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**SUBJECT: ENTREPRENURESHIP**

**SEMESTER: 8TH**

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**(Q1) (A) (ANSWER):**

**FOUR BASIC KINDS:**

**INNOVATING ENTREPRENEURS:**

An innovative entrepreneur is a person who discovers totally new things. An innovative owner is a person who creates innovative products and services. An innovative entrepreneur is a person who innovates the business processes in his business. An innovative person is a person who is not afraid to take a risk.

**2. Imitating entrepreneurs:**

These entrepreneurs are people who follow the path shown by innovative entrepreneurs. They imitate innovative entrepreneurs because the environment in which they operate is such that it does not permit them to have creative and innovative ideas on their own.Such entrepreneurs are found in countries and situations marked with weak industrial and institutional base which creates difficulties in initiating innovative ideas.In our country also, a large number of such entrepreneurs are found in every field of business activity and they fulfill their need for achievement by imitating the ideas introduced by innovative entrepreneurs.Development of small shopping complexes is the work of imitating entrepreneurs. All the small car manufacturers now are the imitating entrepreneurs.

**3. Fabian entrepreneurs:**

The dictionary meaning of the term ‘fabian’ is ‘a person seeking victory by delay rather than by a decisive battle’. Fabian entrepreneurs are those individuals who do not show initiative in visualising and implementing new ideas and innovations wait for some development which would motivate them to initiate unless there is an imminent threat to their very existence.

**4. Drone entrepreneurs:**

The dictionary meaning of the term ‘drone’ is ‘a person who lives on the labor of others’. Drone entrepreneurs are those individuals who are satisfied with the existing mode and speed of business activity and show no inclination in gaining market leadership. In other words, drone entrepreneurs are die-hard conservatives and even ready to suffer the loss of business.

**(Q1)(B)(ANSWER):**

**FUNCTIONS OF ENTREPRENEUR:**

**1. Innovation:**

Innovation means doing the new things or the doing of things that are already being done in a new way. This innovation is the process of doing new things. However, there is distinction between creativity and innovation. Creativity is the ability to bring something new into existence. Practically it is the ability not the activity of bringing something new into existence.It is possible for a person to conceive of something new and envision how it will be useful but not necessarily like the necessary action to make it a reality

**2. Risk-Taking:**

The risk is the condition of not knowing the outcome of an activity or decision. Neverthe­less, risk is capable of being evaluated for relative probabilities. Risk bearing means pro­vision for capital in order to enable the entrepreneur to establish and others stressed risk taking as the specific function of an entrepreneur.

**3. Organization and Management:**

The process of organization and management includes planning of an enterprise coordi­nation, control and supervision. Prof. Alfred Marshal recognised this function as an im­portant function of an entrepreneur. Entrepreneurs often fall into the trap of thinking that just because their business is small. They do not really need a comprehensive sys­tem of organization and management.They may rationalize that by designing an effec­tive organizational and management control system

**4. Business Decisions:**

The decisions with regard to what to produce, how to produce and for whom to produce are to be taken by the entrepreneur himself. In this connection he has to implement his innovative process.

**FUNCTIONS:**

**(i)** The determination of those objectives of the enterprise and the change of those objectives as conditions required or made advantageous;

**(ii)** The development of an organization including efficient relations with subordi­nates and all employees;

**(iii)** The securing of adequate financial resource, the relations with existing and poten­tial investors;

**(iv)** The requisition of efficient technological equipment and the revision of it as new machinery appeared;

**(v)** The development of a market for products and the devising of a new product to meet or anticipate consumers demand;

**(vi)** The maintenance of good relations with public authorities and with society at large.

**HURDLES :**

**(1) Lack of Market Experience:**

The essence of leadership is first learning and doing before leading. Therefore, the capability to start a business is propelled by previous education and work experience. Rushing into a new market because it looks attractive and rewarding without having some experience and background in it can be fatal. Experience in a related business before start-up is positively correlated to the probability of success.

**(2) Lack Technical and Practical Skills:**

People tend to use the skills they have acquired to pursue entrepreneurial initiative. Lacking the appropriate skills and knowledge inhibits economic development.

