Shree H. N Shukla College of Management Studies

Entrepreneurship

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(Rajkot, Gujarat)

❖Module-1

Ch-1 Entrepreneurship

Concept of entrepreneurship

The people who have abilities, skills and knowledge and who are ready to take risks for earning profit, are called entrepreneurs.The success of every nation depends on its capability to produce goods and services needed by humans. For example if we compare the economy of Egypt and America, Egypt has a poorer economy only because they are not able to produce enough goods and have to import from other countries.

The word "Entrepreneur" is derived from French word "Entreprendre" which means to undertake.In the 16th century the Frenchman who used to assist the military programs were called "Entrepreneurs". They were ready to take risks and thus were referred as entrepreneurs, as they purchase necessary inputs at uncertain prices and are willing to sell at uncertain prices.

Later entrepreneurs were called as coordinators as they organizes all the raw materials necessary for production and coordinated them in order to produce some meaningful product.

General Def-: "An entrepreneur is a person or group of persons willing to establish an enterprise for some profitable venture".

Def-:By Forrest Frantz "Entrepreneur as more than a manager. He is an innovator and promoter as well". (eg company manufacturing smart phones)

Characteristics

1. Vision:

An entrepreneur has a vision. He tries to achieve what he has foreseen. He keeps on searching for opportunities and tries to exploit (utilize) the same to achieve predetermined objectives.

2. Risk:

Entrepreneurs like to take up the risk. When he does something new or takes responsibility to invent something new, he is inviting risk factors in his operations. He always takes calculated risk, so that he does not drag himself into losses.

3. Innovation:

Entrepreneurs always look for the opportunity to innovate new products, explore new market and new sources of raw material and introduce new production processes for the development of the economy. Eg. mobile phones upgradation or ethanol will be used as fuel for automobiles in near future.

4. Self Motivated:

The most significant feature of an entrepreneur is that he is self motivated. He has a strong desire to achieve something. These desires give direction to a work behavior that would lead him to success.

5. Leader:

Entrepreneur is a true leader. He leads the enterprise from the front. He has the ability to influence the behavior of others and direct their efforts into right direction which will lead them to success.

6. Employment Generator:

Entrepreneur is a job giver and not a job seeker. He creates employment opportunities in the society and tries to solve the problem of unemployment in any country.

7. Hard Work:

One of the basic qualities of an entrepreneur is hard work. He has trust in his abilities and keeps on doing work continuously so as to achieve success. He likes challenges and is willing to work hard to achieve something which he desires.

8. Optimist:

An entrepreneur is always optimistic. He is never ready to accept defeat against challenges of business. Even when he fails, he is never disappointed. He has faith in himself and is self motivated to achieve goals. He is never afraid of obstacles and does not drop the hope.

9. Open-Minded:

In a business, every circumstance can be an opportunity and used for the benefit of a company. He is ready to accept new ideas. For example, Paytm recognised the opportunity in demonetization and acknowledged the need for online transactions would be more, so it utilised the situation and expanded massively during this time.

10.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. Eg Earlier Nokia did not show interest in touch screen mobile technology and were thrown out of the market.

11.Know your Product:

A company owner should know the product offerings and also be aware .

Types of entrepreneurs

1. Small Business Entrepreneurship-

These businesses are a hairdresser, grocery store, travel agent, consultant, carpenter, plumber, electrician, etc. These people run or own their own business and hire family members or local employee. For them, the profit would be able to feed their family and not making 100 million business or taking over an industry. They fund their business by taking small business loans or loans from friends and family.

2. Scalable Startup Entrepreneurship-

This start-up entrepreneur starts a business knowing that their vision can change the world. They attract investors who think and encourage people who think out of the box. The research focuses on a scalable business and experimental models, so, they hire the best and the brightest employees. They require more venture capital to fuel and back their project or business.

Eg. Tea-post, Balaji wafers,Uber etc

3. Large Company Entrepreneurship-

These huge companies have defined life-cycle. Most of these companies grow and sustain by offering new and innovative products that revolve around their main products. The change in technology, customer preferences, new competition, etc., build pressure for large companies to create an innovative product and sell it to the new set of customers in the new market. To cope with the rapid technological changes, the existing organisations either buy innovation enterprises or attempt to construct the product internally. Eg computer manufacturing companies like HP and Lenovo or automobile companies like TATA and Maruti Suzuki

4. Social Entrepreneurship-

An entrepreneur who wants to solve social problems with their products and services is in this category of entrepreneurship. Their main goal is to make the world a better place. They don't work to make big profits or wealth. Instead, these kinds of entrepreneurs tend to start nonprofits or companies that dedicate themselves to working toward social good. Eg. NGO named SELCO started by Mr. Harish Hande. He started India's first rural solar financing program to solve the problem of electricity in rural areas.

5. Innovative entrepreneurship

Innovative entrepreneurs are people who are constantly coming up with new ideas and inventions. They take these ideas and turn them into business ventures. Innovators tend to be very motivated and passionate people. They look for ways to make their products and services stand out from other things on the market. People like Steve Jobs and Bill Gates are examples of innovative entrepreneurs and most recent NAZARA technologies.

6. Hustler entrepreneurship

These types of entrepreneurs are motivated by their dreams and vision. Hustlers are ready to do anything to make their dreams come true. They don't sit and think. Hustler put their feet into the field and work hard until they achieve their targets rather than using money to achieve those.Naturally, hustler entrepreneurs start small, and make their effort to make it bigger and more successful. Eg. Ray Kroc who is not the founder of Mcdonald but he shaped it into a billion dollar company.

7. Imitator entrepreneurship

Imitators are entrepreneurs who use others' business ideas as inspiration but work to improve them. They look to make certain products and services better and more profitable. An imitator is a combination between an innovator and a hustler. They are willing to think of new ideas and work hard, yet they start by copying others. People who are imitators have a lot of self-confidence and determination. They can learn from others' mistakes when making their own business. Eg. Pioneer in smart mobile phones was Samsung and later many other companies started manufacturing the same kind of products.

8. Buyer entrepreneurship

A buyer is a type of entrepreneur who uses their wealth to fuel their business ventures. Their specialty is to use their fortunes to buy businesses that they think will be successful. They identify promising businesses and look to acquire them. Then, they make any management or structural changes they feel are necessary. Their goal is to grow the businesses they acquire and expand their profits. This kind of entrepreneurship is less risky because they are purchasing already well-established companies.Eg. TATA digital wants to buy BigBasket to enter into online retail business.

Importance

1. Job creation:

Entrepreneurs create jobs and help the country to overcome the problem of unemployment. They provide lots of entry level jobs that allow unskilled employees to get training and necessary experience.

2. National Income:

Entrepreneur not only helps in creating jobs but also helps in economic development and increase GDP of a nation by manufacturing quality products or services and export it to other countries.

3. Improves standard of living:

By providing jobs to individuals entrepreneurs increase their income through which consumption of goods per household increase which result in improving standard of living.

4. Promotes Research and Development:

As we all know, innovation is the greatest pillar of entrepreneurship, and that's why you will see entrepreneurs with lots of innovated ideas that they test by experiments.

5. Capital Formation:

Entrepreneurs can mobilise savings of individuals through industrial securities like issue of equity share of bonds. When the public savings has invested in the industries, then there is a optimum utilization of national resources, which helps in quick economic growth.

6. Creates pool of opportunities:

An entrepreneur creates job not only directly for an enterprise but also provide indirect employment like jobs for transportation company, provide business to banking sector, they need service for warehousing etc

7. Development of Region:

Generally public and private enterprises starts their businesses in remote areas to get benefits of government subsidies. When any enterprise starts their business in any region, not only people of that area gets job opportunity but infrastructure of that region will start developing.

8. Consumer Demand:

Entrepreneurs manufacture products according to the need and wants of people and thus tries to satisfy their demand.

9. Raise foreign capital:

Entrepreneurs not only attract domestic capital but also foreign investors. Many indian companies are also earning profit by exporting their goods and services.
Currently Indian government has raised the FDI limit in the insurance sector to

74%.

Challenges faced by Entrepreneur

1. Financing

Getting funds for your business is one of the main issues that all businesses face and have to tackle to survive. While you might have saved initial money to start a business, it won't help you survive for long. Steady cash flow is crucial for businesses to endure, and you always need to have extra funds to take care of rainy days.
You need to ensure you have a well-prepared business strategy ahead of time, which consists of funds set aside for the worst-case scenario. Remember, when you are new in business, you will certainly have restricted accessibility of funds, and also hence you have much less room for error.
2. Lack of Planning

It's impressive the number of start-ups fails since they "failed to remember" to do the planning. Or perhaps they did strategies, yet they did not cover all the bases. Key locations like sales, development, and funding aren't afterthoughts. They need to all belong to your business plan right from the start. Not just that, however, you require to prepare for the important things you cannot prepare for, also. That is, even if you cannot plan for every possibility, you require to recognize what you're most likely to do when (not if) events take an unforeseen turn.

3. Marketing

Some start-ups assume they can ignore marketing strategies entirely and hope that word of mouth will be sufficient. Being a start-up, it's essential to create visibility among your consumers. Effective marketing techniques within a limited budget should be made to reach your target audiences.

4. Finding the Right Business Location

Finding a good business location at the right place is definitely not easy. An efficient location that has a rapidly growing population, good road network and other amenities at a good place

5. Unexpected Challenges

Unexpected challenges can come in the form of: Unexpected law suits Inconsistent government policy, not being able to make payroll, unpaid bills and taxes, unexpected resignation of staff from sensitive office, bad debts from customers, loss of market share, dwindling working capital, inadequate stock or inventory these business challenges, if not handled properly can ruin the plan to build a successful business. Another challenge an entrepreneur must expect is an unforeseen increase in business expenses. If not handled properly, it might result in constant negative cash flow and eventually; business failure.

6. Dealing with Competition

Competition is the next challenge an entrepreneur will face when starting a business. Most individuals see competition as a plague but competition as a good challenge. Competition is a benchmark for creativity, the main engine that stimulates innovation and production of quality products at great prices. Without competition, there will be no innovation and without innovation, the world will be stagnant.

7. Lack of Technical Education

It has been highly criticized by various experts and industrialists that the education system in our country doesn't equip the students with technical education. There are very few institutions which provide technical and business education in our country. As a result when individual goes out in a market after the completion of their basic education, they are not able to cope-up with the requirement of the job.

8. Political instability

Our political system is not stable and thus it becomes difficult to have smooth running of industrial activity. As and when the political party changes, invariably it changes the rules and regulations which directly and indirectly affect the business enterprise. The ruling favour few while other faces adverse conditions, thereby demotivating the people or incoming entrepreneurs to take entrepreneurship.

9. Inadequate Government Support

The government develops various plans and makes arrangement in order to motivate people to take up self-employment. But actually these are just plans and nothing have been effectively implemented. Entrepreneurs find it difficult to established a unit in remote areas. Basic infrastructure like water, roads, electricity, etc may not be developed properly as per the need of entrepreneurs in that area.

Ch- 2 Forms of Business Organizations

There are many forms of business organizations you may want to consider for your company. Before we introduce these different forms, below are some factors that you should consider when deciding on a form of business organization:

Nature of business: - The organization of your business will depend on the nature of your business.

Scale of operations: - volume of business and size of market area are key considerations. Large market operations are better catered to by public or private companies. Small operations are set up as partnerships or proprietorships.

Degree of Control: - if you want direct control, then proprietorship is a good option. Incorporation of a business involves separation of ownership and management.

Amount of Capital: - as need for resources grow, then for example, a partnership may be converted into a company.

Volume of Risks & Liabilities: - Willingness of owners to bear risk. A sole proprietorship bears high risk, whilst public or private companies have lower risks for owners, as there is separation of the legal entity and ownership.

Comparative tax liability- Your Company's tax liability will depend on the form of business organization you choose. We have discussed the different forms of business organizations in the following Sections

Sole Proprietorship

The sole proprietorship is the simplest business form under which one can operate a business. The sole proprietorship is not a legal entity. It simply refers to a person who owns the business and is personally responsible for its debts. A sole proprietorship can operate under the name of its owner or it can do business under a fictitious name. The sole proprietorship is a popular business form due to its simplicity, ease of setup, and nominal cost. A sole proprietor need only register his or her name and secure local licenses, and the sole proprietor is ready for business

Definition of Sole Proprietorship

J.L. Hanson: "A type of business unit where one person is solely responsible for providing the capital and bearing the risk of the enterprise, and for the management of the business."

Characteristics of Proprietorship

1. Single Ownership: The sole proprietorship form of business organization has a single owner who himself/herself starts the business by bringing together all the resources

2.No Separation of Ownership and Management: The owner himself/herself manages the business as per his/her own skill and intelligence. There is no separation of ownership and management as is the case with company form of business organization.

3.Less Legal Formalities: The formation and operation of a sole proprietorship form of business organization does not involve any legal formalities. Thus, its formation is quite easy and simple.

4.No Sharing of Profit and Loss: The sole proprietor enjoys the profits alone. At the same time, the entire loss is also borne by him. No other person is there to share the profits and losses of the business. He alone bears the risks and reaps the profits.

5.Unlimited Liability: The liability of the sole proprietor is unlimited. In case of loss, if his business assets are not enough to pay the business liabilities, his personal property can also be utilized to pay off the liabilities of the business.

6.One-man Control: The controlling power of the sole proprietorship business always remains with the owner. He/she runs the business as per his/her own will.

MERITS OF SOLE PROPRIETORSHIP

1. Easy to Form and Wind Up: It is very easy and simple to form a sole proprietorship form of business organization. No legal formalities are required to be observed. Similarly, the business can be wind up any time if the proprietor so decides.

2. Quick Decision and Prompt Action: As stated earlier, nobody interferes in the affairs of the sole proprietary organization. So he/she can take quick decisions on the various issues relating to business and accordingly prompt action can be taken

3. Direct Motivation: In sole proprietorship form of business organizations. the entire profit of the business goes to the owner. This motivates the proprietor to work hard and run the business efficiently.

4. Flexibility in Operation: It is very easy to effect changes as per the requirements of the business. The expansion or curtailment of business activities does not require many formalities as in the case of other forms of business organization.

5. Maintenance of Business Secrets: The business secrets are known only to the proprietor. He is not required to disclose any information to others unless and until he himself so decides. He is also not bound to publish his business accounts.

6. Personal Touch: Since the proprietor himself handles everything relating to business, it is easy to maintain a good personal contact with the customers and employees. By knowing the likes, dislikes and tastes of the customers, the proprietor can adjust his operations accordingly. Similarly, as the employees are few and work directly under the proprietor, it helps in maintaining a harmonious relationship with them, and run the business smoothly

Disadvantages

1. Limited Resources: The resources of a sole proprietor are always limited. Being the single owner it is not always possible to arrange sufficient funds from his own sources. Again borrowing funds from friends and relatives or from banks has its own implications. So, the proprietor has a limited capacity to raise funds for his business.

2. Lack of Continuity: The continuity of the business is linked with the life of the proprietor. Illness, death or insolvency of the proprietor can lead to closure of the business. Thus, the continuity of business is uncertain.

3. Not Suitable for Large Scale Operations: Since the resources and the managerial ability is limited, sole proprietorship form of business organisation is not suitable for large-scale business.

4.Limited Managerial Expertise: A sole proprietorship from of business organisation always suffers from lack of managerial expertise. A single person may not be an expert in all fields like, purchasing, selling, financing etc. Again, because of limited financial resources, and the size of the business it is also not possible to engage the professional managers in sole proprietorship form of business organizations.

5.Unlimited Liability: You have already learn that there is no separate entity of the business from its owner. In the eyes of law the proprietor and the business are one and the same. So personal properties of the owner can also be used to meet the business obligations and debts.
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Partnership

Partnership is an association of two or more persons to carry on a business in the capacity of co-owners. Each such person is called a partner. All the partners share the profits and losses in proportion of their respective ownership, or as agreed between them.

The amount of money that can be committed by a partnership firm is much larger. This is possible because each partner can bring in a part of the total amount of capital required rather than only one person arranging the money. There are more people to take care of different functions of the business (such as Marketing, Finance, Production, etc.). Thus business can be managed better. However, decision making is collective. There is a need to involve and convince other partners before any decision can be taken.

“Partnership is the relation which subsists between persons, who have agreed to combine their property, labour or skill in some business and share the profits thereof between them” -Indian Contract Act, 1872.

Elements of partnership

1. Contract for Partnership:

Partnership is the result of a contract. It does not arise from status, operation of law or inheritance. Thus, at the time of death of the father, who was a partner in the partnership firm, the son can claim share in the partnership property but cannot become a partner unless he enters into a contract for the same with other persons concerned.

Partnership is created by an agreement among the persons who have agreed to join hands. Such persons must be competent to contract. Thus, minors, lunatics and insolvent persons are not eligible to become the partners. However, a minor can be admitted to the benefits of partnership firm i.e., he can have share in the profits without any obligation for losses.

2. Two or More Persons:

To form a partnership firm at least two persons are required. The maximum limit on the number of persons is ten for banking business and 20 for other businesses. If the number exceeds the above limit, the partnership becomes illegal and the relationship among them cannot be called partnership.

3. Sharing Profits and Business:

There must be an agreement among the partners to share the profits and losses of the business of the partnership firm. If two or more persons share the income of jointly owned property, it is not regarded as partnership.

4. Existence of Lawful Business:

The business of which the persons have agreed to share the profit must be lawful. Any agreement to indulge in smuggling, black marketing etc. cannot be called partnership business in the eyes of law.

5. Principal Agent Relationship:

There must be an agency relationship between the partners. Every partner is the principal as well as the agent of the firm. When a partner deals with other parties he/she acts as an agent of other partners, and at the same time the other partners become the principal.

6. Unlimited Liability:

The partners of the firm have unlimited liability. They are jointly as well as individually liable for the debts and obligations of the firms. If the assets of the firm are insufficient to meet the firm's liabilities, the personal properties of the partners can also be utilized for this purpose. However, the liability of a minor partner is limited to the extent of his share in the profits.

7. Voluntary Registration:

The registration of partnership firm is not compulsory. But an unregistered firm suffers from some limitations which makes it virtually compulsory to be registered. Following are the limitations of an unregistered firm. (i) The firm cannot sue outsiders, although the outsiders can sue it. (ii) In case of any dispute among the partners, it is not possible to settle the dispute through court of law. (iii) The firm cannot claim adjustments for amount payable to, or receivable from, any other parties.

Advantages

1. Easy to Form:

A partnership can be formed easily without many legal formalities. Since it is not compulsory to get the firm registered, a simple agreement, either in oral, writing or implied is sufficient to create a partnership firm.

2. Availability of Larger Resources:

Since two or more partners join hands to start partnership firm it may be possible to pool more resources as compared to sole proprietorship form of business organization.

3. Better Decisions:

In partnership firm each partner has a right to take part in the management of the business. All major decisions are taken in consultation with and with the consent of all partners. Thus, collective wisdom prevails and there is less scope for reckless and hasty decisions.

4. Flexibility:

The partnership firm is a flexible organization. At any time the partners can decide to change the size or nature of business or area of its operation after taking the necessary consent of all the partners.

5. Sharing of Risks:

The losses of the firm are shared by all the partners equally or as per the agreed ratio.

6. Keen Interest:

Since partners share the profit and bear the losses, they take keen interest in the affairs of the business.

7. Benefits of Specialization:

All partners actively participate in the business as per their specialization and knowledge. In a partnership firm providing legal consultancy to people, one partner may deal with civil cases, one in criminal cases, another in labour cases and so on as per their area of specialization. Similarly two or more doctors of different specialization may start a clinic in partnership.

8. Protection of Interest:

In partnership form of business organization, the rights of each partner and his/her interests are fully protected. If a partner is dissatisfied with any decision, he can ask for dissolution of the firm or can withdraw from the partnership.

9. Secrecy:

Business secrets of the firm are only known to the partners. It is not required to disclose any information to the outsiders. It is also not mandatory to publish the annual accounts of the firm.

Disadvantages

1. Unlimited Liability:

Partners become fully liable for all claims against the firm to an unlimited extent. The partner might lose all the savings of his life on account of a loss or a mistake in business. This is one of the reasons that the selection of a partner or association with a like-minded partner is the most important thing in forming a partnership business.

2. Non-transferability of share:

The share of interest of any partner cannot be transferred to other partners or to the outsiders. So it creates inconvenience for the partner who wants to transfer his share to others fully and partly. The only alternative is dissolution of the firm.

3. Inadequacy of Capital:

The number of partners in a firm is restricted to a maximum of twenty persons. Thus, a partnership firm may not be in a position to raise the required capital to finance its expansion plans. Hence, businesses that need large amounts of capital are generally organized as Joint Stock companies. For example, an oil refining business like Reliance Industries Limited or a car manufacturing business like Tata Motors Limited, cannot be imagined as Partnership firms.

4. Mutual Conflicts:

Partnership requires close cooperation and a lot of understanding amongst partners. If there is a serious difference of opinion amongst partners, with
different partners trying to pursue different goals then it is not good for the health of the business. Friction between partners will eventually lead to closure of business.

