of the organisation in terms of increased sales, expanded markets and diversification of products and services.

For the achievement of the pre-decided target in the industry, the management has to perform the following functions:

1.Planning

2.Organising

3.Staffing

4.Co-ordinating

5.Directing

6.Motivating

7.Controlling

1.PLANNING:

Planning means deciding in advance what is to be done in future. It involves thoughts and decisions pertaining? to a future course of action. Before doing any work, it is essential to know that what the work is How, when and where the work is to be done and who is to do the work . Thus planning is done with the aim of deciding the future course of action. Thus planning is a process of decision making After a thorough' evaluation of alternatives. Planning provides a business organisation its objectives and sets up the best procedure for achieving them. The importance of planning lies in the fact that it ensures smooth and effective completion of activities whatever these are. The planning should aim at elimination' of wastage of material, idleness' of men, machinery and capital.

2.ORGANISING:

Merely planning is not managing a business. It includes bringing together the executive personnel, workers, capital, machinery, materials, physical facilities and other things to execute plans. When these resources are assembled, then the enterprise comes to life. Thus, organising involves bringing together the manpower and material resources for the achievement of the goal set by the enterprise. Organisation provides the necessary framework within which people associates for the attainment of business objectives. Organisation involves division and subdivision of activities into departments and also the integration of activities. It also involves assigning responsibilities® to the managers and delegating? authority to each manager to accomplish the work in a planned manner.
Thus organisation provides a mechanism for purposeful, integrated and co- operative action by many people in a joint and organised effort to implement® a plan.

3. STAFFING :

Staffing involves manpower planning and manpower management. In simple words, staffing function includes preparing inventory° of personnel available, requirement of personnel, their selection, remuneration, training and development and periodic'° appraisal of personnel working in the enterprise. Staffing function is a complex and difficult function, because it is concerned with human resources of an organisation. The main aim of staffing is "Right man for right job". Thus staffing consists of the followings :

(i) Manpower planning.

(ii) Recruitment, selection and training.

(iii) Development, promotion, transfer and appraisal.

(iv) Determination of employee remuneration.

4.CO-ORDINATING:

Co-ordination is one of the other important functions of the management. Co- ordination creates a team spirit and helps in achieving the goals through collectivell efforts. Co-ordinating mainly concerns with synchronisingl and unifyingl3 the actions of a group of people. It means that all workers in an organisation should work in a co- ordinated and integrated manner to achieve the common objectives. Co-ordination between men, materials and machines is equally important. Without co-ordination, our actions would be failure and unproductive' Therefore, coordinating different resources and activities within the organisation is an important function of the management.

5.DIRECTING

The functions like planning, organising and staffing are merely preparations for doing the work, the directing function actually starts the work. The directing is concerned with guiding, teaching, stimulating and actuating the members to work efficiently. Directing involves telling the employees what to do and how to do ? Once the employees are deputed to their jobs, they need continuous guiding, communicating, motivating and leading.

In the words of Joseph Massie, "Directing concerns the total manner in which a manager influences the action of his subordinates!. It is the final action of a manager in getting others to act after all preparations have been completed."

6. MOTIVATING:

Motivating is an important function of management and it is the key to managerial functions. Motivation develops and increases a desire in every member of the organisation to work effectively? in his position. It directs the behaviour of subordinates in the desired and appropriate direction and thus minimises the wastage of human and other resources.

7. CONTROLLING :

Controlling is an important function of management. It is an essential feature of scientific management. In simple words, controlling means to see whether the activities have been or being performed in conformity? with the plans or not? Thus, controlling is a comparison of actual results with the targets and objectives, identification' of variation between the two, if any, and taking corrective measures so that objects set are achieved.

Haimann has defined controlling as under : "Control is the process of checking to determine whether or not, proper progress is being made towards the objectives and goals and taking action, if necessary, to correct any deviation." The process of control consists of the following steps:

(i) Defining the objectives and standards.

(ii) Determination of strategic point of control.

(iii) Measurement of actual performance.

(iv) Comparison of actual performance with the standards or objectives set.

(v) Determination of difference between the two and reasons for the same.

(vi) Taking corrective measures so that the standards or objectives set are attained.

PRINCIPLES OF MANAGEMENT

Henry Fayol, the founder of the movement of better organisation, gave the following principles of management for the good working of management :

(i) **Division of work :** Division of work means dividing the work amongst different persons best suited for different jobs according to their knowledge, experience and skill. This is the principle of specialisation and necessary for efficiency in all spheres of activities, technical as well as managerial. Division of work permits all the work to be performed more effectively.

(ii) **Authority and responsibility:** These are inter-related. Responsibility refers to all duties or activities which must be done to carry out a job. The responsibilities should be delegated to the lowest level in the concern where employees have the ability to perform them.

Individuals must have sufficient authority to carry out their assigned responsibilities. Authority is an individual's right to make decisions and take any action needed to complete the responsibility. Responsibility without authority or vice-versa is meaningless.

(iii) **Discipline :** Discipline means respect and obedience to rules, regulations, policies and procedures by all members of the organisation. Discipline is absolutely necessary for efficient functioning of an enterprise.

(vi) **Unity of command :** Unity of command states that an individual should receive orders from and report directly to only one superior. In other words, a worker should not be under the control of more than one supervisor. It avoids confusion, mistakes and delay in getting the work done.

(v) **Unity of direction** : Unity of direction implies that there should be one plan and one head for each group of activities having the same objective.

(vi) **Centralisation of authority :** Centralisation of authority means the authority is in the hands of one central point in the organisation. The degree of centralisation is decided by keeping in view the nature, size and complexity1 of the enterprise.

(vii) **Scalar chain:** It is a chain of superiors from the highest to the lowest rank. There should be an unbroken chain of authority and command through all levels from the highest (i.e. General manager) to the lowest rank (i.e. employee).

(viii) **Remuneration :** Remuneration means the price paid to the employees for the services rendered by them for the enterprise. Remuneration should be fair and provide maximum satisfaction to both employees and the employer.

(ix) **Initiative** : Initiative is freedom to think, plan and execute. Initiative brings self-confidence in a worker which is essential for improving efficiency of the organisation. The employees should have freedom to take initiative, of course, under watchful eyes.

(x) **Stability of workers** : Stable and secure workforce' is an asset to the enterprise. Efficiency can only be achieved by having stable workforce. Therefore. unnecessary labour turnover must be avoided.

(xi) **Equity** : Manager should be fair, unbiased and meaningful in his dealings with subordinates.

(xii) **Order :** This means that everything (materials) and everyone (human being) has his place in the organisation. This is essential for successful execution of orders received from the top.

(xiii) More emphasis to general interest as compared to individual interest : The interests of an individual person should not supersede? the general interests of the enterprise. This is necessary to maintain unity and to avoid friction among the employees.

(xiv) **Team Spirit** : This principle emphasizes the need of team-work among the employees and shows the importance of communication in obtaining such team- work.

HIERARCHICAL MANAGEMENT STRUCTURE

The hierarchical management structure is as follows :

1.Top level management

2.Middle level management

3.Lower level management

1. TOP LEVEL MANAGEMENT:

Top level management is the head of the organisation. It consists of the representatives of the shareholders i.e. Board of directors, Chief executives (President, Managing Director or General Manager) and Senior executives. The top level management is the ultimate source of authority in the company. Top level management performs all the functions of management. All the policy decisions are taken by top level management. The top level management is also responsible to the shareholders of the company. The top level management not only decides the long term objectives and policies of the company, but also approves the overall organisation of the company. The top level management also raises and borrows the capital.

2.MIDDLE LEVEL MANAGEMENT:

Middle level management serves as a link between the top level management and lower level management. It comprises of departmental heads or section officers of purchase, personnel, production, sales, finance and marketing. It helps the top level management to accomplish the objectives of the business and also controls and supervises lower level management. The important functions of middle level management are as follows :

(i) To co-operate in making a smooth functioning of organisation.

(ii) To establish co-ordination between the different levels of management.

(iii) To build up a contented' and efficient staff.

(iv) To build a team spirit where all are working to provide the best product or services:

3.LOWER LEVEL MANAGEMENT:

Lower level management consists of office superintendents, foremen and supervisors etc. These persons are just above the operational staff and their main function is to get the work done from the operational staff as per specifications and procedures laid down by middle level management. They are also responsible for maintaining high morale? among the workers.

TYPES OF INDUSTRIAL ORGANISATION STRUCTURE

The organisation selects and combines the efforts of men of proper characteristics so as to produce the desired results. The type of organisation depends on the size and

nature of enterprise. Different types of industrial organisation structure are as follows :

1.Line organization

ADVANTAGES OF LINE ORGANISATION:

The followings are the advantages of line organisation:

(i) **Simplicity :** It is the simplest and oldest form of industrial organisation. Each member in the organisation knows clearly his position. It is simple to operate and easy to understand.

(ii) **Fixed responsibility :** The responsibility is fixed. It is not divided. Each person knows from whom he is to get orders and to whom he is accountable. Under this, there is no bypassing.

(iii) **Proper discipline :** It facilitates discipline of either the positive or the negative type. Under this, the man at lower level seems to react more favourably to a single authority than to multiple authority.

(iv) **Flexibility:** It is flexible and is capable of adjusting quickly to the changing conditions. Under this, each executive has the sole responsibility in his own position and sphere of work.

(v) **Prompt decision :** The unification' of authority and responsibility ensures quick and prompt? decision making.

(vi) **Development:** The subordinates work hard for promotion as The departmental head looks after all the matters.

(vii) **Stability** : As compared to other types of organisations, it is more stable.

DISADVANTAGES OF LINE ORGANISATION:

The line organisation suffers from the following drawbacks :

(i) **Excessive work load** : Under this, the line is too much overloaded with work. So superior is not able to direct the efforts of his subordinates properly.
(ii) **Lack of specialisation :** It suffers from the lack of specialised skill of experts. In the present circumstances, modern business is too complex and it is too difficult for a person to carry all necessary details about the work.

(iii) **Inadequate communication:** In this organisation, no communication occurs from lower rank to upwards and even if, superior makes a wrong decision, it would still be carried out.

(iv) **Scope of favouritism :** Here superiors decisions may be affected by yesmanship from the side of subordinates. Thus it provides the scope of red-tapism, favouritism and nepotism at the cost of efficiency.

(v) **Lack of co-operation :** It is difficult to secure full co-operation unless enforced by a strong leader. It is difficult to secure a team-work because individual department works as autonomous' unit.

(vi) **Not fit for large organisation :** It is not suitable for large organisation. The head of the department becomes a driver instead of a leader. Here the ruler becomes master rather than servant.

ADVANTAGES OF FUNCTIONAL ORGANISATION:

The followings are the advantages of the functional organisation:

(i) **Specialisation** : Every worker gets the expert guidance of several

specialists. It is possible to get fullest use of the special abilities and every executive can concentrate on one function. This leads to higher efficiency of operations.

(ii) **Flexibility** : It is too much flexible as any change can be made without changing or disturbing the whole organisation.

(iii) **Large scale production** : With the help of specialization and standardisation of operations, large scale production is possible.

(iv) **Prospects' of promotion** : It facilitates the matching of capabilities of the supervisors with the executive requirements of the prospective? positions.

(v) **Better supervision :** Each supervisor, being an expert in his particular area of work, can do efficient planning and supervision. This leaves ample? time at the disposal of executives for creative thinking.

(vi) **Economy of operations :** The use of specialists helps in controlling the wastage of materials, money and time. It leads to optimum use of facilities like office accommodation, production resources, plant and machinery etc.

DISADVANTAGES OF FUNCTIONAL ORGANISATION:

The major difficulties encountered in the functional organisation are as follows :

(i) **Lack of co-ordination** : It is extremely difficult to obtain co-ordination of the efforts of the executives on the lower levels particularly when each specialist who is over-shadowed with a narrow outlook+ tends to magnify the importance of his function.

(ii) **Low employee morale** : Under this type of organisation, discipline is weak as subordinates are supposed to satisfy many bosses and it creates frustration5 among the workers.

(iii) **Less scope for executive development** : Narrow specialisation among the executives makes it difficult to develop the all round executives often needed in time of emergency.

(iv) **Lack of co-ordination** : Use of several functional experts in the organisation creates the problem of co-ordination.

(v) **Expensive** : This type of organisation is not suitable for small scale organisation as it is quite expensive.

(vi) **Complicated procedure :** It is complicated in operation because it entails the division of functions into a number of job functions.

DEPARTMENTATION

Departmentation involves the dividing and grouping of the work to be done in an enterprise. Division of work naturally means the identification' of the individual activities which are expected to be undertaken for the attainment? of the organisational objective. Once the activities have been identified, it is necessary to group them together. The manner in which the activities are decided to be divided and formed into specialised groups is usually referred as departmentation. It means and involves grouping of activities into several departments. The departmentation is an useful activity. It increases the operating skill.

To perform various functions, different departments are established. These are as follows:

1.Personnel department.

2.Finance department.

3.Marketing department.

4.Production department.

5.Purchase department.

1.PERSONNEL DEPARTMENT:

Inspite of modern technology and all the systems and controls, man still remains the most important factor in the production process. Machines, material, money and market, all are useless without the competent' employees. Hence a separate department is established, known as personnei department. Functions of personnel department : The functions of personnel department are very wide. These are as follows :

(i) Managerial functions : Under this, planning, organising, directing and controlling functions are performed. Under planning, manpower is planned and further requirement of personnels is forecasted. Organising involves the establishment of inter-relationship within the organisation. Directing includes issuing instructions to the workers, while controlling provides basic data for establishing standards, makes job analysis and performance appraisal etc.

(ii) Personnel department is concerned with obtaining the proper kind and number of persons necessary to achieve the goals of organisation.

(iii) Development function is also performed by personnel department through training which is necessary for proper job performance.

(iv) Compensation is also determined by the personnel department for contribution to oganisation objectives.

(v) Maintaining good industrial relations : Another important function of personnel department is to maintain good industrial relations. It helps to reduce strikes and promote industrial peace, provides fair deal to workers and establish industrial democracy.

(vi) Record function is also performed by the personnel department which helps the management in decision making such as in promotions.

2. FINANCE DEPARTMENT:

This department is concerned with the efficient planning and controlling of financial affairs of the business. The finance department has to perform various functions relating to the financial activities of the business which are as follows :

(i) It estimates the financial requirement.

(ii It helps to decide the source of finance.

(iii) It makes the balance between the dividend and the reserves so that on one hand, owners are satisfied and on the other hand, future requirements of the company are also met.

(iv) It prepares necessary accounts.

(v) It prepares financial statements.

(vi) It makes arrangement of recovery of debts.

(vii) It keeps the check on cash.

3. MARKETING DEPARTMENT:

Marketing occupies an important position in the organisation of a business unit It consists of all those activities which are meant to ensure the flow of goods and services from producer to the consumer. This department performs the following functions which are necessary to determine consumer wants and needs and supplying necessary goods and services to meet those needs :

(i) Marketing research : It formulates it policies regarding products, markets, marketing and sales.

(ii) Product planning and development : It is an act of planning, supervising, searching, screening, development and commercialisation of new products, the modification of existing products and discontinuance of marginal or unprofitable products.

(iii) Packaging : Packaging is used to contain product and identify it. Under this, decision is taken by department regarding the type and material of packaging, its shape, size, design, colour etc.

(iv) Product pricing : Price of the product affects the volume of production and the amount of profit. It is the source of income to the distributors of the product. Hence, this decision is taken very carefully.

(v) Advertising and sales promotion : Under this, number of decisions are taken relating to advertising such as selection of a suitable and economical medium, planning, advertising programme, preparing the advertising budget etc.

PRODUCTION DEPARTMENT:

Production is the main activity of an enterprise. Primarily, two functions are accomplished by every business organisation namely production and marketing. Production begins from acquisition of the production resources and ends with manufacture of goods or providing services. The followings are the important functions of the production department :

(i) To anticipate the production activities.

(ii) To make provision of the raw material in time.

(iii) To plan and control production.

(iv) To conduct the time and motion study.

(v) To determine the method of production.

(vi) To control the quality of the goods produced.

CHAPTER :- 5

LEADERSHIP AND MOTIVATION

LEADERSHIP

Leadership has been defined by Davis as follows :

"Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and motivates it towards goals." Some other definitions of leadership are as follows :
Leadership is the knack! of getting other people to follow you and to do willingly the things you want them to do.

Leadership is largely the art of getting things done through mobilizing people.

The art of planning, leading and guiding the activities of a group of people to achieve a common goal is called leadership.

Leadership means to inspire confidence and trust so that there is maximum co-operation from the employees within the control of a manager.
Thus, leadership is the process of influencing the activities of an individual or of a group for achievement of goal in given situation.
On the basis of above definitions, the followings are the certain basic characteristics of leadership :
(i) Leadership is basically a personal quality. This quality motivates the individuals to follow leader.
(ii) Leader tries to influence the individuals to behave in a particular way. (iii) There is a relationship between leader and individuals which arises out of functioning for a common goal.
(iv) Leadership is a continuous process of influencing behaviour.

(v) Leadership is exercised in a particular situation.

NEED OF LEADERSHIP

Leadership is an important factor for making the organisation successful. Here we mean manager as a leader. Without a good leader, organisation cannot function efficiently and eftectively. Any organisation is basically a deliberate creation of human beings for certain specified objectives. Therefore, the activities of its members need to be directed in a certain way. Any departure or deviation from this way will lead to ineficiency in the organisation. Hence a good leader is essential for the smooth and efficient functioning of an organisation.
The following points highlight the need of leadership for an organisation:
(i) To motivate employees : Motivation is necessary for work performance Higher the motivation, better would be performance.
A good leader by exercising his leadership motivates the

employees for high performance and to achieve best results.
(ii) To create confidence : A good leader may create confidence in his followers by directing them, giving them advice and getting good results through them. Once an individual with the help of a leader puts in high efficiency, he tries to maintain it as he acquires certain level of confidence towards his capacity. Sometimes, individuals fail to recognise their qualities and capabilities to work in the absence of a good leader.
(iii) To build morale: Morale is expressed as attitude of employees towards organisation, management and voluntary co-operation to offer their ability to the organisation. High morale leads to higher productivity and organisational stability. Through good leadership in the organisation, employees morale can be raised which ensure higher productivity and stability in the organisation.

(iv) To define objectives of organisation : It is the duty of the leader to define the objectives of the organisation and its various policies. A leader is also needed to co-ordinate the efforts of the members to achieve the desired goal.
(v) To create a team-spirit : A leader is also required in an organisation to create a team-spirit. An organisation will succeed only when all its members work as a team instead of individuals. This is possible only when there is an efficient leader available to co-ordinate their efforts as a team.

(vi) For efficient and economical working : A good leader mobilises resources and shapes policies in such a way so as to achieve the goal effectively and in a minimum time. He helps to run the organisation efficiently and economically. (vii) To handle difficult situations : Sometimes, there are such situations when the workers feel what to do. These are delicate and difficult situations, which need immediate attention. Only a good leader can guide the workers in such a situation. This creates a sense of confidence among the workers which improves their working.