**(3) Lack of Entrepreneurial Capacity:**

Opportunities go untried until someone comes along with an eye for possibility and a can-do attitude. Some cultures may discourage entrepreneurial capacity resulting in a low rate of new firm entrance. It is like having an oil well field without knowledgeable people to mine the wells. Entrepreneurial capacity is the existence of people with entrepreneurship qualities, willingness and motivation to initiate new ventures.

**(4) Lack of Entrepreneurship Opportunities:**

Venture creation requires existing marketplace opportunities with possibilities known to the entrepreneur and favorable odds for success for entrepreneurial “spirit” to succeed.

**(5) Employee related difficulties:**

Building an employee asset base for the enterprise is one of the more daunting and sometimes overlooked tasks. Entrepreneurs must find and select the best-qualified employees who are motivated and willing to grow with the venture. Then they must ensure the employees do not leave. The professors say this task becomes a barrier when employees’ expectations increases, governmental regulations related to labor employment is hardened, and employee costs grow.

**(2) (A) (ANSWER):**

**ROLE OF SME’S:**

SMEs plays an important role in the economic development of a country. Their role in terms of production, employment generation, contribution to exports & facilitating equitable distribution of income is very critical. The SMEs broadly consists of:

**1)** The traditional cottage & household industries such as village industries, handicrafts, and coir industries.

**2) Modern SMEs.:**

The traditional village and cottage industries as distinguished from modern SMEs are mostly unorganized and located in rural areas and semi urban areas. They normally do not use power operated machines/appliances & use relatively lower levels of investment & technology. But they provide part time employment to a very large number of poorer sections of the society. They also supply essential products for mass consumption & exports.

The modern SMEs are mostly defined in terms of the size of investment & labour force. The industries (Development & Regulation) defines, SMEs having less than 50 workers with the aid of power or less than 50 workers with the aid of power.

Government is extending various steps towards SMEs. In addition, the SMEs has been supported and encouraged by various government policies for infrastructure support, technology up-gradation, preferential access to credit, preferential policy support, etc.

**Specific Contributions :**

**1.** The contribution of Small scale sector to the manufacturing sector and GDP as a whole is significant in terms of its share in total value added.

**2.** Small scale sector performs to the manufacturing sector and GDP as a whole is significant in terms of its share in total value added.

**3.** SMEs can play a role in mitigating the problem of imbalance in the balance of payment accounts through its export promotion.

**4.** While the large scale industries are expected to increase the inequities of income and concentration of wealth, SMEs are expected to help widespread equal distribution of income and wealth.

**5.** Small sector may provide opportunities to a large number of capable and potential entrepreneurs who are deprived of appropriate opportunities.

**6.** It can help to release scarce capital towards productive use.

**7**. SMEs can reap the benefits of lean production and can find new cost-efficient techniques of lean production.

**8.** As small units can use resources more efficiently to the full capacity without any wastage, they may have higher allocation efficiency.

**9.** As the element of risk is low in SMEs, more resources will be employed by large number of labor force.

**PROVINCIAL LEVEL:**

State of SMEs in Pakistan

In the industrial development of a country the importance of the SME sector cannot be overemphasized. SMEs constitute nearly 90% of all the enterprises in Pakistan; employ 80% of the non-agricultural labor force; and their share in the annual GDP is 40%, approximately. However, unlike large enterprises in the formal sector, a small and medium enterprise is constrained by financial and other resources. This inherent characteristic of an SME makes it imperative that there should be a mechanism through which it may get support in different functions of business including technical upgradation, marketing, financial and human resource training & development.

**(i)** the creation of a conducive and enabling regulatory environment;

**(ii)** development of industrial clusters;

**(iii)** and the provision of Business Development Services to SMEs in all areas of business management.

Adhering to a clear mandate and a logical path to achieve quantitatively verifiable targets, SMEDA carries out comprehensive analyses of international trends, national policies and other macroeconomic factors affecting SMEs in Pakistan for a gradual progress towards the creation of a favorable business environment for its key clients – the SMEs of Pakistan. At the same time, we also interact with the SMEs working in industrial sectors such as Agriculture, Fisheries, Textiles, Handloom Weaving, Transport, Leather, Marble & Granite, Carpets and Light Engineering. This interaction takes place at the individual as well as collective level to provide proactive and responsive financial, technical, management and marketing services to SMEs.