5. Uncertain Continuity:

Partnership may be dissolved on account of death, insolvency, insanity or incapacity of any of the partners. There is always a serious threat to continuity of business in its existing form. Hence, partnership firms are not suited to businesses requiring long term capital and plans.

6. Delay in Decision Making:

While day to day management is handled by one or more partners independently, any major decision requires the consent of all partners. A discussion and consensus on decision to be taken might be time consuming, resulting in the firm losing out on prompt action.

7. Risk of Implied Authority:

A partner can bind all other partners of the firm by his actions. This is a great risk to the other partners, as any hastily taken action may result in wiping out the life savings of all partners. It is seen that mistrust and wrong decisions by managing partners usually lead to dissolution of partnership firms.
8. Limited Scope for Expansion:

A partnership firm can have only a limited number of partners. The liability of these partners is unlimited. Therefore, their ability to take risk is limited. This limits the ability of the firm to expand and grow.
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Types of partners

1. Active or Working Partner:

A Partner who contributes capital to the firm and also takes active part in the day to day operations of the business is called an 'Active' or 'Working' Partner. Such a partner might be paid additional remuneration in the form of 'salary' for
the work done by him. The day to day business decisions are taken by the

Active Partner(s).

2. Nominal Partner:

A Nominal partner is a person who lends his name and reputation to the partnership. He neither contributes capital to the firm, nor takes active part in the activities of the business. He is not entitled to any benefits accruing to a partner of the firm. However, he is liable to outside parties for the claims against the firm.
3. Partners in Profits Only:

A person who becomes a partner on the specific understanding that he shall get a share in the profits of the firm, but shall not share any loss sustained by the firm. However, even such a partner is liable for claims against the firm. Usually, such partners contribute their reputation and goodwill to the business. They may or may not take active participation in the day to day operations of the business.

4. Partnership by Estoppel:

'Partner by Estoppel' is not a partner of the firm. However, by his behaviour, talk, etc., he creates an impression in the minds of outsiders that he is partner in the firm. He is not entitled to any benefit that may accrue to a partner of the firm. However, he is liable to the outsiders for claims against the firm, as the outsiders might have extended credit to the firm on the firm on the belief that such a person is a partner of the firm.

For example, A, B and C are three brothers. B and C are carrying on a small business. D is a close friend of A, A gives an impression to D that he is partner in the business of B and C. D gives a loan to the firm, which is not recoverable. D can claim the money from A as he gave the loan under the impression that A is a partner. He would not have given the loan, if he knew that A is not a partner. Thus, A is liable to 'D' and is estopped (prevented) from denying liability on the ground that he is not a partner.

5. Sleeping Partner

A sleeping partner is also known as a "dormant partner". This partner does not participate in the day-to-day functioning activities of the partnership firm. A person who has sufficient money or interest in the firm, but cannot devote his time to the business, can act as a sleeping partner in the firm. However, he is bound by all the acts of the other partners.

A sleeping partner like any other partner brings share capital to the firm. He also continues to share the profits and losses of the firm. If a dormant partner makes a decision to retire from the partnership firm, then it is not mandatory for him to give a public notice for the same.

6. Partner by Holding Out:

If a person is projected as a partner of the firm and the person does not deny it, then he becomes a partner by Holding Out. 'Partner by Holding Out' also is not a partner of the firm. However, he is also liable for all the claims made on the firm by third parties, as they might have given a credit to the firm on the belief that such person is a partner.

For example, X, Y and Z are three brothers. X is a highly successful businessman. Y and Z are carrying on a small business in partnership. In a party, Y introduces X to M as his partner. X does not deny it, although he does not expressly state that he is a partner. M gives loan to the firm, which is not recoverable. M can recover the loan from X. X is a 'Partner by Holding Out'.

7. Quasi Partner:

Quasi partner is a person who is no longer a partner of the firm, but creates an impression that he continues to be a partner of the firm. Since he has retired from the firm, he neither takes part in decision making, nor share profits of the firm. He does not have any capital in the firm. However, since he creates an impression that he is continuing as partner, his liability is unlimited.

8. Secret Partner

In a partnership, the position of secret partner lies between the active and sleeping partner. The membership of the firm of a secret partner is kept secret from the outsiders and third parties. His liability is unlimited since he holds a share in profit and shares liabilities for losses in the business. He can even take part in working for the business.

9. Limited Partner:

He is a partner whose liability is limited to his contribution to capital. Thus, in the event of any loss, such a partner will lose only the capital invested by him. In other words, his private assets are protected.

10. Sub Partner:

Sub partner is not a partner of the firm. In fact, he has nothing to do with the firm. For the firm, such a person does not exist. A sub partner is a person who has an agreement with one of the partners of the firm to share his profits/ losses from the partnership firm. It is a private agreement between the partner and sub partner.

For example, let us say, A and B are partners in a firm sharing profits and losses equally (each partner gets 50%). A and his wife, Mrs. A enter into an agreement that A shall share all his profits (and losses) from the partnership with her in the ratio of 3:1. Accordingly, Mrs. A pays 25% of the capital contributed by A in the partnership firm. Neither B nor the rest of the world is aware of the agreement between A and his wife. Mrs. A is then a sub partner.

A sub partner does not have any liability towards the firm. He or She may not even contribute capital. The rights and obligations of the sub partner are driven by the agreement with the main partner.

11. Minor as a Partner:

A minor is a person who has not yet attained the age of majority, which is 18 years. A 'Minor' does not enjoy the capacity to enter into contracts in his own. Since Partnership is a contractual relationship, a minor cannot become a partner. As per the Indian Contract Act, a minor cannot enter into a contract and if any such contracts have been entered into, then such contracts are void. However, he can be admitted into the benefits of Partnership, with the consent of all partners of the firm.

The following are the rights and liabilities of a minor, who is a partner:

(a) A minor has a right to the share of the profits and property of the partnership, as per the agreement between the partners.

(b) He can inspect the books of accounts of the firm.

(c) The liability of a minor is limited to his share of capital in the firm. He is personally not liable for any wrong doings by the firm and his personal property will not be attached while paying the liabilities of the firm.

(d) A minor cannot sue the other partners for payment of his dues in respect of his share in the profits of the firm. However, if he decides to leave the partnership, then he can sue the other partners for payment and final settlement of his dues relating to his partnership share.

(e) A minor, within six months of attaining majority, shall decide whether he wants to continue as a partner in the business or leave the partnership. He shall do this by giving a public notice regarding his decision. However, if he fails to give a public notice regarding his decision or if he fails to decide within six months of attaining majority, then he shall become a partner.

(f) If a minor decides to become a partner then he shall be liable for all acts, debts and obligations of the firm, since the date of his admission into benefits of

partnership of the firm. His personal assets shall be used to repay the liabilities of the firm, if required.

(g) If he decides not to become a partner, he shall not be liable for any acts of the firm after the date of issue of notice.

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Formation of Partnership – Partnership Deed:

A Partnership is formed by two or more persons who enter into an agreement to carry on business. This agreement may be oral or in writing. However, it is always preferable to have the agreement in writing, so that possibility of any misunderstanding in future is avoided. If all important terms and conditions regarding the partnership business are agreed upon, put in writing and signed by all partners, such agreement is called 'Partnership Deed'.

The terms and conditions contained in the Partnership Deed are called Articles of Partnership. Partnership Deed mainly contains details regarding internal management as well as relations with external parties such as debtors and creditors. It should be properly stamped as per the provisions of Indian Stamp Act, signed by all parties and a copy of the deed should be kept by all the partners.

The rights, duties and liabilities of partners can be inferred from the 'Partnership Deed'. Only when the 'Partnership Deed' is silent in respect of any issue, the provisions of Partnership Act are involved.

Contents of Partnership Deed:

The following aspects are normally covered in the partnership deed:

1. Name of the firm

2. Names, addresses, qualifications and occupations of partners.

3. Nature and Scope of Business proposed to be carried on by the firm.
4. Objects of the firm. (The word "Objects" is used to mean "objectives" or purpose.)

5. Duration of Partnership, if any.

6. The place where business is proposed to be carried on.

7. Amount of capital to be contributed by each partner.

8. Amount that can be withdrawn by a partner from the business.

9. The rate of interest that shall be payable to partners on their capital.

10. The extent to which each of the partner would be involved in the day to day management of the business

11. The rate of interest that shall be charged to partners on withdrawal of capital from the business.

12. The ratio in which partners shall share the profits or losses.

13. The amount of salary or commission payable to any partner for any services rendered to the firm.

14. Allocation of responsibilities of business amongst various partners.

15. Maintenance of Books of Account of partnership firm

16. Process for audit and Inspection of Accounting books by a partner.

17. Matters pertaining to admission or retirement of a partner.

18. The method of valuation of Goodwill at the time of admission / retirement of partners.
19. The method of revaluation of assets and liabilities on admission retirement or death of a partner.

20. Loans and Advances given to the firm by the partners and the rate of interest that shall be payable.

21. Procedure of Dissolution of the firm and mode of settlement of accounts after dissolution.

22. Arbitration clause for settlement of disputes, if any, between partners.

23. The conditions for expulsion of a partner and procedure for expulsion.

24. Arrangement in case of insolvency of a partner.

25. The rights, duties and obligations of partners.

26. Operation of Bank Accounts and authority for signing Cheques and other documents.

27. Any other clause or clauses that may be desired by the partners to be included in the Deed.

Rights of a Partner:

1. To take part in management of business of the firm.

2. To express his opinion on any matter concerning the firm.

3. To vote on any issue requiring consent of atleast a majority of partners.

4. To access, inspect and maintain a copy of books of account of the firm.

5. To share profits of the firm as per agreement.
6. To receive interest on loans advanced by the partner to the firm. If rate of interest is not fixed, it is calculated @ 6% p.a.

7. To receive any amount spent by him/her in the proper conduct of business of the firm.

8. To be indemnified for any loss incurred in the conduct of business of the firm.

9. To remain as partner of the firm, unless expelled from partnership as per the Partnership Deed. For example, a partner cannot be expelled from the partnership simply by majority vote of other partners.

10. To retire from the partnership as per the norms agreed upon.

11. To have the property of the firm used exclusively for the purpose of the firm.

12. To accept or reject the admission of a new partner.

13. To be a joint owner of all the assets of the firm.

14. To issue a notice for dissolution of the firm.

15. To carry on a business competing with the business of the firm, on retirement.

16. To share profits, or earn interest @ 6% p.a., on amount due to partner on retirement, until the payment is made in full.

17. To do all or any act necessary to protect the firm from loss in case of an emergency.

Duties of a Partner:

1. To be just and faithful to the firm and the other partners.
2. To provide full and correct information and true accounts of the firm to each other.

3. To carry on business of the firm to the maximum advantage of the firm and all the partners.

4. To share profits and losses of the firm as per agreed terms.

5. To try and protect the firm from loss to the best of his ability.

6. To indemnify the firm against any loss caused by his gross negligence, breach of conduct or willful misconduct in the ordinary course of business.

7. Not to carry on any business that competes with that of the firm in any manner.

8. To handover any profit made from a business in competition with business of the firm, to the firm.

9. Not to use any of the assets of the firm for his personal use or for use in a business other than the business of the firm.

10. To act within the scope of his authority.

11. Not to transfer or assign his interest in the partnership to another person without the consent of other partners.

12. Not to earn any secret profit by way of commission on sales or purchase etc., on any dealings done on behalf of the firm.

Liabilities of a Partner:

1. All Partners are jointly and severally liable for all acts of the firm. If the assets of the firm are not sufficient to satisfy the claims of outsiders, such claims can be recovered from the personal assets of any one, some or all partners.

2. A partner is liable to make good any loss caused to the firm due to his negligence or misconduct in the ordinary course of business.

3. A partner is liable for any act of the other partners acting within the scope of his authority.

4. A partner is liable for any profit made on account of dealing on behalf of the firm, to the firm.

5. A Partner is liable for any profit made by a business, competing with the business of the firm, to the firm.

6. A partner is liable for any profit made by putting the assets of the firm to personal use.

7. A partner is also liable to any third party for any wrongful act done by such partner, or any other partner of the firm.

8. A partner is liable for misuse of money of third parties received by the partner.

9. A retiring partner is also held liable for all such acts of the firm contracted before the term.

HUF

After knowing about sole proprietorship and partnership forms of business organization let us now discuss about a unique form of business organization that prevails only in India and that too among the Hindus. The Joint Hindu Family (JHF) business is a form of business organization run by Hindu Undivided Family (HUF), where the family members of three successive generations own the business jointly.The head of the family known as Karta manages the business.It is also know as Joint Hindu Fmily (JUF).The other members are called coparceners and all of them have equal ownership right over the properties of the business.
The Hindu Undivided Family can best be defined as a family that consists of a common ancestor and all his lineal male descendants and their wives and unmarried daughters.

Basic criteria for an HUF

There are some essential conditions that must be fulfilled to qualify as an HUF. These are outlined below:

- Only one member or co-parcener cannot form an HUF;

- The joint family continues even in the hands of females after the death of the sole male member;
- An HUF need not consist of two male members. One male member is enough. For example, a father and his unmarried daughters may form and HUF.

Features

1.Formation:

In HUF business there must be at least two members in the family, and family should have some ancestral property. It is not created by an agreement but by operation of law.

2.Legal Status:

The HUF business is a jointly owned business. It is governed by the Hindu

Succession Act 1956.

2. Membership:

In JHF business outsiders are not allowed to become the coparcener. Only the members of undivided family acquire co-partnership rights by birth.

3. Profit Sharing:

All coparceners have equal share in the profits of the business.

4. Management:

The business is managed by the senior most member of the family known as Karta. Other members do not have the right to participate in the management. The Karta has the authority to manage the business as per his own will and his ways of managing cannot be questioned. If the coparceners are not satisfied, the only remedy is to get the HUF status of the family dissolved by mutual agreement.

5. Liability:

The liability of coparceners is limited to the extent of their share in the business. But the Karta has an unlimited liability. His personal property can also be utilized to meet the business liability.

6. Continuity:

Death of any coparceners does not affect the continuity of business. Even on the death of the Karta, it continues to exist as the eldest of the coparceners takes
position of Karta. However, JHF business can be dissolved either through mutual agreement or by partition suit in the court.

Merits of HUF/JHF

1. Assured Shares in Profits:

Every coparcener is assured of an equal share in the profits irrespective of his participation in the running of the business. This safe guards the interest of minor, sick, physically and mentally challenged coparceners.
2. Quick Decision:

The Karta enjoys full freedom in managing the business. It enables him to take quick decisions without any interference.
3. Sharing of Knowledge and Experience:

A JHF business provides opportunity for the young members of the family to get the benefits of knowledge and experience of the elder members. It also helps in inculcating virtues like discipline, self-sacrifice, tolerance etc.
4. Limited Liability of Members:

The liability of the coparceners except the Karta is limited to the extent of his share in the business. This enables the members to run the business freely just by following the instructions or direction of the Karta.
5. Continued Existence:

The death or insolvency of any member does not affect the continuity of the business. So it can continue for a long period of time.

6. Tax Benefits:

HUF is regarded as an independent assesses for tax purposes. The share of coparceners is not to be included in their individual income for tax purposes.

Demerits of HUF/JHF

1. Limited Resources:

JHF business has generally limited financial and managerial resource. Therefore, it is not considered suitable for large business.

2. Lack of Motivation:

The coparceners get equal share in the profits of the business irrespective of their participation. So generally they are not motivated to put in their best.

3. Scope for Misuse of Power:

Since the Karta has absolute freedom to manage the business, there is scope for him to misuse it for his personal gains. Moreover, he may have his own limitations.

4. Instability:

The continuity of JHF business is always under threat. A small rift within the family may lead to seeking partition.

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LLP(Limited Liability Partnership)

LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership. The LLP can continue its existence irrespective of changes in partners. It is capable of entering into contracts and holding property in its own name. The LLP is a separate legal entity, is liable to the full extent of its assets but liability of the partners is limited to their agreed contribution in the LLP. Further, no partner is liable on account of the independent or un-authorized actions of other

partners, thus individual partners are shielded from joint liability created by another partner's wrongful business decisions or misconduct. Mutual rights and duties of the partners within a LLP are governed by an agreement between the partners or between the partners and the LLP as the case may be. The LLP, however, is not relieved of the liability for its other obligations as a separate entity.Since LLP
contains elements of both 'a corporate structure' as well as 'a partnership firm structure' LLP is called a hybrid between a company and a partnership.
LLP is an incorporated partnership formed & registered under the Limited Liability Partnership Act, 2008, with limited liability & perpetual succession.It is a suitable form of business Organizations for small & medium enterprises.

Features of LLP

1. Separate Legal Entity

Just like a corporation or a company, it is a separate legal body. Further, it is completely liable for its assets. Also, the liability of the partners has certain limitations in their contribution to the LLP. Hence, the creditors of the LLP are not the creditors of individual partners.

2. Perpetual Succession:

The LLP can continue its existence irrespective of changes in partners. Death, insanity, retirement or insolvency of partners has no impact on the existence of LLP. It is capable of entering into contracts and holding property in its own name.

3. LLP is a body corporate:

LLP is a body corporate formed and incorporated under this Act and is a legal entity separate from that of its partners and shall have perpetual succession. Therefore, any change in the partners of a LLP shall not affect the existence, rights or liabilities of the LLP

4. Artificial Legal Person

For all legal purposes, LLP is an artificial legal person. A legal process creates it and has all the rights of an individual. It is invisible, intangible, and immortal but not fictitious since it exists

5. Common Seal:

A LLP being an arti-ficial person can act through its partners and designated partners. LLP may have a common seal. It is not mandatory for a LLP to have a common seal. It shall remain under the custody of some responsible official and it shall be aaffixed in the presence of at least 2 designated partners of the LLP.

6. Minimum and Maximum number of Partners:

Every LLP shall have least two partners and shall also have at least 2 individuals as designated partners, of whom at least one shall be resident in India. There is no maximum limit on the partners in LLP.

7. LLP Agreement:

Mutual rights and duties of the partners within a LLP are governed by an agreement between the partners. The LLP Act, 2008 provides flexibility to partner to devise the agreement as per their choice. In the absence of any such agreement, the mutual rights and duties shall be governed by the provisions of the LLP Act, 2008.

8. Investigation:

The Central Government shall have powers to investigate the affairs of an LLP

by appointment of competence authority for the purpose.

9. Business for Profit Only:

The essential requirement for forming LLP is carrying on a lawful business with a view to earn profit. Thus LLP cannot be formed for charitable or non- economic purpose.

10. Conversion into LLP:

A firm, private company or an unlisted public company would be allowed to be converted into LLP in accordance with the provisions of LLP Act, 2008.

11. Mutual Agency:

No partner is liable on account of the independent or unauthorized actions of other partners, thus individual partners are shielded from joint liability created by another partner's wrongful business decisions or misconduct. In other words, all partners will be the agents of the LLP alone. No one partner can bind the other partner by his acts.

Merits of LLP

- Annual Statutory Meetings – It is not mandatory to conduct annual statutory meetings.
- Flexible agreement - The partners are free to draft the agreement as they please, with regard to their rights and duties.
- Lower registration cost - The cost of registering LLP is low as compared to the cost of incorporating a private limited or a public limited company.
- No requirement of compulsory Audit - All companies, whether private or public, irrespective of their share capital, are required to get their accounts audited. But in case of LLP, there is no such mandatory requirement.

- Taxation Aspect on LLP - For income tax purpose, LLP is treated on a par with partnership firms. Thus, LLP is liable for payment of income tax and share of its partners in LLP is not liable to tax.
- Easy to wind-up - Not only is it easy to start, but it's also easier to wind-up an LLP, as compared to a private limited company. While it still takes two to three months to complete this process, it can take over a year to close a private limited company.

Demerits of LLP

- Transfer of Ownership - If a partner wants to transfer his/her ownership rights then he/she has to obtain the consent of all the partners.
- Number of partners –A limited liability partnership must have at least two members. If one member chooses to leave the partnership, the LLP may have to be dissolved.
- Non- recognition - LLPs are limited by state regulations due to which they are not given due recognition in every state as a business structure.
- Huge penalties – The cost of non-compliance of procedural matters such as late filing of e-forms is very high which would lead to huge sum of penalties owing to Rs.100 for every day till the time the offence of late filing continues.
- Inability to Have Equity Investment - An LLP does not have the concept of equity or shareholding like a company. Hence, angel investors, HNIs, venture capital and private equity funds cannot invest in an LLP as shareholders. Thus, most LLPs would have to rely on funding from promoters and debt funding.

Private Limited Company

A private company is a company which is owned by non-governmental organisations or a relatively small number of shareholders or members of a company. Usually, a private company does not offer or trade its shares to the general public on the stock exchanges, but rather the private stock of the company is owned and traded.

