

## I. SHORT TYPE QUESTIONS & ANSWERS: [Each carries 02 marks]

Q1. What is commercial viability of a project?

Ans: Commercially viable would be similar to the term commercial viability. It could be defined as business, product, and service which has the ability to compete effectively with its competitors and to make profit. In other words, when you have a business idea, product or service you would deliver to the market.

Q2. What are the sources of new product ideas?

Ans: The sources of new product ideas are:

- Internal sources
  - ✓ Research & Development
  - ✓ Employees
- External sources
  - ✓ Customers
  - ✓ Distributors & Suppliers
  - ✓ Competitors
  - ✓ Government Agencies etc.

Q3. What do you mean by environmental dynamics?

Ans: Environmental Dynamics (ENDY) is the study of complex interactions between natural systems and human activity. It requires an interdisciplinary research approach and integration with the power, efficiency, and economy of advanced computer-based technologies.

Q4. What do you mean by venture capital?

Ans: Venture capital is money provided by investors to startup firms and small businesses with perceived long-term growth potential. This is a very important source of funding for startups that do not have access to capital markets. It typically entails high risk for the investor, but it has the potential for above-average returns.

Q5. Write few lines about The Air (Prevention and Control of Pollution) Act 1981?

Ans: The Air (Prevention and Control of Pollution) Act, 1981 is a central Act of Parliament, which provides for the prevention and control of air pollution and maintaining the good quality of air. It has also provided for the establishment of the Central and State Boards for the Prevention and Control of Air Pollution under sections 3 and 4.

Q6. Write the entrepreneurial process?

Ans: The entrepreneurial process are:

- Identification and evaluation of opportunity

- Development of business plan
- Determination of the required resources
- Management of resulting enterprise.

## II. FOCUSED TYPE QUESTIONS & ANSWERS: [Each carries 06 marks]

Q1. Write a note on Environmental pollution, hazards and solutions?

Ans: Pollution is the contamination of the environment by introduction of contaminants that can cause damage to environment and harm or discomfort to humans or other living species.

### Causes of Environmental Pollution

- Pollution from cars, trucks, and other vehicles is and has been our major environmental pollution issue for almost a century now.
- Fossil fuel emissions from power plants which burn coal as fuel contributed heavily, along with vehicles burning fossil fuels, to the production of smog. Smog is the result of fossil fuel combustion combined with sunlight and heat. The result is a toxic gas which now surrounds our once pristine planet. This is known as “ozone smog”.
- Carbon dioxide is another product from all of the vehicles on the planet as well as unreformed power plants and other industrial facilities. A continually growing population of humans and clear cutting of forests has exacerbated this problem so natural defenses are no longer present and carbon dioxide levels are on the rise.
- Water pollution is a major issue. These water sources feed major crops and food becomes contaminated with a variety of chemicals and bacteria, causing rampant health problems.

### Effects of Environmental Pollution

- The polluting gases have an interesting effect on climate. Essentially, these gases form a veil around the planet which holds heat in, increasing the overall temperature of the planet.
- The increase of carbon dioxide emissions induces plants such as ragweed and many trees to produce more pollen than ever before. This has resulted in rampant allergies across the world, affecting the health of billions of people.
- There is radioactive waste which causes various cancers to bloom in major cities and small towns all around while destroying ecosystems entirely.
- Global temperature has risen significantly over the years. The protective atmosphere is further being polluted by methane gas released from melting icecaps. This is causing rampant weather issues around the planet.

### Solutions to Environmental Pollution

- Gas emission pollution is being mitigated in a variety of ways with car emission control, electric and hybrid vehicles and public transportation systems.
- More radiation solutions are in the works with various ecologically friendly power technologies being built every day.

- Solar power is a fantastic solution. Now that solar radiation is at a climactic peak, we can reap power from the sun using solar panel systems.
- Wind power is coming into play. This may not seem like much at first, but when you get about 100 feet off the ground, there is a great deal of wind up there. By building wind turbines to harvest natural wind energy, electricity is produced. Wind turbine power and solar power are both powerful forces against fossil fuel power and radioactive power.
- Electromagnetic radiation (ER) reduction. Once major manufacturers of computers and electronic devices realized the blatant potential for huge ER emissions directly into the eyes and brains of users, they started to implement hardware protocols to minimize risks and reduce ER production significantly. Newer devices are in the lead to knock this problem out and, fortunately, this is working.

Q2. Explain the role of State Pollution Control Board?