SME support through cluster development program is provided on two fronts:

**1.** Regulations and policy level support **2.** Institutional & networking support

In the policy level support, problems related to any Government department or Government policy/regulation are studied and, if found valid, are advocated with the concerned authorities. At the institutional level, SMEDA provides support to SMEs by creating networking amongst the concerned stakeholders or by directly starting development projects in the clusters. Such projects may include establishing a training institute, building a common facility centre, building a model plant with state-of-the-art technology for SMEs to emulate through reverse engineering. These projects also include upgrading technology in a particular industrial sector and starting a program-lending scheme for this purpose in collaboration with the financial institutions.

Some of the important cluster development projects undertaken by SMEDA are:

**Textile/Apparel**

1. Ginning Technology Up-Gradation

2. Program Lending For Power Looms

3. Computer Aided Design Centre (Common Facility Centre-Sialkot)

4. Designing Institute for Garments (Peshawar)

5. Accessories Sector Study

6. Development of Handloom Cluster

**Horticulture/Fruits and Vegetables**

7. Establishment of Cool-Chain Agriculture Export Processing Zone

8. Fruit Processing Facility (KPK in Collaboration with EPB)

9. Assistance to Set Up Horticulture Export Board

10. Revitalization of Sunflo Cit-Russ for Citrus Cluster Development.

11. Apple Treatment Plant in Balochistan (Co-Ordination with EPB)

**Fisheries**

12. Program Lending Boat/Engine Modification, Gwadar District

13. Establishment Of Shrimp Farms

14. Fish Processing Facility In Gwadar (Feasibility Study)

**Granite & Marble**

15. Export Warehouse Marble (Azakhel KPK)

16. Establishment of Model Quarry and Training Institute Marble

17. Joint Ventures and Technology Transfer Arrangements (KPK)

**Gems**

18. Five New Gem Mines To Be Operationalized (KPK)

19. Lapidaries Program Lending (KPK)

20. Glass & Ceramics

21. Ceramics Kiln Up-Gradation: Common Facility Centre, Gujrat

22. Sanitary Ware & Pottery Sector Kiln Up-Gradation

23. Bangles Kiln Up-Gradation (Hyderabad)

**Agriculture**

24. Agri-Mall – One Stop Shop for Agriculture Inputs

25. Support Services for Agricultural Credit (SSAC)

26. Establishment of 3 Private Sector Warehousing & Trade Promotion Facilities in Afghanistan

**Assistance in Raising Finance.**

**Financial Advice.**

**Project Identification.**

**Business Plan Development.**

**Technical Advice.**

**Marketing Advice (Branding, Labeling, Packaging, Distribution, Promotion, etc.)**

**Company Incorporation, Export Registration, & Regulatory Advice.**

**Sales Tax, Custom Duty, Excise Duty, etc.**

**Electronic Commerce Support.**

**Business Matchmaking.**

 **(Q3) (A) (ANSWER):**

**DEFINE NGO:**

A non-governmental organization (NGO) is a non-profit, citizen-based group that functions independently of government. NGOs, sometimes called civil societies, are organized on community, national and international levels to serve specific social or political purposes, and are cooperative, rather than commercial, in nature.

**ROLE OF NGO:**

The authority’s staff, blood relatives and spouses have also been excluded from the list of beneficiaries of OG that has been given under the project of the National Business Development Programme (NBDP), Pakistan Today has learnt.

The focus of the OD is to improve managerial efficiency and organizational systems of SMEs by offering support to acquire services in the areas such as accounting manuals, software, financial management and general management etc.

The grant size will be 80pc of the total cost of service, up to maximum of Rs500,000.

The grants will be given on reimbursement basis and no advance payment will be made under the grant, while the payment to guarantee will be made through banking transactions.

The SMEDA has also prepared the criteria for improving the SMEs’ internal capacities in five core areas i.e. financial management, employee management, regulatory compliance, production management, and general business management.According to an official document, under the financial service category the SME must have the activities of accounting, bookkeeping, accounting software ERP systems, manuals for financial controls and management, and product costing.

Similarly, under the general management category the SME must have the activities of task management, project management, contract management and procurement system, while the SME also have the activities of inventory, warehousing system including software, supply chain management, worker and workplace safety manuals under the same category.

In production management area, the SME must have the activities of production planning and control, production management, whereas under the HR management category, the SME must have the activities of HR policies and procedures, time attendance management system, sales force management system, and employee internal training manuals.