Types of Private limited company

1. Private company limited by shares

In such a company, the liability of the shareholders is limited to the extent of the member's share in the company or the unpaid amount of share. Therefore, a member is not liable to pay more than his investment in the company. In other
words, the liability of the shareholders in the private limited company is restricted to the paid-up share capital or any amount that remains unpaid.

2. Private company limited by guarantee

In such a company, the member gives a guarantee to be held liable. The liability of such a member is limited to the extent of his guarantee. He cannot be held liable for more than his guarantee to the company. The guarantee given by a member can only be called at the time of winding up of the company. This type of company is best suitable for clubs, trade associations, societies, etc that require minimal capital or working capital funds.

3. Unlimited Companies

Unlimited corporations are those types of businesses that have no restrictions on their members' liability. Each member's liability extends over the entire amount of the company's debts and liabilities. Hence, an unlimited company's creditors have the right, if wound up, to impose the company's debt and liabilities on shareholders.
Despite not giving limited liability protection to the shareholders, an unlimited company is still regarded as a separate legal entity. The members of an unlimited firm can not, therefore, be sued individually

Features of Private limited company

1. Members– To start a company, a minimum number of 2 members are required and a maximum number of 200 members as per the provisions of the Companies Act, 2013.
2. Limited Liability– The liability of each member or shareholder is limited. It means that if a company faces loss under any circumstances then its shareholders are liable to sell their own assets for payment. The personal, individual assets of the shareholders are not at risk.
3. Perpetual succession– The company keeps on existing in the eyes of law even in the case of death, insolvency, the bankruptcy of any of its members. This leads to the perpetual succession of the company. The life of the company keeps on existing forever.
4. Index of members– A private company has a privilege over the public company as it don't have to keep an index of its members whereas the public company is required to maintain an index of its members.
5. A number of directors– When it comes to directors a private company needs to have only two directors. With the existence of 2 directors, a private company can come into operations.
6. Minimum Paid-up capital– It must have a minimum paid-up capital of Rs 1 lakh or such higher amount which may be prescribed from time to time.
7. Restriction On Shares Transferability- Members of private limited companies cannot transfer their shares publicly. There is a strict restriction on

the transferability of shares in these companies. Shareholders need to discuss & take consent of other shareholders for transfer of shares.

8. Separate Legal Entity- Private companies are created by law. These companies have a separate legal entity from its owner& shareholders. It is treated as an artificial person & conducts business in its own name. It has its own name, own seal & owns all property in his own name.

Merits of Private limited company

1. The risk to personal assets is limited: The liabilities of the shareholders of a private limited company are limited. That basically means that a shareholder will have to pay the company's liability only up to the extent of the contribution that he/she has made.
2. A different legal entity: Legally, a Private Limited Company or PLC is a separate entity from the owner. Thus, the Company will be responsible for its own assets and liabilities, and debtors and creditors. The creditors cannot legally proceed against the owner to recover their invested money.
3. FDI Allowed: In Private Limited Company, 100% Foreign Direct Investment is allowed that means any foreign entity or foreign person can directly invest in a Private Limited Company.
4. Builds Credibility: The particulars of the company are available on a public database. Which improves the credibility of the company as it makes it easy to authenticate the details.

Demerits of Private limited company

1. One of the main disadvantages of a private limited company is that it restricts the transfer ability of shares by its articles.
2. In a private limited company the number of members in any case cannot exceed 200.
3. Another disadvantage of private limited company is that it cannot issue prospectus to public.

4. In stock exchange shares cannot be quoted.

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Public Limited Company

A Public Limited Company under Company Act 2013 is a company that has limited liability and offers shares to the general public. Its stock can be acquired by anyone, either privately through (IPO) initial public offering or via trades on the stock market.

A Public Limited Company is strictly regulated and is required to publish its true financial health to its shareholders.

Features of Public Limited Company

1. Separate Legal Entity:

A Public Company is a legal entity that has separate identity from its shareholders/members. A company that can own property on its own name.

2. Easy Transferability

This means that a shareholder of public limited company can easily transfer its shares to the public. There is no restriction on the transferring shares to the public or inviting the public to subscribe shares to the public.

3. Perpetual Succession

The company can never come to an end. This means that the members/ directors/ shareholders may come and go, but the company never becomes non- existent. Due to the death or disability, the company never dies. It continues till the company is not closed or liquidated.

4. Limited Liability

The liability of the shareholders/directors is limited to the extent of the shares owned by them. The shareholders are not liable personally in case of losses or debts suffered by the company.

5. Paid-Up- Capital

The minimum paid up capital required by public company to start its operations are Rs 5, 00,000. This is the new amendment as per the Companies Act, 2013[1].

6. Name

In the name of the public company, the word "LTD" will be prefixed at the end of the name.

7. Directors

In case of public company, the number of directors can be minimum 3 and maximum can be as many. Maximum number of directors– It is 15 but more can be appointed by passing a special resolution.

They must only possess the Director Identification Number (DIN) which is issued by the Ministry of Corporate Affairs (MCA).

8. Prospectus

The registration of public limited company can issue a prospectus for inviting the public to subscribe to its shares.

Prospectus is the statement comprising the detail information about the company and the number of shares invited by the company in that particular IPO or subsequent listing.

9. Borrowing capacity

The attraction point of the public company is that it can borrow from various sources. A public company can issue Debentures (secured or unsecured) and raise the money. It can issue shares (equity or preference) to the public. Even banking and other financial institutions give the loans/ financial aid to the company.

10. Number of Members

The minimum number of members in the public company required is 7 and for maximum there is no limit.

11. Minimum Subscription

The minimum amount which has to be received on the subscription of shares has to be 90 percent of the shares in the public company. When the company is not able to receive the 90 percent amount then they cannot continue with the business.

12. Certificate of Commencement

While in the case of public company, this is an important document which has to be acquired by the public company before starting the business. In case of private company, the Certificate of Incorporation was the last document required. However in case of a public company, the Certificate of Incorporation as well as Certificate of commencement is required both.

13. Memorandum of Association

The MOA is a major document in the formation of public company. A private company can start its business after making only Articles of Association. Whereas for the public company the Memorandum is its important document which has to be submitted to MCA as well in the registration of the company. Memorandum is defined in section 2(56) of Companies Act 2013. It states the main objectives of the companies that is, the main businesses which the company is going to undertake.

➢ Comparison Between Public Company V/S Private Company

S.No.	PARTICULARS	PUBLIC COMPANY	PRIVATE COMPANY

1.	Minimum	7	2
2.	Maximum	No maximum limit	200
3.	Commencement of business	They have to obtain with certificate of incorporation , the certificate of commencement	They have to only obtain certificate of incorporation and no certificate of commencement
4.	Minimum subscriptio	Rs. 500,000	Rs. 100,000
5.	Issue of prospectus	Can make prospectus for invitation of its shares to the public. They have to make prospectus or statement in lieu of prospectus for	No prospectus. As no invitation public is made
6.	Transfer of shares	Easily transferrable within public.	Restriction on transfer to the public. Within

7.	Statutory meeting	They have to hold statutory meeting within 6 months of its	No need to hold statutory meeting.
8.	Articles of associatio	They can adopt table under schedule I of	They can make its own articles of association.
9.	No. Of directors	3	2
10.	Consent of	Required in writing	No requirement
11.	Qualification shares	A minimum shares is required to qualify as director	No such requirement
12.	Retirement of directors	Minimum two third directors retire by rotation	No such compulsory Retiremen
13.	Name of the	Must contain ltd at the end	Must contain pvt ltd at the end
14.	Inspection of	Open for public	Not for public

15.	Annual return	They have to file only return and no declaration.	They have to file return with a declaration that no of members does not exceed 200 and no share capital or

Creativity, Innovation and Entrepreneurship

Creativity is defined as the tendency to generate or recognize ideas, alternatives, or possibilities that may be useful in solving problems, communicating with others, and entertaining ourselves and others.
Creativity is the ability to come up with new ideas and to identify new and different ways of looking at a problem and opportunities.
A process of assembling ideas by recombining elements already known but wrongly assumed to be unrelated to each other. This definition has several key elements that are worth considering:

- Process: Creativity is also a process (implying, among other things, that it is more like a skill than an attitude, and that you can get better at it with practice).
- Ideas: Creativity results in ideas that have potential value.
- Recombining: The creative process is one of putting things together in unexpected ways.

Importance of Creativity for entrepreneurs

1. To Face Cut-Throat Competition

Entrepreneurs accept new methods, techniques and new ideas through creativity.As a result, on the one side, maximum production at minimum costs becomes possible and on another side, the sale of commodities also gets increased.
Not only that, none serious competitors remove from the market because creative persons bring several new products.
2. Clubbing of Goals Becomes Possible

Creativity is of two types: individual and organizational and both are essential for entrepreneurship. Individual creativity includes discovery, thoughts,
imaginations, and novelty of the individual, which helps in the smooth operation of the organization. By creativity, individual and organizational goals may be clubbed together.
3. Startup success is not enough

Sometimes, the entrepreneurs get some initial ideas that establish a creative image of the entrepreneur in the eyes of the people and they think that it is not required to be creative again in the future. But this is not at all enough to succeed in the avenue of business as creativity keeps a business to remain ahead of the curve.
Things keep changing all the time and when you discover a new idea instead of the old one, then you need to find something inventive all the time to stabilize uniqueness in your business. Moving forward with some ideas and thoughts is an integral part of every business and paved the way to success.
4. Best Communication

Through Creativity, the employees are encouraged for constructive suggestions and creative ideas, so that they may also present the weakness and strengths of their organization.
By that, the managers get knowledge about the ideas of the employees about their organization. Not only that, by the use of group creativity techniques,

communication between the members substantially increases, social barriers get removed and cooperation also increased.

5. Forecast of Changes

Creativity is also helpful in the forecasting of internal and external changes taking place in the organization, the reason being that in today's complex environment, the business conditions of the markets are also fast-changing, in several ways.

As a result, old products, techniques, old production methods become useless. So, in this emerging dynamic, aggressive and complicated environment, the forecast of the changes may e possible only by creativity, which is essential to minimize the risks

6. Success in Reducing Cost of Labour and Production

Presently, the cost of labour and production has gone high in all spheres. Its ill effect is that the profits of the producers get reduced and the purchasing power of the consumers also goes down. But, my creativity, both types of costs may be lowered down, since creativity gives new ideas, combines them and also brings out new discoveries and concepts.

7. Search of New Opportunities Becomes Possible

An entrepreneur has to take various steps to make the decisions, like knowledge of opportunities, familiarity with the problem, development of alternatives, follow up, etc.

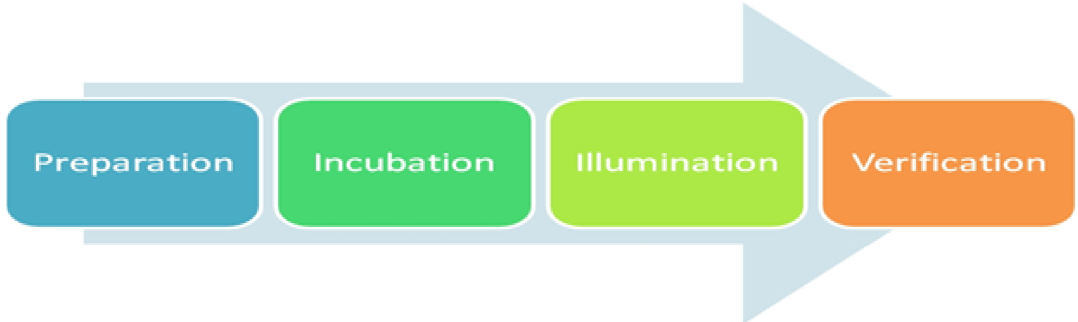
In all these steps, creativity has an important role, because these steps may be used first, with the help of Ideas, concepts, and imaginations emerging, on the basis of creativity.Thus, the search for new opportunities becomes possible through creativity.

8. Solution of Problems

In business and non-business organizations, creativity has an important role in solving problems, the reason is that on the basis of creativity, the entrepreneur will not only be able to solve the problems in all spheres, through unique as well as traditional ideas, concepts, and imaginations, but taking of practical decisions will also be made easy.

So, "To develop various alternatives to solve the problem depends upon the creativity of the decision taker."

Process of Creativity



1. Preparation

The creative process begins with preparation: gathering information and materials, identifying sources of inspiration, and acquiring knowledge about the project or problem at hand. This is often an internal process (thinking deeply to generate and engage with ideas) as well as an external one (going out into the world to gather the necessary data, resources, materials, and expertise).

2. Incubation

The person keeps the assembled information in mind for: a while. He or she does not appear to be working on the problem actively; however, the subconscious mind is still engaged. While the information is simmering it is being arranged into meaningful new patterns.

3. Insight/Illumination

The problem-conquering solution flashes into the person's mind at an unexpected time, such as on the verge of sleep, during a shower, or while running. Insight is also called the Aha! Or Eureka! Experience.

4. Verification and Application

The individual sets out to prove that the creative solution has merit. Verification procedures include gathering supporting evidence, using logical persuasion, and experimenting with new ideas.

Personality traits of creative people

1. Energetic

Creative people have a certain energy surrounding them. They tend to radiate a great deal of energy and put their whole heart into what they expend their energy on. This type of energy is different than lets say, hyper-ness, in that it drives the creator into a positive direction and isn’t aimlessly expended. Energy helps the creator to pour passion into their creation and spread energy to others when they see what they have created.

2. Independent.

Creatives are fiercely independent people who welcome challenges and are not easily put off by ‘seemingly’ difficult tasks. They embrace their uniqueness and see obstacles as an opportunity to grow. They are happy to work autonomously and are unafraid of exploring the personal freedom that comes with working in solitude.

3. Creatives tend to daydream.

Unsurprisingly, creative people are often prone to daydreaming. Their imaginations can span for miles and they are big thinkers who work relentlessly hard. They are not easily offended and care little of what others think, they don’t mind being called weird or strange by others.

4. Restless.

Highly creative achievers are naturally restless. They tend to be easily bored and may even be accused of being hyper. This restlessness comes from being extremely open and also from their intense interest in having new experiences. They do not function well in routine or mundane work environments because their minds naturally wanders. For this reason it is fundamental to their happiness and success to be consistently involved in challenges or with projects which excite and drive them.

5. Naive.

As smart as they are, artistic people are often naive as they possess an innate fascination about everything around them which leaves them open to gullibility as they are as trusting of others as they are of themselves. This openness can also lead to them being taken advantage of.

6. Curious.

Their innate thirst for knowledge makes them a curious bunch and they are constantly on a quest of truth-seeking and information gathering. Their fact-finding spans across many subject matters as their interests are unlimited.
If you ever get talking to a creative person, you'll find there isn't a subject that they are not conversant in. These people truly are conversational chameleons!

7. Extroverted and Introverted

Can one person be both extroverted and introverted? Creatives sure can! Creative people have two sides to them, the private side and the public side. They can be social and personal, talkative and silent, shy and confident, all in the same body. Being extroverted has its perks and so does being introverted. Creative people are very willing to embrace things, and see the benefits in balancing just the right amount of extroverted, introverted-ness in order to reap all of its benefits.

Barriers to Creativity

1. Fear of Failure

The foremost barrier to creativity in entrepreneurship is his fear of failure. He feels apprehended that his new ideas or commodities may not be accepted by society.

2. Inadequate Resources

Businesses big and small can suffer from a lack of resources. The lack of human power needed to accomplish a task in a given timeframe. The need for the latest
software that can make or break a design project. A facility that that is not set up for collaboration, spaces for multiple meetings, or alternative workspaces.

3. Lack Of Direction From Yourself or Others

The first obstacle to creative thinking is the lack of clear goals and objectives, written down, accompanied by detailed, written plans of action.
When you become crystal clear about what you want, and how you are going to achieve it, your creative mind springs to life. You immediately begin to sparkle with ideas and insights that help you to move forward and improve your creative skills.

4. Fear of Rejection

It is the fear of sounding dumb or looking foolish. This is triggered by the desire to be liked and approved of by others, even people you don't know or care about. As a result, you decide that, "If you want to get along, you have to go along."

5. Distraction

Every night before sleeping, we're bombarded with social media notifications. Distractions like these can act as creative barriers that can disrupt our train of thought. Our attention span is affected by the constant influx of information and it is difficult to concentrate on one thing for long.

6. Lack Of Knowledge

An accountant or a doctor may not be able to come up with creative ways to implement marketing strategies because these professionals have other areas of expertise. Similarly, lack of knowledge or research can hinder the ability to go beyond what we already know. Reading online blogs, books and watching documentaries are some of the great ways to unleash your creativity.

7. Rigid Thinking

Among significant barriers to creative thinking is rigidity or having a fixed mindset. Preconceived ideas impair the ability to think in an unconventional way or come up with out-of-the-box solutions. Another problem that can arise is when we start to think about the idea in terms of its source.

We may have judged the owner of the idea on the basis of religious beliefs or gender and this can seriously affect the way we perceive the idea. It may be a good idea, but because we're unable to move past the source, it could become a missed opportunity.

8. Irrational and Partial Decisions

In small scale organizations, the managers and their subordinates take decisions on various issues, without giving proper thought to the issue, or adopt the partial attitude in the decisions. In such conditions, creativity is altogether lost and for the future also, good imaginative power is not expected.

9. Excess Dependence

Some people do not use their own wisdom, qualities, and abilities and intelligence and considers others' knowledge and ability more perfect and depend upon them, and no creativity and creative behavior emerge in such person.

“It’s the introduction of novelty in a given market or industry, such as new products, services, methods, sources of supply or organisation,” says Fredrik. “At the same time, there’s a strong emphasis on successful commercialisation - that is, an innovation is more than an idea or an invention, it’s the result of taking it to market.”

“The purpose of innovation is to continuously grow and renew an enterprise with new or better products, more efficient processes, or enhanced business models,” adds Walter.

Types of Innovation

1. Process Innovation

Process innovation is the development and application of technology, production method, or method of delivery that’s newly introduced or improved to a notable degree. This includes changes in technique, equipment, or software that help an organization remain competitive in the marketplace.

2. Product Innovation

Product innovation refers to the creation of a new or significantly improved good or service. It includes both the development of new products and changes in the design of established products. It can also refer to the use of new materials or components in the manufacture of current products, or the improvement of an existing product’s overall performance using new technology or materials. Eg. the first electric vehicles introduced in the car’s market were also innovative, and new batteries with longer ranges that keep coming out are also an example of innovation.

3. Marketing Innovation

Marketing innovation refers to research, development, and implementation of new practices and technology that increases the effectiveness and efficiency of a company’s marketing strategy. This type of potentially breakthrough innovation can provide a competitive advantage in the marketplace by increasing brand awareness and market share.

4. Synthesis

A combination of more than one existing products or services in to a new product. or service. This means that several different ideas are combined in to one new product or service.

5. Red ocean innovation/Market innovation

Red Oceans refer to the known market space, i.e. all the industries in existence today. In red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known. Companies try to outperform their rivals to grab a greater share of existing demand usually through marginal changes in offering level and price. As the market space gets crowded, prospects for profits and growth are reduced. Products become commodities, and cutthroat competition turns the red ocean bloody.

6. Frugal innovation

Frugal Innovation is about doing more with less. Entrepreneurs and innovators in emerging markets have to devise low cost strategies to either tap or circumvent institutional complexities and resource limitations to innovate, develop and deliver products and services to low income users with little purchasing power.

7. Duplication

Copying (replicating) an existing product or service and then adding the entrepreneurs own creative touch. In order to improve it.

8. User led innovations

The user is king. It's a phrase that's repeated over and over again as a mantra: Companies must become user-centric. But there's a problem: It doesn't work. Here's the truth: Great brands lead users, not the other way around.

9. Organizational Innovation

Organizational innovation refers to the development of a new organizational strategy. This involves changes in company's business practices, organization of work, and its relationship with external stakeholders. Eg. the companies adopted a four-day week working schedule. The companies that started to use the power of digital and allowing employees to skip the office and work from home.

Introduction of International Entrepreneurship

An entrepreneur is an agent of change. They are individuals who recognize opportunities where others see chaos or confusion. Entrepreneurship is the process of discovering new ways of combining resources and making the most of them give life, to new ideas.

International entrepreneurship is the process of an entrepreneur conducting business activities beyond national boundaries. It may consist of exporting, licensing, opening a sales office in another country, subsidiaries, manufacturing or joint ventures and development of the business. The activities necessary for ascertaining and satisfying the needs and wants of target consumers often take place in more than one country. When an entrepreneur executes his or her business in more than one country, international entrepreneurship is occurring. An entrepreneur going global has many advantages:

– Large markets beyond home country borders.

– Improvements in technologies, quality, and operations.

– Extending the life of the product cycle.

– Challenges in doing business in a competitive environment.

– Earning foreign exchange for the organization and home country.

– Reputation enhancement.

– Greater motivation in new opportunities.

Importance of International Entrepreneurship

1. A Decline in domestic Market

If the sales of products are low in the domestic market, then the Entrepreneur has a very effective option to sell the same at the global market. Thus, they can sell their products in the international market as per the demand instead of wasting such products by keeping them in the warehouse.