(viii) To develop a sense of participation among workers : A good leader properly guides, directs and leads the workers. This creates confidence among the workers. A good leader keeps the followers committed to the objectives for which they are working by developing a sense of participation. Thus good leadership is essential in all aspects of managerial functions whether it be motivation, communication or direction. Good leadership ensures suocess in the organisation

QUALITIES/CHARACTERISTICS OF A GOOD LEADER

Leadership is an important factor for making an organisation successful. Here, we are more concerned about manager as a leader. Without a good leader, an organisation cannot function efficiently and effectively. Since the organisation is basically a deliberate creation of human beings for certain specified objectives, the activities of its members need to be directed in a certain way. Any departure from this way will lead to inefficiency in the organisation. Direction of activities in the organisation is decided by a leader. Hence a good leader is essential for the success of an organisation.
Followings are the characteristics or qualities of a good leader :

(i) **Emotional stability** : A leader should have high level of emotional stability. He should be free from bias' and anger and should be consistent? in action. He should be well adjusted and should not have anti-social attitude. He should have confidence in his abilities and face the crisis boldly. He should not loose self-control and temper? in difficult situations or while dealing with difficult people.

(ii) **Human relations** : A good leader should have adequate* knowledge of human relations and human psychology. Since an important part of a leader's job is to develop people and their voluntary co-operation for achieving work, he should have adequate knowledge of people and their relationship with others. The knowledge of how human beings behave and how they react to various situations is quite meaningful to a leader. His attitude should be sympathetic and helpful in dealing with the problems of his subordinates.

(iii) **Motivating skills** : Not only a leader should be self-motivated, but he should also have requisites quality to motivate his followers. Though, there are many external forces which motivate a person for higher performance, yet there is an inner drive in people also for motivation to work. The leader can play active role in stimulating the inner drives of his followers. A good leader should have the ability to motivate his subordinates.

(iv) **Communication skills** : A successful leader should know how to communicate effectively. A leader has to issue instructions and directions to his subordinates. If these are not clearly understood, the things may go wrong and the objectives may not be achieved. Communication gap may cause confusion. A good eader, therefore, must have the ability to communicate his ideas, orders and plans to his subordinates clearly and correctly so that they may take action accordingly.

(v) **Technical skills** : The leading of people requires adherence' to definite principles which must be understood and followed for greater success. The ability to plan, organise, delegate, analyse, seek advice, make decisions, control and win co- operation requires the use of important abilities which constitute technical competence of leadership. The various technical competencies of leader may win support from the followers.

(vi) **Objectivity** : Objectivity? implies that, what a leader does, should be based on relevant? facts and information. He must assess these without any bias or prejudice. He should be objective and should not permit himself to get emotionally involved to the extent that he finds it difficult to make an objective diagnosis and implement the action required.

(vii) **Social skills** : A successful leader should have social skills. He understands people and knows their strengths and weaknesses. He has the ability to work with people and conduct himself so that he could gain their confidence and loyalty.

(viii) **Decisiveness** : A good leader should have the ability to make quick and correct decisions because a timely action is most important for an organisation.
Delayed and wrong decisions always harm the organisation.

(ix) **Sincerity, honesty and integrity** : A good leader should have high moral character because he is the role model for his subordinates and only a man of character can influence his subordinates to follow. He should be above the social vices. He should be sincere and honest towards his objectives and followers.
(a) Intelligence : Higher is the intelligence level of a leader, better is his understanding of his subordinates. He understands the working of the organisation in a better way. Such a leader commands more respect and exercises more effective control over his subordinates.

(b) Clarity' of vision : A confused leader confuses others also. A leader should be very clear about his objectives and activities. Only then he can guide his subordinates in the right direction.

(x) **Initiative** : A good leader should be bold enough to take initiative for various activities and should have strong determination to achieve his objectives.
(xi) **Enthusiasm** : A good leader should have eagerness® to complete the
activities nicely and timely. Such a leader creates work and inspires his followers to follow him sincerely. A lazy leader cannot advocate the sense of duty to his subordinates.

(xii) **Forcefulness** : A leader has to bear the heavy strain of work. He shou have enough physical and nervous energy. His hard work and untiring' efforts set an example for the subordinates to follow.

(xiii) Good administrative skill : A good leader should be bold enough to take initiative for various activities and should have strong determination to achieve his objectives.

FUNCTIONS OF A LEADER

The functions of a leader in an organisation depend upon the type of organisation and its objectives. The function also varies from situation to situation. However, in general, the function of a leader is to set the goal and help the followers in achieving it.
The followings are some functions which a leader has to perform in general:

(i) **To define objectives** : The leader clearly defines the obiectives of the organisation to the workers. He sets the target and finds ways and means to achieve the pre-decided target.

(ii) **To prepare plans :** The leader makes plans and makes his subordinates clearly understand the line of action to execute' these plans.

(iii) **To introduce new methods** : Change is the law of nature. There is always a need of introducing new methods in an organisation for survival? in the competitive market. A leader is supposed to substitute new methods and innovations in place of old ones so that it may improve the production and quality of goods.

(iv) **To guide and co-ordinate :** The leader in an organisation guides his followers and co-ordinates their efforts in such a way that the desired goal of the organisation is achieved.

(v) **To give training :** It is the duty of the leader to arrange training for his subordinates so that they may improve their skills and become more useful to the organisation.

(vi) **To control and motivate** : The leader has a direct control over the activities of his followers and he motivates them to achieve the goal.

(vii) **To increase production :** The leader takes all possible steps to increase the production and maximise the profit of the organisation. He also takes necessary steps to reduce wastage of material, time and manpower.

(viii) **To maintain discipline and cordial relations:** It is the duty of the leader to maintain discipline in the organisation which is essential for the progress of the organisation. Cordial3 relations among the workers on one hand and between the workers and the employer on the other hand are most desirable for the industrial peace.

(ix) **To distribute work :** It is the duty of the leader to allocate the work and duties to all the workers fairly and judiciously according to their abilities.

(x) **Optimum use of resources** : The leader channelises the available resources and devises methods to make their optimum° use.

TYPES/ STYLES OF LEADERSHIP

Leadership styles are the pattern of behaviour which a leader adopts in influencing the behaviour of his followers in the organizational matters. There are three styles of leadership :

1.Autocratic leadership (Authoritarian)

2.Democratic® leadership (Participative)

3.Laisse-faire(Free-rein)

1.AUTOCRATIC LEADERSHIP:

This is also known as authoritarian or directive style. In this style, a manager centralises decision-making power in himself. He structures the complete work situation for his employees and they do what they are told. In this type of leadership, the followers have no hand in the formation of policies. The leader does not hold discussion with the followers while making final decisions. Orders are thrust upon them and they are forced to obey the orders. Such a leader is not a true representative of the followers and the group does not participate actively and willingly?. The autocratic leader maintains his position by using his powers of punishment and dictates 10 the followers at every step.

The main characteristics of this style are as follows :

(i) The leader makes all the decisions and demands obedience from the people he supervises.

(ii) All policies are decided by the leader without consulting the subordinates.

(iii) The leader decides the particular work/task for a person and the work companion11 of each person.

(iv) Authoritarian leadership is negative because the subordinates remain uninformed!?, They feel insecure1? and remain afraid of the leader.

(v) In this system, there is a tighter control and supervision over the subordinates.

(vi) In this system, decisions can be taken quickly.

(vii) Authoritarian leadership succeeds where subordinates shirk' work and do not want to take initiative.

DEMOCRATIC LEADERSHIP:

This style is also called democratic, consultative or ideographic?. A democratic manager decentralises his decision-making process. Instead of taking unilateral decision, he emphasises consultation and participation of his subordinates.

In this style, the leader consults his followers before taking the final decisions. The decisions taken have the approval of the followers. The followers express freely their own views and the final decisions arrived at are acceptable to all or most of the followers.

The main characteristics of this style are as follows :

(i) A democratic leader promotes participation of subordinates and develops strong team work.

(ii) The leader gives decision only after consulting his subordinates.

(iii) Subordinates know the long term plans on which they are supposed to work. Thus they are kept well informed.

(iv) Democratic leadership works very well if the subordinates feel their responsibility, tend to be reasonable and do not take undue advantage of the democratic leadership.

(v) It is a highly motivating technique to employees as they feel elevated when their ideas and suggestions are given weightage in decision-making.

(vi) The employees' productivity is high because they are party to the decision. Thus, they implement the decisions whole-heartedlys.

(vii) They share the responsibility with the superior and try to safe guard him also.

(viii) It provides organisational stability due to high morale and favourable attitudes of the employees.

(ix) Complex nature of organisation requires a thorough understanding of its problem which lower level employees may not be able to do. As such, participation does not remain meaningful.

LAISSE-FAIRE:

A laisse-faire leader avoids power and responsibility. Such a leader depends largely upon the group to establish its own goals and decisions. The followers train themselves and provide their own motivation. The leader does not interfere in day. to-day working of the group and acts only as a guide whenever approached for Thus, a manager has to perform all the five functions of management (planning organising, leading, staffing and controlling), while a leader guides his followers only with his behaviour. The function of a leader falls under leading, therefore, it is clear that leadership is not the entire management, but only a part of it. It has been rightly said that a good leader is not necessarily a good manager, but an effective manager must have many qualities of a good leader.

MOTIVATION

The term 'motivation' has been derived from the word 'motive'. Motive may be defined as an inner state of our mind that moves or activates or energies and directs our behaviour towards our goals. Motives are expressions of a person's goals or needs. They give direction to human behaviour to achieve goals or fulfil needs. According to Dalton E. McFarlan, "The concept of motivation is mainly psychological. It relates to those forces operating within the individual employee or subordinate which impels him to act or not to act in certain ways."
According to Michel J. Jucius, "Motivation is an art of stimulating) someone or oneself to get a desired course of action, to put the right button to get desired action. According to Scott, "Motivation means a process of stimulating people to action to accomplish? desired goals. Some more definitions of motivation are as follows :

Motivation is something that motivates a person into action and continues him in the course of action enthusiastically." The activity of regulating the behaviour of employees to achieve best result is called motivation.

Motivation can be either negative or positive. Punishments, reprimands3, fear of loss of job etc. are the methods where people work due to fear. Positive motivation offers something valuable to a person (pay, praise, appreciation etc.) for acceptable performance.

CHARACTERISTICS OF MOTIVATION

On the basis of various definitions of motivation, we can derive the following characteristics of motivation :

(ii) Motivation is a psychological concept which is inherent^ in every person.

(iii) Person in totality, not in part, is motivated.

(iv) Motivation is an unending process. Needs of a man are unending5. Needs instigate6 motivatio.

(v) Motivation is the strength of work which leads to do or not to do a work (vi) Motivation is different from mental strength.

(vii) Motivation causes good directed behaviour.

(viii) Motivation is derived from objectives or aims.

IMPORTANCE/NEED OF MOTIVATION IN AN ORGANISATION

The primary task of a manager is to maintain an organisation. To do so, he must ensure that his subordinates work efficiently and produce results which are beneficial! to the organisation. Organisation goals can never be achieved without subordinates willingness to put their best efforts. The 'capacity to work' and 'willingness to work' are two different things. A man can be physically, mentally and technically fit to work, but he may not be willing to work. Hence, there arises the need of motivation. Motivating a worker is to create a need and a desire on the part of a worker to perform better.

Thus performance is determined by two factors i.e. level of ability or capability to do certain work and level of motivation. This can be expressed in the following way :

Performance = Ability x Motivation

Hence, motivation

is one of the most important factors determining

organisational efficiency. All organisational facilities will go waste in the absence of motivated people to utilise these facilities effectively. The importance of motivation in an organisation may be summed up as follows :

(i) **High performance level** : Motivated employees give better performance as compared to other employees. In a study by William James, it was found that motivated employees worked at 80-90% of their ability. The high performance is a must for an organisation being successful and this performance comes by motivation.

(ii) **Low employee turnover and less absenteeism :** Motivated employees stay in the organisation and their absenteeism is quite low. High turnover and more absenteeism create many problems in the organisation. Recruiting, training and developing large number of new personnel into a working team takes years. In a competitive economy, this is almost impossible task. Moreover, this also affects the reputation of the organisation unfavourably.

(iii) **Acceptance of organisational changes** : Due to technological changes and as per the need of the time, organisations have to incorporate? certain changes. When these changes are introduced in the organisation, there is a tendency to resist these changes by the employees. However, if they are properly motivated, they accept, introduce and implement these changes keeping organisation on the right track of progress.

(iv) **Good industrial relations :** There will be good industrial relations in the organisation as conflicts among the workers themselves and between the workers and management will be minimum.

(v) **Less number of complaints and grievances** : Due to cordial relations in the organisation, the satisfaction level of the employees will be high. Therefore, the number of complaints and grievances will come down. Accident rate will also fall down.

FACTORS AFFECTING MOTIVATION

The following are the important factors on which motivation depends :

(i) **Achievement** : Personal satisfaction in job completion and problem solving.

(ii) **Advancement** : Promotion to the higher post.

(iii) **Growth :** Learning new skills which will offer greater possibility for advancement.

(iv) **Recognition** : Acknowledgement1 of a job done well.

(v) **Responsibility and authority:** In relation to one's job.

(vi) **Work itself :** Actual job content and its positive and negative effect on the worker.

(vi) **Job security** : Tenure, company's stability or instability.

(viii) **Salary :** Pay and fringe? benefits.

(ix) **Good working conditions :** Physical environment associated with job.

(x) **Company policy and administration :** Company policies towards employees, various welfare schemes, facilities for employees, attitude of the administration towards employees.

(xi) **Technical supervision :** Whether friendly and guiding attitude or autocratic, insulting', unnecessary interference etc. ?

TYPES OF MOTIVATION

Motivation may be classified on different basis :

1. Positive motivation or Negative motivation

2.Extrinsic motivation or Intrinsic motivation

3.Financial motivation or Non-financial motivation

Positive motivation or Negative motivation:

Positive motivation is the process of attempting to influence the worker, behavioul'Chrough the possibility of reward. Positive motivation is achieved by satisfving the varied needs of individuals and the group. The effect of positiv. motivation is that it inculcates! in the individuals and in the group a sense o belongingness and a strong affiliation for which the organisation stands e.g. a better or more responsibile job, higher wages etc.
Negative motivation is based on fear i.e. demotion, lay off etc. Negative motivation indicates consequences? which people seek to avoid e.g. reprimand, fines dismissal, demotion etc. In such a situation, people work only to acquire a square meals. In fact, there is no motivation. There is absence of integrity and a detachment' between the individuals and the organisation.

2. Extrinsic motivation or Intrinsic motivation :

Extrinsic motivation arises away from the job. They donot occur on the job These factors include wages, fringe benefits, medical reimbursement etc. So, they are generally linked with financial incentives.
Intrinsic motivation occurs on the job and provide satisfaction during the performance of work activity itself. Intrinsic motivation include recognition, status, authority, participation etc.

3.Financial motivation or Non-financial motivation :

Financial motivators are those which are associated with money. They include wages, fringe benefits, bonus, retirement benefits etc.
Non-financial motivators are those which are not linked with monetarys rewards. They include intangible incentives. For example ego-satisfaction, self- actualisation and responsibility.

METHODS OF IMPROVING MOTIVATION

Management can do its job effectively only through motivated people, who work for the accomplishment of organisational goals.

But it is not easy to motivate people without considering what people need and expect from the work. The needs of individuals serve as a driving force in human behaviour. Management tries to govern the behaviour of employees in satisfying their needs. The obiects which are perceived to satisfy their needs are called incentives.
Hence motivation can be improved by giving incentives to the employees.

Incentives are of two types :

1.Financial incentives

2.Non-financial incentives

1.FINANCIAL INCENTIVES:

In the context' of existing economic system, money has become a means not only to satisfy the physical needs of daily life, but also of obtaining social position and power. Human beings first take care of their primary needs of food, shelter, clothing etc. The organisation offers wages which become incentives for individuals to join the organisation. The wage structure should be such that it motivates present and prospective employees of the organisation.

Managements make use of financial incentives, for example wages and salaries, bonus, retirement benefits, health insurance, medical reimbursement etc. Economists and some managers tend to put the special emphasis on money as motivator while behavioural scientists donot recognise this. From organisation's point of view, that fact may be in between.
Thus, following points are important for analysing the role of money as motivator :
(i)Economic conditions necessarily affect the importance of money as a motivator. Money is an urgent means of achieving a minimum

standard of living, although this minimum has a way of expanding upward as people become more affluent?

(ii) If the money is to act as motivator, it is necessary to assume relationship between performance and reward in terms of money. People are concerned not only with absolute amount of money they are paid for their efforts, the relationship of this amount to what others are paid is also important.

(iii) Money, to act as motivator in the organisation, should be given in sufficient quantity to the people. The people will try to earn money by their higher performance only if they feel that additional money earned by their efforts is significant? portion of their income.

NON-FINANCIAL INCENTIVES :

Financial incentives are used to motivate people for better performance and higher productivity. However, individuals have various needs which they want to satisfy while working in the organisation. People at comparatively higher level of managerial hierarchy attach more importance to socio-psychological needs which cannot be satisfied by money alone. Thus management, in addition to the financial incentives, provides non-financial incentives to motivate people in the organisation.

Non-financial incentives does not mean that organisation has nothing to spend on these.
However. the emphasis of non-financial incentives is to provide psychological and emotional satisfaction rather than financial satisfaction. For example, if an individual gets promotion in the organisation, it satisfies him psychologically more because he gets better status, more challenging' job, authority etc. than financially though he gets more pay also by way of promotion.
Following are the non-financial incentives which are provided by the management to motivate employees for better performance :

(i) **Job security** : Employees want that their job is secure. They want certain stability about future income and work so that they do not feel worried on these aspects and they can work with greater zeal.

However, there is one negative aspect of job security. When people feel that they are not likely to forfeit? their jobs they become complacent.

(ii) **Recognition of work :** Most people feel that what they do should be recognised by other concerned. Recognition means acknowledgement with a show of appreciation. When such appreciation is given to the work performed by employees, they feel motivated to perform at similar or higher level.

(iii) **Responsibility :** Most of the people prefer challenging and responsible jobs rather than monotonous? and routine' jobs. If the job is of responsible nature, it satisfies people's natural and inherent characteristics and they put more efforts for completing the job.

(iv) **Promotion :** Promotion is defined as a movement to a position in which responsibilities and prestige are increased. Promotion satisfies the needs of human beings in the organisation. Since the promotion depends upon capabilities and good performance, people will try for that if the avenues for promotion exist.

(v) **Human relations in industry** : Human relations in the industry is related with the policy to be adopted in the organisation to develop a sense of belongingness in the employees, improve their efficiency and treat them as human beings and not merely a factor of production. The emphasis should be on providing greater satisfaction, both psychological and physiological, by creating such environment in the organisation where employees are able to work efficiently. In such an environment, employees are motivated to stay with the organisation and they also adopt more productive behaviour.

(vi) **Building high morale :** Though there are various definitions of morale. It can be defined as the attitudes of individuals and group towards work environment and towards voluntary' co-operation to the full extent of their ability in the best interest of the organisation. Generally high level of morale results in high productivity. High morale of employees depends on the various facilities provided to them to satisfy their physiological and psychological needs. Management should attempt to measure employee's morale. If morale level is low, the factors should be analysed and proper action taken accordingly.