Ans: Under Section 7-B, the following are the functions/ role of a State Pollution Control Board:

- (a) Planning a comprehensive programme for prevention, control and abate-ment of pollution of streams and wells.
- (b) Advising the State Government regarding water pollution control or loca-tion of industries.
- (c) Conducting and encouraging investigations and research relating to differ-ent aspects of water pollution.
- (d) To collaborate with the Central Board for training personnel for handling water pollution programmes and organising related mass education pro-grammes.
- (e) Inspecting trade effluents and waste water treatment plants.
- (f) Prescribing effluent standards for the sewage and trade effluents.
- (g) Evolving economical and reliable methods of disposal, treatment and reuse of waste water (in agriculture).
- (h) Laying down the standards of treatment of sewage and trade effluents to be discharged into any stream.
- (i) Making, varying or revoking any order for preservation or control of dis-charge of waste into streams and wells or construction of systems for dis-posa of effluents.
- (j) Establishing or recognising laboratories for analysis of samples.

Q3. Explain the factors involved in location selection for a small business?

Ans: Factors involved in location selection for a small business are:

Layout : - The physical layout of the facility location will determine whether future expansion can include adding more facility buildings and enlarging manufacturing space within the site. Whether buildings and manufacturing lines must be created by scratch or they are already exist on-site with minimal renovations is also a consideration.

**Cost:-** The cost of relocating facilities to the site is a major factor in determining the acceptability of a location. Cost can involve tailoring existing buildings to fit your operations or building an operation from scratch. Land may be cheap, but to make it workable might be expensive.

**Logistics :-** The site must have adequate transportation routes to get goods to and from the site. The facility itself must come equipped with adequate electrical and plumbing to run an effective operation; if they don't yet exist they must be cheap enough to install at the site.

**Labor:-** A facility requires labor to run. Management staff might relocate from other areas, but on the ground workers are sourced locally. A facility close enough to a municipality with a healthy supply of labor to operate it is a must.

**Political Stability:-** Companies that locate facilities in international locations might benefit from a cost perspective; however, an unstable local government that puts smooth operations at risk are a deterrent to choosing to locate there. Some international locales, however, benefit from a free trade zone with the U.S., saving companies duties on the goods they import back to the U.S.

**Regulations:-** Stringent local environmental regulations that limit the nature of business operations can deter a company from choosing a particular location. In addition, government regulations and taxes of various kinds can prove costly down the line. On the flip side, government tax incentives that encourage corporate development can prove a benefit to certain locales.

**Community :-** Facility locations are not temporary; the choice you make will stick with your company for the long haul. It's therefore key that your company fits with the community it's associated with. Although the municipality might appreciate your company's facility because it creates jobs, some might resent your presence because of aesthetics or environmental factors. Maintaining a hassle-free relationship with the locals helps ensure your licenses and permits are easier to obtain and maintain over the life of the site.

**Q4.** How do you identify the business opportunity in Engineering goods, health sector and automobile sector?

**Ans:**

**Engineering Goods:**

India continues to be one of the fastest growing exporters of engineering goods, growing at a rate of 30.1 per cent. The government has set a target of \$110 billion by 2014 for total engineering exports. Entrepreneurs must capitalise on the booming demand for products from the engineering industry.

**Healthcare Sector:**

India's healthcare sector dismal till the other day has now good prospects to develop in future. The private sector, that is, individual entrepreneurs can play a vital role in developing this sector. With medical tourism also gaining momentum, the sector can attract foreigners who are looking for cost- effective treatment in countries like India.

**Automobile:**

India has made much headway in automobile industry and by now has emerges as a hot spot for automobiles and auto-components. A cost- effective hub for auto components sourcing for global auto makers, the automobile sector is by all indications a potential sector for entrepreneurs in India.

This is confirmed by a record increase registered by automobile industry in India. The automobile industry recorded a 26 per cent growth in domestic sales in the year 2009-10. It is India's strong sales that have made her the second fastest growing automobile market after China in the world.

India being one of the world's largest manufacturers of small cars with a strong engineering base and expertise, there are still many segments untapped and un-served those entrepreneurs can focus on in India's automobile and auto components sector in future.

### III. LONG TYPE QUESTIONS & ANSWERS: [Each carries 16 marks]

Q1. Explain the Formalities and modalities required in starting a small business?

Ans. strong entrepreneur is the most vital aspect of every successful project. In order to set up an enterprise or set up a small-scale industry, a suitable project has to be decided upon. This involves selecting a product or service, and a location for the unit. Based on these selections, a project feasibility study has to be conducted and then a brief profile has to be prepared for the proposed project. Then an entrepreneur has to prepare a business plan.