2. Maturity Stage

First off, an Entrepreneur should grow their business within the domestic nation, and then, the best time to move forward for international business is when it reaches the maturity stage. When the business is well-developed in own nation, then it is more significant to choose international Entrepreneurship.

3. Reduce Manufacturing Costs

The majority of the companies have fixed costs at a high level that can also be helpful to lower the manufacturing cost of the products. When the products are selling in the global market, then a large number of units are required and hence, the manufacturing cost reduces.

4. Enhance Reputation

As the products are selling in the international market, then it is obvious that there is a positive impact on the reputation of the business and it helps to establish a professional image of the business. Not only reputation but also they can compete with other firms that are engaged in the same arena.

5. Meet the Quality Expectations

Entrepreneurs who want to fulfill all the expectations of their foreign customers have to provide a high quality of products to meet the expectations of their customers. An international Entrepreneur will not only in the global market but also produce premium quality products in the national market.

6. Hire Employees Globally

As the business is going to expand its arms across other nations, then it is obvious that there is a need to hire staff that is from that particular location. It is helpful to deal with the customers of that nation as the employees can easily understand the demand of people residing over there. So, international Entrepreneurship creates a large number of employment opportunities at various locations across the nationwide.

Modes of entry

1. Exporting

Exporting is the easiest mode of entry into international business. Therefore most firms begin their international expansion using this model of entry. Exporting is the sale of products and services in foreign countries that are sourced from the home country. The exports are of two types:

Direct Exports: These include the sale of goods from the firm to the seller overseas directly. In this firm experience first hand information about the market. There is no intermediary involved.

Indirect Exports: In this, the exporter hires the expertise of someone else to facilitate the exchange. The intermediary charges the fee for its services. There are several types of intermediaries:

- Manufacturers' export agents: who sell the company's product overseas

- Manufacturers' representatives: who sell the products of a number of exporting firms in overseas markets
- Export commission agents: who act as buyers for overseas markets

- Export merchants: who buy and sell on their own for a variety of markets.

2. Licensing

In this mode of entry, the manufacturer of the home country leases the right of intellectual properties, i.e., technology, copyrights, brand name, etc., to a manufacturer of a foreign country. The license is granted for a predetermined fee. The manufacturer that leases is known as the licensor and the manufacturer of the country that gets the license is known as the licensee.

3. Franchising

In this mode, an independent firm called the franchisee does the business using the name of another company called the franchisor.

Franchising is mode in which the franchisee is granted permission to use a name, process, method, or trademark. And also the franchisor firm assists the franchisee with the operations of the franchise or supplies raw materials, or both.

The franchisor generally also has a larger degree of control over the quality of the product. Payment under franchising agreements is that the franchisee pays an initial fee and a proportion of its sales or revenues to the franchising firm.

EXAMPLES: The prime examples of U.S. franchising companies are service industries and restaurants, particularly fast-food concerns, soft-drink bottlers, and home and auto maintenance companies i.e. McDonald's, KFC, Holiday Inn, Hilton etc.

4. Management contract

It is an arrangement under which operational control of an enterprise is vested by contract in a separate enterprise which performs the necessary managerial functions in return for a fee. Management contracts involve not just selling a method of doing things (as with franchising or licensing) but also doing them. A management contract involves a wide range of functions, such as technical operation of a production facility, management of personnel, accounting, marketing services and training.

5. Turnkey Project

It is a special mode of carrying out international business. It is a contract under which a firm agrees to fully carry out the design, create, and equip the production facility and shift the project over to the purchaser when the facility is operational. The amount of relevant remuneration is charged for the same.

6. Contract manufacturing

Contract manufacturing is another method firms use to enter the foreign arena or international business scenario. In this case, an MNC contracts with a local firm to provide manufacturing services. In this arrangement, the MNC

subcontracts the production in two ways:

In one scenario, the MNC enters into a full production contract with a local plant producing goods to be sold under the name of the original manufacturer.

In a second scenario, the MNC enters into contracts with another firm to provide partial manufacturing services, such as assembly work or parts production.

7. Foreign direct investment

Foreign Direct Investment involves a company entering an overseas market by making a substantial investment in the country. Some of the modes of entry into international business using the foreign direct investment strategy includes mergers and acquisitions, joint ventures and greenfield investments.

This strategy is suitable when the demand or the size of the market, or the growth potential of the market in the substantially large to justify the investment. Some of the reasons because of which companies opt for foreign direct investment strategy as the mode of entry into international business can include:

- Restriction or import limits on certain goods and products.

- Manufacturing locally can avoid import duties.

- Companies can take advantage of low-cost labour, cheaper material.

8. Joint venture

It is a business agreement in which parties agree to develop, for a finite time, a new entity and new assets by contributing equity. They exercise control over the enterprise and consequently share revenues, expenses and assets. A joint venture takes place when two parties come together to take on one project. In a joint venture, both parties are equally invested in the project in terms of money, time, and effort to build on the original concept.

9. Strategic acquisition

Strategic acquisition implies that your company acquires a controlling interest in an existing company in the overseas market.

This acquired company can be directly or indirectly involved in offering similar products or services in the overseas market.

You can retain the existing management of the newly acquired company to benefit from their expertise, knowledge and experience while having your team members positioned in the board of the company as well.

10. Mergers

"A cross-border merger is a transaction in which two firms with their home operations in different countries agree to an integration of the companies on a relatively equal basis." These companies take decision to combine their individual operations on a relatively equal basis to create combined competitive advantage that will contribute to success in the global marketplace.

Gujarati entrepreneurs and their contribution to India and world economy

1. Mukesh Ambani – Chairman and MD of Reliance Industries Limited(RIL)
Mukesh Ambani, the elder son of Late Dhirubhai Ambani and Kokilaben Ambani, is the chairman, managing director and largest shareholder of Reliance Industries Limited (RIL). RIL mainly deals in refining, petrochemicals, and in the oil and gas sectors. He was ranked 36 on Forbes list of the world's most powerful people in the year 2014. Mr. Ambani has retained his title as India's richest person for the ninth consecutive year and his net worth is US$ 18.9 billion as on October 2015.
2. Dilip Sanghvi – Founder and MD of Sun Pharmaceuticals

Mr. Dilip Sanghvi is the founder and managing director of Sun Pharmaceuticals. The renowned pharmaceutical company is considered to be one of the most
profitable generic drugs companies not only in India but also worldwide. Mr. Sanghvi's net worth is US$ 18-19 billion.
3. Gautam Adani – Chairman and founder of Adani Group

Mr. Gautam Adani is the chairman and founder of Adani Group. The Adani group deals with coal mining and trading, oil and gas exploration, ports, power generation, Agri Infrastructure, multi-modal logistics, edible oil and transmission and gas distribution. Mr. Adani's net worth is $7 billion as of 2015.
4. Pankaj Patel – Cadila Healthcare

Mr. Pankaj Ramanbhai Patel is the current Chairman and Managing Director of Cadila Healthcare, which is the fifth largest pharmaceutical company in India. In the year 2004, Mr. Patel was ranked 26th on Forbes magazine's first annual list of the 40 richest Indians. Mr. Patel is a successful entrepreneur and

Zydus Cadila is a renowned brand having a good reputation in the pharmaceutical industry. His net worth is US $ 4.1 billion as estimated on January, 2015.

5. Uday Kotak – Kotak Mahindra Bank

Mr. Uday Kotak is the Executive Vice Chairman and Managing Director of Kotak Mahindra Bank. He is one of India's first billionaire bankers who started a small finance firm and developed it into a fully grown bank. Mr. Kotak has a
50% stake in the bank that is founded and run by him. Besides, the bank has more than 320 branches and 2.7 million faithful customers. Kotak Mahindra Finance Ltd. is the first company in the corporate history of India to receive a banking license from Reserve Bank of India. Mr. Kotak's net worth is $7.6 billion as of 2015.

The success stories of these powerful Gujarati Business tycoons are truly inspiring. So, if you feel that you possess good entrepreneurship skills and have that in you to start your own business venture, then it's the right time to materialize your dreams and turn them into reality!

Contribution of Reliance Industries in Indian economy

Reliance Industries Limited (RIL) is an Indian multinational conglomerate headquartered in Mumbai. Reliance owns businesses across India engaged in energy, petrochemicals, textiles, natural resources, retail, and telecommunications. Reliance is one of the most profitable companies in India, the largest publicly traded company in India by market capitalisation, and the largest company in India as measured by revenue after recently surpassing the government-controlled Indian Oil Corporation. On 10
September 2020, Reliance Industries became the first Indian company to cross

$200 billion in market capitalisation.

Reliance continues to be India's largest exporter, accounting for 8% of India's total merchandise exports with a value of 1,47,755 crore and access to markets in 108 countries. Reliance is responsible for almost 5% of the government of India's total revenues from customs and excise duty. It is also the highest income tax payer in the private sector in India. RIL's turnover in FY20 was Rs
6.59 lakh crore, 3.2% of India's GDP

❖MODULE-2

Formalities for setting up of small business enterprise

Identifying the business opportunity – Introduction

A business opportunity, in the simplest terms, is a packaged business investment that allows the buyer to begin a business. (Technically, all franchises are business opportunities, but not all business opportunities are franchises.) Unlike a franchise, however, the business opportunity seller typically exercises no control over the buyer's business operations. In fact, in most business opportunity programs, there's no continuing relationship between the seller and the buyer after the sale is made.

Definition

A business opportunity may be defined as a set of favorable circumstances in which an entrepreneur can exploit a new business idea that has the potential to
generate profits.

Characteristics/Elements/Factors to consider while evaluating business opportunity

1. Demand

The first thing that one should take into account before planning to start a business is to ask themselves where there's a significant demand for the particular product or services they intend to launch i.e. is there a gap in the market? If the answer is NO then that idea isn't a viable business opportunity. It would also be profitable to target a specific niche as this increases the chances of you becoming a dominant player for that specific niche.

2. Return on investment

If the business opportunity you have in mind has the potential of bearing fruits within a set period of time and which can cover the capital that was used in addition to bearing profits then there's a high chance that you've got a winner but if it only requires more and more capital to be injected in with minimal or no possibility of having any returns any time soon then you have to tread carefully.

3. Availability of resources

You should have all the resources needed to take advantage of that particular business opportunity as well as a time frame for implementing it in case someone else beats you to it.

4. Skill

You need to have the experience required to tap into that particular business

opportunity e .g. if you want to start a bakery but don' t know a thing about
baking then that's not a viable business opportunity . It is therefore important that you have the required skill i.e. experience and expertise, for the business you would like to start.

5. Scalable

Growing a business is one of the principal goals of an entrepreneur. It is therefore paramount to ensure the scalability of an opportunity before committing resources. A good business opportunity's growth regarding profitability, revenue, size, and other yardsticks of evaluating growth are verifiable.

Can the business grow gradually within a given period of time and can it adapt to the changing times i.e. is it flexible enough? If the answer is NO then that idea isn't a viable business opportunity

6. Passionate

A good business opportunity is one that aligns with the individual's passion. The founder's motivation is a key determinant of the success of a start-up. A passionate founder has an internal motivation towards building a bright future for the business. As a result, such a leader creates a clear vision and mission statements and uses them to motivate stakeholders towards organizational goals.

7. Customer retention

It's said that customers are the lifeblood of any business but if you can't retain your customers then your business won't last very long. You therefore need to put in place mechanisms that will ensure you prolong your customers stay with you i.e. that they will keep buying from you for as long as possible.

8. Market size

One of the most important factors when evaluating a business opportunity is market size. Do a little market research. Figure out if there is a market for the opportunity — and how big that market is.

9. No or few competition

Lack of competition in the market will enable you win over your targeted persons in the market wholly. With this you will be able to gain much profit. However, the more innovative the product or service you offer the fewer the competitors you get and the higher the price you will be able to charge hence more profit.

10.Identifiable risks

The future of a startup is always uncertain, therefore identifying a risk is the first step to understanding how they can be monitored and then mitigated. The more strategic options you have identified, the greater your chance of success.

11.Supportive government policies

Policies of a government can impact businesses directly or indirectly and so when the government puts in place policies that are favorable, for example low interest rates, low exchange rates and low taxation, it encourages investment by making these business friendly decisions to strengthen local businesses.

12.Low capital requirement

A good business opportunity should be cheap to finance. Access to capital is a major impediment to entrepreneurship implying that entrepreneurs should focus on ideas that are cheap to finance. Entrepreneurs exploit financing methods such as loans, venture capitalists and contributions from friends and family among others.

Types of business opportunities

1. Franchise

This involves having an opportunity to start your business from already set-up business. It is expected that such entrepreneurs buy a franchise opportunity. A
franchise is an existing business with a solid business plan and process already in place.

An entrepreneur can operate a new business under a recognized business name and receive support from the franchise headquarters with marketing, promotional materials, new business products or services, etc. Good examples of popular franchises are McDonalds and Subway restaurants, home cleaning businesses, Dollar Store, or fitness centers.

2. Distributor or Dealership

An important business opportunity is with distributorships and dealerships. A distributor is a person or business agent that has an agreement to sell products or services produced by another company.

A dealer is much like a distributor, but gives more focus to a single/specific product or service. As an Auto dealership, he may sell only Toyota or as an insurance agent, he might consider only life insurance.

3. Network marketing

In addition to distributing the product or services offered by the parent company, a network marketer also tries to recruits other distributors, hence creating a network of distributors and earning considerable income through residual commission. This approach is also called Multilevel Marketing.

4. Licensing

You might also find highly profitable business opportunities through licensing. Licensing is where you can take a new or existing product and use your talents to market it. For example, you could take almost any product and try to get a license to a name brand, icon, or trademark of a widely recognized business.

Think of Disney products. An inventor may come up with a great idea for a child's toy that would become a big seller if the famous Mickey Mouse was associated with the product. By getting a license from Disney, the inventor could produce his product and share the profits with the licensor (Disney).

5. Finding & filling a niche

Another area where opportunities find attraction to the entrepreneur is in finding or filling a small niche. A niche is small area where a business opportunity is likely to bring profit The superior idea does not always win. A well-timed product or service has a greater likelihood of success. Marketing the right idea into the right niche at the right time is an awesome combination.

Steps to generate new business opportunities/Growth of business idea

1. Focus on your core product

A very successful e-newsletter entrepreneur has built his business around this mantra: "Prospects buy when they trust your value is applicable to them and believe your company is stable." This strong position allows him to constantly check up on the services and value he's providing his customers.

It's common in small, service businesses that the entrepreneur feels he or she must do everything the "big guys" do to compete. The truth is, small-business owners can really never compete in the same way. So it's essential for small businesses to differentiate themselves by focusing on the unique capabilities and core products they bring to prospects. Specialization is the entrepreneur's greatest asset.

2. Keep your pitch simple

What every company needs is a simple "elevator pitch." That's a short, concise message that can communicate your message to a prospect in 30 seconds or less. It explains the value your product or service provides so the prospect understands why it's applicable to them.

Try this little exercise to test your pitch clarity quotient. Ask someone who doesn't know what you do to listen to your pitch. Explain what your company does, and watch for signs of fatigue-eyes watering, lids getting heavy, and so on. Of course, you may have the perfect pitch.

3. Stay true to who you are

Stay true to who you are and what you do best: Hand off those tasks that will blow you off course because you don't like doing them, so you don't! Stretch and grow your capabilities in alignment with your interests and expertise. If accounting is your nemesis, hire a bookkeeper. If your personal organization is out of control, hire a temp to set up a new filing system. Always make sure that you're focused on your priority "A" tasks and delegate your Bs and Cs.

4. Map it

One common trait among many entrepreneurs is the urge to "cast a wide net" by being all things to all companies. In almost every case, however, a small business flourishes because it has a narrower service offering. Remember, a small company's value is that it can specialize in unique, top-quality services.

5. Utilizing marketing tool that work best for you

When deciding on a marketing strategy, implement one that fits your personality and the customers you serve. For instance, if you're terrified of getting up in front of a crowd, don't schedule yourself to participate on a panel in the hopes of generating business.

Identify the top two marketing tools you've used in the past that have worked for your company. Let's say that's cold calling and a Web site. Then start adding new ideas for a fresh perspective. When selecting your marketing tools, also evaluate them from a financial and cost basis. Decide what will yield the best return on your efforts.

6. Implement a plan of action

Up until now we've been in the planning mode, but now it's time to dig in and put it to work. Your action plan will also give you the standards you can use to measure your progress

Establish goals that can be reviewed at three and six months. At incremental points within each three-month period, keep checking your plan to see if

you're meeting your goals. If you find you're missing the target, ask why. Where the
tools appropriate for your target customer? Did you integrate the strategy, or did you just focus on one of the tools?

7. Exercise your plan

This final step is really straightforward: Just do it: Complete the daily actions, and then do something extra to accelerate your success plan. Don't let unplanned tasks waste precious time that should be applied toward reaching your goal.

Steps to analyse new business/market opportunities

1. Research your customers and competitors

Use market research to analyze your customers and competitors on multiple levels.

This will help you evaluate whether the demand for a product/service is real, and
whether expanding into a potential new market is worthwhile for your company.

Identify consumers segments that share common characteristics such as age, gender, education, income, occupation, and place of residence, or softer variables such as lifestyle and values. Also consider consumer motivation. What "job" is the customer trying to get done? What barriers may be constraining consumption?

Knowing who your key competitors are and assessing their strengths and weaknesses can also illuminate specific growth strategies and ways to differentiate your products and services.

2. Get a high level view of market

However, assessing your customers and competitors is not enough. You also need to obtain a broader understanding of the market as a whole and what the potential of success is in the market. Otherwise, your organization could be trapped into thinking that a few percentage points increase is enough, where there is actually much more potential. Market researchers are experts at providing the overall objective picture and can help you step away from intra-company thinking.

When analyzing a market, these high-level questions come into play:

- What is the market size?
- How quickly is the market expanding or contracting?
- How many buyers are there?
- What are the barriers to entry?
- What is the bargaining power of suppliers?
- What is the intensity of the competition?
- Is there a threat of new entrants or substitute products or services?

3. Explore adjacent opportunities

Adjacent opportunity is defined as adjoining or next to your existing markets, products or solutions. So what is the definition of adjacent in this context? Customer segments, markets and any other technology that is just beyond the bounds of your existing offers.

4. Understand the business environmental factors

Another area to explore is the overall business environment, which can have a profound impact on company performance and the ways industries operate.

The business environment includes factors such as:

- Technological developments
- Government regulations
- Geopolitical shifts
- Economic indicators
- Trade policies
- Social and cultural norms

5. Find the market research you need fast

Gathering and synthesizing information about all these categories can take significant time, effort, and expertise, but market research reports can be very helpful.
"Off-the-shelf" reports, such as those available on MarketResearch.com, can supply you with much of the information you need for a comprehensive understanding of the customer, competition, industry, and business environment.

In these reports, you'll find information on market size, market share, market forecasts, information on regulations, consumer demographics, and much more. In addition, many reports explicitly share analysis on key opportunities for future growth, next-generation product innovation, and emerging marketing strategies.

Sources of business opportunities

1. Hobbies/Interest

A hobby is a favorite leisure-time activity or occupation. Many people, in pursuit of their hobbies or interests, have founded businesses. If, for example, you enjoy playing with computers, cooking, music, traveling, sport, or performing, to name but a few, you may be able to develop it into a business.

To illustrate this, if you enjoy traveling, performing, and/or hospitality, you may consider going into tourism – which is one of the biggest industries in the world.

2. Personal skills and experience

Over half of the ideas for successful businesses come from experiences in the workplace, e.g. a mechanic with experience in working for a large garage who eventually sets up his/her own car repair or a used car business. Thus, the background of potential entrepreneurs plays a crucial role in the decision to go into business as well as the type of venture to be created.

3. Consultation

Consultation is defined as meeting with an expert in order to seek advice. You can consult with an expert in the business world on the best business ideas.

Although most consultants require a fee, they will provide you with the information you need to start a business.
Consultants typically have many years of experience in the business world. Therefore, seeking professional advice will help you know what to expect, what goals to set, how and when to achieve them. Although the consultant may not be a business owner, he/she will play an essential role in helping you achieve your goals. Consultants may also warn you about what is not working in the business world, which will help you make an informed decision on how to go about your business idea.

4. Customer survey

The focal point for a new business idea should be the customer. The needs and wants of the customer, which provide the rationale for a product or service, can be ascertained through a survey. Such a survey might be conducted informally or formally by talking to people – usually using a questionnaire or through interviews and/or through observation.
You may start by talking to your family and friends to find out what they think needed or wanted that is not available. Or, for example, whether they are dissatisfied with an existing product or service and what improvements or
changes they would like to see.

You can then move on and talk to people who are part of the distribution chain
that is manufacturers, wholesalers, distributors, agents, and retailers .