(vii) **Workers participation in management :** The superior subordinate relationship emphasises that superior takes the decisions and subordinate implement them. However, in such a decision making process, subordinate does not feel very enthusiastic in implementing the decisions. As such, the subordinate should also be associated with decision-making process. This not only motivates a subordinate to take prompt and proper action on decision implementation, but also makes him responsible for anything which goes wrong. Keeping this in view, workers should be given participation in the managerial decision-making process.

(viii) **Suggestion system** : Suggestion system is an incentive which fulfils many needs of the workers. Many organisations which use the suggestion system give cash awards for useful suggestions. They, sometime, publish the worker's name with his photograph in the company's magazine. This motivates the workers to be in search of something which can be of greater use to the organisation.

(ix) **Opportunity for growth** : Opportunity for growth is another incentive. If the workers are provided opportunities for their advancement and growth and to develop their personality, they feel much satisfied and become more committed to the organisational objectives.

(x) **Praise** : Praise satisfies one's needs. In fact, praise is more effective than any other incentive. However, this incentive should

be used with great care because praising an incompetent worker would create resentment among competent?
workers. Of course, occasionally, a pat on the back of an incompetent worker may act as an incentive to him for improvement.

(xi) **Team spirit** : The management should encourage team spirit, i.e., to work in co-operation and co-ordination. If there is team spirit among the employees, they will try to put in maximum efforts to achieve the objectives.

(xii) **Communication** : Communication is the lifeline of an organisation. Complex nature and big size of organisations require greater specialisation and division of work. There should be free and adequate flow of communication. This provides satisfaction to the individuals in the organisation as they want to be informed properly about the matters concerning their interests. Thus proper communication in the organisation motivates employees properly. Hence in an organisation both financial and non-financial incentives should be used according to need. All the incentives have different roles.

THEORIES OF MOTIVATION

Motivation is very important for an organisation. An organisation's success depends on its motivated employees to a large extent.
In the traditional approach of motivation, human being is considered as a machine. But modern approaches have proved that human beings are not machines, Money is not sufficient for motivating people. People have social and self. actualization needs also. Ever since then, many people have been engaged in finding answer to the basic question "What motivates people?" There are following theories which try to answer this in their own way:

1.Maslow's need hierarchy theory

2.Herzberg's theory of motivation

3.McGregor's X and Y theory

1.**MASLOW'S NEED HIERARCHY THEORY** :

Probably the most widely known theory of individual needs and motivation was developed by Abraham Maslow, who was a psychologist. He suggested that individuals have a complex set of strong needs. Human needs have a certain priority.
When people's basic needs are satisfied, then they try to satisfy their higher needs. Maslow stated that people have five levels of needs. The hierarchy of these needs is as follows:

(i) Physiological needs (Basic needs, food, clothing, shelter)

(ii) Safety needs (Security of job, income)

(iii) Social needs (Belongingness needs, love, affection, friendship)

(iv) Esteem and status needs (Recognition, power) (v) Self-actualisation needs (Personal achievement)

Leadership and Motivation

(i) **Physiological needs** : The physiological needs are taken at the first step. These are the strongest needs. These needs relate to the survival and maintenance of human life. These needs include food, clothing, shelter, air, water and other necessities of life. Human beings try to satisfy these needs first.

(ii) **Safety needs** : Second needs are safety and security needs. These needs are also important for most of the people. These needs include job security, security of income, insurance against risk and medical insurance, provision for old age etc.

(iii) **Social needs** : Once the primary needs are satisfied, the human beings try to satisfy their social needs. Human are social beings. They want to belong to social groups where their emotional needs for love, affection, warmth and friendship are satisfied.

(iv) **Esteem' and status needs :** These are needs of high status which are related to increase in authority and power. These are concerned with self-respect, self-confidence, feeling of personal worth and independence. An organisation can help satisfy these needs through job title, promotions etc.
(v) **Self-actualization needs** : These are the needs of the highest order. After all the other need are fulfilled, a man has the desire for personal achievement. He wants to do something which is challenging. At this stage he starts to think for others and society also. Only few people reach at this level. Maximum people's needs get fulfilled at the fourth level only.

HERZBERG'S THEORY OF MOTIVATION :

Fredrick Herzberg developed the motivation theory which is known as the two factor theory. Herzberg conducted interview of 200 engineers and accountants. He found that there are two sets of needs :

(a) **Hygiene factors** : In medical science, hygiene? factors help to maintain the health but not to improve it. In the same way, in this theory hygiene factors do not produce positive results but prevent negative results. These factors prevent damage to efficiency but do not encourage growth. Some hygiene factors are as follows :

Salary

Job security

Company policy

Technical supervision

Working conditions

Status

(b) **Motivational factors** : The motivational factors have a positive effect on the job satisfaction. These factors increase morale, satisfaction, efficiency and productivity. Examples of some motivational factors are as follows: work. Stay focused and committed to fulfill our dreams or complete tasks or Not to give up on our dreams even during difficult times.Build strength to complete any task or work. Self-motivation helps us to without someone or something influencing us. quality of life. In other words, it is our ability to do the things that need to be done motivation is what pushes us to achieve our goals, feel happy and improve our Self-motivation is simply the force within you that drives you to do things. Self- and stayed motivated even though it was lagging. being slow? The tortoise! Did you think why? The tortoise never thought less of itself

Have you heard of the story of the hare and tortoise? Who won that race despite

Examples of Self-motivation

1. Raj spends all her after school hours to practice more and more sample question papers. She wants to get at least 97% in all her subjects so that she can get admission to her dream college in the city.
2.Gunjan gets up at 5 am and goes for her dance classes. Then she comes home and finishes her homework before going to school. She does this all by herself. No one tells her to do it.
Qualities of Self-motivated People

1.know what they want from life

2.are focussed

3.know what is important

4.re dedicated to fulfill their dreams

How to Build Self-motivation?

1. Identify your likes and dislikes. Understand what makes you happy.

Example - I love driving.

2.Define the goals you want to achieve and focus all your energy on achieving your goal.
Example - I want to become a pilot.

3.Plan and set timelines to achieve your goals. Plan a list of activities that you will do to achieve each goal.
Example - After completing diploma you can join a B.tech course and then later take additional courses to become a engineer.
4.Work towards achieving your goal, even when you face a difficult time. Example - Even though I did not clear the B.tech entrance exam. I will find out other ways to become an engineer.

Importance of self motivation

Self motivated person or a self motivated learner can learn many things in life. It is therefore very important to remain self motivated to continue learning things that are supposed to be learnt. Being self motivated not only helps you aiming at your goals and objectives but also leads you to attain them successfully.

CHAPTER :- 6

MANAGEMENT SCOPE IN DIFFERENT AREAS

HUMAN RESOURCE DEVELOPMENT/HUMAN RESOURCE MANAGEMENT

The concept of human resource development (HRD) is comparatively of recent origin. This concept is now used at both mierol and macro? level. At the macro level. it is concerned with the efforts made to improve the quality of life of nation. while at micro level, it is concerned with the improvement in the quality of managers and staff so as to achieve the targets of the organisation. In short, H.R.D. brings about all round development so that one can contribute to the best in the organisation, society and nation. H.R.D. emerged as the powerful tool for the development in the later half of the 20th century, while in the past, training was the only way to develop human resources. It can be viewed as sum of knowledge, skills, attitudes, commitments, values and the likings of people of an organisation.

The term H.R.D. became popular in the recent past. Many organisations either started H..D. department or if this is not possible, then strengthened their personnel department so as to enhance the productivity. The concept was developed by Prof. Len Nader in 1969 in the Conference of American Society for Training and Development. In India, among the private companies, Larsen and Toubro Ltd. was the first to start this concept in 1975 with the objective of developing the skills of workers at lower level, while on the other hand, among public sector companies, B.HE.L. was the first to start H.R.D. concept in 1980. Some companies view H.R.D. as nothing but the development concept and these companies started their training and development department as H.R.. department.

DEFINITION OF H.R.D.

Human resource development may be defined as follows:

"Human resource development is the process of increasing knowledge, capabilities? and positive attitudes of all people working at all levels in a business undertaking."

"Human resource development is the part of human resource management that specially deals with training and development of the employees in the organisation." An orfanised learning experience within a group over c herced of time wig the objective of producing the possibility of performance change"

Thus, in short, it can be concluded that M R. D. aims at helping people to acqui, competencies required to perform all their functions effectively and make te organisations to do well.

OBJECTIVES OF HUMAN RESOURCE DEVELOPMENT

The main objectives of H.R.D. are as follows :

(i) To develop the capabilities of each employee in the organisation (ii) To develop the capabilities of each individual in relation to his future roles (iii) To develop good relationship between employees and supervisors.

(iv) To develop team spirit.

(v) To establish collaboration between different units.

(vi) To retain' the motivated employees.

(vii) To provide the frame-work for the development of human resources in an organisation.

To achieve the above objectives, H.R.D. adopts the following sub systems

(i) Performance appraisal.

(ii) Feed back.

(iii) Career planning.

(iv) Training.

(v) Organisational development.

(vi) Quality of work.

All these subsystems are based on the following assumptions :

(i) Among the different M's, man is the most valuable? asset in an organisation.

(ii) Human beings can work more efficiently if healthy climate is provided.

(iii) With the sense of belongingness, employees work with commitment?.

(iv) H.R.D is a planned process and this helps both individual and organisation.

(v) If managers work with responsibility, then this sets an example for workers

and they are also motivated to do work.

(vi) To maintain healthy working environment is the responsibility of the organisation.

FEATURES OF HUMAN RESOURCE DEVELOPMENT

On the basis of the above definitions, followings are the features of H.R.D. 1. H..D. is a system having several interdependent components. If the change is made in one component, it leads to the change in others also.

2. H.R.D. is a planned process.

3. H.R.D. is a continuous process.

4. It makes efforts to develop competencies at four levels :

(i) **At the individual level :** At this level, employees are made to realise their importance.

(ii) **At interpersonal level :** At this level, efforts are made to develop relationships based on trust.

(iii) **At group level :** At this level, inter group relations are strengthened.

(iv) At organisation level : At this level, development climate is established so that organisational goals can be achieved.

5. H.R.D. is a combination of ideas and principles laid down from sociology, psychology and economics.

DEFINITIONS OF MANPOWER PLANNING

Various definitions of manpower planning are as follows:
"Manpower planning is a process including forecasting, developing, implementing and controlling - by which a firm ensures that it has the right number of people and the right kind of people, at the right places and at the right time doing work for which they are economically most useful."
- Edwin and Geisler

"Manpower planning is the process of determining manpower requirements

and the means for meeting those requirements in order to carry an integrated plan at the organisation."

OBJECTIVES OF MANPOWER PLANNING

Manpower planning has the following objectives :

(a) To forecast the future human resource requirements of an organisation.
(b) To ensure optimum utilization of current! human resources employed in the organisation.
(c)To determine the status of available human resources.

(d) To determine the suitable recruitment process.

(e) To ensure that necessary human resources are available as and we required.

STEPS IN MANPOWER PLANNING

The following are the various steps of manpower planning process :

1.Goals and plans of organisation.

2.Current human resource situation.

3.Human resource forecast mplementation of programmes.

5.Audit and adjustment.

1.GOALS AND PLANS OF ORGANISATION : Manpower planning is, part of overall strategic planning for the entire enterprise. For the proper plannin it is essential that data must be there regarding possible corporate expansion, ne products, new plants, new markets and so on.

2. CURRENT HUMAN RESOURCE SITUATION : The second phase of the planning process is the preparation of an inventory within the organisation. This i called skill inventory. It requires up-to-date information regarding the qualification of selected categories of personnel. The skill inventory is used when forecast is prepared. Secondly, it is used to identify the talent within the organisation fa specific job openings.

3. HUMAN RESOURCE FORECAST : The human resource forecast is a determination of the demand of appropriate skills for given time period. The demand forecast is derived from the information generated in step 1. For manpower planning different techniques are used to project future personnel needs. These are as follow :

(i) Judgement and experience.

(ii) Budgetary planning.

(iii) Work standards data.

IMPLEMENTATION OF PROGRAMMES : It means converting the plans into action. The followings are the main programmes:

(a) Recruitment, selection and placement.

(b) Performance appraisal.

(c) Training and development.

(d) Motivation.

5.AUDIT AND ADJUSTMENT : Audit and adjustment are needed because the human resource requirements may be different from initial forecast due to any reason. Another reason for reviewing' the progress is that changes in manpower plans become necessary because of changed conditions or because some of the planning assumptions have been proven wrong.

RECRUITMENT AND SELECTION

After making the manpower planning, the next step is the procurement function. According to Yoder, "Recruitment is a process to discover the sources of manpower to meet the requirements of the staffing schedule and to employ effective selection of an efficient working force." measures for attracting the manpower in adequate' number to facilitate effective .

FACTORS AFFECTING RECRUITMENT

The following factors affect the recruitment:

(i) The size of the organisation.

(ii) The employment conditions in the society where the organisation is located.

(iii) Working conditions, salaries and benefit packages offered by the organisation.

(iv) The rate of the growth of the organisation.

(v) Cultural, economical and legal factors etc.

SOURCES OF RECRUITMENT

Basically, there are two main sources of the recruitment:

1.Internal sources,

2.External sources.

1.INTERNAL SOURCE:

Internal source of recruitment is the process in which the vacancy is filled within the organisation. It is desirable to look for applicants from within the organisation, if they have requisite? qualifications needed to fill a vacancy. Under this, these are following categories of employees :

(i) **Present permanent employees :** This internal source of recruitment is used for higher level job when internal candidate is equally suitable as available from external sources. This also motivates the present employees.

(ii) **Casual employees :** This source is used at the lower levels due to pressure of the trade unions.

(iii) **Retired employees :** Sometimes, the organisation retrenches the employees due to lay-off and whenever there is a vacany in the organisation, it is filled from these retrenched employees. Sometimes, competent retired employees are also re-employed as a token of their loyalty to the organisation.

(iv) **Dependents of employees :** Under this, the dependents of deceased disabled?, retired or present employees are recruited, if they are otherwise suitable .This is also the effective source of the recruitment and also motivates the employees

Following are advantages of internal recruitment :

(i) Employees are motivated to improve their performance.

(ii) Morale of the employees is increased.

(iii) This method of recruitment is cheaper as compared to external sources.

(iv) Labour turnover is reduced.

(v) Employees remain loyal to the organisation. (vi) Employees do not need induction? training.

(vii) A better employer-employee relationship is established.

Following are the disadvantages of internal recruitment:

(i) It limits the choice of selection.

(ii) It discourages entry of talented people.

(iii) Promotion is based on length of service rather than merit.

(iv) Existing employees fail to behave in innovative ways.

(v) New blood does not get chance to enter the organisation.

(vii) Organisation would become dull without innovations, new ideas and expertise.

2.EXTERNAL SOURCE:

The external source of recruitment is that process where the supply of manpower is from the outside source. External source provides a large pool of talented persons. The following are the external sources :

(i) Educational and training institutes : Most of the organisations use this source i.e. recruitment in the campus of the institute itself with a view to minimise time lapse and to tap the talent before it is attracted by some other organisation.

(ii) Private employment agencies : Private employment agencies also help their clients to fill up the vacancy. These types of agencies are very common in U.S.A. In India, ABC consultant performs this function. In this method, line managers are relieved' of recruitment functions and they concentrate on their other activities. Most of the companies depend on this source for highly specialised and executive positions.

(iii) Public employment exchanges : In our country, Employment Exchange Act. 1939 makes it obligatory! for public and private sector to fill certain types of vacancies through public employment exchanges and by this way, this act helps the organisation to find suitable candidates,

(v) Professional organisations : Professional organisations also help the firms to fill up the vacancies. These organisations have complete bio-data of their members and provide the firms at the time of requirement. These act as links hetween the members and the recruiting firms. This source is used to fill up the vacancies of experienced and professional employees like engineers and executives. (vi) **Data banks** : Under this, the management can collect the bio-data of the candidates from the different sources like educational training institutes, employment exchange etc. and prepare a data bank. Whenever there is a need. the recruiting firm may use this and get the suitable candidates.

(vii) Similar organisations : This would be one of the most effective source for newly established business. The management can get suitable and experienced candidates from the other companies having similar nature and producing same product.

Come of the advantages of external source of recruitment are as follows:

(i) A wider field of recruitment is available.

(ii) Candidates can be selected without pre-conceived notion?.

(iii) Latest knowledge, skills and innovations may also flow into the organisation.

(iv) There will be long term benefit to the organisation, as the qualitative human resources can be brought to the organisation.

Following are the disadvantages of external source of recruitment:

(i) Labour turnover is increased.

(ii) It is very costly.

(iii) It takes a lot of time.

(iv) It demotivates the existing employees.

(v) The present employees lose their sense of security.

(vi) Employees feel frustrated? and their morale is adversely affected.

(vii)Chances of industrial unrest' and strikes are increased.

PERFORMANCE APPRAISAL

Performance appraisal is very important for the employees' development and in assessing their relative worth and merits. It is a continuous activity. The management should plan it in a systematic and orderly manner. The objective of performance appraisal is to determine the present state of efficiency of a worker in order to establish the actual need for training.
The process of performance appraisal consists of the followings:

(i) Setting standards for performance.

(ii) Communicating the standards to the employees.

(iii) Measuring the performance.

(iv) Comparing the actual performance with the standards set by the organisation.

OBIECTIVES OF PERFORMANCE APPRAISAL

Performance appraisal is done to achieve the following objectives:

(i) To determine the salaries, wage structure and compensation packages.

(ii) To know the strength and weaknesses of employees.

(iii) To provide feedback to employees regarding their performance.

(iv) To improve the working habits among the employees.

(v) To create a healthy competition in the organisation.

(vi) To maintain and assess the potential of the employees.

(vii) To help in framing future development programmes.

(viii) To review the promotional and training programmes.

PERFORMANCE APPRAISAL METHODS

The followings are the important methods of performance appraisal :

1.Unstructured' appraisal method.

2.Ranking method.

3.Forced distribution method.

4.Check list appraisal method.

5.Critical incident method.

1.UNSTRUCTURED APPRAISAL METHOD:

This method is simple and highly subjective. It is specially used in Government departments and public sector undertakings. In this method, the appraiser notes down his impression about therperson being appraised under specific headings like health, behaviour. personality, trait, quality of job performance etc.

2. RANKING METHOD:

It is the simple method of placing the employees in a rank according to their job performance. All the employees are compared on the same factors and frater el no Qverall basis with reference to their job performance. In this method, the best employee gets the first rank and the poorest, the last rank. The disadvantage of URis method is that it does not indicate the degree of difference between the employees at first rank and second rank and so on.

3.FORCED DISTRIBUTION METHOD

In this method, the appraiser divides the employees being appraised into pre- determined ranges of scale. In this method, two or more employees may be given same rating. This method is based on the assumption that employees can be divided into five points scale : () Outstanding, (4) Above average, (i) Average, (iv) Below average and 0) Poor. In this method, the appraiser may be asked to divide the emplovees in the above categories in such a way that 10% of the employees fall in the group 'outstanding,

20% 'above average', 40% 'average', 20% 'below average' and 10% 'poor'. The advantage of this method is that it is easy to understand and implement.