#### 1. SELECTION OF A PROJECT.

##### a. Product or Service Selection.

Various factors have to be considered before deciding on a suitable project. The main factors are as follows;

- Background and experience of the entrepreneur(s)
- Availability of technology and know-how for the project
- Marketability of the product/service
- Investment capacity
- Availability of plant and machinery
- Availability of raw materials
- Availability of proper infrastructure facilities (land/shed, power, water, transport, and so on).

Make a careful analysis of the product or service you are choosing. Sometimes, in the short run, there is a shortage of a particular commodity in the market. Does that mean you can jump into that business? The first thing in such a case is to analyse the situation. Keep in mind that shortages may occur due to a number of reasons. Carefully analyse the future demand-supply position of the product, say for the next three to five years.

##### b. Location Selection.

Some of the major aspects to be considered before deciding on the location of a project are;

- Proximity to market
- Availability of raw materials
- Availability of transportation and communication facilities

- Availability of incentives/concessions
- Government policy
- Availability of suitable infrastructure facilities, and
- Convenience for the promoter. Ideally, identify two or three locations and then select a few possible sites at each of these locations. Next, compare these locations/sites in relation to your requirements.

#### c. Project Feasibility study

The important facets/aspects of a project feasibility study are as follows;

- Market analysis
- Technical analysis
- Financial analysis
- Economic analysis
- Ecological analysis

#### Market analysis

Market analysis is concerned primarily with two questions;-

- What would be the aggregate demand of the proposed product/service in the future?
- What would be the market share of the project under appraisal?

To answer these questions, a market analyst requires a wide variety of information and appropriate forecasting methods.

The kinds of information required are as follows;

- Consumption trends in the past and the current consumption level
- Past and present supply position
- Production possibilities and constraints
- Imports and exports
- Structure of competition
- Cost structure
- Elasticity of demand
- Consumer behaviour, intentions, motivations, attitudes, preferences and requirements.
- Distribution channels and marketing policies in use
- Administrative, technical and legal constraints.

## Technical Analysis

Important questions raised in technical analysis are as follow;

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

## Financial Analysis

This seeks to ascertain whether the proposed project will be financially viable in the sense of being able to meet the burden of servicing debt and whether the proposed project will satisfy the return expectations of those who provide the capital.

Aspects to be looked into while conducting a financial appraisal are as follows;

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

## Economic analysis

Also referred as social cost-benefit analysis. In such an evaluation the focus is on the social costs and benefits of a project, which may often be different from its monetary costs and benefits.

The questions to be answered are as follows;

- What are the direct economic benefits and costs measured in terms of shadow (efficiency) prices and not in market prices?

- What would be the impact of the project on the distribution of income in the society?
- What would be the impact of the project on the level of savings and investment in the society?
- What would be the contribution of the project towards the fulfilment of certain criteria like self-sufficiency, employment and social order?

#### Ecological Analysis

Environmental concerns have assumed a great deal of significance in recent years. Key questions raised in ecological analysis are as follows;

- What is the likely damage caused by the project to the environment?
- What is the cost of restoration measures required to ensure that the damage to the environment is contained within acceptable limits?

#### d. Business Plan Preparation

A business plan is used to help make crucial start-up decisions; to reassure lenders, investors or backers, to measure operational progress; to test planning assumptions; to adjust forecasts; and to set the standard for good operational management.

A workable business plan has the following features;

- Determine where the company needs to go
- Forewarns of possible roadblocks along the way
- Formulates responses to contingencies
- Keeps the business on track to reach its planned goals

## 2. DECIDE ON THE CONSTITUTION

The most frequently used forms of business ownership in Tanzania include:

- a. Sole proprietorship
- b. Partnership
- c. Private company unlimited.
- d. Private company limited by shares
- e. Private company limited by guarantee
- f. Public company
- e. Cooperatives

a. Sole Proprietorship. A single individual is the owner of such a unit. As a sole proprietor, there is no legal distinction between you and your business – your business is one of your assets, just as your house or car is. If your business fails, your creditors have a right not only to the assets of the business, but also to your personal assets, subject only to the provisions of the Bankruptcy Act which allow you to keep only the absolutely basic essentials for yourself and family.



b. Partnerships. A partnership firm is an association of two or more persons. Partnerships are effectively collections of sole proprietors and, as such, the legal problems are not attached to personal liability.

In most cases;

- All partners contribute capital equally or in agreed share quotas.
- All partners share profits and losses equally or as per share quota.
- No partner shall have interest paid on his or her capital.
- No partner shall be paid a salary.
- All partners have an equal say in the management of the business.

c. Corporation / Limited company Company; May be either private limited or public limited. Companies are governed by the Companies Act (2002). In this form of business your liability is limited to the amount you contribute by way of share capital. A company registered in accordance with the companies act is a separate legal entity, distinct from its shareholders, directors and managers. The liability of the shareholders is limited to the amount paid or unpaid on issued share capital. A company has unlimited life and no limit is placed on the number of shareholders. In companies limited by guarantee is that the liability of the members is limited to the amount given as guarantee.

d. Cooperatives A cooperative is an enterprise owned and controlled by the people working in it.