5. Brainstorming

Brainstorming is also one way of generating new business ideas. Your thoughts are so powerful that they may have the power of generating a new product that has never been invented. It is possible to develop your business idea and then convert it into a business that will become successful in the future. Brainstorming allows you to think freely without fear of getting judged. For instance, you may ask the question, "what are the services or products necessary in the home that are hard to get?" The secret behind brainstorming is to come up with as many ideas and options as possible.

6. Market gap analysis

Necessity has always been the mother of invention. Market gap analysis provides an opportunity for the entrepreneur to know the existing gaps in the market and plan how to fill these gaps. A gap analysis will also help the entrepreneur recognize the current state of products in the market by measuring time, money and labour and comparing it to his/her target. You can identify a gap in the market by monitoring the trends in your area of expertise and keeping in touch with those in your industry. You can also evaluate your competitor's offers and differentiate yourself.

7. Research and development

An entrepreneur can also conduct research on the products that are available in the market and which ones have the highest demand. There are so many areas where the entrepreneur can get such ideas, including but not limited to the internet, books and journals, research institutions etc. The internet always has it all. You can get the best business ideas over the internet by simply browsing on your phone at the lowest cost.

Formal institutions can also provide you with the best business ideas as they are always better equipped with data on what is most consumed by the consumers. Whatever way you conduct your research doesn't matter; what matters most is the information you collect from the research that will help you start your business.

8. Family and friends

Family and friends are also a great way of coming up with a business idea. Could family and friends be the reason why there exist great family businesses that have thrived for centuries? There are plenty of businesses that you can venture into with your family or friends.

Even though experts warn against getting into business with your friends, if a life-changing opportunity comes knocking for you and your friends, then why not try it out? There are thousands of businesses started with friends and family that have thrived so well.

9. Current trend

Most people like being up to date with the latest trends in fashion, electronics and many other things. You can build up your business idea based on current trends to keep up with people's needs. Most people die for the latest phones; why can't you come up with a way of providing them with the best? Watch out for the latest trends that people would like to have and offer them reasonable prices. Current trends greatly inspire new business ideas. Simply lookout for what your clients need and avail it to them as soon as the product hits the market.

10.Mass media

The mass media, including television, newspapers, the internet, radio, and magazines, are a great source of ideas, information, and opportunities. One way to become a successful entrepreneur is taking a careful look at the advertisements and commercials in these media. By reading a magazine or newspaper, you can easily come across a business for sale that interests you. The media can also report on the trending fashion and pressing customer needs that you can jump on and start a business. If, for example, you find out that there is a high demand for physical fitness and healthy eating practices, you can start a fitness and healthy eating centre.

11.Trade shows & exhibitions

These sources display new products and innovations in processes and services. An innovative entrepreneur can get product ideas to adapt or modify and produce with indigenous materials and technology.

12.Life style analysis method

Entrepreneurs can use lifestyle analysis effusively for product-service ideas. Lifestyle is a person's pattern of living expressed in his or her psychographics (Kotler and Armstrong. 181:2001).
It involves measuring consumers' major activities (work, hobbies, shopping, sports, social events), interests (food, fashion, family, recreation), and opinions (about themselves, social issues, business, products).

Project Selection is a process to assess each project idea and select the project with the highest priority.

Projects are still just suggestions at this stage, so the selection is often made based on only brief descriptions of the project. As some projects will only be ideas, you may need to write a brief description of each project before conducting the selection process.

Selection of projects is based on:

Benefits: A measure of the positive outcomes of the project. These are often described as "the reasons why you are undertaking the project". The types of benefits of eradication projects include:

- Biodiversity
- Economic
- Social and cultural

Feasibility: A measure of the likelihood of the project being a success, i.e. achieving its objectives. Projects vary greatly in complexity and risk. By considering feasibility when selecting projects it means the easiest projects with the greatest benefits are given priority.

Selection of products/services (Factors)

1. Supply gap

The size of the unsatisfied market demand which constitutes a source of business opportunity will dictate, to a great extent the need to select a particular product. One rule of thumb in developing a product selection criteria template is that the product with the most frequency of need/demand possesses the greater chance of bestowing success on the business, should be selected. In plain terms, there must be existing demand (a market) for the chosen product.

2. Financing
The size of the funds that can be accessed is another important consideration in choosing a method of product selection permitted. Adequate funding is required to carry out pre-launch activities such as development, production, promotion, marketing and distribution amongst others, of the selected product.

3. Availability and access to raw material

Different products require different raw materials. The source quality and quantity of the raw materials needed are factors to be seriously considered, Are the raw materials available in sufficient quantities?

Where are the sources of raw materials located? Are they accessible? Could they be sources locally or imported? Satisfactory answers should be provided to these and many other relevant questions.

4. Technical implication

The production process for the product needs to be considered. There is a need to know the technical implications of the selected product on the existing
production line, available technology, and even the labor force.

The choice of a particular product may require either acquisition of the machinery or refurbishing of the old ones. The product itself must be technically satisfactory and acceptable to the user.

5. Profitability/Marketability

Most often, the product that has the highest profit potential is often selected. However, a product may be selected on the basis of its ability to utilize idle capacity or complement the sale of the existing products. The product must be marketable.

6. Qualified and skilled workers

Qualified personnel will be required to handle the production and marketing, on an ongoing basis. The cost associated with manufacturing the product must be kept to the barest minimum by reducing wastage. This is achievable through the engagement of competent and skilled hands.

7. Government policies and objectives

These product selection factors are often beyond the control of the entrepreneur. The thrust of government policies on economics and commerce, over time, is usually in the national interest, which may or may not be at odds with the objectives of the business. For instance, the insistence of government on the use of 100% locally sourced starter materials will greatly influence the decisions of a business with regard to what business product to introduce to the market.

Standard global practices advocate identifying a number of criteria upon which product selection can be carried out. Scores can be allocated to each criterion to come up with an objective evaluation.

Phases in new product selection

After knowing the criteria to select a product in entrepreneurship, what are the stages involved? Three basic stages are involved in new product selection process.

1. Idea generation

Product ideas and other investment opportunities originate from different sources such as financial newspapers and journals, research papers, consulting firms, chambers of commerce and industry, universities, competitors.

The origin for idea generation could be a simple analysis of the concept of S.W.O.T(Strengths, Weaknesses, Opportunities and Threats). Ideas could also be developed through brainstorming, research and business think tanks.

2. Screening & Evaluation

Screening of the product ideas is the base of evaluation. Considerations include the potential value of the product, cost of time and money, equipment required, suitability of potential product in the long term financial objectives of the business, presence of qualified personnel in the production and marketing processes, need thorough consideration.

A pre-feasibility study of the product market, technical and financial aspect should be embarked upon at the early stages, in order to come up with the consequent benefits and associated cost implications. A pre-feasibility serves as the fore-runner to a feasibility study, although it less detailed. A pre-feasibility study will analyze large and complex product start-ups before a proper feasibility study is made. This is vital to understanding product selection.

3. Choice/Selection

A choice is reached for a product, which has scaled the hurdles and has been found to be commercially viable, technically feasible and economically desirable. At this stage in this product selection guide, resources and manpower can then be deployed to launch the product into the market.

Feasibility Study

A feasibility study is an analysis of how successfully a project can be completed, accounting for factors that affect it such as economic, technological, legal and scheduling factors. Project managers use feasibility studies to determine potential positive and negative outcomes of a project before investing a considerable amount of time and money into it.

Importance of conducting feasibility study

1. Feasibility study will help you to determine the profitability of the business venture. Before starting a business, seasoned entrepreneurs and investors would want to know if the business would be worth their time, effort and resources. It is worthwhile to know that many entrepreneurs have

abandoned solid business ideas because the profitability could not be ascertained on conducting a feasibility study on the business idea.

2. A feasibility study report will help prove to the entrepreneur, venture capitalists, lenders and investors the existence of the market, the liquidity of the business venture and the expected return on investment.

3. Feasibility study will help you identify the flaws, business challenges, strengths, weaknesses, opportunities, threats and unforeseen circumstances that might affect the success and sustainability of the business venture..

4. Before starting a business, feasibility study will enable you estimate the financial, human and technological resources that will be needed to ensure the successful launching of the business. Feasibility study helps to reveal the number and level of skill or unskilled workers to be employed and their salary scale.

5. Feasibility study will help you to determine the amount of capital required to start the business. It will also help you in establishing the budget plan, working capital and cash flow projections of the business.

Steps for conducting feasibility study

1. Economic analysis

Simply put, economic analysis is a strategy employed by business owners to effectively and optimally allocate and make use of the scarce resources available to them in their business . An effective economic analysis will ensure that you start your business on a positive footing because it will help you maximize the resources within your disposal with little or no stress.

Analyzing the economy will help you align your planned business with the economic situation on ground. Economic feasibility should include analysis on:

- Government's fiscal and monetary policies
- Opportunity cost of resources
- Social cost
- Import and export rate
- Inflation rate
- Tax rate, levies and duties
- Currency exchange rate, etc.

2. Market analysis

The next thing you should be analyzing is the market for your proposed business idea. Carrying out a feasibility study on the market will enable you know if there is actually a need or market for your business idea. Market analysis will also help you to determine the size of the market, demographics and psychographics of the market, level of competition and the size of the market you can compete for.

3. Technical analysis

There are certain aspects of setting up a business that an entrepreneur need not neglect and technical anal

collecting and studying all
run your business. In some quarters, especially the financial industry (stock market), technical analysis is about the collection of price trends with the aim of forecasting or predicting the future price trend of stocks, commodities.

4. Location analysis

This is carried out with a view to determine the best location for the business in terms of nearness to high traffic roads, nearness to infrastructure, accessibility to customers, ease of transportation of raw materials and finished products, nearness to cheap labour, cost of land acquisition and so on.

5. Manpower analysis

This part of a feasibility study deals with the process of estimating the level of skill, professionalism and number of employees to be hired by the business. The
salary scale, incentives and pay package are also estimated at this point. In studying and researching your line of business, you are expected to get a good idea of the technical skills required to successfully run the business and how you can source for such skills.

- Map out Strategy on How to Source for the Required Technique
- List the Techniques that will be needed in effectively running Your Type of Business
- Develop Suitable Training Program

6. Financial analysis

Part of what you need to do when you want to conduct financial analysis for your business is to draw up a comprehensive budget for your business. Your budget should capture your expenses and your income and also financial flow strategy. The truth is that the bulk of the job to be done when conducting your economic analysis for your business will be done here – budgeting.

Financial analysis will be dealing with the estimation of the total capital involved, capital expenditures, working capital; profit and loss analysis, pricing of products, cash flow projections, projected sales revenue and the entire project viability. If you are trying to raise venture capital for your small business startup, then you have to do a clean job on the financial section of the feasibility report because this is where investors focus on. All they are interested in knowing is how much is the percentage return on investment and the payback period.

7. Sensitivity and risk analysis

This is the last part of a feasibility study and probably the most important. After all other factors have been analyzed and proven viable, sensitivity and risk analysis can come in. Building a business without properly conducting a risk analysis is like flying a plane without regards to weather condition. Before any business idea is taken to the marketplace, its risk to reward ratio should be analyzed, the sensitivity to competition should be determined and the liquidation rate of companies in the industry of your proposed business venture should be calculated. With results obtained from sensitivity and risk analysis, growth and survival strategies can be developed for your proposed business.

Selection of location

Factors affecting location of an industrial unit or any business units are: (I) Primary factors and (ii) Secondary factors:

Primary factors

1. Raw material

Raw material form major proportion of the finished product. Unrestricted and regular supply of raw material is very necessary for carrying out unrestricted production. Nearness to the source of raw material is very economical for an industrial unit. On account of this consideration many industries have been set up near the source of supply of raw material.

Nearness to raw material is important in case of heavy and bulky materials having lesser value such as coal and other weight losing materials.

Raw material can be divided in to three:

(a) raw materials which are weight losing and cannot be preserved for a long time e.g., fruits for juice making (b) raw materials which are bulky and heavy in nature, like iron ore etc. (c) raw materials which are not heavy and can be preserved for a longer period of time, e.g., raw cotton.

2. Availability of labour

Labour cost is one of the main constituents of the total cost of production. It influences the total cost of production. Labour implies both the skilled and unskilled workers needed for different types of activities. The supply of un-skilled labour does not create any serious problem because such labour is available everywhere. Skilled labour is available only at specific centers. Industries requiring highly skilled labour have to select such sites which ensure adequate and regular supply of required labour. Availability of skilled and efficient labour is mainly responsible for the development of various industries in a particular region e.g., cotton textile industry of Great Britain developed at Lancashire mainly on account of availability efficient labour.

3. Availability of power or fuel

Availability of cheap power and fuel supply sources is another decisive factor in selecting proper location of an industrial unit. In the past, coal was the main sources of power supply for various types of heavy and large scale industries like iron and steel, cement and aluminum etc., the industrial units which used to be located near coal supplying centers.

But at present, there are several other sources of power, e.g. electricity, gas, oil and water power etc. On account of these various alternative sources of power supply, coal, as a main source of power is getting lesser recognition.

4. Availability of transportation and communication

Adequate and quick facilities of transport must be kept in mind for quick delivery of raw materials to the factory and finished products to the market. Kimball and Kimball have rightly pointed out that “The ideal plant is one centrally located and directly served by water, rail, trucking and air facilities”.

In certain type of industries transportation is the sole factor which is taken into consideration in deciding location of an industrial unit. For example, a cement factory is always situated near the source of lime stone which is carried usually with the help of trolleys to the factory.

5. Nearness to market

Market greatly affects the establishment of an industrial unit and is in fact, dominant factor in locating an industrial unit in modern times. The production of goods is undertaken with the aim of selling them quickly which is possible only on account of nearness to market.

Industries using pure raw material (which do not lose their weight when turned into finished products) may be situated away from the source of such raw materials. For
example, wool is primarily produced in Australia, but woolen hosieries are found throughout the world.

Secondary factor

1. Nearness to adequate banking and credit facilities

For the efficient and smooth running of the business and for meeting working capital requirements, banking facilities play an important role. Nearness to banks and other financial institutions is an important consideration now-a- days in deciding location of an industrial unit.

This is because banking has become indispensable part of modern business. In case of rural and small scale industries, banks and financial institutions play an important role and provide invaluable service in order to cater their financial needs.

2. Facilities of repairs

In order to maintain uninterrupted production, facilities with regard to repairs of machinery, plant and other components (in case of breakdown), must be kept in mind before setting a factory. A large scale concern can afford to install its own repair workshops, whereas small concerns may rely on various repair shops working near the factory.

3. Fire fighting facilities

In order to protect the factory against the risk of fire, adequate fire fighting facilities must be provided. Internal arrangements pertaining to fire extinguishers, sand buckets and other firefighting equipment must be arranged. In case there arises the necessity of calling fire brigades, proper preparations must be made for the same.

4. Soil, climate and topography of location

Soil and climatic conditions are very important for the establishment of various type of industries like tea, coffee, rubber and tobacco. On account of this factor, jute industry developed in West- Bengal and tea industry in Assam. Similarly topography (e.g., hilly or rocky surface) of a place also influences location of an industry.

5. Government policies and regulations

Industrial Development and Regulation Act of 1951 laid down clearly certain rules, regulations and formalities to be complied before setting up an industrial unit. Prior permission and license is necessary under the Act before the setting up of a new industrial unit. Certain cash incentives and concessions are also given by Govt, in
order to promote a particular industry in a particular region.

Certain concession and subsidies like cheap land, power and tax concession and
subsidised raw materials etc., are provided in order to develop that particular area.
Such measures are undertaken by the Govt, in order to ensure balanced and regional growth of industries in India.

6. Industrial atmosphere

This factor refers to the thinking of the people with regard to a particular industry in a particular area. They involve themselves completely in the intricacies and various operations of the machines and implements being used in the industry.

There is a complete industrial atmosphere. Carpet industry at Bhadohi and Mirzapur serves a very good example of this kind. Major population of these cities is engaged in carpet processing, carpet washing, carpet weaving and carpet finishing.

7. Personal factor

Sometimes personal likes had dislikes also influence location of a particular industrial unit. Henry Ford started manufacturing motor cars in Detroit because he belonged to that place. Certain merchants belonging to Ahmedabad have made that place a leading textile centre of India. But such personal likes and dislikes cannot influence location of an industrial unit in the long run.

8. Taste and preference of customer

Before establishing an industrial unit in a particular region, buying habits, tastes, likes and dislikes of people in that area must be taken into consideration. Purchasing power of the people and composition of population in that region should be carefully studied. These studies and surveys render valuable information which is greatly helpful in establishing an industrial unit in particular region.

9. Possibilities of future expansion

The area for location should be such as to provide all possible opportunities for future development and expansion of the industrial unit without involving extra cost. Every industrial undertaking is established with the aim to expand in future.

10. Existence of competitive industry

Limited and healthy competition encourages the growth of industrial units in a particular region. On the other hand, unhealthy competition retards the industrial growth in a region.

Business idea development process/Preparation of business

1. Initial idea exploration, identification and assessment

The origination of a new business idea can come from a variety of sources. It may come from the board room of an existing business or a group of producers
sitting around the kitchen table. Regardless of the setting, you may want to use the following approach to formulate the business concept.

Form a project committee - Creating a good project committee involves bringing together individuals who have the business development skills needed to investigate the idea/concept and carry through with business formation if the concept is viable.

Formulate general business idea(s) or concept(s) - Define your business idea/concept and describe why it has merit. Your idea may involve filling an unmet need in the marketplace with a new product, providing an existing product in a new form, producing a product better or cheaper than competitors, or other ways in which value can be added.

Identify alternative business models or scenarios for the idea(s) - A business model describes how the business will function in producing the product or service and providing it to the customer. It involves essential business elements starting with raw materials procurement and ending with the sale of the final product, and all the stages in between.

Investigate idea/concept and alternative business scenarios - Conduct an initial informal investigation of the validity of your idea. Investigate the scenarios or models.

2. Refine and asses idea

Further refine the business scenarios/models – If you have conducted any of the formal assessments described above, you have information that can be used to further refine your business scenario/models. So by now you should have refined your idea to one or a small number of specific and detailed business scenario/models that you want to assess. This will be done by feasibility study. This is critical before you move to the next step.

Conduct feasibility study – A feasibility study will provide a comprehensive and detailed assessment of the market, operational, technical, managerial and financial aspects of your business project. These factors will feed into the economic assessment of your project (is it profitable?). If you have already conducted a pre- feasibility study, marketing study or other study; these materials can be used in the feasibility study. Feasibility studies are usually prepared by consultants, so you will need to investigate consultants who are familiar with your type of business and experienced in preparing feasibility studies.

Analyze the feasibility study – When you receive the feasibility report, the first step is not to begin deliberations on whether to proceed with the project. Rather, you need to determine the completeness and accuracy of the study. Does it address the issues you want addressed? Was there a thorough investigation of the critical issues? Challenge the assumptions and conclusions of the study.

3. Go/No-Go decision

This is the most critical step in the entire business development process. In a sense it is the point of no return. Once you start down the path of creating a business, it is difficult to turn back. If you have unresolved doubts or reservations about the project, you should not proceed. That is why it is important to have an open, honest and thorough discussion when making this decision.

This step involves making one of the three possible decisions listed below:

- Decide that the project is viable and move forward with it.
- Decide to do more study and or analyze additional alternatives.
- Decide that the project is not viable and abandon it.

4. Prepare and implement business plan

If you decide to proceed with creating a business, you will need to prepare a business plan. A business plan is an outline or blueprint of how you will create your business. If you conducted a feasibility study, it will provide some of the information needed for your business plan. Also, business planning often involves the use of consultants. However, don't turn the process completely over to a consultant, you need to stay integrally involved in the planning process. Remember, it is your business.
Although planning can involve considerable time and effort, it is the easiest part. Implementing the plan is much more difficult. Many prospective businesses experience problems or failure due to the improper

implementation of their business plan. This step requires commitment and dedication. Unforeseen problems will emerge.

Implementing your business plan will include, but is not limited to:

Creating a legal structure

Securing market access

Raising equity and securing financing

Hiring management/staff Constructing facility Other

5. Business operation:

Now that you have successfully started your value-added business, your work has just begun. Producer groups often forget that once the business is created, it takes constant attention for it to remain healthy and viable.

Operating a business is very different than starting a business. It requires a different set of skills. So the people who create the business may not be the best people to manage the business.

Conclusion

These are the five steps you will want to follow for taking an idea and making a viable business from it. These steps will not guarantee success. However, they will increase your odds of success. Also, you will make more efficient use of your time.

Preparation of project profile/Content of Business Plan

A Project Report is a document which provides details on the overall picture of the proposed business. The project report gives an account of the project proposal to ascertain the prospects of the proposed plan/activity.
Project Report is a written document relating to any investment. It contains data on

the basis of which the project has been appraised and found feasible. It consists of
information on economic, technical, financial, managerial and production aspects.
It enables the entrepreneur to know the inputs and helps him to obtain loans from banks or financial Institutions.