4.CHECKLIST APPRAISAL METHOD:

This method is based upon a standard checklist. The various statements in the checklist are incorporated in such a way that these describe various types of behaviour of an employee on a particular job. Each statement is assigned a scale value. The appraiser checks the statements and employee is evaluated on the basis of weighted average. This method is lengthy in evaluating the employees and is relatively costlier.
Check List

Yes

No

(i)Does the employee takes interest in the job?

(ii) Is the employee punctual ?

(iii) Does he possess a good knowledge of job ?

(iv) Does he ensures' safety of tools and equipments ?

(v) Does he respect his fellow? workmen ?

(vi) Does he follow instructions ?

(vii) Does he shirk responsibility ?

(viii) Does he keep his temper ?

(ix) Does he complete his job well in time ?

(x) Does he remain attentive3 while doing work.

CRITICAL INCIDENT METHOD:

In this method, critical incidents of each employee's behaviour, whether ponitive or negative, are recorded by the appraiser in a specially designed notebook for the purpose. Some critical incidents of behaviour are as follow :

(i) Employee accepts new ideas.

(ii) Employee tries to get a fellow worker to accept management decisions.

(iii) Employee suggests an improvement in the work method.

(iv) Employee refuses to help other workers.

(v) Employee becomes upset on overload.

(vi) Employee resists the change.

On the basis of such above incidents, performance appraisal is done.

MATERIAL MANAGEMENT

Material is the most important constituent of the finished product. The cost of the material itself in the organisation constitutes about 70% of the total cost of a product. With the help of the proper system of material management, the cost of the material can be controlled within the limits.

Material management is the branch of logistics that deals with the tangible components of a supply chain. Specifically, it covers the acquisition of spare parts and replacements, quality control of

purchasing and ordering such parts. The topic of material management is concerned with the determination of the policies regarding the procurement of the material and deployment' of the material to the various jobs.
The procurement of the material consists of its quantity, quality and the price at which the material should be bought or purchased.

DEFINITION OF MATERIAL MANAGEMENT

" Material management is concerned with control of materials in such a manner which ensures maximum return on the working capital of the enterprise".
According to N.K. Nair," Material management is the integrated functioning of the various sections of an organisation dealing with the supply of materials and allied activities in order to achieve maximum co-ordination."

Hence material management is concerned with effective flow from the stage of raw materials - semi-finished products -» finished products.

OBJECTIVES OF MATERIAL MANAGEMENT

There should be a balance between the objectives of the industry and the expectations of the customers and society itself. The foremost' important objective of material management is to maximize the profits, thereby, minimizing the cost, but above all, to provide a good quality material. Customer is on the centre stage today and hence, the interest of the customer is highly privileged. The obiectives of material management are as follows :

(i) Effective and efficient handling of materials.

(ii) Keeping less inventory in relation to the sales.

(iii) To reduce the price of items, thereby, reducing the operating cost.

(iv) Make decisions about purchase of materials.

(v) To give assistance to the production department.

(vi) To choose the standardised products and reject the non-standardised products in order to reduce the cost of production.

(vii) To opt for new developments in material handling.

(viii) To contribute in the success of each and every department in the organisation.

(ix) To maintain the goodwill of the business by maintaining good relations with the suppliers of the materials.

(x) To procure the materials of good quality.

(xi) To reduce the real cost of production by efficient material handling.

(xi) To reduce the production time.

(xii) To ensure proper and effective utilization of the available tools and equipments.

(xiv) To avoid the problem of over-stocking and under-stocking of the materials.

FUNCTIONS OF MATERIAL MANAGEMENT

The functions of material management are classified under the following heads:

1.Material planning

2.Material purchasing

3.Stores management

4.Inventory control

1.MATERIAL PLANNING: This is the primary function of material management. The market forecast is converted into production schedules by production planning and control. Material management prepares the material plans to meet the production schedule.

2.MATERIAL PURCHASING : Material purchasing is one of the most important functions of material management. Material purchasing plays an important role in the success of business. Purchasing involves more than 50% of capital expenditure by the firm.

The most important parameters of purchasing items are as follows: at right price of right quality in right quantity at right time from right suppliers

3.STORES MANAGEMENT: Stores management is also an important function of material management. It is responsible for proper storage of the material and then issuing it to respective departments as per their requisitions'. These items which are not in use for some specific duration e.g. spare parts and raw materials are called as stores and storekeeping. Hence storekeeping means responsibility of the person to keep proper record of all the materials, stationery, furniture, fixtures and tools etc.

4. INVENTORY CONTROL : Inventory control consists of a list of goods and materials available in stock. Inventory control is very important in the production oriented enterprises. Inventory control keeps track of inventories. The balance between 'too much' and 'tool little' can be maintained by effective inventory control. "Too much' leads to charges in the form of taxes, insurance, storage and blocking of funds. 'Too little' leads to loss of production quantity, discount and higher transportation changes.

Too much inventory creates many problems:

(i) Problem of their huge storage.

(ii) Huge investment in inventory i.e. blocking of funds.

(iii) Maintenance of huge storage.

Therefore, inventory must be properly controlled. Inventory control is concerned with minimizing the total cost of inventory.

CONCEPT OF INVENTORY

Inventories are stocks of raw materials and components required for manufacturing of product and of finished product for sale. Thus, inventories form E link between the production and sale of the product.

The forms of inventories existing in a manufacturing enterprise can be classified into three categories :

(a) Raw materials : These are the goods which have been purchased and stored for future productions.

(b) Work-in-progress : These are the semi-manufactured products.

(c) Finished goods : These are the final products of the production process ready for sale.

Some firms also maintain a fourth kind of inventory called M..O. inventories. Maintenance, Repair and Operating supplies (Lubricating oil, soap and machine repair parts) which are consumed in production process but do not become the part of the product are considered in this category.

Advantages of holding large inventories :

In an industry it will be very expensive and time consuming to purchase each item of materials, parts and supplies after an order is received from the customer. It is always advantageous to keep some general items in stock to be used as soon as orders are received.

The following are advantages of holding large inventories:

(i) It enables the immediate start of production as soon as the orders are received.

(ii) Buying materials in optimum quantities is profitable as discounts are available on bulk' purchases.

(ii) A good industry keeps a ready stock of product for immediate sale.

(iv) Sometimes it is difficult to procure materials immediately due to unforseen? reasons like strike etc. Thus in this case inventories come to rescue the user.

(v) An enterprise may also hold inventories to take the advantages of price fluctuations? (price rise) of raw materials.

(vi) Holding sufficient inventories also ensures efficient production run. In other words, supply of sufficient inventories protects against shortage of raw materials that may interrupt4 production operation.

(vii) More products can be manufactured easily.

Disadvantages of holding large inventories :

It is not that everything is good with holding large inventories.

The following are the disadvantages of holding large inventories :

(i) Much of working capital is tied up with inventories and interest has to be paid on such capital. It increases the cost of production.

(ii) Larger the inventory, more the insurance charges.

(iii) Many items may damage and deteriorate! with passage of time.

(iv) When design changes, all the inventories become obsolete? and surplus.

(v) With the large inventory, there are more chances of pilferage? and misplacement of items.

(vi) Sometimes the cost of materials decreases. It causes loss to the organisation.

INVENTORY CONTROL TECHNIQUES

Inventory control may be defined as the scientific method of finding out how much stock should be maintained in order to meet the production demands and to be able to provide right type of material at right time in the right quantities and at competitive prices.

Inventory control is a vital element in the management of materials. No doubt there are certain advantages of holding large inventories in an enterprise and it is must for the successful running of an enterprise. But on the other hand, there are several disadvantages also of holding large inventory. Therefore, there should be some optimum level of holding inventories.

Well planned and effectively controlled inventories can contribute substantially to a firm's profit. The real problem is to determine the inventory level at which money should be invested in inventory.

There are the following two main objectives of inventory control techniques:

(i) Making adequate inventories available for production and sale as and when required.

(ii) Minimising both cost as well as volume of investment in inventories consistent with objectives stated above.

FUNCTIONS OF INVENTORY CONTROL

Proper inventory control in an industry serves the following functions :

(i) It helps in operationally smooth working of an organisation.

(ii) It shows minimum level of stock and re-ordering level.

(iii) It helps in smooth flow of production.

(iv) It estimates time lag between manufacturing and transport operation.

(v) It ensures balanced flow of materials, components and tools.

(vi) It leads to lowest storage and inventory carrying costs.

(vii) It ensures saving in purchase through the evaluation of requirements on scientific basis.

(viii) It permits better utilisation of available stocks by transferring it from one department to another as per need.

(ix) It provides a check against pilferage.

(x) It provides a constant and reliable' basis for financial statements

(xi) It finally reduces the working capital and manufacturing costs thus increasing profitability of an enterprise.

METHODS OF INVENTORY MANAGEMENT

Several methods have been developed in the recent past for determining the optimum level of inventory in the enterprise. The following are the important methods of inventory management :

1.Selective inventory control : A.B.C. analysis

2.Economic ordering quantity : (EOQ) model

1. SELECTIVE INVENTORY CONTROL : A.B.C. ANALYSIS :

ABC is a form of control over stores. Its full name is 'Always Better Control .The ABC analysis is based on the logic that in any large number, we usually have 'significant few' and 'insignificant many. This holds good in case of inventories also. A firm using several types of inventories do not need to exercise same degree of control on all the items. The items with highest values are classified as 'A items'. The items with relatively low value as B items', and the items least valuable are classified as 'C items'. The items belonging to list 'A items' are small in numbers as 5 to 10% of the total items but they are quite valuable as 70 to 75% of the total value of the stock. Therefore, stringent? control is imposed on 'A items' maintaing bare minimum necessary level of inventories. While B items' will be kept under reasonable control. 'C items' would be under simple control.

The following table gives the breakdown of inventories in A, B and C category of an enterprise. This percentage is different for each enterprise.

2. ECONOMIC ORDERING QUANTITY (EOQ) MODEL :

One of the important decisions to be taken by a firm in inventory management is how much to buy at a time. This is called Economic Ordering Quantity.

EOQ model is based on the following assumptions :

(i) The firm knows with certainty1 how much items of particular inventories will be used within a specified period of time.

(ii) The use of inventories remains constant or unchanged throughout the period. (iii) The moment inventories reach to the zero level, the order is placed to replenish? inventory and stocks are received. Determination of EOQ : EOQ model is based on cash management model.

How much to buy at a time is to be decided on the basis of the following two costs :

(a) Ordering costs : It is the cost concerned with the placing of an order to acquire inventories. It may vary from time to time depending upon the number of items ordered in each order.

(b) Carrying costs : It is the cost of keeping inventories in a firm. Carrying costs include interest on capital invested, obsolescence losses, insurance premium, wastage and loss of materials, rent, store-keeping costs etc. The above two costs are inversely proportional. If holding inventory cost increases, ordering cost decreases and vice versa. A balance is, therefore, struck between the two opposing costs and economie ordering quantity is determined at a level for which the aggregate of two costs is minimum.

MARKETING

Marketing is very much integral to market. Market is a place where the sellers and buyers assemble to exchange their products for money and vice versa. It is also the place where the actual exchange of goods and services takes place. So marketing involves the flow of goods and services from the producer to the consumers through the process of exchange.

According to H.L. Hansen, "Marketing is the process of discovering and translating consumer needs and wants into products and services and then in turn expand their demands."
Marketing is the most developing science. As per modern concept, marketing does not end with placing the goods in the hands of consumers, but it starts with it Marketing ends only when consumers are satisfied.
Marketing is directly linked with economic development of the country. It provides momentum to the development of the country. It is with the help of marketing that goods can be delivered to the customers at right time and at right place. The scope of marketing is very wide. In the initial times, marketing was concerned only with the flow of the products, but now, with the change of time, marketing is not only concerned with the flow of the products from producers to consumers but includes all those activities which provide satisfaction to customers.

MARKETING MANAGEMENT

Marketing management can be described as a combination of marketing and management. As management includes all the activities from the planning stage to the realisation' of goal, marketing management also involves the entire process of management so far marketing of a product is concerned. So marketing management may be defined as the process of ascertaining consumer needs and wants and converting them into products and services and then moving these products and services to the final consumers to satisfy their needs and wants. While doing so, the seller aims at profitability ensuring optimum utilisation of the available resources of the organisation.

IMPORTANCE OF MARKETING

The importance of marketing is gradually increasing in every organisation and industry on one hand and the society as a whole on the other hand. Importance of marketing can be seen from the fact that approximately one third of all the persons gainfully employed in our country are in the field of marketing. Briefly, the importance of marketing can be understood from the followings :

(i) Marketing helps in raising the living standard of the people.

(ii) It helps in the development of the economy of the country and stimulates consumptions? which is advantageous for the industries.

(iii) It is a good link between production and consumption.

(iv) Continuous marketing is must for continuous production.

(v) It bridges the gap between producers and consumers.

(vi) It helps in expanding home markets and ensures more security to industries.

(vii) It helps in finding out right type of production for an industry.

(vii) Scientific marketing

Discourages, Black marketing, hoarding and

(1) It guides the industries about the right place and price at which the product should be made available.

(2) It helps farmers to improve their productive efficiency and encourages them to use latest tools of cultivation3.

(a) It helps in using the existing economic resources and finding the new ones.

(b) It brings products of new quality and variety which are beneficial to the society.

(c) It helps in contributing the fullest utilization of available managerial capacity.

(d) It adds values of goods by changing their ownership.

FUNCTIONS OF MARKETING.

Marketing has undergone a tremendous' change in its function. New concepts and patterns of thought have emerged. Marketing is being rapidly transformed from an art based on mere experience and skill into a profession based on systematized body of knowledge. The blending and cross fertilization of different disciplines have enriched the value of marketing as a respectable field of study. Thus one can define marketing in a developmental sense as follows :
"Marketing is the design, organization and implementation of economic and social programmes to influence public participation in a nation's development." This involves techniques of marketing research, product planning, pricing, communication and distribution. Thus the importance of marketing functions in a business management has grown significantly during the last two decades. The development has come about as a result of several factors such as technological advances, expanding world markets, changing international environment, increasing consumer sophistication and growing size of modern business. Thus in the journey from the producers to consumers, marketing has to pass through many operations and many hands. The followings are the important functions of the marketing

1. BUYING RAW MATERIALS:

The first function of marketing is to buy the raw materials. Efficient buying will certainly help the company to earn profits. Under this function of buying, important decisions like the determination of the business needs, the quantity to be bought, the time when goods are needed and sellers from whom purchases are to be made are taken. The function of purchase is performed by any of the following ways :
(i) By inspection

(ii) By sample

2. SELLING:

Selling is the another important function of marketing. Out of the different methods designed for demand creation, these are most commonly used :

(0) The consumers are given an opportunity to use the article and if they derive' satisfaction from its use, demand can be said to have been created for the article.

(i) Create demand through personal solicition?.

(ii) The article may be repeatedly advertised by means of pictures and symb (0) By inspection (it) By sample

3.MARKETING RESEARCH:

Marketing research is the modern concept of marketing. For a long time, producers depended on their own guesswork and estimated the possible size of demand of their products. This meant the use of hit and miss method for such a crucial function as the forecast of demand and condition in the market quite often resulted in failure of business concerns. With the present day complexity' of markets, there should be scientific attempts to forecast the future of a product in the market. This scientific attempt is known as marketing research. In order to perform this function, the collection of data is made through two sources :

(i) Internal sources

(in) External sources

Thus the function of marketing research shifts the fact-finding information gathering activity to a problem solving and action recommending function.

4. PRICING:

It is the pricing policy which directly affects the earnings of the concern. Prices are not to be determined by consideration of a few independent known factors, but by the study of a large number of complex and inter-dependent factors. The following functions are to be performed while making the pricing policy :

(1) Fixation of the basic level of company policies. The relevant factors to be considered are :

(a) Relationship with costs.

(b) Relationship with prices of the competing products.

(c) Price for product lines.

(d) By inspection

(e) By sample

(f) Formation of policies regarding price differentials for various types of customers. Under this, decisions on trade discounts and other adjustments in list price are taken.

(g) Policy regarding the maintenance of re-sale prices.

5. TRANSPORTATION:

Transportation performs the essential function of marketing. Transport is indispensable' for the assembling and dispersal of raw materials and goods. In the selection of the various means of transport, a study of their relative merits will be more relevant. The final choice is to be made after consideration of following four factors :

(1) Cost

(2) Speed

(3) Flexibility

(4) Regularity of services

6. PACKAGING :

Packaging is an important function facilitating the marketing of goods. It acts as a multi purpose arrangement. The followings are the characteristics of a good packaging:

(1) It attracts attention.

(2) It establishes identity.

(3) It enhances? the total image of the brand.

One of the basic advantage of the packaging is that information regarding the uses of the product can be conveniently passed to the consumer in the packaging. Packaging may be done both in the wholesale trade and in the retail trade. Thus in this context, marketing manager has to take decisions regarding the type and material of packing, its shape, size, design, colour etc.

7. ADVERTISING AND SALES PROMOTION:

The dictionary meaning of the word is "to announce publicly or to give public notice." In other words, it may be interpreted as to turn the attention of the people concerned to a specific thing which has been announced by the advertiser publicly in order to inform and influence them with the ideas which the advertisement carries.
Advertisement is a form of promotion and a means of non-personal mass communication to the existing and prospective customers in order to maximise the company's sales and the profits. The following activities are included in the advertising:

(i) Selection of media with a view to stimulate sales amongst present and prospective consumers.

(ii) Communication with consumers of the product and the manufacturer.
(iii) Maintenance of brand loyalty amongst the customers.
Advertising may be used to reassure the buyers that they have made the best purchase, thus building brand loyalty.

(iv) Increasing support to dealers, distributors, wholesalers and retailers and the sale force is the main function of advertising.

(v) Projecting the image in the minds of people who are customers of the company's products. Another sales promotion activity is salesmanship. One cannot replace the other. Rather, they may be used as complementary! to each other. In personal selling, an appeal is made through persons and personal selling activities are mainly controlled by the company itself. Thus, the ultimate purpose of salesmanship and advertising is the same to increase.

The sale volume Thus, both are complementary to each other. Advertisement supports the salesmanship and vice versa.

8. FINANCING:

Financing facilitates the mechanism of marketing. Financing of customer purchasing has now acquired important place in the modern marketing. Credit facilities given to customers also help to increase the sales of goods. Thus marketing department influences the policies of the finance department with regard to cash and credit sales.

To be concluded, it can be said that the marketing functions play a crucial? role in the success and failure of the business organization.

DIFFERENCE BETWEEN MARKETING AND SELLING:

Marketing is the process of discovering and translating consumer needs and wants into products and services and then expanding their demand. On the other hand, selling means transfer of goods and services for money. The selling function is one of the most important functions of marketing. Marketing starts with product idea and ends with customer satisfaction. Marketing is a wider term and selling is part and parcel of it. Thus, marketing involves pre-selling activities such as conceiving an idea of producing something, planning for its production, all selling activities and post selling activities such as after

sale services etc. Selling on the other hand, involves only the transfer of goods and services to the customers or prospective customers for money. Thus, it is one of the functions of marketing.
Sale function thus is a part of marketing and success of business depends on the success of selling department. Management of sale function is not only important for firm, but it is also important for the development of country.