### 3. OBTAIN REGISTRATION

The Companies Act (2002) describes the requirements to be fulfilled to register a company. This is act is the one which enacted BRELA (Business Registration and Licensing Authority). Registering a company is more complicated and expensive than registering a sole proprietorship or partnership. You need to employ the service of an attorney. The procedure is as follows:

- You submit a letter for name clearance. The registry will clear the proposed name after search to establish the availability or non availability of applied name.
- If the name is cleared, you prepare Memorandum and Articles of Association and submit for registration.

Applicants registering with BRELA receive a Certificate of Incorporation for companies and certificate of Registration for sole proprietorship and partnerships.

After registering with BRELA, all businesses need to apply for the business license which is issued under the Business licensing Act 25 of 1972.

Businesses in Group A apply from the Ministry of Industry, Trade and Marketing and those under Group B apply from District, Town/Municipal, or City Council.

4. OBTAIN CLEARANCE FROM DEPARTMENTS AS APPLICABLE. Every new business has to register with the Tanzania Revenue Authority (TRA) for provisional tax; Value added tax (VAT), employee tax as well as Skills Development Levy (SDL), depending on the number of employees and the turnover of the business. The taxes levied by the government are classified as direct and indirect.

Direct taxes:

- Income tax – this is paid by individuals, sole proprietors and partnerships.
- Corporate (Entity) tax – this is an annual tax paid on the income of large corporations, Public and Private Companies. The current tax rate is 30% of profit.
- Secondary tax on companies (STC) – this is tax on the dividends paid by Private/Public companies and large corporations to shareholders.

Indirect taxes:

- Value Added Tax (VAT) – the current rate is 18%
- Customs and excise – payable to imports and other local production of commodities.
- Stamp duties – payable on some legal documents.

After obtaining tax clearance from TRA and being registered as a tax payer, the prospective business has then to obtain the relevant licenses and clearance from the regulatory system for that sector of production or service e.g. TFDA.

Q2. Define Industrial Policies? Discuss its Need, Objectives and Importance.

Ans: The industrial policy refers to such formal declaration by the government through which general policies for industries adopted by the govt. are made public. Any industrial policy may have mainly two parts first, the ideology of the govt. which determines the nature of industrialisation, and second, the governing rules and principles which provide a certain framework behind existing ideology. Thus, industrial policy is a comprehensive concept which provides guidance and out-lines of the policy for establishment and working of industries.

Need, Objectives and Importance of Industrial Policy

The need, objectives and importance of an industrial policy can be explained through following points :

Deployment of Natural Resources

The industrial policy helps in full deployment of natural resources of the country. It helps in identifying, collecting and using resources properly. It facilitates increase in national income of the country.

To Augment Industrial Production

The main objective of the industrial policy is to augment industrial production of the country. It provides an impetus to rapid development of industries and industrial growth.

Modernisation

The industrial policy encourages modernisation for increasing industrial output and productivity. It envisages the use of modern and latest production techniques in industrial sector. It facilitates maximum output at minimum cost of production.

Balanced Industrial Development

The industrial policy envisages balanced industrial development of the country. It also facilitates balanced development of various sectors of the economy.

### Balanced Regional Development

The industrial policy helps in balanced regional development of the country. The industrial policy may contain provisions regarding providing facilities or concessions for rapid development of industrially backward areas/regions of the country.

### Coordination between Basic and Consumer Industries

The balanced development of basic and consumer industries is essential for economic growth. The industrial policy encourages development of basic and key industries on the one hand, while attention is paid to the development of consumer industries also on the other. Thus, by balanced and coordinated development of both type of industries it provides a pace to economic growth.

### Coordination between Small Scale and Large Scale Industries

The industrial policy plays a vital role in coordinated development of small scale or cottage industries and large scale industries. These industries can be made mutually helpful to each other through the provisions of industrial policy.

### Cordial Industrial Relations

A comprehensive industrial policy is needed to establish cordial relations between workers and management. Cordial industrial relations are essential for rapid and sustainable industrialisation.

### Proper Utilisation of Foreign Assistance/investment

An appropriate industrial policy envisages to attract foreign capital and entrepreneurs. It helps rapid industrial development of the country; A well thought of industrial policy checks the demerits of “foreign assistance.