Content of project profile

1. General information

A project report must provide information about the details of the industry to which the project belongs to. It must give information about the past experience, present status, problems and future prospects of the industry. It must give information about the product to be manufactured and the reasons for selecting the product if the proposed business is a manufacturing unit. It must spell out the demand for the product in the local, national and the global market. It should clearly identify the alternatives of business and should clarify the reasons for starting the business.

2. Executive summary

A project report must state the objectives of the business and the methods through which the business can attain success. The overall picture of the business with regard to capital, operations, methods of functioning and execution of the business must be stated in the project report. It must mention the assumptions and the risks generally involved in the business.

3. Organisation summary

The project report should indicate the organization structure and pattern proposed for the unit. It must state whether the ownership is based on sole proprietorship, partnership or joint stock company. It must provide information about the bio data of the promoters including financial soundness. The name, address, age qualification and experience of the proprietors or promoters of the proposed business must be stated in the project report.

4. Project description

A brief description of the project must be stated and must give details about the following:

Location of the site,
Raw material requirements, Target of production,
Area required for the work shed, Power requirements,
Fuel requirements,
Water requirements,
Employment requirements of skilled and unskilled labour, Technology selected for the project,
Production process,
Projected production volumes, unit prices, Pollution treatment plants required.

If the business is service oriented, then it must state the type of services rendered to customers. It should state the method of providing service to customers in detail.

5. Marketing plans

The project report must clearly state the total expected demand for the product. It must state the price at which the product can be sold in the market. It must also mention the strategies to be employed to capture the market. If any, after sale service is provided that must also be stated in the project. It must describe the mode of distribution of the product from the production unit to the market

6. Capital structure and operating cost

The project report must describe the total capital requirements of the project. It must state the source of finance, it must also indicate the extent of owners funds and borrowed funds. Working capital requirements must be stated and the source of supply should also be indicated in the project. Estimate of total project cost, must be broken down into land, construction of buildings and civil works, plant and machinery, miscellaneous fixed assets, preliminary and preoperative expenses and working capital.

7. Management plan
The project report should state the following.

Business experience of the promoters of the business, Details about the management team,
Duties and responsibilities of team members, Current personnel needs of the organization, Methods of managing the business,
Plans for hiring and training personnel, Programmes and policies of the management.

8. Financial aspects

In order to judge the profitability of the business a projected profit and loss account and balance sheet must be presented in the project report. It must show the estimated sales revenue, cost of production, gross profit and net profit likely to be earned by the proposed unit. In addition to the above, a projected balance sheet, cash flow statement and funds flow statement must be prepared every year and at least for a period of 3 to 5 years.

9. Technical aspects

Project report provides information about the technology and technical aspects of a project. It covers information on Technology selected for the project, Production process, capacity of machinery, pollution control plants etc.

10. Project implementation

Every proposed business unit must draw a time table for the project. It must indicate the time within the activities involved in establishing the enterprise can be completed. Implementation schemes show the timetable envisaged for project preparation and completion.

11. Social responsibility

The proposed units draws inputs from the society. Hence its contribution to the society in the form of employment, income, exports and infrastructure. The output of the business must be indicated in the project report.

https://youtu.be/0xYGqYzbLQw

BUSINESS PLAN

A business plan is a road map and blueprint of the project. A business plan is a written document that describes in detail how a business is going to achieve its goals. It is a document that explains a business opportunity, identifies the markets to be served, and provides detail about how the entrepreneurial organization plans to pursue it. Ideally the business plan describes the unique qualification that the management team brings to the effort, explains the resource required for success and provides a forecast of results over reasonable time horizon. A business plan is based on estimates.

Mar J. Dollinger has defined the business plan as "the formal written expression of the entrepreneurial vision, describing the strategy and operations of the proposed venture."

According to Jack M. Kaplan, "The term business plan means the development of a written document that spells out like a roadmap where you are, where you want to be, and how you want to get there."Thus, a business plan or project report can best be defined as a well evolved course of action devised to achieve the specified objective, i.e. setting up a small business enterprise within a specified period of time. So to say, business plan is initially an operating document.

Reasons for preparing business plan

1. Obtain funding and investment

Every new business needs capital to get off the ground. Although it would be nice, banks won't finance loans just because you request one. They want to know what the money is for, where it's going, and if you'll eventually be able to pay it back.

If you want investors to be part of your financing plan, they'll have questions about your business' pricing strategies and revenue models. Investors can also back out if they feel like their money isn't put to fair use.

2. Help to understand competition

Creating the business plan forces you to analyze the competition. All companies have competition in the form of either direct or indirect competitors, and it is critical to understand your company's competitive advantages. And if you don't currently have competitive advantages, to figure out what you must do to gain them.

3. To understand customer

Why do they buy when they buy? Why don't they when they don't? An in-depth customer analysis is essential to an effective business plan and to a successful business. Understanding your customers will not only allow you to create better products and services for them, but will allow you to more cost-effectively reach them via advertising and promotions.

4. To reduce risk

Entrepreneurship is a risky business, but that risk becomes significantly more manageable once tested against a well-crafted business plan. Drawing up revenue and expense projections, devising logistics and operational plans, and understanding the market and competitive landscape can all help reduce the risk factor.

5. Help to recruit right people

After you've completed your business plan and you have a clear view of your strategies, goals, and financial needs, there may be milestones you need to meet that require skills you don't yet have. You may need to hire new people to fill in the gaps. Having a strategic plan to share with prospective partners and employees can prove that they aren't signing on to a sinking ship.

6. To access feasibility of your business

How good is this opportunity? The business plan process involves researching your target market, as well as the competitive landscape, and serves as a feasibility study for the success of your venture. In some cases, the result of your planning will be to table the venture. And it might be to go forward with a different venture that may have a better chance of success.

7. Helps in marketing plan

How are you going to reach your customers? How will you retain them? What is your advertising budget? What price will you charge? A well-documented marketing plan is essential to the growth of a business. And the marketing strategies and tactics you use will evolve each year, so revisiting your marketing plan at least annually is critical.

Advantages of preparing business plan

1. Strategic Focus.

Startups and small business need to focus on their special identities, their target markets, and their products or services tailored to match

2. Set priorities.

You can't do everything. Business planning helps you keep track of the right things, and the most important things. Allocate your time, effort, and resources strategically.

3. Manage change.

With good planning process you regularly review assumptions, track progress, and catch new developments so you can adjust. Plan vs. actual analysis is a dashboard, and adjusting the plan is steering.

4. Manage cash.

Good business planning connects the dots in cash flow. Sometimes just watching profits is enough. But when sales on account, physical products, purchasing assets, or repaying debts are involved, cash flow takes planning and management. Profitable businesses suffer when slow-paying clients or too much inventory constipate cash flow. A plan helps you see the problem and adjust to it.

5. Understand the Challenges to Launch

The barriers to entry for a startup business may be significant, like needing various licenses or technological barriers that a business may have. By knowing these barriers and figuring how to overcome them, it will be easier to get your business started.

6. Price your products right:

The pricing strategy will let you know how much money you need to charge for your product or service to break even and eventually create revenue. A pricing
strategy is an important advantage to your startup business because it will help ensure that you are not over charging or undercharging customers. The correct price strategy will ensure that a business is not losing money or potential customers.

7. The bigger/clear picture:

This is one of the key advantages of a business plan. When you plan your business right, you can get a clearer picture of the business as a whole. You can easily connect the dots between strategy and tactics, and everything is easier to work out.

8. Gives direction

When you plan effectively, you set expectations for yourself and a means by which you will be able to track your results. You can constantly review your business plan in terms of what you expect and what eventually happens.

Procedure for setting up Enterprise

1. Selection of project

This involves selecting a product or services and location for the unit. Based on this selection, project feasibility study has to be conducted and then brief profile has to be prepared for the proposed project. Then entrepreneur has to prepare business plan. Depending on the type of project, location investment involved, and so on, the entrepreneur has to proceed to take further steps in establishing unit. Project selection is the initial decision that entrepreneur has to make.

Project selection and preliminary activities involve the following:

a) Product or service selection

The product or service is selected by an entrepreneur depending on the exiting business opportunity. The entrepreneur has to make careful analysis in choosing the product/services. While choosing product/services the entrepreneur has to consider factors such as experience of the promoters, marketability of product and services, availability of raw materials, availability of technology, investment capacity, and availability of infrastructural facility.

b) Selection of location

While selecting the location for the project, the entrepreneur has to consider factors such nearness to the market, government policy and incentives, ability of suitable infrastructure facilities, the availability of raw materials, and labour and availability of transportations and communication facilities.

c) Feasibility study

A project feasibility study is an analysis that involves finding and documenting potential solutions to a particular business opportunity.

d) Business plan preparation

Once the project is found feasible, the next is the preparation of business plan. A business plan is a blueprint of the project. A business plan is a document which provides roadmap the project. It usually keeps the business on track to reach its planned goals. It determines where The Company needs to go, forewarns about the possible roadblock along the way and formulates response o contingencies.

e) Preparation of project profile

A project profile is a summary of detailed project report. It is a snapshot of the project. It is the first step towards the development of detailed project report. A project profile usually comprises five parts: introduction to the project, business opportunity, details of the promoters, and cost of the project and means of finance, and risk and return

2. Decide on constitution or form of business

In order to set up an enterprise, entrepreneur has to decide on the constitution of the unit at the initial stage of the project. The various types of constitution of an enterprise are sole proprietorship, partnership, limited company, co-operative and franchising.

3. Registration

The sole proprietorship has no legal formalities. Usually MSME chose to registrar with the district industries centre for obtaining various facilities and incentives. Partnership firm are governed by the Indian partnership act 1932. The terms and conditions of partnership are contained in the partnership deed. Company's registrar with registrar of companies and co-operatives registrar with registrar of co-operatives.

4. Obtain clearance from department as applicable

For setting up a new enterprise in India, a number of clearance and approvals are required from concerned authorities depending upon the type of enterprise.

5. Arrange for land/shed

For any industrial project, a suitable industrial site or ready industrial shed is required. The promoter of unit could consider taking an industrial site and constructing a shed as per their requirements. Alternatively, they could consider taking a ready industrial shed on ownership basis.

a) Industrial land

Once the location of unit is decided, the land for the project could be conveniently taken from the state industrial areas development boards. However private land could be purchased but it has to be converted for industrial purpose and other necessary legal formalities have to be completed.

b) Industrial shed

For setting up an enterprise, the promoters could consider using a ready industrial shed. This could be on rent or on ownership basis.

c) Application formalities

Application in prescribed form is to be submitted along with the following documents;

- A copy of provisional registration certificate
- A detailed project report
- Certified copies in support of educational qualification, experience and other categories as may be applicable
- Applicable earnest money deposit.

6. Arrange for plant & machinery

The plant and machinery required for the project could be purchased from recognized manufacturers and dealers. The plant and machinery could be taken on direct or hire purchase scheme.

a) Direct purchase

The entrepreneur has to select and buy required plant and machinery from recognized and approved manufacturer or dealers. Banks and state financial corporation's maintains a list of approved machinery suppliers. The entrepreneur is advised to refer to such a list before deciding on entrepreneur. The entrepreneur should compare the quality, performance and service terms, price and other details of the alternate plant and machinery for their proposed project.

b) NSIC hire purchase scheme

In hire purchase scheme offered by NSIC (national small industries corporation) , the required plant and machinery will be the assets of NSIC and they will lease it to the promoters of industrial unit.

7. Arrange for infrastructure

The main infrastructure facility required for an enterprise are land or shed for the project , power connection, power supply, water supply and telephone facility. Single window agency (SWA) is set up at the district level for the benefit of MSME. The SWA provide clearance for various infrastructure and other facilities for MSME.

The assistance provided by the SWA is given below.

• Grant of land in industrial areas and allotments of sheds in the industrial estates

• Grant of power up to the limit prescribed by the state government.

• Review and recommendation of sanction of term loans and working capital loans

• Grant and disbursement of all incentives and concessions for MSME

• General review regarding problems faced by entrepreneur and existing MSME
within districts

Land and construction of building:

After deciding the location and site, three important factors have to be kept in mind before purchasing and leasing land.

• Availability of basic facility like power and water

• Connectivity to nearest, rail, roard or port

• Price of the land

8. Preparing project report

The project report is an important document and should be prepared very carefully. Banks and other financial institution decide whether a loan should be granted and if granted, the amount should be sanctioned on the basis of this report.

The report is generally prepared to cover the following broad segment:

a) General information

- Name of the unit and address
- Name of product / services
- Constitution of unit
- Name of promoter
- Educational qualification
- Experience

b) Details of project

- Product and service details
- Details of machinery
- Details of raw materials
- Utility
- Manpower requirement
- SWOT analysis

c) Cost of project

• Fixed cost: land/building, machinery, office equipment, miscellaneous items
• Working capital: stock in raw materials, semi finished goods, finished goods, bills receivable
• Total investment; fixed capital, working capital, preliminary and pre-operative expenses, interest during implementation
• Means of finance: term loans, working capital loans, own investment
• Profitability: revenue , production cost, depreciation, administrative expenses, interest maintenance, sales and advertisement

d). Annexure

Promoter's bio data, organized chart, details of group of units if any, statutory sanctions, project feasibility study report, project schedule, arrangement of building , statement of cost of plant , machinery other equipments, details of order and enquires, process chart, financial project and its analysis, financials of the company and its analysis.

9. Apply for and obtain finance

Formal application needs to be made for loans from financial institution and commercial banks. The details of documentation that need to be provided with the loan application are given below;
Balance sheet and profit and loss statement for the previous three consecutive years of firms held by promoters.
• Income tax assessment certificate of partners and directors
• Architect estimates for construction cost

- Partnership deed/ memorandum and articles of association of the company
- Project report
- Budgetary quotation of plant and machinery

10. Implement the project and obtain final clearance

Entrepreneur will have to take necessary steps to physically implement the project after obtaining the various licenses, clearance, infrastructure facilities and so on. The following are the major activities that entrepreneur have to undertake for implementing the project.

- Construct shed
- Order machinery
- Recruit personnel
- Arrange for raw materials
- Generate a marketing plan

a) Erection & commissioning

Once the building is ready and necessary plant and machinery have arrived, entrepreneur have to take steps to erect the machinery. The various items of plant and machinery should be erected as per prepared plan.

b) Obtain final clearance

Entrepreneurs are required to take several final clearances when the unit is ready for commissioning or as soon as it goes into production. Accordingly entrepreneurs are advised to refer to the various preliminary clearances they have obtained from different departments/ organization and take necessary steps to obtain final clearances and approved as required.

❖ Module - 3

Understanding the ecosystem of MSME

Many enterprises start small and many entrepreneurs in MSME need institutional support system for guidance, support and mentoring at different stages of business development. Most of the enterprise needs support at the pre-start up, start up, development and growth phase. An entrepreneur should be aware of governmental and nongovernmental support system available for his enterprise. A number of institutions set up by the central and state government and various other agencies help entrepreneurial development in various ways. The activities of support institutions cover a wide range of services such as financing, equipment support, technical assistance, training, marketing, and providing subsidy and grants.

Central level institution

1) National Board For Micro , Small And Medium

Enterprises(NBMSME):

The National Board for Micro, Small & Medium Enterprises (NBMSME) was established on 15th May 2007 consisting of 47 members including Chairman, Vice Chairman and Member Secretary in accordance with the Sub Section 1 of Section 3 of MSMED Act, 2006 and National Board for Micro, Small & Medium Enterprises Rules, 2006.

Salient Features of the NBMSME:

• NBMSME is consisting of 47 members

• Has statutory backing. (Special act.)

• Provides representation to all sections/segments including Associations of Micro, Small and Medium manufacturing and service enterprises, women enterprises, Central Ministries, States representing different regions of the country, trade unions, etc.

• Quarterly meeting of the Board mandatory

Functions: The board examines the factors affecting the promotion and development of MSME and advise the central government to facilitate their promotion and development in order to enhance competitiveness. The board broadly operates in areas such as policies and programmes, development of industries in specific region, quality improvement, marketing assistance, and credit development.

2) The Khadi And Village Industries Commission(KVIC):

The Khadi & Village Industries Commission (KVIC), established under the Khadi and Village Industries Commission Act, 1956, is a statutory organisation engaged in promoting and developing khadi and village industries for providing employment opportunities in rural areas, thereby strengthening the rural economy. The KVIC has been identified as one of the major organisations in the decentralized sector for generating sustainable rural non farm employment opportunities at low per capital investment

Objectives

• The social objective of providing employment.

• The economic objective of producing saleable articles.

• The wider objective of creating self-reliance amongst the poor and building up of a strong rural community spirit.

Functions:

KVIC is a statutory body established under KVIC Act, 1956. Its main functions include:

• To plan, promote, organize and implement the programmes for development of Khadi and village industries in rural areas.

• Creating and managing reserves of raw materials and supplying them to producers, creating common service facilities for processing of raw material and semi-finished goods.

• To promote sales and marketing of Khadi Products.

• To encourage and promote research in the production techniques and equipment in Khadi Industries.

3) The Coir Board:

The Coir Board is a statutory body established under the Coir Industry Act, 1953 for promoting overall development of the coir industry and improving the living conditions of the workers engaged in this traditional industry. The activities of the Board for development of coir industries include undertaking scientific, technological and economic research and development activities; developing new products & designs; and marketing of coir and coir products in India and abroad. The Board has promoted two research institutes namely; Central Coir Research Institute (CCRI), Kalavoor, Alleppey, and the Central Institute of Coir Technology (CICT), Bengaluru for undertaking research activities on different aspects of coir industry, which is one of the major agro based rural industries in the country.

Functions:

o Regulating under the supervision of the Central Government the production of husks, coir yarn and coir products;
o Undertaking, assisting or encouraging scientific, technological and economic research and maintaining and assisting in the maintenance of one or more research institutes;
o Collecting statistics from manufacturers of, and dealers in, coir products and from such other persons as may be prescribed,
o Fixing grade standards and arranging when necessary for inspection of coir fibre, coir yarn and coir products;
o Improving the marketing of coconut husk, coir fibre, coir yarn and coir

products in India and elsewhere and preventing unfair competition;

o in the setting up of factories for the producers of

coir products with the aid of power;

o Advising on all matters relating to the development of the coir industry;

4) MSME-DO: (Development Commissioner Office)

The office of the development commissioner, ministry of micro , small and medium enterprise , government of India is a nodal agency for formulating , co-coordinating and monitoring the policies and programmers for the promotion and development of MSME in the country. Micro, small and medium enterprise – development organization (MSMe-DO) is the apex body for assisting the government in formulating, co-coordinating and implementing and monitoring policies and programmes for the development of MSME in the country. It provides a comprehensive range of services, marketing assistance and entrepreneurial development support to MSME. It has 60 offices and 21 autonomous bodies under its management.

5) National Small Industries Corporations (NSIC):

National Small Industries Corporation Limited (NSIC) is a Mini Ratna PSU established by the Government of India in 1955. It falls under Ministry of Micro, Small & Medium Enterprises of India. NSIC is the nodal office for several schemes of Ministry of MSME such as Performance & Credit Rating, Single Point Registration, MSME Databank, National SC ST Hub, etc

The main function of the corporation is to promote, aid, and foster the growth of micro and small enterprises in the country, generally on a commercial basis. It provides a variety of support services to micro and small enterprises catering to their different requirements in the areas of raw material procurement; product marketing; credit rating; acquisition of technologies; adoption of modern management practices, arranging for business partners, ensuring technology transfer programmes through missions, delegations and expositions

6) National science and technology entrepreneurship development board (NSTEDB):

The National Science & Technology Entrepreneurship Development Board (NSTEDB), established by Government of India in 1982 is an institutional mechanism, with a broad objective of promoting gainful self-employment amongst the Science and Technology (S&T) manpower in the country and to setup knowledge based and innovation driven enterprises.

The major objectives of NSTEDB are:

• To promote knowledge based and innovation driven enterprises.

• To facilitate generation of entrepreneurship and self-employment opportunities for S & T persons.
• To facilitate the information distribution.
• To network with various Central & State Government agencies for S&T

based entrepreneurship development.

• To act as a policy advisory body to the Government agencies for S&T

based entrepreneurship development.

• To generate employment through technical skill development using S & T infrastructure.

7) Entrepreneurship development institute of India (EDI):

It is autonomous and not for profit institutes established in 1983. It is registered under the society's registration act 1860 and the public trust act 1950. The institute is sponsored by apex financial institution such as industrial development bank of India (IDBI), the industrial finance corporation of India (IFCI), the industrial credit and investment corporation of India (ICICI), and state bank of India(SBI). It is commitment to entrepreneurship education, training and research.