ADVERTISING:

Advertising is the process through which message about a product is passed on to the people in general or the prospective buyers in particular. In the modern world of competition, advertising plays a major role to create demand and boost sale of a product. A good advertising makes even an inferior' product more popular and acceptable. The main aim of advertisement is to increase the sale of goods and services, create more customers and increase consumption.
Advertising may be defined as any paid form of non-personal presentation and promotion of goods, services or ideas by an identified sponsor.
Advertising may also be defined as commercial messages to the public, designed to inform potential and established consumers, in order to encourage sales of the product.

The main function of advertising is to convey message and ensure that the message reaches the target i.e., the prospective buyers. There may be several media through which such messages may be communicated, and such media are known as advertisement media. The media may be divided into the following four categories:

(h) Indoor advertisement: Newspapers, televisions, radios, films, supplements and leaflets inserted inside the pages of newspapers etc.

(iii) Outdoor advertisement: Posters, painted boards, painted walls, glow signboards, flying balloons, advertisement in various means of transport.

(iii) Direct advertisement: Promotional booklets, sale letters, gift items like calendars, diaries, pen stands, ball pens, scooter stepney covers, T-shirts, handbags etc.

(iv) Display advertisement: Counter display, show-case display, show rooms, exhibitions and trade fairs etc.

NEED FOR ADVERTISING

Advertising of a product is needed for the followings:

(1) To successfully market a new product or promote the demand for an established product.

(2) To brand an article by trade-name or trade-mark.

(3) To eliminate inferior brands of the same category from the market by fair competition.

(4) To increase the demand steadily! This invariably? leads to more economic, production.

(5) To convert luxuries into necessities by improving the standard of living by creating new and better habits, saving labor, improving health, creating new comforts and widening the market for necessities.

SALES PROMOTION

The famous author Mr. Philip Kotler has mentioned in his book about the various aspects of marketing management. Sales promotion is one of the important aspects.

Sales promotion consists of the incentives which are given/offered to the customers to buy the products.

Sales promotion includes the tools for product promotion such as samples, coupons, cash refund, prizes, warranties etc.
Sales promotion has been accepted by the top management as an effective

sales tool.

Sales promotion is a direct and immediate stimulation that adds an extra value to the product.

PURPOSES OF SALES PROMOTION

The various purposes of sales promotion are as follows :

(i) It creates new customers.

(ii) It retains the existing customers.

(iii) It helps to face the competition as it a powerful weapon.

(iv) It helps the retailers to perform their functions well. It helps in keeping them happy and ready to serve.

(v) In addition to the increased earnings, it helps to give non-cash benefits also to the sellers. e.g., the company may sponsor a foreign tour for the targets achieved b sellers.

SALES PROMOTION TECHNIQUES

Following are the important techniques used for sales promotion.

(i) **Sampling:** Sampling is the most effective way to introduce a new product. It might be delivered door to door or attached with other products.

(ii) **Coupons:** This is also one of the effective method of sales promotion. A 139 manufactures may print some discount or lift coupons and distribute them among? people through newspapers, magazines or some other suitable means.

(iii) **Price packs:** Price packs are also an effective way to boost instant sales. in price packs, two or more related products are bundled together and total price or the pack is reduced.

(iv) **Discount**: Discount is very popular and very basic tool for sales promotion. Discounts are offered to customers on buying a certain quantity or certain products. Discounts encourage customers to buy large quantity. This method is useful for immediate profits.

(v) **Free gifts:** Companies offer gifts to those customers who buy a certain quantity. This also encourages customers to buy more and more.

(vi) **Free trials:** In free trials, potential customers are invited to try a product for free. If they like the product they may order it.

(vil) **Cash refund offer:** In this method, companies offer a price reduction after the purchase is made. Generally, copy of sales invoice' is sent as a proof of purchase to the manufacture by mail and manufacture returns some of the money.

FINANCIAL MANAGEMENT

In the early stages of industrial development, capital was not of much consequence and the financial requirements of business were limited. Labour was more important than capital. As industries grew and new methods of production developed, financial requirements of business increased. Nowadays finance is known as the lifeline of an organization.

Financial management is a branch of general management which looks after the financial functions of a business. Financial management is the custodian? of a business. Finance is not only needed to start a business but also needed for running it successfully. Finance is needed to turn ideas into project and then into profits.

Therefore, there should be sufficient finance available to organise any type of business and meet the day to day expenses. Financial functions of an organisation are usually managed by a separate department called the finance department headed by a financial manager. Now the role of financial manager has changed with the increased competition among firms, persistent? inflation' and technological improvements. Therefore, the financial manager should be quite capable, experienced and qualified enough to handle the financial functions to ensure success. Financial management may be defined as that part of management which is concerned mainly with raising the funds for the enterprise in the most economical manner, utilising those funds as profitably as possible for a given risk level, planning future investments and controlling current performance and future developments through financial accounting, cost accounting, budgeting, financial statistics and other means.

According to Hoagland, "Financial management deals with how corporation obtains funds and how it uses them?"

NEED FOR FINANCIAL PLANNING:

We know that production is the outcome of these factors i.e. land, labour, capital and organisation. Finance is one of the important prerequisites to start an enterprise. In fact, it is the availability of finance that facilitates an entrepreneur to bring together land, labour, machinery and raw materials to produce goods. Financing an enterprise whether large or small is a critical element for success in business. The decisions taken by the entrepreneur well in advance regarding the future financial aspects of the enterprise is called financial planning. In financial planning or financial forecasting, the entrepreneur should clearly answer the following questions :

(1) How much money is needed?

(2) When is the money needed?

(3) Where will money come from?

While estimating the money needed, the entrepreneur should take the following three things into consideration :

(4) There should be adequate' provisions? to pay the purchase considerations. (5) There should be sufficient capital to support the business operations upto the initial three months of the enterprise.

(6) Lastly, there should be enough provision to meet the unexpected/unplanned business expenses.

Thus, the total of these three will constitute the total money needed to start the enterprise.

Hence financial planning is needed so that the funds can be made available as per the requirement of the enterprise. There should neither be a situation of over- capitalisation nor of under-capitalisation.

The finance department of an enterprise has to take all the financial decisions and for that it has to take the following steps :

(1) To forecast the cash receipts and cash outgo.

(2) To raise funds from various sources like loans, shares/debentures, bonds etc.

(3) To allocate the collected funds among various departments as per need.

(4) To exercise control over the use of funds and ensure proper utilization of the allocated funds.

TYPES OF CAPITAL:

The entire amount of money invested in a business is known as the capital of the business. The requirement of capital depends upon the type of business, size of enterprise, technique of production, volume of production etc. In a small enterprise, the amount of capital needed is less but in a large enterprise a large amount of capital is needed. Capital of a business may come from various sources such as the owner's funds, borrowed funds, loans and advances from banks

and financial institutions, overdrafts, sale proceeds of shares and debentures, fixed deposits from public etc.
There are two ways of classifying the capital needs of an enterprise :

1. Based on extent of permanence, the capital needs are classified into two types:

(a) **Fixed capital**

(b) **Working capital**

2. Based on period of use, the financial needs are classified into following two types:

(a) **Long term capital**

(b) **Short term capital**

(c) **Fixed capital:** The amount of money invested in fixed assets like land and building, plant and machinery, furniture and fixtures, tools and equipments etc. is known as fixed capital. It is that portion of capital which is utilised to create physical infrastructure and to carry on the production activities. It is used to meet the permanent and long term need of a business. A large amount of money is blocked for a long period of time in the form of fixed capital.

(d) **Working capital:** Working capital is that portion of capital which is utilised to meet the day-to-day requirement for smooth running of a business. It is required for purchase of raw materials, payment of wages, salaries, rent, taxes, electricity bill, advertising, transportation etc. Working capital is also known as revolving capital or circulating capital. As cash is not converted into cash instantly, the need for working capital is felt continuously. The process of converting cash into cash once again through various stages is a cyclic process and is known as operating cycle'

(a) Long-term capital: This is such money whose repayment is arranged in more than five years in future. The sources of long-term finance could be owner's equity, term-loans from financial institutions, credit facilities from commercial banks, hire-purchase facilities from specific organizations etc.

(b) Short-term capital: This is a borrowed' capital that is to be repaid within one year. The sources of short-term finance include bank borrowings for working capital, deposits or borrowings from friends and relatives etc.

IMPORTANCE OF FINANCIAL MANAGEMENT:

The importance of financial management is increasing in almost all types of organisations whether big or small. Earlier the financial management was confined upto raising of funds only but now it also influences the profitability and survival of the firm. The importance of financial management can be underlined as follows :

(a) Helpful in acquiring sufficient funds: The very important function of financial management is to assess the financial requirements of the business and on this basis establish the capital structure of the company. Under the capital structure, decision is taken to select the various sources of finance.

(b) Proper cash management : Financial management assess the cash requirements at different times. The importance of financial management lies in the fact that it ensures that neither there should be excessive cash nor inadequate? cash. The cash should be adequate to meet day to day expenses, to pay the creditors in time and to pay the long term loans and interest thereon.

(c) Ploughing back the profits : Ploughing back the profits no doubt is the best source of finance but on the other hand shareholders want dividend as a return on their investment. The financial management maintains the proper balance between the two.

(d) Important for shareholders: From the financial statements of the enterprise, the shareholders can analyse the earning capacity of the enterprise.

(e) Important for financial institutions : The knowledge of the financial management and its principles are important for financial institutions. This knowledge helps these institutions to sanction loan to a particular company after ascertaining its repaying capabilities.

FUNCTIONS OF FINANCIAL MANAGEMENT:

Various functions of financial management are as follows:

(i) Determining financial needs : Finance is needed by an enterprise for purchasing fixed assets and to meet working capital needs. To estimate this financial need meticulously' is prime function of financial management.

(ii) Arranging funds : Next functions of the management is to arrange funds as per requirement. Sources of funds may be shares, debentures, banks or other financial institutions. Selection of an appropriate source is very important.

(iii) Investment of funds: The available funds should be used in the best possible way. The channels which generate higher returns should be preferred.

(iv) Financial analysis: Finance manager should know the profitability, liquidity, short term and long-term financial position of the firm. Hence analysis of financial statements are an important task of finance manager.

(v) Profit planning and control: Profit maximization is the objective of every firm. Break-even analysis and cost volume profit analysis are some of the tools used in profit planning and control.

(vi) Maintaining liquidity: Cash is required to purchase raw materials, to make payment to workers, meeting other expenses on daily basis. Hence every firm is required to maintain some liquidity for these purposes. This is also one of the functions of management.

(vii) Implementing financial control : Pinancial control devices like cost control, budgetary control, break-even analysis etc. are very essential for efficient financial management. This device helps financial management in evaluating the performance in various related areas.

TAXATION:

Taxation is the collection of a share of individual and organisational income and wealth by a Government under the authority of law. Taxes are the major sources o Government income in most countries. Taxation is a compulsory transfer of money from private individuals, institution, or groups to the government. A tax is a compulsory contribution levied on the wealth of an individual institution or corporation by the Government of a country. The purposes of taxation are to raise funds for public purposes, to prohibit or regulate certain activities and to equalise the distribution of wealth by reducing the higher incomes in order to provide social services.

In modern times, taxation has a dual purpose of raising funds for state and to achieve social and economic objectives.

PRINCIPLES OF TAXATION:

Adam Smith defined the following principles of taxation :

Equal

(1) Certain (2) Timely (3) Economical

(4) Equal : The amount of taxes which the people pay should be equal, by which it is meant that the taxes should be proportional to their income.

(5) Certain : There should be certainty with regard to the amount of tax to be paid. In other words, tax rules, instructions and manner of payment of the tax should be clear to the tax payee.

(6) **Timely:** Tax should be paid in time which means that taxes should be so selected and arranged in time that there is minimum disturbance to the tax payee.

(7) Economical: The principle of economy in tax collection is generally conceded. It will be of little use for the government' if the cost of tax collection is excessive.

PURPOSE OF TAXATION

The following are purposes of taxation:

(1) To raise funds for public purposes.

(2) To distribute wealth effectively.

(3) To provide social services, defense and security.

(4) To achieve social and economic objectives.

(5) To increase economic development.

(6) To increase employment.

TYPES OF TAXES

Taxes are classified as under :

(1) **Direct tax:** Direct tax is borne by the persons on whom it is intended' to be levied by the taxing authority. Direct taxes are usually collected at the very source and hence the cost of collection is comparatively very small and the chances of evasion? are little. Income tax, corporate tax and capital gains taxes are examples of direct taxes.

(2) **Indirect tax**: An indirect tax is one, the burden of which is passed on by the person on whom it is imposed, to other persons. These taxes are called indirect taxes because there is an indirect relation between the tax payers and the revenue authorities. e.g. excise duty is collected at the manufacturing stage, but ultimately it is paid by the end user (customer).Sales tax, excise duty, customs duty, professional tax and service tax are the examples of indirect taxes.

INCOME TAX:

Income tax is a very important direct tax. It is an important and most significant source of revenue of the Government. The Government needs money to maintain law and order in the country, safeguard the security of the country from foreign powers and promote the welfare of the people. Since our Government follows the socialistic' pattern of the society, so the main duty of Government is to work for the social welfare and development programmes which bridge the gap between rich and poor. All this require mobilisation of funds from various sources. These funds come from the major source known as income tax.

WHO IS LIABLE TO PAY INCOME TAX?

Every person whose taxable income for the current financial year exceeds the minimum taxable limit is liable' to pay the income tax during the current financial year on the income of the current year at the rates in force during current financial year.

FEATURES OF INCOME TAX:

(i) Income tax is an annual tax on income.

(ii) Tax rates are fixed by the annual finance act.

(iii) Tax is charged on every person defined in section 2 (31).

(iv) Tax is charged on total income of every person computed in accordance with the provisions of this act.

(v) Income tax is to be deducted at the source and can also be paid in advance which depends upon the provisions of the act.

TYPES OF INCOMES:

(i) Income from salaries.

(ii) Income from house property.

(iii) Profits of business or profession.

(iv) Capital gains.

(v) Income from other sources.

PROCESS OF COMPUTATION OF TAX:

(i) Classification : The first step is to classify the income under each of the above types and after those deductions are made from each type/head which are permissible. The balance left after the deduction is known as assessable income.

(ii) Totaling : Income of every head is totaled which is known as gross total income

(iii) Deductions: From the gross total income, all the deductions which are permissible are deducted. The balance which is left after providing the deductions is known as total income.

(iv) Provisions for tax: Gross amount of income tax payable is then calculated on this total income according to the rates prescribed by the finance act. After that tax rebate is deducted under section 88, 88B, 88C, 88D, 88E.

IMPORTANT TERMS RELATING TO INCOME TAX:

Assessment year : Assessment year means the period of 12 months commencing on Ist April of every year and ending on 31st March of the next year in which assessment of income tax is made for the previous financial year. An assesse is liable to pay tax on the income of the previous vear in the flowing assessment year.

CENTRAL SALES TAX ACT:

A new chapter has been inserted in the Central Sales Tax Act, 1956 by Central Sales Tax (Amendment) Act, 2001. It empowers' the Central Government to appoint an authority to settle disputes in course of inter-state trade and commerce Following are the features of this Act :

(1) It extends to whole of India.

(2) It is divided into 6 chapters and 26 sections.

(3) It makes provisions for single point as well as multiple point tax.

(4) Under this Act, the goods have been classified as under:

(a) Declared goods or goods of special importance in inter-state trade or commerce. (b) Other goods.
The rates of tax on goods in the first category is lower as compared to the rate of tax on goods in the second category.

(5) There is no exemption? limit for the levy of tax in relation to the turnover of dealer. Every dealer, who is having inter-state trade, is liable to pay tax under this Act irrespective of quantum of his turnover.

(6) Every dealer engaged in inter-state trade has to get himself registered and the certificate of registration has to be displayed at all places of his business.

(7) The Act does not provide rules regarding submission of returns, payment of tax, appeals etc. For this purpose, the rules framed by a state in respect of its own sales taxes laws shall be followed for the purpose of this Act also.

(8) The Central Government and the State Government are empowered to frame proper rules and regulations for the implementation of various provisions of this Act.

(9) The tax is levied under this Act by the Central Government, but it is collected by the State Government from where the goods have been sold outside the state. The tax thus collected is given to the same State Government which collects the tax.

OBIECTIVES OF CENTRAL SALES TAX ACT:

The Act has been enacted with the following objectives:

(i) To provide the principles for determining tax when a sale or purchase of goods takes place during inter-state trade or commerce.

(ii) outside a state.

(iii) during import into or export from India.

(iv) To declare certain goods to be of specific importance in inter-state trade or commerce.

(v) To provide for the levy, collection and distribution of taxes on sales of goods during inter-state trade or commerce.

(vi) To specify the restrictions and conditions to which State laws imposing taxes on the sale or purchase of goods of special importance during inter-state trade and commerce shall be subjected to.

EXCISE DUTY:

This is a tax levied by the Central Government on the goods produced or manufactured in India. It is an indirect tax because the burden of tax falls on the consumer and not on the producer or manufacturer, who pays it in the first instance and passes on this tax to the consumers by increasing the price of the product. According to the Supreme Court, "Excise duty is the tax levied necessarily on those dutiable goods which are produced or manufactured in India and it has no relationship with the sale of these goods."

SCOPE OF EXCISE DUTY:

(i) Excise duty is levied on the production or manufacture of goods.

(ii) The burden of this tax falls on the consumers.

(iii) Excise duty is payable when the goods are removed from the place of production/removal.

(iv) Excise duty is levied throughout India in the same form.

(v) Excise duty laws require special record to be kept for removing the goods from the place of production, stock or place of removal.

(vi) Excise duty is levied on the dutiable value calculated by a general or special method.

(vii) Excise duty is imposed on manufactured goods only once, except when these goods become the raw material for some other goods.

PERSONS LIABLE TO PAY EXCISE DUTY:

The duty liability is on the manufacturer or producer of excisable goods. Certain goods like coffee, petroleum products, benzene etc. may be stored in a warehouse without payment of excise duty. In such a case, liability of excise duty lies with the stores of goods.

TYPES OF EXCISE DUTY:

(i) **Basic excise duty :** This is called CENVAT i.e. central value added tax. This duty is levied on the goods included in the First Schedule of Central Excise Tariff Ac and are produced and manufactured in India. The general rate of duty is 16%.

(ii) **Special excise duty**: This duty is levied on the goods included in Second Schedule of Central Excise Tariff Act. This is levied at the rate of 16% /18%

(iii) **Education cess:** Education cess is levied on excisable goods manufactured in India @ 2% on the aggregate duties of excise leviable on such goods.

MERITS OF EXCISE DUTY:

(i) **Productive:** With the increase in population, the consumption increases. Also, the prices of goods increase due to inflation. Hence, both these factors contribute to the increase in income from excise duty.

(ii) **Easy collection and lower collection cost:** Since this tax is collected from manufacturers not from the traders and manufacturers are less in number, so excise duty is easy to collect and involve lower collection cost.

(iii) **Helps in reducing the inequality in income:** Goods of mass consumption can be made available to the consumers at reasonable prices by exempting them from excise duty or by lowering excise duty on them. On the other hand, luxury goods are used by rich people and can be made costlier by imposing heavy excise duty.