### Area Determination

The industrial policy determines the area of operation under public and private sector. Proper direction can be shown to private sector through the country’s industrial policy.

### Q3. Discuss the Industrial Regulations in India in details?

Ans: In April 1956, the Indian Parliament adopted Industrial Policy Resolution of 1956 (IPR 1956). It is marked as the first comprehensive documented statement on industrial development of India. It systematizes three different groups of clearly defined industries.

The policy of 1956 regulated to design the basic economic policy for a very long time. The Five-Year Plans of India confirmed this fact. With respect to this Resolution, the establishment of a socialistic pattern of society was seen through the objective of the social and economic policy in India. It ensured more powers to the governmental authorities.

Companies were grouped into categories. These categories were –

Schedule A – Those companies which were considered as an exclusive responsibility of the state or the society.

Schedule B – Companies which were marked as progressively state-owned and in which the state would basically establish new companies, but in which private companies would be anticipated only to supplement the effort of the state.

Schedule C – The left companies and their future development would, in general, be neglected and would be entirely dependent to the initiative and enterprise of the private sector.

Even though there was a category of companies left to the private sector that is those companies that are above Schedule C. The sector was monitored by the state by a system of licenses. So to set up a new company or to widen production, obtaining a license from the government was a prerequisite to be fulfilled. Launching of new companies in economically backward areas was incentivized through easy licensing and subsidization of important inputs, like electricity and water. This step was taken to encounter regional differences that existed in the country. In fact, the license to boost the production was issued by convincing the government that the economy required more of the products and services.

Some other salient behavior of the IPR 1956 was fair and non-biased treatment for the private sector, motivating the village and small-scale companies, eradicating regional differences, and the requirement for the provision of amenities for labor, and attitude to foreign capital. This Industrial Policy of 1956 is also referred to as the Economic Constitution of the country.

### **Policy Measures**

Some of the essential policy measures were declared and procedural simplifications were undertaken to opt for the above stated objectives. Following are some of the policy measures –

#### **Liberalization of Industrial Licensing Policy**

A list of goods demanding compulsory licensing is reviewed on an ongoing regular basis. Currently, only six industries are monitored under compulsory licensing mainly on account of environmental, safety and strategic considerations that need to be taken care of. In the same way, there are only three industries reserved specifically for the public sector. The lists of goods under compulsory licensing and industries reserved for the public sector are included in Appendix III and IV respectively.

#### **Introduction of Industrial Entrepreneurs' Memorandum (IEM)**

Companies which don't require compulsory licensing are expected to file an Industrial Entrepreneurs' Memorandum (IEM) to the Secretariat for Industrial Assistance (SIA). Industrial approval is not needed for these types of exempted industries. Amendments are also permitted to IEM proposals filed after 1.7.1998.

#### **Liberalization of the Locational Policy**

A crucially reformed locational policy in tune with the liberalized licensing policy is in place. Approval from industries are not required from the Government for locations not within the range of 25 kms of the periphery of cities having a population of more than one million apart for those industries, where industrial licensing is compulsory. Non-polluting enterprises like electronics, computer software and printing can be located within 25 kms of the periphery of cities with more than one million population. Other industries are allowed in such locations only if they are located in an industrial area so designated prior to 25.7.91. Zoning and follow land use regulations as well as environmental legislations.

#### **Policy for Small Scale Industries**

Reservation of goods that are manufactured exclusively for small scale industries ensures effective measure for protecting this sector. Since 24th December 1999, entrepreneurial undertakings with a maximum investment up to rupees one crore are within the small scale and ancillary sector.

### **Non-Resident Indians Scheme**

The general policy and provisions for Foreign Direct Investment as available to foreign investors or company are completely applicable for NRIs as well. With addition to this, the government has broadened some concessions mostly for NRIs and overseas corporate bodies having more than 60% stake by the NRIs. These include investment by NRI/OCB in the real estate and housing sectors, domestic airlines sector up to 100%. They are also permitted to invest up to 100% equity on non-repatriation basis in all activities except for a small negative list.

### **EHTP vs STP Scheme**

For constructing strong electronics company along with a view to modify export, two schemes viz. Electronic Hardware Technology Park (EHTP) and Software Technology Park (STP) are in function. Under EHTP/STP scheme, the inputs are permitted to be procured free of duties.

### **Policy for Foreign Direct Investment (FDI)**

Promotion of FDI forms a vital part of India's economic policies. The role of FDI in boosting economic growth is by way of infusion of capital, technology and modern management activities. The Department has put in place a liberal and transparent foreign investment regime where all the practices are opened to foreign investment on automatic route without any limit on the extent of foreign ownership.