8) National entrepreneurship development institutes:

There are three national level institutions for promoting entrepreneurship set up by the ministry of industry: these are:

i) National institute for micro, small and medium enterprise , Hyderabad (NI-MSME):

The institute was formerly known as the national institute for small industry extension and training (NISIET). The NI-MSME was registered under the public societies registration act effective from 1 July1962 and is located at Hyderabad. It is premier institution in India for promoting, development and modernization of MSME sector. It autonomous institution which functions the ministry of under micro, small and medium enterprise.

ii) National institution for entrepreneurship and small business development(NIESBUD):

The NIESBUD was founded in 1983 by the ministry of MSME, government of India . the institute was registered as a society under the government of India societies registration act 1860. The institution is presently functioning from its integrated campus in noida Delhi. It is apex body for co-coordinating and overseeing the activities of various institutions and agencies engaged in the development of entrepreneurship in the MSME sector. The institute is managed by governing council constituted by government of India.

iii) Indian institute of entrepreneurship (IIE):

The Indian Institute of Entrepreneurship (IIE) was established in the year

1993 in Guwahati by the erstwhile Ministry of Industry (now the Ministry of Micro, Small and Medium Enterprises), Government of India as an autonomous national institute with an aim to undertake training, research and consultancy activities in small and micro enterprises focusing on entrepreneurship development. The main objectives of the institute are to organize and conduct training for entrepreneurship development, to evolve strategies & methodologies for different target groups & locations & conduct field tests, to identify training needs and offer training programmers to Government and non-Government organizations engaged in promoting and supporting entrepreneurship etc.

State level institutions

1) District industries centers (DIC);

The concept of DIC was announced by the government of India during the new industrial policy formulated on 23 December 1977. DIC are the main focus agencies for promoting MSME at the district level. DIC were established with the aim of generating employment opportunities

especially the

of the country. The functions of

DIC are monitored by the directorate of industries and commerce. DIC are district level institution set up by government which provides all services and facilities to entrepreneur in one place to set up MSME. These service and facilities include identification of suitable scheme, preparation of project feasibility report, arrangement for the supply of plant , machinery and equipment , provisions of raw materials, credit facilities and input.

2) State financial corporation's (SFC);

The state financial corporation is established in each state under the state financial corporation act 1951. The SFC plays important role in the development of MSME in their respective states for achieving balanced industrial growth. They act as catalyst to generate employment and widen the industrial base. SFC promotes the development of MSME by providing various services. The important services provided by SFC are infrastructure development, financial and term loans.

3) State industrial development of corporation (SIDC) ;

SIDC are wholly owned undertakings of the state governments set up under the company's act 1956. SIDC act as catalyst for industrial development in their respective states. They develop land for providing industrial infrastructure facilities in the form of industrial estate by developing industrial land and industrial sheds.

4) state industrial area development board (SIADB)

The SIADB is a statutory board constituted under the industrial area development act of the respective state government in India, for example the karantaka government industrial areas development act, 1966 in karanataka. The primary objective is to promote and assist in the rapid growth and development of enterprises in industrial areas. It acquires and
develops land suited for industries. It prepares various plots for industries

.

Other institution

1) National bank for agriculture and rural development (NABARD); The National Bank for Agriculture and Rural Development is popularly referred to as NABARD.

NABARD is designated as an apex development bank in the country. This national bank was established in 1982 by a Special Act of the Parliament,61 with a mandate to uplift rural India by facilitating credit flow in agriculture, cottage and village industries, handicrafts and small-scale industries. It is also required to support non-farm sector while promoting other allied economic activities in rural areas. NABARD functions to promote sustainable rural development for attaining prosperity of rural areas in India.

NABARD's activities are governed by a Board of Directors. The Board of Directors are appointed by the Government of India in harmony with NABARD Act 1981. It has its headquarters in Mumbai. Government of India holds 99% stake and RBI holds 1% (initially 72.5%) stake in NABARD.

Functions of NABARD A) Credit Functions:

• Framing policy and guidelines for rural financial institutions.

• Monitoring the flow of ground level rural credit.

• Preparation of credit plans annually for all districts for identification of credit potential.

B) Development Functions:

• Help cooperative banks and Regional Rural Banks to prepare development actions plans for themselves.

• Help Regional Rural Banks and the sponsor banks to enter into MoUs with state governments and cooperative banks to improve the affairs of the Regional Rural Banks.

• Monitor implementation of development action plans of banks.

• Provide financial support for the training institutes of cooperative banks, commercial banks and Regional Rural Banks.
• Provide financial assistance to cooperative banks for building improved

management information system, computerization of operations and

development of human resources.

C) Supervisory Functions:

• Undertakes inspection of Regional Rural Banks (RRBs) and Cooperative Banks (other than urban/primary cooperative banks) under the provisions of Banking Regulation Act, 1949.
• Undertakes inspection of State Cooperative Agriculture and Rural Development Banks (SCARDBs) and apex non- credit cooperative societies on a voluntary basis.
• Provides recommendations to Reserve Bank of India on issue of licenses to Cooperative Banks, opening of new branches by State Cooperative Banks and Regional Rural Banks (RRBs).
2) Housing and urban development corporation (HUDCO):

Housing and Urban Development Corporation Ltd. (HUDCO) is a public sector enterprise fully owned by the Government of India, under the Companies Act 1956. HUDCO was incorporated on 25th April, 1970. It is focuses on provide assistance for urban, social sector infrastructure and the creation of housing facilities. Corporation has also undertaken activities to create infrastructure for the industrial sector. It also extends assistance to the promotion of building material industries besides consultancy, training and technical assistance in related matters. It aims to promote habitat development to enhance the quality of life. It is governed
by board of directors and has established regional offices at the operational level. It was established with equity base of Rs 2crores. HUDCO's services and product portfolio can be classified into five main categories:

housing, urban infrastructure , building technology promotion, research and training and consultancy.

3) Small industrial development bank of india (SIDBI):

SIDBI was founded in 1990 under the act of parliament. It is principal institution for the promotion, financing and development of the MSME sector and other institution engaged in similar activities. SIDBI facilitates the timely flow of credit for term loans and working capital to MSME in collaboration with commercial banks. In addition to refinancing and discounting of bills , SIDBI participates in equity loans , term loans, working capital , venture capital support and various forms of resource support to banks and financial institution. SIDBI seeks to empower the MSME sector with a view to contribute to the process of economic growth , employment generation and balanced regional development.

4) Export promotions councils;

In order to overcome problems in the marketing of MSME products in the overseas market it is considered as desirable to adopt consortium approach. The export promotion council for different industries make effort to promote the export of their members units through direct marketing , developing g vendor relations , opening respective sales outlets abroad and so on. , as a collective export marketing strategy. The activities of different councils are targeted to increase the export from MSME sector. MSME get access to export related services from the councils. Some of the council obtain bulk purchase order from foreign buyer and distributes these among member units supply to the council for onward export.

5) Industry association:

In addition to the central government and state government agencies, industry association also impart institutional support to MSME sector. Industry associate provides MSME with a common platform to raise industry related issues and to initiate co-operative efforts for promoting the sector.

A) Confederation of Indian industries (CII):

The main objective of CII are to provide information, advisory, consultative and representative services to industry and the government.

B) World association for small and medium enterprise (WASME):

The world associations for small and medium enterprise founded in 1980, has emerged as largest professionally managed global non governmental organizations with members and associates including national governments , chamber of commerce and industry , small business authorities and associations , banks and financial institutions.

c) Federation of associations of small industries of India (FASII):

It set up in 1959; represent association of small industries and individual SSI units. The main objectives are : to promote the development of MSME and cottage industries, to co-operate with industrial , business , education , to undertake professional , technical and management services,

d) Laghu udyog bharati (LUB):

It was established in 1995. The main objective is to promotes and safeguard the interest of small scale industry. Entrepreneurial training, support for technology up gradation, and are marketing within the extended scope of activities.

e) Indian council of small industries (ICSI):

The Indian council of small industries, founded in 1979, represent around

1500 associations of decentralized sector. The major objective of the council include extending help to MSME, cottage industries.

f) Council of scientific and industrial research:

The CSIR has set up a large number of regional research laboratories all over the country, which are developing new process for the manufacture of industrial products on a commercial scale.

MSME - Concept & Definition

Small and medium type of enterprise is defined in different ways across the world. In India standard definition of SME engaged when the ministry of micro, small and medium enterprise, government of India enforced the micro, small and medium enterprise development (MSMED) act, and
2006. In India enterprise is broadly classified into two categories-manufacturing and services. According to MSMED act, MSME are defined differently in manufacturing and service sector. Both categories of enterprise have been further classified into micro, small, medium and large enterprise based on their investment in plant and machinery

DEFINITION OF MANUFACTURING ENTERPRISE:

The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 in terms of which the definition of micro, small and medium enterprises is as under:
The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprise are defined in terms of investment in Plant & Machinery. Enterprises engaged in the manufacture or production, processing or preservation of goods as specified below:

- A micro enterprise is an enterprise where investment in plant and machinery does not exceed Rs. 25 lakh;
- A small enterprise is an enterprise where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore;

• A medium enterprise is an enterprise where the investment in plant and machinery is more than Rs.5 crore but does not exceed Rs.10 crore.

• In case of the above enterprises, investment in plant and machinery is the original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification.

DEFINITION OF SERVICE ENTERPRISE:

Enterprises engaged in providing or rendering of services and whose investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006 are specified below.

• A micro enterprise is an enterprise where the investment in equipment does not exceed Rs. 10 lakh;

• A small enterprise is an enterprise where the investment in equipment is more than Rs.10 lakh but does not exceed Rs. 2 crore;

• A medium enterprise is an enterprise where the investment in equipment is more than Rs. 2 crore but does not exceed Rs. 5 crore.

Importance of MSME sector in India

1. Creates large scale employment:

Since the enterprises falling in this sector require low capital to start the business, it creates huge employment opportunities for many unemployed youth. India produces about 1.2 million graduates per year, of the total number about 0.8 million are engineers. And, there is no economy in the world that can provide jobs to so many fresh graduates in one year. MSME is the boon for many of this fresh manpower.

2. Economic stability in terms of Growth and leverage Exports: MSME is a significant growth driver in India, with it contributing to the tune of 8% to

GDP. Exports sector in India constitutes about 40% of contribution from MSME alone. Looking at the kind of contribution of
MSME to manufacturing, exports and employment, other sectors are also benefitting from MSME. MNCs today are buying semi-finished, and auxiliary products from small enterprises, for example, buying of clutches, and brakes by automobile companies. It helps create a linkage between MSME and big companies. Even after the implementation of the GST
40% msme sector also applied GST Registration in which increase the

government revenue by 11%.

3. Encourages Inclusive Growth:

About 50% of wealth in India in owned by just 100 people which is due to unequal distribution of wealth. Inclusive growth is on top of the agenda of Ministry for Medium, and Small, and Medium sized enterprises for several years. While poverty and deprivation are a deterrent to the development of India, including marginalized sections of society is a key challenge lying before the Ministry of MSME.

4. Cheap Labor and minimum overhead:

In large scale organizations, one of the key challenges is to retain the human resource through an effective human resource management professional manager. But in case of an MSME, the requirement of labor is less, and it does not need a highly skilled laborer. Hence, the indirect expenses incurred by the owner is also low.
5. Simple Management Structure for Enterprises:

MSMEs do not require a huge capital to start. With limited resources available within the control of the owner, decision-making becomes easy and efficient. As in case of a large corporation wherein a specialist is required for every departmental functioning because of complex organizational structure, a small enterprise does not need to hire an external specialist for its management. The owner himself/herself can manage it. Therefore, it can be run single-handedly.

6. Plays an important role in making “Make in India” possible:

Post the inception of ‘Make in India’, a signature initiative by the prime minister of India, the process of incorporating a new business has been made easy. Since the MSME is the backbone in making this dream a possibility, the government has directed the financial institution to lend more credit to enterprises in MSME sector

Conclusion on MSME Sector:

Micro, Small and Medium-sized Enterprises (MSME) are one among the most important sectors, forming the backbone of the Indian economy. This sector has been instrumental in the growth of the nation, leveraging exports, creating huge employment opportunities for the unskilled, fresh graduates, and the underemployed, also extending the opportunities to banks for giving more credit to enterprises in this sector. The government should take utmost care of this sector in terms of providing more and more MSME Registration benefits through better regulations, Government simply , and enabling financial institutions to lend more credit at less interest rate for sustainability of this sector.

Growth and development of MSME in India and Gujarat

MSMEs are often said to grow faster than large firms. However, empirically it is observed that have high growth rates, they as a group have a high death rate, that is, many firms do not last very long. This means that the total effect on the economy may not be much greater than that of relatively larger firms. The performance of the MSMEs at national level, which was evaluated in terms of parameters like number of units (both registered and unregistered), production, employment, and exports, helped to understand the role of economic development.

(A) GROWTH AND DEVELOPMENT OF MSME IN INDIA:

Over last 5 decades MSME sector emerged as extremely bubbling and energetic segment of Indian economy. MSME plays dual role of providing employment and industrialization of rural/backward areas, thereby reducing regional imbalance and equitable distribution of national income. MSME's are harmonizing to large industries as supplementary units, which adds to socio economic development. It consists of 36 million units, providing employment over 80 million persons with 8% contribution to GDP.

Leading industries of MSME sector (as per 2014-15 MSME report):

• Retail trade(except of motor vehicle & motor cycles) and Repairs of personal and household goods - 39.85%

• Manufacturing of wearing apparels- 8.75%

• Manufacturers of foods and beverages-6.94%

• Other services activities -6.2%, other business activities – 3.77%

• Hotels and restuarents-3.64%

• Sales maintenance of motor vehicles and cycles – 3.57%

• Furniture manufacturing -3.21%, Textile -2.33%

• Fabricated metals except machinery and equipment-2.33% and others

19.4%. According to India MSME report 2014, three sub sectors demonstrates promising picture: food processing- high potential because of agro linkage, textiles-innovation, and electronics- linkage with ITES.

Performance of MSME, Employment and Investments in India

SR. No.	Year	Total working enterprise (in lakh)	Employment (in lakh)	Market value of fixed Asset (Rs. In crore)
1	2006-07	361.71	805.23	868,543.79
2	2007-08	377.36	842.00	920,459.84
3	2008-09	393.7	880.84	977,114.72
4	2009-10	410.8	921.79	1,038,546.08
5	2010-11	428.73	965.15	1,105,934.09
6	2011-12	447.64	1011.69	1,182,757.64
7	2012-13	447.54	1061.4	1,268,763.67
8	2013-14	488.46	1114.29	1,363,700.54

Sources: Annual report 2014-15, GOI, Ministry of MSME

Contribution of manufacturing output of MSME in GDP in india

Sl No	Year	Gross Value of Output of MSME Manufacturing Sector (in crore)	Share of MSME sector in total GDP (%)			Share of MSME Manufacturing output in total Manufacturing Output (%)
			Manufacturing Sector MSME	Services Sector MSME	Total	
1	2006-07	1198818	7.73	27.40	35.13	42.02
2	2007-08	1322777	7.81	27.60	35.41	41.98
3	2008-09	1375589	7.52	28.60	36.12	40.79
4	2009-10	1488352	7.45	28.60	36.05	39.63
5	2010-11	1653622	7.39	29.30	36.69	38.5
6	2011-12	1788584	7.27	30.70	37.97	37.47
7	2012-13	1809976	7.04	30.50	37.54	37.33

The Micro, Small & Medium Enterprises (MSMEs) have been contributing significantly to the expansion of entrepreneurial endeavours through business innovations. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets.

(B) GROWTH AND DEVELOPMENT OF MSME IN GUJARAT:

CUMULATIVE GROWTH OF MSME IN GUJARAT:

YEARS	NO. OF UNITS	INVESTMENT (RS. IN LACS)	UNEMPLOYMENT
2010-11	27940	890264	264867
2011-12	79721	2051714	627738
2012-13	147955	3343874	1008825
2013-14	206581	4617159	1392067
2014-15	270740	5976188	1802500
2015-16	321181	7231582	2064244

Gujarat ranks 1 st in integrated overall performance of MSMEs at National Level, as per ISED Small Enterprise Observatory (As per Gujarat MSME Report 2013)

• Gujarat received 2 nd highest share of over 16.2% in the total number of entrepreneurs memorandum filed the MSMEs across India as of 2013-14

• The MSMEs entrepreneur memorandums received by Gujarat has grown by 193% - from about 20,000 in 2009-10 to over 58,600 in 2013-14

• Ahmedabad, Surat, Rajkot, Vadodara, Bharuch, Jamnagar, Bhavnagar and Valsad are the major Multi Product MSMEs clusters in the state.

PROBLEMS FACED BY MSME IN INDIA:

1. Lack of credit from banks- The MSME`S are presently facing the problems of credit from the banks. The banks are not providing the adequate amount of loan to the MSMEs. The loan providing process of the banks is very long and formalistic. The owners of the MSME`S has to produce different types of documents to prove their worthiness.
2. Competition from multinational companies- In present era of globalization, the MSME`S are facing the great from the international manufacturing companies who are proving quality goods at cheapest price. Therefore, it is very difficult to compete with the multinational companies.
3. Poor infrastructure-Though, MSME`S are developing so rapidly but their infrastructure is very poor. With poor infrastructure, their production capacity is very low while production cost is very high.
4. Lack of advanced technology- The owners of MSMEs are not aware of advanced technologies of production. Their methodology of production

is outdated. The owners are using older method in the field of fabricated metal and textile.

5. Lack of distribution of marketing channels- The MSMEs are not adopting the innovative channels of marketing. Their advertisement and sales promotion are comparatively weaker than the multinational companies.The ineffective advertisement and poor marketing channels leads to a very poor selling.

6. Lack of training and skill development program-The training and development programs in respect of MSME`S development concern is very low .So,skilled manpower is not being available to MSMEs.The owners are not aware of the innovative methods of production. The skill developmental schemes conducted by the government are not sufficient.

7. Complex labor laws and red-tape- All the laws related to the all aspects of manufacturing and service concern are very complex and compliance with these laws are practically difficult .The various decisions of factory‟‟ are depend upon the factory commissioner and inspector, so there are so many chances of red tape in the operation of MSMEs.

8. Problem Of Raw Material: The major problem that the micro and small enterprises have to content with is the procurement of raw material. The problem of raw material has assumed the shape of (i) an absolute scarcity, (ii) a poor quality of raw materials, and (iii) a high cost. Earlier, the majority of micro and small enterprises mostly produced items
dependent on local raw material. But, ever since the emergence of modern small-scale industries manufacturing a lot of sophisticated items, the problem of raw material has emerged as a serious problem on their production efforts. The small units that use imported raw material face raw material problem either on account of foreign currency or customs duty or any other reasons.

The MSMED ACT, 2006

INTRODUCTION:

The conceptual and legal framework for small scale and ancillary

(subsidiary) industrial undertakings is derived from the Industries

. The Act provided the necessary powers to the Central Government to amend the provisions of this act from time to time so as to encourage small scale and ancillary undertakings. The Small and Medium Enterprises Development Bill 2005 which was enacted in June 2006 was renamed as "Micro, Small & Medium Enterprises Development Act, 2006" aims at facilitating the promotion and development of small and medium enterprises. Various notifications issued by the Central Government from time to time relating to increase in slab rate of investments in plant & Machinery for manufacturing enterprises and equipment in service enterprises provides a clear cut proof that the economy of our country is striving towards achieving the economies of scale by increasing the volume of production of goods. The Micro, Small and Medium Enterprise Development Act,
2006 (MSMEDA) extends the scope to accomplishes many long

-standing goals of the government and stakeholders in the MSME sector including the service sector.
OBJECTIVE OF THE ACT:

This is an Act that facilitates the promotion, development and also enhances the competitiveness of micro, small and medium enterprises and for matters connected therewith and incidental thereto
BENEFITS AVAILABLE TO THE ENTERPRISES REGISTERED UNDER MSMED ACT, 2006 :
In short, the benefits available to Enterprises are

a) Easy finance availability from Banks, without collateral requirements

b) Protection against delay in payment from Buyers and right of interest on delayed payment

c) Preference in procuring Government tenders, d) Stamp duty and Octroi benefits,
e) Concession in electricity bills

f) Reservation policies to manufacturing / production sector enterprises

g) Time-bound resolution of disputes with Buyers through conciliation and arbitration

❖Module - 4
Government support for entrepreneurship development

Initiative for start-up

A startup is a newly established business, usually small, started by 1 or a

group of individuals. What differentiates it from other new businesses is that a startup offers a new product or service that is not being given elsewhere in the same way. The keyword is innovation. The business either develops a new product/ service or redevelops a current product/service into something better.

Startup India is an initiative of the Government of India. The campaign was first announced by Indian Prime Minister, Narendra Modi during his speech in 15 August 2015.