(iv) **Flexibility:** This duty is completely flexible. By changing the rates of excise duty, desired changes in production, consumption and export can be brought.

(v) **Controlled production and consumption:** Goods whose consumption are harmful are levied with higher excise duty so as to discourage the consumption of such goods. When high duty is imposed, goods become costlier and demand of such goods decreases.

DEMERITS OF EXCISE DUTY:

(i) Impact of high rates of duty: if rates of excise duty are very high, it will lead to following effects:
(1)It will increase the price of the goods and decrease the demand

(2) Decrease in demand will lead to decrease in production, which in turn leads to unemployment.
Reduction in demand will lead to reduction in state revenue in
Complicated provisions ; Act relating to excise duty have
numerous pronsions and notificatiftefvery day many
modifications take placé which rous pille excise duty complicated

and difficult. What to talk of small producers have professionals find it difficult to understand.

CUSTOM DUTY:

Custom duty is a duty or lax which is levied by Government on the import of goods into Indic and export of goods from India. It is collected from the importer and exporter of goods, but its effect is borne by the consumer of the goods. So it is an indirect tax. The customs duties are levied with advalorem rates and their base is determined value.

VALUE ADDED TAX (VAT):

Values added tax (VAT) is a form of sale tax. It is a multi-point tax with provision of granting set off or credit of the tax paid on purchases against the tax payable on sales. In simple terms " value added" means the difference between the sale price and purchase price. Goods pass through various stages in the manufacturing and distribution chain till it reach the consumer. At each stage, some value is added. VAT works on the principle of tax on the value addition at each such stage. VAT is an indirect tax on the domestic' consumption of goods and services, except those that are zero-rated or are otherwise exempt. It is levied at each stage in the chain of production and distribution from raw materials to the final sale, based on the value added at each stage. VAT avoids the double taxation (tax on tax).

Advantages of VAT:

(1) As compared to other taxes, there is less chances of tax evasion. VAT minimizes tax evasion due to its catch-up effect.

(2) VAT is simple to administer as compared to other indirect taxes.

(3) VAT is transparent?

(4) VAT is based on value added and not on total price. So, price does not increase as a result of VAT.

Disadvantages of VAT:

(1) VAT is relatively complex to understand. The calculations of VAT at every stage is not an easy task.
(2) VAT is costly to implement as it is based on full billing system.

GST:

GST (Goods and Services Tax) is a indirect tax levied on goods and services GST is a single tax on the supply of goods and services. GST improve overall economic growth of the nation. GST is a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level.
It will replace all indirect taxes levied on goods and services by states and Central.

DEFINITION OF GST

Goods and services tax (GST) is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set of benefits from the producer's / service provider's point up to the retailers level where only the final consumer should bear the tax.

MEANING OF GOODS

Goods means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached or forming part of the land, which are agreed to be served before supply or under a contract of supply

OBJECTIVES / PURPOSE OF GST

One country - one tax

Consumption based tax instead of manufacturing

Uniform GST registration, payment

To eliminate cascading effect of indirect taxes/ doubling tax/ tax on tax

Subsume all indirect taxes at centre and state level

Reduce tax evasion and corruption

Increase productivity

Increase Tax to GDP and revenue surplus

BENEFITS OF IMPLEMENTION OF GST IN INDIA

Advantages of GST to Citizens:

(1) Simpler tax system

(2) Reduction in prices of goods and services due to elimination of cascading

(3) Uniform prices throughout the country

(4) Transparency in taxation system

(5) Increase in employment opportunities

Advantages of GST to Trade/Industry

(i)Reduction in multiplicity of taxes

Mitigation of cascading/double taxation

(1) More efficient neutralization of taxes especially for exports

(2) Development of common national market

(3) Simpler tax regime-fewer rates and exemptions

GST COUNCIL:

The GST council, the key decision-making body that will take all important decisions regarding the GST, will have representation from the central government as well as all the state governments. The Goods & Services Tax Council (GST Council has been created in September 2016 under Article 279-A of the Constitution of India. The main objective of GST is to develop a harmonized national market of goods and services. It has its Secretariat office in New Delhi.

FUNCTIONS OF GST COUNCIL

Taxes, cases, and surcharges to be subsumed under the GST:

Goods and services which may be subject to or exempt from GST.

The threshold limit of turnover for application of GST.

Rates of GST

Model GST laws, principles of levy, apportionment of IGST and principles related to place of supply.

CHAPTER 7 WORK CULTURE

ORGANISATION CULTURE:

Culture may be defined as the interactive? aggregate of common characteristics which influences! a human group's response to its environment. Culture determines he identity of a human group in the same way as that of personality determines the identity of an individual. Culture is an important variable when we compare . different societies. Organizations develop their own unique culture which differentiates them from other organizations within the same industry.

IMPORTANCE OF ORGANISATION CULTURE

The study of organization culture is important due to the following reasons : 1. People in organizations come from different cultural backgrounds having different religions, customs, beliefs, standards, preferences etc.
2. No organization can work in isolation to its cultural environment.

The success of an organization depends upon its unique cultural values such as collective decision making, respect for seniority, concerns for employees etc. A management style should not be imposed blindly in any organization. Attempts should be made to find a management style that creates harmony in the organization.

COMPONENTS OF ORGANISATION CULTURE

The important components which collectively represent the organisation culture are as follow :

1. **Structure of Authority:** The authority should be clearly defined in the organisation. Everybody should know who is responsible to whom. It is a basis of inter-personal relations between the superiors and subordinates. If the authority is centralised at the top level, there will be a low scope of participation of subordinates in the decision making process. However, if the authority is delegated to subordinates*, there will be an atmosphere of participative decision making.

2. **Freedom :** If the individuals in the organisations are given sufficient freedom to work and use authority, the efficiency in operations will improve

3. **Job Satisfaction :** Job satisfaction is also an important component of the organisation culture. The workers will be happy if the jobs are designed in such a way that they can use their own innovative skills.

4.Morale': Morale may be defined as the aggregate of feelings, attitudes and sentiments of organisation members towards the organisation, superiors and subordinates. If the morale is high, there will be an atmosphere of co-operation in the organisation. On the other hand, if it is low, there will be poor co-operation and conflicts? in the workers.

5. **Reward?** The system of rewards and punishments is an important component of organization culture. When the workers are rewarded on the basis of merit, there will be an environment of competition among the workers. They will do hard work to earn increments and promotions. On the other hand, if the workers are rewarded on favourtism, the meritorious employees will get discouraged'.

6. **Team Spirits:** If the needs and aspirations® of workers are given due importance, this will produce a team spirit in the organisation which is an important component of healthy organisation culture.

7. **Task Orientation:** If the management is task oriented, then the workers will have to increase the speed of work to satisfy their superiors.

ATTITUDE:

The term attitude is widely used in the business and profession today. Both employer and employee, customer and buyer have different attitudes. Attitude is something by which we perceive the things or the outcomes of the business. The attitude is important due to the followings :

Attitude gives management credibility with employees. Neither sound business strategy nor a good compensation policy can win employee credibility, but an attitude of the organization and the values can win employee credibility.

2. A good attitude helps in better decision making i.e. the decisions which are in the interest of the public, organisation and employees.
3. A right attitude can move a person towards the best goal.
4. A right attitude can give right direction to the person.

It has been rightly said, "Two men see from the same bars, one see the mud and the another see the stars. That is an attitude.

VALUES:

165 The term values mean standards regarding the field of art, culture, profession du. Value is a belief of a person that what is right and what is wrong.

Human beings have different wants which are more complex? in nature. We

Have to take different types of decisions in our life keeping in view the values also. Value, therefore, is a relationship between a person and an environmental situation. The values enrich the life of a person and help him in self-management. self-development? and self - realizations.

IMPORTANCE OF VALUES

Values are necessary for us as a part of the society. In business, they play a pivotal role because of the following reasons :

1. Values become guide for the employees' decisions in the business.
2. Values become the strong motivator for the people working in the organisation.
3. Values create credibility with the public because if the people believe that the company offers value for money, then they will invest more in the form of shares and debentures in particular company.
4. Value driven organisations are sure to be successful in long run.
5. Values help in better decision making because a decision can either makes you or breaks you.
6. Values are supposed to be a common language which bring co-ordination among the people and bring them together.
7. Values give rise to code of conduct® of the business. The code of conduct is the controlled and selective behaviour of an individual in a professional group.
8. In the words of Bro Uttal, "Organisation culture is a system of shared values (what is important) and beliefs (how things work) that interact with a company's people, organisation structures and control system to produce behavioural norms (the way we do things)"
9. Every organisation has a set of values spoken and unspoken which govern the way that how people interact with each other.

10. The values are communicated to the employees through policies, rules and regulations of the organisation.

TYPES OF VALUES:

1.Intrinsic Value: A value which has worth due to itself is called intrinsic or individual value. These values are cherished by the person himself. e.g. beauty, culture, devotion and knowledge. These values are permanent in nature.

2. Extrinsic Value? A value which is a mean to some other value is called extrinsic value. These values are temporary in nature. e.g., wealth, fame, luxury' etc.
They are acquired to get pleasure.

3.Productive Valued : A value that goes up with its use is called productive value. e.g. friendship is a productive value of life.
4.Group Value : These values guide the action of the individuals working in an organization. These values consist of informal groups i.e. the religious seminars and get togethers are held in the organisations today.
5.Unproductive Value : A value that diminishes or reduces in quantity with its use is called unproductive value. e.g. material value.

ETHICAL BEHAVIOUR:

Ethics refer to a system of moral principles, a sense of right and wrong, goodness and badness of actions and results. There are different sources of ethics which are religion, cultural experience and legal system. One of the oldest source of ethical inspiration is religion. More than one lakh different religions exist across the globe such as Hinduism, Buddhism, Islam, Sikhism, Christianity etc. and these religions preach the common thing ie. the welfare of human beings and the society as a whole.

Culture refers to the set of values, rules and standards. An individual is a part of society and anchor his conduct in the culture of the group.
The legal system plays an important role as the laws are the rules of conduct that guide the human behaviour in the society. But laws cannot cover all the ethical expectations! of the society. Here are the following ethical behaviour or issues with the different parts of the society :

1. **Ethical Behaviour Related to Society:** Ethics? help men to live better and perfect life. Without ethics, no social, economical, political and religious or professional institution can serve the people rightly. The fair decisions should be taken in the favour of the society keeping in mind the ethics.

2. **Ethical Behaviour Related to Stakeholders:** The company deals with its customers, shareholders and suppliers. They invest in the company to earn fair rate of return. Hence the company should assure the appreciation of the capital along with the fair rate of return to its customers, shareholders and suppliers.

3. **Internal Policy:** A third category is called internal policy. The employment contract with the workers and employees should be fair. Employees should be given right in decision making and initiative. Lay offs, benefits, motivation, leadership and good work rules are the examples of internal policy and are all ethical concerns overhere.

INDIVIDUAL BEHAVIOUR:

Individual behaviour means how an employee or an individual behaves and reacts in a particular situation.

Human behaviour in an organisation is generally concerned with the thoughts, feelings, emotions and actions of the people working in it. To understand self or any other individual and his behaviour is a challenge in itself. That is why, it has been rightly said that the success of any organisation depends upon the efficiency of the managers how they understand themselves and their employees. The managers now understand that the understanding of human behaviour is very much necessary for the efficient achievement of goals of the organisation. The behaviour of every individual is influenced by several factors. Every individual has some motives, ambitions, perceptions and abilities. To understand the human behaviour in an organisation in a better way, there is a need to study certain factors.

GROUP BEHAVIOUR:

Every one wants to remain and work in a group. It is evident that the person's performance working individual will be less than that when the same individual works in a group. No matter, how much we give importance to our self respect, but all our needs and goals can be achieved by working in a group. Thus we can say that individuals behave differently when they are in a group as compared to when they are working alone. For a layman, a group is a situation when two or more persons get together at a particular place and at a particular time, but from organisation point of view, group has been **defined by Marvin Shaw as under :**

A group is two or more persons who are interacting with one another in such a manner that each person influences and is influenced by each other person.

The followings are the conditions for a group:

Members must interact with one another.

They must be aware of one another.

They should feel themselves be a
group.

TYPES OF GROUPS:

Groups are useful to the organisation as these provide norms of behaviour for their members. Groups provide personal relationship at the work place as members Talk to one another about job or personal problems. These provide understanding.
Companionship, supportive relations and friendship. The two types of groups coes.

In every organisation. **These are as follow :**

(1)Formal Groups : Formal' groups are part of 155rganizational structure

These follow authority and responsibility relationship and pattern of communication is also defined. Members follow proper rules and regulations for the behaviour.
Example of formal group are :

(1)Work group

(2) Task force

(3) Committee

(4) Quality team

(2) Informal Groups : Informal? groups are not deliberately created, but spontaneously arise due to love, affection' and common interests. These are created by individuals and not by the management. There is no superior and no subordinate.
No rule of behaviour is to be followed. The examples of **informal groups are :**

(5) Command and task groups

(6) Interest and friendship groups

IMPORTANCE OF GROUPS:

Groups are important and necessary for individuals as well as for management. The groups make the accomplishment' of goals very easy for the organisation. The **following points highlight the importance of groups to the organisation:**

- Solving work problems.
- Channel of communication.
- Filling gaps in managers' abilities.
- Restraint on managers.
- Better coordination.
- Satisfaction to workforce.
- Developing future executives.

1.Solving Work Problems : Groups help in solving the work problems to the members. In groups, members share their views and knowledge with one another which help them in solving their problems.

2.Channel of Communication : Groups are very good channel of communication. Information transfers very quickly in the group. information which is known to one member of group quickly transfers to all other members of the group.

3.Filling Gaps in Managers' Abilities : Groups may act to fill gaps in managers' abilities. e.g. if a manager is weak in planning, one of his subordinates may help him in such a situation.

4.Better Relations : A manager can build better relations with his subordinates. Manager can consult the leader of the group and seek his cooperation in getting things done from the workers.

5.Restraint on Managers : Groups do not allow the mangers to cross their limits. They restrict them from acquiring unlimited power and from using their powder unjudiciously.

6.Better Coordination : Cohesiveness in groups provide satisfaction to the workers. And as a result, labour turnover and absenteeism are reduced and organisation's productivity is increased.

7.Satisfaction to Workforce : Cohesiveness in groups provides satisfaction to the workers. As a result, labour turnover and absenteeism are reduced and organisation's productivity is increased.

8.Developing Future Executives : Groups recognise talented workers as their leaders. Such leaders can be picked by the management to fill vacancies at the junior executive level in future.

DETERMINANTS OF GROUP BEHAVIOUR:

Group' behaviour in an organisation is quite complex. Group behaviour is influenced by the **following factors :**

1.External Factors : There are many interactions in an organisation which affect the group like corporate strategy, organisation structure, rules and regulations, staffing policies, physical work environment, organisational culture etc.

2.Group Members' Resources : Group performance depends on the members of the group which comprises of two things :

1. **Abilities of Members :** The abilities of members influence the performance of the group. The individuals who have good abilities provide their best to the group and try that their abilities are effectively utilised by the group.

2. **Personality :** Personality of the members of the group shape their attitude and behaviour. Positive qualities have positive effect on the group performance and negative qualities can adversely affect the performance of the group.

3. **Group Structure :** Work group in an organisation has well defined structure. The performance of a work group can be predicted to some extent by understanding its structure. The structure includes the following variables:

4. **Leadership :** Every group has its own leader. This leader directs the activities of the group and helps the group in achieving the goals.

5. **Goals :** Every group has its own goals and efforts of all the members of the group are directed towards the achievement of these goals.

6. **Communication :** Both formal and informal channels of communication are followed in the group and information travels very quickly from one member to another.

7.Role Relationship : Every member has a different role to play in a group and good performance can only be achieved if the members of the group are clear and confident about role to be played by them.

8.Group Size : The size of the group also affects the behaviour of the members. Members behave differently in a big group as there are more interactions and moreover, their behaviour changes in small group.

9.Group Status : Every group has a status in the organisation. Status develops in a group because a particular individual possesses values to the group which are highly regarded by the members.

10.Group Processes : Group processes refer to the communication patterns used by the members. Group decisions, leader behaviour, power dynamics and conflict interactions are significant as they create outputs greater than the sum of their inputs because of the effect of synergy. Where there is cooperation between the broup members, the group processes lead to the increase in the performance of Eroup, but where group members lack team spirit and trust among themselves, there may arise negative synergy.

11. Group Tasks : Groups are created to accomplish some tasks. Group tasks can range from simple to complex tasks. Simple tasks are routine and standardized in nature whereas complex tasks end to be novel and non-routine. Generally, the more complex the tasks, the more the group will benefit from discussion among members on various alternatives. If the task is simple, the search for alternatives and thus discussion between group members would be limited. Group

performance and satisfaction tend to be more on complex tasks than on simple tasks.
The above are the different factors which determine the group behaviour.

PROFESSIONAL' ETHICS:

A profession is the systematic body of knowledge and skill to perform certain functions in the organisation.
A professional is autonomous? and he is not subject to political control, but he is a part of the society and he works for the betterment of his clients.
Professional ethics refer to the application of ethics to the business profession. To be more specific, professional ethics is the study of good and evil, right and wrong, just and unjust actions of a professional.

IMPORTANT ETHICAL PRINCIPLES

1. Do not cheat the customers by selling defective products, by under measurement or by any other mean.
2.Ensurity

3 accuracy and sincerity' should be there in advertising and sales promotion, labeling and packaging.
4.Hoarding®, black marketing should be avoided. Do not destroy the image of competitors by unfair means and practices.

5. Pay taxes at right time.
6. The payment of wages should be on right time.
7. The views and ideas of the customers should be welcomed for further improvement in the products.

NEED OF PROFESSIONAL ETHICS:

Every professional frames certain do's and don'ts. Earlier, the business was supposed to concentrate on profit earning motive only, but now business and profession are supposed to help the society in its development alongwith the aim of earning profits. Need of professional ethics arises because of the followings:

1. **Welfare of the Society :** The professionals should work for the welfare® of the society keeping in mind their service motives towards the individuals. They should concentrate on the overall development of the locality.

2. **Engineering Profession :** The need of ethics arises for the engineers in the following manners:

A) An engineer cannot be satisfied with physical accomplishment of the obiectives, but he must be responsible for the results of his efforts also. 4) He cannot act as a politician by blaming his oppositions because he, himself, is responsible for his efforts.

3.To Understand Specialized Knowledge : The people are suspicious?

bout the knowledge of the professionals. e.g. if one doctor charges more fees than the required one, if one technician charges more fees than the expectation of the common masses?, then there is a need of developing the confidence among them relating to the professional ethics.

4. The need of professional ethic arises to gain trust from the common masses.
5. To inculcate the spirit of service among the professionals rather than profit making only.

6. To work for the welfare of the society as a whole and to avoid any sort of discrimination.
7. To remove the tension and the fear of being cheated by the professionals from the minds of the common masses/people of the society.

CHAPTER 8 BASICS OF ACCOUNTING AND FINANCE

INTRODUCTION

The basic function of any language is to serve as means of communication.