However, in the category of regulatory services, the SME must have the activities of sales tax registration services, business licensing, business registration, copyright, trade mark, patent and design registration, import export procedure and others.

The document further states the OD grant will be given to only Pakistani nationals having a valid CNIC, and that the SME should have a total of 250 employees with a paid-up capital up to Rs25 million and annual sales up to Rs250 million.

Only manufacturing, services, trading, IT/ICT, mining and mineral processing, and agriculture processing areas would be able to get the grant, whereas the SMEs of Balochistan may also apply for livestock and dairy farming.

For getting the OD grant, the SME must have a valid NTN and operational business for at least one year from the date of the application of grant, the document further states.

“We have launched NBDP across the country and to achieve the objectives of this programme, the provisions of grants to SMEs for small business startup, organizational development, marketing, research and development, product testing, certifications and credit worthiness assessment have been incorporated in it,” a SMEDA official said.

The business development programme also aimed to promote youth entrepreneurship by supporting business incubation centers, he said, adding the programme was also focusing on the provision of Over the Counter (OTC) products such as feasibility studies, information briefs pertinent to business management, sector studies, commercial contracts, legal templates and regulatory procedures.

**(B) (ANSWER):**

**TAXATION POLICY:**

Small taxpayers under the regular system of taxation are discriminated against, since the compliance requirements, cost of compliance and tax rate are the same for both small and large enterprises. Reducing the compliance costs and tax rate increases the small enterprises profit margin. It also increases the Government’s tax revenue, since the simplified provisions for small and medium enterprises reduce the size of the informal economy and the number of non-complying registered tax payers . Furthermore, SMEs usually have to operate in an overbearing regulatory environment with the plethora of regulatory agencies, multiple taxes, cumbersome importation procedure and high port charges that constantly exert serious burden on their operations. An overly complex regulatory system and tax regime or one opaque in its administration and enforcement makes tax compliance unduly burdensome and often have a distortionary effect on the development of SMEs as they are tempted to morph into forms that offer a lower tax burden or no tax burden at all , and this results in a tax system that imposes high expenses on the society. A poorly executed tax system also leads to low efficiency, high collection charges, waste of time for taxpayers and the staff, and the low amounts of received taxes and the deviation of optimum allocation of resources . Existing empirical evidence clearly indicates that small and medium sized businesses are affected disproportionately by these costs: when scaled by sales or assets, the compliance costs of SMEs are higher than for large businesses

**(Q4) (A) ( ANSWER):**

**SMEDA:**

Small and Medium Enterprises Development Authority - SMEDA, Premier institution of the Government of Pakistan under Ministry of Industries & Production. SMEDA was established in October 1998 to take on the challenge of developing Small & Medium Enterprises (SMEs) in Pakistan. With a futuristic approach and professional management structure it has focus on providing an enabling environment and business development services to small and medium enterprises. SMEDA is not only an SME policy-advisory body for the government of Pakistan but also facilitates other stakeholders in addressing their SME development agendas.

**Vision**

"Growth of globally competitive SME sector, through a conducive environment and support services, serving as an engine of sustainable growth for national economy"

To be the leading facilitator in providing affordable, appropriate and innovative Training Services for Small and Medium Enterprises (SMEs) in Pakistan

**MISSION:**

"To assist in Employment Generation and Value Addition to the National Income, through Development of the SME Sector, by helping Increase the Number, Scale and To facilitate SMEs in their HR capacity building of entrepreneurs, managers, supervisors and operational staff for improving their level of skills, competencies and awareness in technical, marketing, financial, policy, regulatory, legal, commercial and other functions through the provision of direct and indirect training services. Competitiveness of SMEs"

**OJECTIVES:**

Formulate Policy to encourage the growth of SMEs in the country and to advise the Government on fiscal and monetary issues related to SMEs.Facilitation of Business Development Services to SMEs.Facilitate the development and strengthening of SME representative bodies associations/chambers.Set up and manage a service provider’s database including machinery and supplier for SMEs.Conducting sector studies and analysis for sector development strategies.Facilitation of SMEs in securing financing. Strengthening of SMEs by conducting and facilitating seminars, workshops and training programs.Donor assistances for SME development of SMEs through programs and projects. Identification of service opportunities on the basis of supply/demand gap.