Acounting can also be recognized as language because it communicates each and every thing about the business activities like profitabilits, solvency antreach properts to the users of business, /The financial statements are the bd bro future kounting and it delivers information to different users.
As such, proper maintenance of books of accounts is indispensable for a pusinessman. To emphasize the necessity of accounting it can be said that soounting supplies the following information to the businessman.
1.The types and amount of earnings

2.The types and amount of expenses

3.The amount of loss or profits

4.The amount ,size and causes of increase or decrease of capitals

5.The nature and value of assets possessed by the business

6.The nature and value of liabilitiest

7.Customers who owe to the business and amount in each case

8.Suppliers to whom the business has to make payments and the amount in each case
9.Other facts for filing various returns

10. To compare the business result of the proceeding years

So we can conclude that

"Accounting is an important and useful subject. It is a tool to measure the business progress

MEANING OF ACCOUNTING:

Accounting is a practice of systematically recording, identifying, measuring, analyzing the financial transactions conducted by a business.
The purpose of accounting is to provide recorda of all financial transactions, o that the financial position of a business can be determined. Accounting is i activity of keeping financial records like Expenses, losses, incomes and gains It is the skill or practice of maintaining the accounts and preparing reports on the assets? and liabilities of a business.
Accounting gives the information on

1.The resources available

2.How the available resources have been employed and

3.The result achieved by the use of resources.

Accounting is not static in its functioning. Its role has been changing significantly? with the development in the field of economics and commerce Accounting is the analysis and Interpretation of book keeping records. It is accepted as information system and decision-making entity.

DEFINITIONS OF ACCOUNTING:

1.The American Accounting Association (AAA) defined accounting in 1966 "Accounting is the process of identifying, measuring and communicating economic information to permit informed judgment and decisions by users of information.
2.The Accounting Prineiples Board (APB) of AICPA USA gave definition of accounting in1970

"Accounting is a service activity. Its function is to provide quantitative information primarily financial in nature about economic entities that is intended to be useful in making economic decisions."

3. According to Bierman and Derbin' Accounting may be defined as the identifying measuring, recording and communicating of financial information.

ACCOUNTING PROCESS OR CYCLE:

An accounting cycle or process is a complete sequence beginning with the recording of the transactions and ending with the preparation of the final accounts.
The sequential steps involved in an accounting cycle are given below

1.Identification: Identification of Financial Transactions' and Events:

2.Measurement: Measurement of Transactions in terms of money:

3.Recording: Recording the financial transactions in Journal or Subsidiary!

Books;

4.Classifying: Classifying them through Ledger;

5.Summarising: Summarising the transactions by preparing Trial Balance, Trading Account' and Profit and Loss Account' (or Statement of Profit and Loss) and Balance Sheet:

6.Analysing and Interpreting: Analysing and Interpreting' the financial data; **7.Communicating:** Communicating the financial data to the interested parties. a5 BOOK KEEPING; ACCOUNTING AND ACCOUNTANCY

The terms Book Keeping and 'Accounting often considered as same is not correct. The two terms are different from each other. Accountaney is wider concept and includes Book Keeping.

BOOK KEEPING:

Book keeping is the process of recording the financial transactions and events of a business

Book Keeping is a primary and basic function in the process of accounting and concerned with recording and maintain of books of accounts only. Books means Books of accounts in which transactions are recorded. Book Keeping means recording of business transactions in a proper manner in the books of Accounts. Book keeping is a part of accounting being a process of recording financial transactions and events in the books of accounts.

DEFINITIONS

According to North Cott- "Book Keeping is the art of recording in the books of accounts the monetary" aspects of commercial or financial transactions" According to J.R. Batliboi- "Book Keeping is an art of recording business dealings in a set of books.

According to R.N. Charter- "Book Keeping is the science and art of recording correctly in the books of account all these transactions that result in the transfer of may or money's worth. According to AN. Rosenkamph- "Book Keeping is the art of recording business transactions in a systematic manner.

Thus, Book Keeping involves

1. Identification it the vransactions from the various business transaction, which are of financial character.
2. Measuring them in terms of money.
3. Recording the identified and measured transactions in proper Book,

Accounts

4. Classifying recorded transactions and events i.e. posting them into Ledge accounts.

OBJECTIVES OF BOOKKEEPING:

a) Bookkeeping provides a permanent record of each transaction.

b) Soundness of a firm can be assessed from the records of assets ant Liabilities on a particular date.

c) Entries related to income and expenditure? of concern facilitate to know the profit and loss for a given period.

d) It enables to prepare a test of customers and suppliers to ascertain' the amount to be received or paid.

e) It is a method gives opportunities to review the business policies in the light of past records.

f) Amendment' if business Laws, provisions of licenses assessment taxes etc.

are based on records.

ACCOUNTING:

Accounting is the secondary function and it starts where function of book keeping ends. It is a broad term and it includes book-keeping. In other words, Book Keeping is the part of Accounting. Besides book-keeping, it considers following basic activities:-

1. Summarisations of the classified transactions in the shape of final accounts.

2. Analysis of financial statements" and drawing meaningful conclusions.
3. Interpreting the Analysed results.
4. Communicating the required information to all the concerned parties.

Thus, Accountants often direct and review the work of book keepers. The work of accountants at the beginning may include some book keeping. But accountants must possess a much higher level of knowledge, Conceptional understanding and analytical skill than book keepers.

DEFINITION OF DOUBLE ENTRY SYSTEM:

185

The syslem which recognizes and records both aspects of a transaction. The pullemtr, snotem haR., Dattibo be geientife and complete evolen o feltoutine? According to d.R. Batliboi "Every business transaction has a two- fold effect and that it affects tun icansaletoopposite directions and if a complete record welfed we made of each such, 'rinsection, it would be necessary to debit one accolnereta
Wedt another account e test' o tecordins of the two fold effect of every transaction

That has given rise to the term Double Entry System"

According to William Pickles "The Double Entry System seeks to record every vronsaction in money or money's worth in its double aspect. The receipt of a benefit by Une cocount and surrender of a like benefit by another account, the former entry being o the debit of the account receiving and the latter to the credit of that accoute surrendering."

According to Walter B. Meigs and R.F. Meigs "The rule of debit and credit are designed so that equal, amount of debit and credit entries are needed to record every business transaction.

FEATURES OF THE DOUBLE ENTRY SYSTEM:

1. Systematic and scientific: It is a systematic and scientific method of recording financial transactions. It maintains a complete record of each transaction.
2. Affects Two accounts: Every transaction has two-fold effect: the aspect of receiving (value in) and the aspect of giving (value out). It affects two accounts simultaneously. Certain transactions may affect more than two accounts but the amount of the accounts to be credited and debited will alwavs be equal.
3. Two parties: Transations takes place only if there are two parties-one

party receiving the benefit and other party giving or the benefit.

4. Each party is affected: Each party is affected in opposite direction but with the same amount.
5. Specific rule is followed: With the help of rules of debit and credit, one aspect is debited and other aspect is credited.

6.Preparation of Trial Balance: The total of all debits and all credits must be equal. The arithmetical accuracy can be checked by preparing Trial Balance.

ADVANTAGES OF THE DOUBLE ENTRY SYSTEM

1.Accuracy of Accounts: Arithmetic accuracy of books of accounts can be checked by preparing the Trial Balance.

2.Scientific system: It is most authentic and scientific system of recording business transactions in the books of accounts.

3.Determine profit or loss; The profit earned or loss suffered by the entity can be ascertained on periodic basis by preparing Profit and Loss Account.
4.Keeps record of all transactions: All transactions are recorded systematically in the books of accounts.
5.Comparative study is possible: Users of financial statements can make intra-firm and inter-firm comparison and reasons for change can be ascertained.
6.Knowledge of Financial Position: The financial position of the firm can be ascertained by preparing Balance Sheet on periodical basis.
7.Helps management in taking managerial decisions: Financial information is derived by the management accurately so managerial decisions can be taken in respect of control and future planning.
8.Errors and frauds can be detected: Since it is a scientific method of recording financial informations in the books of accounts so errors and frauds can be easily detected by the auditor.

9.Legal Approval: This system meets the legal requirements and books of accounts maintained under this system are accepted as true and reliable by the companies Act and various other Act.
10. Suitable for all type of Businesses: This system is so flexible that it can be conveniently introduced in small as well as big types of business.
11. Tax liability: Financial statements prepared are the basis of determining tax liability of the business.
Due to all these advantages, Double Entry System of accounting is a complete system and the preferred choice of almost all organisations.

DISADVANTAGES OF DOUBLE ENTRY SYSTEM:

1.Complicated method: Double entry system involves recording of both (Debit and Credit) aspects of a transactions so the system is comparatively complicated in nature.
Requires detailed bowl edee,of principles of accounting: Since ith.

* scientific method based on certain principles so it requires thorough Knowledge of accounting principles amongst the keepers of the accounting books.
3.system not suitable to small traders: The system is not very suitable to small scale traders.
4.Only the arithmetical accuracy of the accounts is checked by preparing a trial balance under the double entry system. there are certain that can not be disclosed under this system.

1. Error of commission': If wrong amount is recorded in the books of original entry.
2. Error of omission: If transaction remains altogether unrecorded in the

books of original entry.

3. Error of Principle: If the amount is recorded on the correct side though in a wrong account. For example, Purchase of furniture is debited in purchase account instead of furniture Account.

(4) Compensating? error: If the effect of one error is cancelled by the effect of some other errors.
5. Costly system: This system requires accounting staff with a specialised (nowledge of principles of double entry system. Thus, such staff is paid higher salary.

MEANING OF FINANCIAL ACCOUNT OR STATEMENTS:

Businessman is interested in knowing whether he has earned profit or incurred loss. He wants to know the position of his business at the end of accounting period.

He prepares Final accounts which are called Financial Statements for this purpose They include the following:

1. Trading Account:

2. Profit and Loss Account

3.Balance Sheet+

TRADING ACCOUNT:

Trading Account is the first part of the income statement. It is prepared to find out the gross profit earned or gross loss incurred as a result of the business activities. It shows the result of buying and selling of goods for a particular period. It explains whether purchasing of goods and selling them has proved to be profitable for the business or not.
According to J.K. Batliboi "The Trading Account shows the results of buying and selling of goods. In preparing this account, the general establishment charges are ignored and only the transactions in the goods included"

Components of Trading account:

Credit side - Sales, services rendered, Closing stock

Debit side - Cost of goods sold or services rendered like Opening stock Purchases and direct expenses (normal expenses).
Features of Trading Account

1. It is the first step in the preparation of final accounts of the business.

2. It is prepared on the last day of an accounting period.

3.Only direct revenue and direct expenses are considered in it.

4.Direct expenses are recorded on its debit side and direct revenue on its credit side.

PROFIT AND LOSS ACCOUNT:

Profit and loss account is the second step of final accounts. It is prepared, ascertain the net profit or the net loss of the business during the accounting peri
It is prepared after calculating Gross profit and Gross loss in the trading account

Definition

According to S. Mukharjee, "Profit and loss account is a statement whic summarizes all indirect revenue expenses in one side which is compared with grow profit/ revenue incomes in another side and net trading income of an accounting period is assessed."
According to J.R. Baltiboi "The function of the profit and loss account is lo enable the trader to ascertain the net profit or net loss resulting from business transactions during a given period."
From the above definition, it is clear that profit and loss account is a financial statement, which helps to know the operating result of the business. Profit and Loss Account starts with Gross Profit on credit side or Gross Loss on the debit side.
All indirect expenses and losses are debited and all indirect incomes and gains are credited. The difference of the two sides of Profit and loss account is either Net Probt or Net Loss. If the total of credit side exceeds total of debit side, then the difference is Net Profit

Features of Profit and Loss Account:

1.It is the second stage of preparation of final accounts

2.It relates to and is prepared at the end of a particular accounting period.

3.It is debited with indirect expenses and loss and credited with gross profit and indirect incomes.

4. It is prepared according to accrual basis of a accounting.

5. The balance of this account is either Net Profit or Net Loss.

6. Net profit or Net Loss directly affects the capital. Net Profit increases the capital, while Net Loss decreases it.

Need for and Importance of Profit and Loss Account

The following are the main objectives of profit and loss account:

1. To know the amount of net profit or net loss

2.To provide information about office and administrative expenses: Office and administrative expenses like office salaries, printing and stationary expenses, legal expenses, telephone and electricity charges, office rent, audit fees, insurance premium etc.

3.To provide information about selling and distributing expenses: Selling and distributing expenses like warehouse expenses, carriage on sales, packing expenses, commission on sales, advertising, traveling expenses etc.

4.To control on Expenses : To provide information about other expenses and losses:

Depreciation, repairs and maintenance, bad debts, provision for bad debts, loss on sale of fixed assets and loss of goods in transit are some of the examples of other expenses and losses.

BALANCE SHEET:

193

of a business on a parlicular date,

spalance sheet is a mirror, which reflect the true position of assets and liabilities

- O. P. Gupta

At the end of the accounting year, a Businessman naturally desires to know two things

(a) The results of his trading operation for the period and:

(b) His true financial position at the end of the period.

In order to ascertain the financial results, trading and Profit and Loss Account is prepared. The Trading Account shows gross profit while the Profit and Loss Account shows the net profit. After ascertaining net profit, Balance sheet is prepared to know the financial position.

Definition of Balance Sheet:

"A Balance Sheet is an item-wise list of assets,liabilities and proprietorship of a business at a certain date."
- Freeman

A Balance Sheet is a statement prepared with a view to measure the exact financial position of a business on a certain fixed date."
J.R.Batliboi

Characteristics of Balance Sheet

The following are the main characteristics of balance sheet:

1. Prepared on Specific Date: Balance sheet is a static document because it is prepared at a particular date not for a particular period.
2. Statement: Though Balance Sheet is an integral part of double entry system, but it is not an account. Balance sheet is a statement of balances of those accounts which have not been closed. It is not a ledger account, therefore, this statement does not have debit side and credit side. "To" and "By" words are not used in the balance sheet.
3. Knowledge of financial position: Balance sheet shows the financial position of the business.

4. It is a statement of Assets and Liabilities: Balance sheet shows all the assets on the one side i.e right side and liabilities and capital on the other side i.e. Left side.
5. Total of sides: The total od two sides of the Balance sheet must be equal. If the totals are not equal, there is some error.

FINANCIAL MANAGEMENT:

195

finance is the lifeline of any business. The business have limited financial pouters but the wants are unlimited. Therefore, it is important for a business to manage its finances efficiently. Financial Management refers to that part of the management activity which is concerned with the planning and controlling of firm's financial resources. It deals with raising finance for the firm and efficient utilization of such finance. It means applying general management principles to financial resources of the enterprise.

DEFINITIONS:

According to Massie 'Financial management is the operational activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operations.'

Howard and Upton 'Financial management is the application of planning and control functions to the finance function.
Guthman and Dougal 'Financial management is the activity concerned with planning, raising, controlling and administering of funds used in the business.

OBJECTIVES OF FINANCIAL MANAGEMENT:

Financial Management is concerned with effective procurement and efficient use of funds. Its aim is to use business funds in such a way that firm's value/earnings are maximized. The objectives lay down a criterion by which the efficiency and profitability of a particular decision is evaluated. The objectives of **financial management are given below:** Attempting to reduce the cost of finance

Ensures sufficient availability of funds

Deals with the planning, organizing, and controlling of financial activities like the procurement and utilization of funds

These objectives can be achieved by the following approaches

1.Profit Maximisation

2.Wealth Maximisation

PROFIT MAXIMIZATION:

Main aim of all kinds of economic activities is to earn profit. Profit is the measuring techniques to understand the efficiency of the business.

The finance manager will do all the projects which will increase the profit He will avoid all those activities which decrease the profit. Profit maximisation is a simple and straightforward objective. The following are the arguments in favour of this **1.Barometer of Efficiency:** Profitability is a barometer for measuring efficiency and economic prosperity of a business. So profit maximization is justified on the grounds of rationality.

2. **Social Welfare:** Maximisation of profit leads to maximization of social welfare.
3. **Survival of Business:** Under adverse circumstances a business will be able to survive only if it has profits. It also ensures the survival and growth of a business firm.

4. **Utilisation of Scarce Resources**: It leads to efficient utilization of scarce resources of the business
5. **Motivator:** Profit acts as a motivator for the business.

But modern authors on financial management have criticised the goal of profit maximisation.
Objections Against the Profit Maximisation Objectives:

(i) Ambiguous or Vague: The concept is ambiguous or vague. Different people take different meaning of the term profit. Different people take different meaning of the term profit for example e.g., long run profits, short run profits, volume of profits, rate of profit, etc.
(ii) Time Value of Money: It ignores the timing of returns. It is based on the assumption of bigger the better and does not take into account the time value of money. The value of benefits received today and those received a year later are not the same.
(iii) Risk Factor: It ignores the quality of the expected benefits or the risk associated with earnings. Some projects are more risky than others. Two projects may have same t earnings but if the earnings of one fluctuate less widely than those of the other it will be less risky and more preferable. Investors in general have a preference with less income with less risk in comparison to high income with greater risk.
(iv) Dividend Policy: It does not consider the effect of dividend policy on the market price of the share. The goal of profit maximisation implies maximizing the earnings which is not necessarily the same as maximising market-price share.
(6) Social responsibilities: Profit maximisation obiective does not take into consideration the social responsibilities of business. It ignores the interests of workers, consumers, government and the public in general.
WEALTH MAXIMIZATION:

Wealth maximization' is the main objective of financial management. Wealth navimization means to earn maximum wealth for the shareholders. So, the finance manager tries to sive a maximum dividend to the shareholders: He also tries to increase the market value of the shares. The market value of the shares is directiv plated to the performance of the company. Better the performance, higher is the market value of shares and vice-versa. So, the finance manager must try to maximize shareholder's value

Maximisation of owners' wealth is possible when the capital invested initially increases over a period of time. Wealth maximisation means maximising the market value of investment in shares of the company. Wealth of shareholders = Number of shares held ×Market price per share. Wealth is said to be generated by any financial decision if the present value of future cash flows relevant to that decision is greater than the costs incurred to undertake that activity. Increase in wealth is equal to the present value of all future cash flows less the cost/investment. In essence, it is the net present value (NPV) of a financial decision.

Increase in Wealth = Present Value of cash inflows - Cost.

5.Financial Control: To ensure effective utilisation of funds (financial control!).

6.Minimisation of risk: To ensure safety of funds by creating reserves, re.

investing profits, etc.

7.Cooperation: To coordinate the activities of the finance department with the activities of other departments of the firm.

Wealth maximisation is more operationally viable? and valid criterion because of the following reasons:

1. It is a precise and unambiguous concept. The wealth maximisation means maximising the market value of shares.

2. It serves the interests of shareholders as well as employess, creditors, and society.

3. It takes into consideration the risk factor and the time value of money as the current present value of any particular course of action is measured.

CHAPTER 9 MISCELLANEOUS TOPICS

TOTAL QUALITY MANAGEMENT (TQM):

Total quality management has been accepted throughout the world these davs.

Nan organisations are tryiht to adopt TO2M as a way of lifo. In fact, T9M is the n deys:

I modern organisations, which was realised first in Japan. TQM is a qualits fatsded Salue. It is a system approach to quality management and a journey to achied (quellence in all aspects of organisation's activities. The quality standards do not reneve 'he same forever. They are to be modified or changed to meet the changing requirements of the customers and to make use of new technology.

Total quality management is based on the premise? that any production and/or service can be improved, and that successful organisation must consciously seek out and exploit improvement. It is a philosophy that is designed to make an organisation faster, flexible.

focussed and friendly. It creates an environment that allows an organisation to participate in planning and implementing a continuous improvement process to meet customer needs widely. Some definitions of TQM are as follows :

(1) According to Prof. Leopold S. Vasin, "TQM is the control of all

transformation processes of an organisation to satisfy customer's needs in the most economical manner".

(2) According to Sashkin and Kiser, "TQM may be defined as creating an organisational culture committed to the continuous improvement of skills, team work, processes, product, service quality and customer satisfaction".

(3) TQM is a style of working of management to achieve customer satisfaction by boosting quality through continuous improvement and by motivating employees towards quality. The goal of TQM is to achieve complete lack of defects i.e. zero defects. It is applicable to both products and services.

(4) TQM is a systematic approach for setting and meeting quality goals throughout the company.

(5) TQM means how to effectively and efficiently manage and improve performance.

(6) TQM is a strategy for continuously improving performance at every level and in all areas of responsibility.

(7) TQM is doing things right in the first time and every time.

Total quality management (QM is the integration of all functions arg

processes within an organisation in order to achieve continuous improvement of the quality of goods and services. The goal of TQM is customer satisfaction. The TPM philosophy of management is customer oriented. All members of, total quality management organisation strive to systematically manage the improvement of the organisation through the ongoing participation of all employees in problem solving efforts across functional and hierarchical boundaries.

TQM is based on a number of ideas. It means thinking about quality in terms o all functions of the enterprise and is a start-to-finish process that integrates interrelated functions at all levels.

NECESSITY OF TOM:

The necessity of TQM is due to the following reasons:

(1) To build and develop the best organisation.

(2) To involve full potential of human capabilities.

(3)To continuously reduce cost.

(5) To continuously improve quality.

(6) To develop products based on customer satisfaction.

(7) To develop problem solving skills.

CHARACTERISTICS OF TOM:

The following are the characteristics of TQM:

(1) TQM is a customer-oriented approach.

(2) It provides the best quality of product at the lowest price.

(3) It is a continuous process.

(4) It involves everyone in the organisation.

(5) TQM is doing things right in the first time and every time.

(6) The goal of TQM is to reach situation of zero defect.

(7) It aims at satisfying the customers.

PRINCIPLES OF TOTAL QUALITY MANAGEMENT(TQM):

Total quality management (TQM) adopts a number of management principles which help to improve the performance. TQM includes the following principles:

(i) Focus on customer: The survival of any business organisation depends upon customers and their satisfaction level. It is, therefore, most important do understand their current and future needs.

(ii) Leadership: Leadership establishes unity of purpose. It should create and maintain an environment in which people can become fully involved in achieving the organisation's quality objective.

(iii) Involvement of people: People work at all levels in an organisation. So. their complete involvement is must for the benefit of the organisation.

(iv) Process approach: The planned result can be achieved when activities and resources are managed in an organisation as process.

(v) Continuous improvement: The objective of an organisation is continuous improvement at every level, at every place and at every stage.

(vi) Decision making approach: Effective decisions are always based on the data analysis and derived information.

(vii) Good relationships: Good relationship between customers and organisation is the backbone of the business. Customers provide feedback which can be used to effect changes. Complaints are opportunities to effect systematic improvement.

ELEMENTS OF TOM:

Total quality management is a description of the culture, attitude and philosphy of a company that strives to provide customers with products and services which satisfy their needs. To be successful in implementing TQM, an organisation must concentrate on the following eight key points :

(1) Ethics

(2) Integrity

(3) Trust

(4) Training

(5) Teamwork

(6) Leadership

(7) Communication

(8) Recognition

(9) Ethics: Ethics' is the discipline concerned with good and bad in any situation. These are guidelines which all employees are to adhere to in the performance of their work.

(i) Integrity: Integrity! implies honesty, morale, values, fairness and adherence to the facts and sincerity. This characteristic is what customers expect and deserve to receive.

(ii) Trust: Trust is a by product of integrity and ethical conduct. Without trust, the framework of TQM cannot be built. Trust fosters? full participation of all members.

(iii) Training: Training is very important for employees to be highly productive. Supervisors are solely responsible for implementing TQM within their departments and teaching their employees the philosophies of TQM.

(iv) Team work: To become successful in business, team work is also a key element of TQM. With the help of team work, the business will receive quicker and better solutions to problems.

(v) Leadership: It is possibly the most important element of TQM. It appears everywhere in organisation. For TQM to be successful in the business, the supervisor must be committed in leading his employees.

(vi) Communication: It binds everything together. Starting from foundation to roof of the TQM house, everything is bound by strong mortar of communication. It acts as a vital link between all elements of TQM. Communication means a common understanding of ideas between the sender and the receiver. The success of TOM demands communication with and among all the organisation members, suppliers and customers.

(vii) **Recognition**: Recognition is the last and final element in the entire system. It should be provided for both suggestions and achievements for teams as well as individuals. Employees strive hard to receive recognition for themselves and their teams.

These elements can be divided into following four groups according to their function:

(a) Foundation: It includes ethics, integrity and trust.

(b) Building bricks: It includes training, team work and leadership.

(c) Binding mortar: It includes communication.

(d) Roof: It includes recognition.

JUST IN TIME JIT) CONCEPT:

Just-in-time (JIT) is defined as "a philosophy of manufacturing based on planned elimination of all wastes and of continuous improvement of productivity.". It has also been described as an approach with the objective of producing the right part, in the right place, at the right time (in other words, just-in-time)

The basic elements of JIT were developed by Toyota in the 1950's, and became known as the Toyota Production System (TPS). JIT was well-established in many Japanese factories by the early 1970's. JIT began to be adopted in the U.S. in the 1980's (General Electric was the pioneer in this direction), and the JIT concepts are now widely accepted and used.

JIT is a pull system of production, so actual orders provide a signal for when, product should be Maturactured. Demand pull enables a firm to produce only wha is required, in the cottect quantity and at the correct time. This means that st levels of raw Materials. components, work in progress and finished goods can be kep to a minimum. This requires a carefully planned scheduling and flow of resour through the production process. Modern manufacturing firms use sophisticates production scheduling software to plan production for each period of time, whit includes ordering the correct stock. Information is exchanged with suppliers and customers through EDI (Electronic Data Interchange) to help ensure that ever detail is correct. Supplies are delivered right to the production line only when ther are needed. For example, a car manufacturing plant might receive exactly the right number and type of tres for one day's production, and the supplier would be expected to deliver them to the correct loading bay on the production line within a very narrow time slot.

In brief JIT production is a manufacturing philosophy which eliminates wastage of time, labour and storage space. The company produces only what is needed, when needed and in the quantity that is needed. In the JIT system, suppliers have to deliver the material to the production department at the right time. In the JIT system, more importance is given to the quality of products. Implemented correctly, JIT can improve a manufacturing organisation's return on investment, quality and efficiency.

Advantages of JIT:

Following are the advantages of JIT:

(1) It requires lower stock holding causing reduction in storage space which saves rent and insurance costs.

(2) As stock is only obtained when it is needed, less working capital is tied up in stock.

(3)There is less likelihood of stock perishing!, becoming obsolete? or out of date.

(4) It avoids the build-up of unsold finished product that can occur with sudden changes in demand

(5) Less time is spent on checking the product as the emphasis is on getting the work right first time.

Disadvantages of JIT : Following are the disadvantages of JIT:

(6) There is little room for mistakes as minimum stock is kept for re-working of faulty product.

(7) Production is very reliant° on suppliers and if stock is not delivered on time, the whole production schedule can be delayed.

(aid There is no spare finished product available to meet unexpected orders, because all products are made to meet actual orders.

(8) The success of JIT depends upon the co-ordination between employees and employer and co-ordination from venders!.

SOME KEY ELEMENTS OF JIT:

For the successful implementation of JIT concept, the following steps should be implemented:

1. **Reduce setup times :** This can be done through better planning, process redesign and product redesign.

(2) **Reduce lot sizes (manufacturing and purchase):** Reducing set-up times allows economical production of smaller lots. Close cooperation with suppliers is necessary to receive smaller lot sizes for purchased items, since this will require more frequent deliveries.

(3) **Reduce lead times (production and delivery):** Production lead times can be reduced by moving work stations closer together, applying group technology, reducing queue length (reducing the number of jobs waiting to be processed at a given machine), and improving the co-ordination and cooperation between successive processes. Delivery lead times can be reduced through close cooperation with suppliers.

(4) **Preventive maintenance:** Use idle time of machine and workers to maintain equipment and machinery so that breakdowns can be prevented. **(5) Flexible work force :** JIT requires teams of competent, empowered employees who have more responsibility for their own work. Workers should be trained to perform different types of jobs. They should be trained to operate several machines, to perform maintenance tasks and to perform quality inspections.

(6) Implement a zero defect quality program: Errors leading to defective

items must be eliminated, since there are no buffers of excess parts. A quality at the source (lidoka) program must be implemented to give workers the personal responsibility for the quality of the work they do, and the authority to stop production when something goes wrong.

(7) Small-lot (single unit) conveyance: Use a control system such as a Kanban (card) system (or other signalling system) to convey parts between work stations in small quantities.

INTELLECTUAL PROPERTY RIGHTS:

Intellectual property rights (IPs) are legal property rights given to originators of products. Intellectual property rights include copyrights, trademarks, patents, industrial designs and designs of integrated circuits, trade secrets, confidential information etc.

Patents, designs and trademark are industrial property as they are used in some form of industry or business. They are also aptly termed intellectual property since they

are the products of pure intellectual effort. Intellectual property refers to creations of mind i.e. inventions, literary and artistic works and symbols, names and images used in commerce.

Intellectual property is divided into two categories :

(i) Industrial property: It includes patents for inventions, trademarks and industrial designs.

(ii) Copyrights: These include literary works such as novels, poems, plays, films, musical works and artistic works such as drawings, paintings, photographs, sculptures' and architectural designs.

PATENT:

A patent is a grant made by the government to an inventor that excludes others

from manufacturing, using or selling the invention for a specific period of time and in a specific geographical area.
Patent, under the act, is a grant from the government to the inventor for a limited period of time, the exclusive? right to make use, exercise and vend° his invention. After the expiry of the duration of patent, anybody can make use of the invention.
Invention means any new and useful,

(a) art, process, method or manner of manufacture,

(b) machine, apparatus or other article,

(c) substance produced by manufacture and includes any new and useful improvement of any of them.

REGISTRATION OF A PATENT:

An application for a patent may be made by the actual inventor of the invention or an assignee of the right to make an application or a legal representative of either.

The following steps are followed for registration :

1) An application form dulfilled alongwith prescribed fees should be submitted to the patent office.
2) Every such application is to be accompanied by a provisional or complete specifications.
3) The application filed is referred to the examiner through controller who makes an inquiry to see whether it complies with the requirements of the act and rules, whether there is any lawful ground of objection of the grant o patent and whether the invention has already been published or claimed by some other person. A report is accordingly made to the controller within 14 months from the date of reference.
4) The patent office after examination of the application will communicate to

the applicant the objections, if any, for the grant of a patent.

5) If the applicant satisfactorily removes the objections, the controller will accept the complete specifications and advertise it in the official gazette. The patent head office is at Kolkata and branch offices are at Mumbai, Delhi and Chennai.

PERIOD OF PATENT:

(1) In respect of process patents relating to drugs and food, the term is five years from the date of selling the patent or seven years from the date of patent whichever is shorter.

(2) In respect of all other patents, the term is fourteen years from the date of the patent.

A patent is kept alive only by paying the renewal fee from time to time.

INFRINGEMENT OF THE PATENT:

The right conferred by the patent is the exclusive right to make, use, exercise, sell or distribute the invention in India. Infringement! consists in the violation of any of these rights.

REMEDIES FOR INFRINGEMENT OF PATENT:

An action for infringement must be instituted by a way of a suit in any district court or a high court having jurisdiction? to entertain the suit.

The plaintiff, on satisfving the court about infringement of his patent, would be entitled to the following relief :

(1) Interlocutory injunction': An interim' injunction to restrain' the

defendant® from committing the acts complained of until the hearing of the action or further orders.

(2) Damages : The object of damages is to compensate for loss or injury.

(3) Account of profits: Where a patentee claims the profits made by the unauthorized use of his patent.

COPYRIGHT:

Copyright is a form of protection provided to the authors of original works of authorship including literary, dramatic, musical, artistic and certain other intellectual works, both published and unpublished.
The object of copyright law is to encourage authors, composers, artists and designers to create original works by rewarding them with the exclusive rights for limited period to exploit the work for monetary gain. It protects the original work of a writer or creator from the unauthorized reproduction or exploitation of his materials.
Works protected by copyrights are as under :

(1) Original literary, dramatic, musical and artistic works.

(2) Cinematographic film.

(3) Records.

RIGHTS PROVIDED BY COPYRIGHT:

The creators of works protected by copyright and their heirs? and successors (generally referred to as 'rights holders) have certain basic rights under copyright law. They hold the exclusive right to use or authorize others to use the work on agreed terms. **The rights holders of a work can prohibit or authorize :**

(1) Its reproduction in all forms including printing and sound recording.

(2) Its public performance and communication to the public.

(3) Its broadcasting.

(4) Its translation into other languages.

(5) Its adaptation® such as a novel into a screenplay for a film.

REGISTRATION OF COPYRIGHT:

In order to secure copyright protection what is required is that the author must have bestowed! upon the work sufficient judgement, skill and labour or capital. Ilit immaterial whether the work is wise or foolish, accurate or inaccurate or whether it has or has not any literary merit.

The following steps are followed for registration :

(1) Application in triplicate with prescribed fees is submitted to the registrar. (2) Applicant to serve notice of his application to every person who has any interest in the subject matter.

(3) If the registrar receives any objection, he may after holding such inquiry as he deems fit, enter such particulars of work in the register of copyrights, which he considers proper.

(4) Registrar then sends copies of the entries made in the register to the parties concerned.

TERM OF COPYRIGHT:

The term of copyright varies according to the nature of the work and whether the author is a natural person or a legal person. The term of copyright in case of literary, dramatic, musical or artistic works where the author is a natural person is lifetime of the author plus fifty years. In all other cases, the term is fifty years from the year of publication.

INFRINGEMENT OF COPYRIGHT:

Infringement of copyright is the commercial exploitation of the work in any form

by a person without authority.

The copyright act provides certain exceptions to infringement. The object of these provisions is to enable the encouragement of private study and research and promotion of education. They provide defences in an action for infringement.

The exceptions come under the following categories :

(1) Reproduction for use in judicial proceedings and for use of members of the legislature.

(2) Publication of short passages, restricted reproduction or performance for education purposes.

(3) Making of records under license from copyright board on payment of royalty.

(4) Playing of records or performance by a club or society for the benefit of the members of religious institutions.

(5) Reproduction of an article on current economical, political, social g religious matters in newspapers, magazines etc.

(6) Reproduction of a few copies for use in libraries or for research or private study.

Copsright law does not prevent a person from taking what is useful from an original work and create a new work with additions and improvements. Under the guise! of a copyright, the owner of a copyright cannot ask the court to close all the venues of research and all frontiers? of human knowledge.

REMEDIES AGAINST INFRINGEMENT:

There are three kinds of remedies against infringement of copyright namely:

(1) Civil remedies : It includes injuction, damages or account of profit, delivery of infringing copy and damages for conversion.

(2) Criminal remedies: It includes imprisonment of the accused' or imposition of fine or both and seizure* of infringing copies.

(3) Administrative remedies : Administrative remedies consist of moving the registrar of copyrights to ban the import of infringing copies into India when the infringement is by way of such import and the delivery of the confiscated infringing copies to the owner of the copyright and seeking the delivery. The period of limitation for filing the suit is three years from the date of infringement.

TRADEMARK:

During British regime in India, the big merchants and businessmen who had established their name in the market in respect of certain goods under the particular brand name, style or design felt that they should continue to sell under the same brand name, style or design and no other person may be allowed to adopt that brand name, style or design. The Government then enacted the Indian Merchandise Marks
Act, 1889 and with the development and changes, on 25th November 1958. The Trade and Merchandise Marks Act came into force.
Trademark is any word, slogan, design, picture or other symbol used to identify or distinguish a specific product from others of the same nature offered in the market. A trademark is a mark used in relation to goods for the purpose of indicating a connection between the goods and some person having the right as proprietor to use the mark.
cf. DALDA' is the trademark of vegetable oil and 'SURF is the

trademark of a detergent powder which have become so common that customers demand by the name DALDA (instead of asking for vegetable oil) and SURF (instead of asking for detergent powder).

FUNCTIONS OF A TRADEMARK:

A trademark serves the purpose of identifying the source or the origin of goods.

Trademark performs the following functions :

1) It identifies the product and its origin.

2) It ensures the guarantee of its quality.

3) It advertises the product.

4) It creates an image of the product in the minds of the public particularly the consumers or the prospective consumers of such goods.

REGISTRATION OF A TRADEMARK:

Any person who claims to be a proprietor of a trademark and is desirous of registration of the mark can apply. The application may be made in the name of an individual, partners of a firm, a corporation, any Government department, a trust or joint applicants.

The following steps are followed for registration:

(1) Duly filled application form for registration of trademark will be submitted in the office of the trademark registrar within whose territorial limits the principle place of business in India is situated.

(2) Every application for registration of a trademark shall contain representation of the mark in the place provided in the form for this purpose.

(3) Soon after acceptance of the application, it is advertised in the trademarks journal.

(4) Any person may, within three months from the date of the advertisement, give notice in writing to the registrar opposing to the registration. If such an opposition does not arise, then the mark is deemed' to be registered.

The registration of a trademark shall be for a period of seven years, but it may

be renewed from time to time.

INFRINGEMENT OF A TRADEMARK:

Infringement of a trademark occurs if a person other than the registered proprietor in the course of trade, in relation to the same goods or services for which the mark is registered, uses the same mark or deceptively' similar mark. **The proprietor of a trademark has a right to file a suit for infringement of his right and obtain :**

(i) **Injunction:** An injunction restrains the defendent from using the offending? mark pending the trial of the suit or until further orders.

(ii) **Damages:** The object of damages is to compensate for loss sustained by the plaintiff due to infringement of his trademark.

(iii) **Accounts of profit:** A plaintiff can claim the profits made by the unauthorised use of his trademark by the defendant.

The period of limitation for filing the suit is three years from the date of infringement.

4. THE EFFECT OF DIVIDEND POLICY ON MARKET PRICE OF THE SHARE IS ALSO CONSIDERED as the decisions are taken to increase the market value of the shares.

5. The objective of wealth maximization implies long run survival and growth of the firm.

Thus, the wealth maximisation objective implies that the objective of financial management should be to maximise the market price of the company's shares in the long-term. It is a true indicator of the company's progress and the shareholder's wealth.

However, "profit maximisation can be part of a wealth maximisation strategy. Quite often the two objectives can be pursued simultaneously? but the maximisation of profits should never be permitted to overshadow the broader objectives of wealth maximisation.