The action plan of this initiative is focusing on three areas:

1. Simplification and Hand holding.

2. Funding Support and Incentives.

3. Industry-Academia Partnership and Incubation. (trial process)

The result of first ever startup state ranking were announced in December

2018 by the Department of Industrial Policy and Promotion (DIPP) based on the criteria of policy, incubation hubs, seeding innovation, scaling innovation, regulatory change, procurement, communication, North-Eastern states, and hill states.
2018 Startup State Ranking are as follows:

• Best performer: Gujarat

• Top performers: Karnataka, Kerala, Odisha, and Rajasthan

• Leader: Andhra Pradesh, Bihar, Chhattisgarh, Madhya Pradesh, and

Telangana

• Aspiring leaders: Haryana, Himachal Pradesh, Jharkhand, Uttar Pradesh, and West Bengal
• Emerging states: Assam, Delhi, Goa, Jammu & Kashmir, Maharashtra, Punjab, Tamil Nadu, and Uttarakhand
• Beginners: Chandigarh, Manipur, Mizoram, Nagaland, Puducherry, Sikkim, and Tripura

Benefits to start-ups in India

1. Simple process

The government of India has launched a mobile app and a website for

. Anyone interested in setting up a startup can fill up a simple form on the website and upload certain documents. The entire process is completely online.
2. Reduction in cost

The government also provides lists of facilitators of patents and trademarks. They will provide high-quality Intellectual Property Right Services including fast examination of patents at lower fees. The government will bear all facilitator fees and the startup will bear only the statutory fees. They will enjoy 80% reduction in the cost of filing patents.

3. Easy access to Funds

A 10,000 crore rupees fund is set-up by government to provide funds to the startups as venture capital. The government is also giving guarantee to the lenders to encourage banks and other financial institutions for providing venture capital.

4. Tax holiday for 3 Years

Startups will be exempted from income tax for 3 years provided they get a certification from Inter-Ministerial Board (IMB).

5. Apply for tenders

Startups can apply for government tenders. They are exempted from the "prior experience/turnover" criteria applicable for normal companies answering to government tenders.

6. R & D facilities

Seven new Research Parks will be set up to provide facilities to startups in the R&D sector.

7. No time-consuming compliances

Various compliances have been simplified for startups to save time and money. Startups shall be allowed to self-certify compliance (through the Startup mobile app) with 9 labour and 3 environment laws.

8. Easy exit

In case of exit – A startup can close its business within 90 days from the date of application of winding up

9.Tax saving for investors

People investing their capital gains in the venture funds setup by the

government will get

to attract more investors.

Key initiative for startups

1) Simplification and Handholding

. This will help startups

• Compliance Regime based on Self-Certification - Startups shall be allowed to self-certify compliance (through the Startup mobile app) with labour and environment laws. In case of the labour laws, no inspections will be conducted for a period of 3 years.

• Startup India Hub - To create a single point of contact for the entire

Startup ecosystem and enable knowledge exchange and access to funding.

• Rolling-out of Mobile App and Portal - To serve as the single platform for Startups for interacting with Government and Regulatory Institutions for all business needs and information exchange among various stakeholders.

2) Funding Support and Incentives

• Providing Funding Support through a Fund of Funds with a Corpus of INR 10,000 crore - In order to provide funding support to Startups, Government will set up a fund with an initial corpus of INR 2,500 crore and a total corpus of INR 10,000 crore over a period 4 years (i.e. INR 2,500 crore per year) . The Fund will be in the nature of Fund of Funds, which means that it will not invest directly into Startups, but shall participate in the capital of SEBI registered Venture Funds.

• Credit Guarantee Fund for Startups - Credit guarantee mechanism through National Credit Guarantee Trust Company (NCGTC)/ SIDBI is being envisaged with a budgetary Corpus of INR 500 crore per year for the next four years.

• Tax Exemption on Capital Gains - With this objective, exemption shall be given to persons who have capital gains during the year, if they have invested such capital gains in the Fund of Funds recognized by the Government. In addition, existing capital gain tax exemption for investment in newly formed manufacturing MSMEs by individuals shall be extended to all Startups.

• Tax Exemption to Startups for 3 years - The profits of Startup initiatives are exempted from income-tax for a period of 3 years. The exemption shall be available subject to non-distribution of dividend by the Startup.

3) Industry-Academia Partnership and Incubation

• Organizing Startup Fests for Showcasing Innovation and Providing a Collaboration Platform - To reinforce the Startup ecosystem in India, the Government is proposing to introduce Startup fests at national and international stages.

• Launch of Atal Innovation Mission (AIM) with Self-Employment and Talent Utilization (SETU) Program - The Atal Innovation Mission
will establish sector specific incubators and 500 'Tinkering Labs' (to promote innovative mindset among students)to promote entrepreneurship, provide pre-incubation training and a seed fund for high-growth startups. Three innovation awards will be given per state and union territory, along with three national awards, as well as a Grand Innovation Challenge Award for finding ultra-low cost solutions for India.

• Harnessing Private Sector Expertise for Incubator Setup - To ensure professional management of Government sponsored / funded incubators, Government will create a policy and framework for setting-up of
in public private partnership.

• Building Innovation Centers at National Institutes - In order to increase the incubation and R&D efforts in the country, the Government will set up/ scale up 31 centers (to provide facilities for over 1,200 new Startups) of innovation and entrepreneurship at national institutes

• Setting up of 7 New Research Parks Modeled on the Research Park Setup at IIT Madras - The Government shall set up 7 new Research Parks in institutes with an initial investment of INR 100 crore each. The Research Parks shall be modeled based on the Research Park setup at IIT Madras.

• Promoting Startups in the Biotechnology Sector - 5 new Bio-clusters,

50 new Bio-Incubators, 150 technology transfer offices and 20

Bio-Connect offices will be set up in research institutes and universities across India.

• Launching of Innovation Focused Programs for Students - An innovation core program targeted at school kids aims to source 10 lakh innovations from five lakh schools, out of which the the best 100 would be shortlisted and showcased at an Annual Festival of Innovations, to be held in Rashtrapati Bhavan.

• Annual Incubator Grand Challenge - The government will identify and select ten incubators, evaluated on pre-defined Key Performance Indicators (KPIs) as having the the potential to become world class, and give them Rs.10 crore each as financial assistance to ramp up their infrastructure

Incubators- an organisation designed to increase the growth and success of companies through support in resources and other services

DEFINITION OF START UP:

MINISTRY OF COMMERCE AND INDUSTRY (Department of

Industrial Policy and Promotion) NOTIFICATION New Delhi, the

11th April, 2018. G.S.R. 364(E).—this notification is being issued in supersession of Gazette Notification No. G.S.R. 501(E) dated May 23, 2017.

In this notification,— An entity shall be considered as a Startup:

I) Up to a period of seven years from the date of incorporation/registration, if it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India. In the case of Startups in the biotechnology sector, the period shall be up to ten years from the date of its incorporation/ registration.
ii) Turnover of the entity for any of the financial years since incorporation/ registration has not exceeded Rs. 25 crore
iii) Entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.
Provided that an entity formed by splitting up or reconstruction of an existing business shall not be considered a 'Startup'

INITIATIVES FOR STARTUP INDIA IN GUJARAT/GOVERNMENT OF GUJARAT SCHEME FOR START UP INDIA:
Resolution

In view of the strategy under New Industrial Policy the Government is

`pleased to introduce a "Scheme for Assistance for Startups / Innovation" which will come into force from the date 1.1.2015 and will remain in operation for a period of five years.
Scheme Eligibility

- Eligibility of Applicants

Any individual/group of individuals having innovative idea/Concept will be eligible.

• Eligibility for Institutions

Universities/education institutions, Incubation Centre/PSUs/R&D Institutions/Private and other establishments will be eligible as an institution to support and mentor to innovators as approved by Committee.

Available Assistance

Assistance for Innovation

• will be provided to the innovator as sustenance

allowance for one year whose project is recommended and approved by institution's Screening Committee.

• Up to Rs. 5 Lakhs assistance will be provided to the institution for mentoring service annually.

• Up to Rs. 10.00 Lakhs assistance will be provided for Cost of Raw Material/Components & other related equipment required for the innovative process for the new product development based on approval of the Screening Committee.

• Institution will support to the innovator by providing mentor services.

• Institution will allow the innovator to use facilities available in the institution for start ups.

• Govt. will support selected innovator to get free access to University/Libraries/Govt. Laboratories/SDCs(GIDC)/CoE/PSUs to have more clarity on his innovative i

Assistance once the Idea/Concept get commercialized

• Marketing/publicity assistance of up to Rs. 10.00 lakhs will be provided for the introduction of innovated product in the market.

- Project of Innovated Product will be assisted in getting venture capital

START UP FUNDING PROCEDURE IN GUJARAT UNDER START UP INDIA INITIATIVES
STEP-WISE PROCEDURE

1. The institution which intend to promote the Startups, will submit its proposal through online application form for approval of State Level Implementation Committee (SLIC) as Nodal Institute.
2. The innovator will approach institution with his proposal of innovative idea/concept for recommendation.
3. The Committee will approve idea/concept of an individual or group of individuals duly recommended by institution.
4. The institution will submit proposal to IC(industry commissioner) office to avail assistance for providing mentoring services and the committee will sanction the assistance based on number of innovators.
5. The institution will submit proposal to Industries Commissioner to avail assistance for Cost of Raw material/ components & other related equipment required for innovation.
6. The selected candidate whose project is approved by the committee will be eligible for sustenance allowance for one year and it will be paid by Industries Commissioner. Assistance to the Nodal Institution will be released by Industries Commissioner.
7. Once the idea get commercialized, the Innovator will apply to Industries Commissioner to avail benefits such as venture capital assistance, marketing/publicity support and apply to DIC for assistance under MSME scheme and Net VAT reimbursement etc

START UP ECOSYSTEM IN INDIA:

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$50,000 each to the top 5 selected startups

• 10000 Women program by Goldman Sachs is providing women entrepreneurs all around the world with a business and management education, mentoring and networking and access to capital.
• Microsoft Ventures Accelerator Program in India has recently picked up 16 startup
Government Support

Government of India is understanding the value of working with disruptive innovators across the value chain and using their innovations to improve public service delivery.
• Department of Animal Husbandary and Dairying has conducted a grand challenge in association with Startup India to award top startups in
5 categories 10 lakhs INR.

• Small Industries Development Bank of India has launched a scheme to provide assistance to existing Small and Medium Businesses in need of capital for growth
• Over 26 states in the country have Startup policies

REGISTER STARTUP WITH STARTUP INDIA Step 1: Incorporate your business

You must first incorporate your business as a Private Limited Company or a Partnership firm or a Limited Liability Partnership You have to follow all the normal procedures for registration of any business like obtaining the certificate of Incorporation/Partnership registration, PAN, and other required compliances.

Step 2: Register with Startup India

Then the business must be registered as a startup. The entire process is simple and online. All you need to do is log on to the Startup India website and fill up the form with details of your business and upload certain documents.

Step 3: Documents to be uploaded :

a) A letter of recommendation/support

A letter of recommendation must be submitted along with the registration form. Any of the following will be valid-

(i) A recommendation (regarding innovative nature of business) from an

Incubator established in a postgraduate college in India , in a format specified by the Department of Industrial Policy and Promotion (DIPP); OR

(ii) A letter of support by an incubator, which is funded (in relation to the project) by Government of India as part of any specified scheme to promote innovation; OR

(iii) A letter of recommendation (regarding innovative nature of business), from an Incubator, recognized by the Government of India in DIPP specified format; OR

(iv) A letter of funding of not less than 20% in equity, by any Incubation Fund/Angel Fund/Private Equity Fund/Accelerator/Angel Network, duly

registered with SEBI that endorses innovative nature of the business; OR (v) A letter of funding by Government of India or any State Government as part of any specified scheme to promote innovation; OR
(vi) A patent filed and published in the Journal by the Indian Patent

Office in areas affiliated with the nature of the business being promoted.

b) Incorporation/Registration Certificate

You need to upload the certificate of incorporation of your company/LLP (Registration Certificate in case of partnership)
c) Description of your business in brief

A brief description of the innovative nature of your products/services.

Step 4: Answer whether you would like to avail tax benefits

Startups are exempted from income tax for 3 years. But to avail these benefits, they must be certified by the Inter-Ministerial Board (IMB). Start-ups recognized by DIPP, Govt. of India can now directly avail IPR related benefits without requiring any additional certification from IMB.
Step 5: Finally, you must self-certify that you satisfy the following conditions
a) You must register your new company as a Private Limited Company, Partnership firm or a Limited Liability Partnership
b) Your business must be incorporated/registered in India, not before 5 years.
c) Turnover must be less than 25 crores per year.

d) Innovation is a must– the business must be working towards innovating something new or significantly improving the existing used technology.
e) Your business must not be as a result of splitting up or reconstruction of an existing business.

Step 6: Immediately get recognition number

That's it! On applying you will immediately get a recognition number for your startup. The certificate of recognition will be issued after the examination of all your documents.
However, be careful while uploading the documents. If on subsequent verification, it is found to be obtained that the required document is not uploaded/wrong document uploaded or a forged document has been uploaded then you shall be liable to a fine of 50% of your paid-up capital of the startup with a minimum fine of Rs. 25,000.
Step 7: Other areas

a) Patents, trademarks and/or design registration

If you need a patent for your innovation or a trademark for your business, you can easily approach any from the list of facilitators issued by the government. You will need to bear only the statutory fees thus getting an
80% reduction in fees.
b) Funding

One of the key challenges faced by many startups has been accessing to finance. Due to lack of experience, security or existing cash flows, entrepreneurs fail to attract investors. Besides, the high-risk nature of startups, as a significant percentage fail to take-off, puts off many investors.
In order to provide funding support, Government has set up a fund with an initial corpus of INR 2,500 crore and a total corpus of INR 10,000 crore over a period 4 years (i.e. INR 2,500 crore per year). The Fund is in the nature of Fund of Funds, which means that it will not invest directly into Startups, but shall participate in the capital of SEBI registered Venture Funds.

STAND UP INDIA AND ITS SCHEMES. INTRODUCTION;
The Stand up India scheme aims at promoting entrepreneurship among women and scheduled castes and tribes. The scheme is anchored by

Department of Financial Services (DFS), Ministry of Finance, Government of India.

Standup India was launched by Prime Minister Narendra Modi on 5 April 2016 to support entrepreneurship among women and SC & ST communities

STAND UP INDIA SCHEME:

Stand-Up India Scheme facilitates bank loans between Rs 10 lakh to Rs 1 Crore to at least one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower and at least one woman borrower per bank branch for setting up a greenfield enterprise. This enterprise may be in manufacturing, services or the trading sector. In case of non-individual enterprises at least 51% of the shareholding and controlling stake should be held by either an SC/ST or woman entrepreneur.

Eligibility

• SC/ST and/or woman entrepreneurs, above 18 years of age.

• Loans under the scheme is available for only green field project. Green field signifies, in this context, the first time venture of the beneficiary in the manufacturing or services or trading sector.

• In case of non-individual enterprises, 51% of the shareholding and controlling stake should be held by either SC/ST and/or Women Entrepreneur.

• Borrower should not be in default to any bank/financial institution.

Loan details

• Nature of Loan - Composite loan (inclusive of term loan and working capital) between 10 lakh and upto 1 crore
• Purpose of Loan - For setting up a new enterprise in manufacturing, trading or services sector by SC/ST/Women entrepreneur.
• Size of Loan - Composite loan (loan for land and construction) of 75% of the project cost inclusive of term loan and working capital. The stipulation of the loan being expected to cover 75% of the project cost would not apply if the borrower's contribution along with convergence support from any other schemes exceeds 25% of the project cost.
• Interest Rate - The rate of interest would be lowest applicable rate of the bank for that category (rating category) not to exceed (base rate (MCLR) + 3%+ tenor premium)
• Security - Besides primary security, the loan may be secured by collateral security or guarantee of Credit Guarantee Fund Scheme for
as decided by the banks.

• Repayment - The loan is repayable in 7 years with a maximum moratorium period of 18 months.
• Working Capital - For drawal of Working capital upto 10 lakh, the same may be sanctioned by way of overdraft. Rupay debit card to be issued for convenience of the borrower. Working capital limit above 10 lakh to be sanctioned by way of Cash Credit limit.
• Margin Money - The Scheme envisages 25% margin money which can be provided in convergence with eligible Central / State schemes. While such schemes can be drawn upon for availing admissible subsidies or for meeting margin money requirements, in all cases, the borrower shall be required to bring in minimum of 10% of the project cost as own contribution.
How to apply for loans

The scheme, which covers all branches of Scheduled Commercial Banks, will be accessed in three potential ways.
• Directly at the branch or

• Through Stand-Up India portal or

• Through the

Process for submission of loan applications

1. Information on certain parameters/ metrics of the borrower is collected through the initial registration process in the portal. Based on the information provided, feedback is provided to borrowers.
2. The approach of the Stand-Up India portal, for handholding is based on obtaining answers to a set of relevant questions at the initial stage. These would be typically be:
 Location of the borrower

• Category – SC/ ST/ Woman

• Nature of business planned

• Availability of place to operate the business.

• Assistance needed for preparing a project plan

• Requirement of skills/training (technical and financial).

• Details of present bank account.

• Amount of own investment into the project

• Whether help is needed to raise margin money

• Any previous experience in business

Start up ecosystem in India

India is the 2nd largest start-up ecosystem in the world; YOY growth

of 10-12% is expected

~ 20,000 start-ups in India; Of these, about 4,750 are technology-based start-ups

1,400 new tech start-ups were born in 2016 alone; 3-4 tech start-ups are born here every day

According to Innovation Capital's survey report (survey of 140 founders); The major factors that attract India as a start-up nation are-

1. The cost of doing business

2. Proximity to customers / sellers

3. The size of the domestic market

Out of 7 million college graduates each year; 55% of young people prefer to work in start-ups than corporates. Average age of founders: 31 years With 462 million Internet users, the world's second largest Internet consumer market (surpassing China), 80% of these users are mobile users.

As e-commerce and aggregators mature; Fintech, Edutech and Healthtech sectors are also being set up

Bangalore, Mumbai and NCR top the list with more than 65% start-up destinations out of the total Indian start-ups.

Bangalore is also listed among the top 20 start-up cities in the world in the 2015 Start-up Genome Project Rankings . It is also ranked as one of the five fastest growing start-up cities in the world

Infrastructure

- 280+ incubators / accelerators / co-workplaces with 40% YOY growth

• Tier 2 / Tier 3 cities are coming forward with 66% new incubator installations

•

day of the week

• Angel investment is growing with a 20% increase in active investors

• Global investors like Alibaba Group, Softbank, Sequoia and

Foxconn have started investing in the Indian start-up ecosystem.

Corporate Connect

The industry is realizing the revolutionary potential of start-ups and so they are partnering / investing in them. According to the KPNG 2016
CEO survey; 37% of CEOs consider their companies to be highly capable of matching start-ups in a profitable way. Examples of corporate support:

• Wipro has set up a 100mn $ fund to invest in start-ups

• IBM 100 is partnering with Indian Big Data and IoT start-ups,

• Apple has recently acquired Hyderabad-based TupleJump, an

AI-based start-up

• Barclays has set up a fintech cooperative workplace that expects to find innovative products at five times cheaper than internal research and development.

SKILL INDIA INITATIVE AND ITS SCHEME. INTRODUCTION:

Skill India is an initiative of the Government of India It was launched by Prime Minister Narendra Modi on 15th July 2015 with an aim to train over 40 crore people in India in different skills by 2022.

The initiatives include National Skill Development Mission, National Policy for Skill Development and Entrepreneurship 2015, Pradhan Mantri Kaushal Vikas Yojana(PMKVY) scheme and the Skill Loan scheme.

Skill India won't be just a programme but a movement. Here, youth who are jobless,college and schools dropouts, along with the educated ones, from rural and urban areas, all will be given value addition

OBJECTIVES OF 'SKILL INDIA'

The main goal is to create opportunities, space and scope for the development of the talents of the Indian youth and to develop more of
those sectors which have already been put under skill development for the last so many years and also to identify new sectors for skill development. The new programme aims at providing training and skill development to
40 crore youth of our country by 2022, covering each and every village. Various schemes are also proposed to achieve this objective.

FEATURES OF 'SKILL INDIA ':

• The emphasis is to skill the youths in such a way so that they get employment and also improve entrepreneurship.
• Provides training, support and guidance for all occupations that were of traditional type like carpenters, cobblers, welders, blacksmiths, masons, nurses, tailors, weavers etc.
• More emphasis will be given on new areas like real estate, construction, transportation, textile, gem industry, jewellery designing, banking, tourism and various other sectors, where skill development is inadequate

or nil.

• The training programmes would be on the so

that the youths of our country can not only meet the domestic demands but also of other countries like the US, Japan, China, Germany, Russia and those in the West Asia.

• Another remarkable feature of the 'Skill India' programme would be to create a hallmark called 'Rural India Skill', so as to standardise and certify the training process.

• Tailor-made, need-based programmes would be initiated for specific age groups which can be like language and communication skills, life and positive thinking skills, personality development skills, management skills, behavioural skills, including job and employability skills.

• The course methodology of 'Skill India' would be innovative, which would include games, group discussions, brainstorming sessions, practical experiences, case studies etc.

SCHEMES OF STAND UP INDIA:

1) Pradhan Mantri Kaushal Vikas Yojana (PMKVY)

Pradhan Mantri Kaushal Vikas Yojana (PMKVY) is the flagship scheme of the Ministry of Skill Development & Entrepreneurship (MSDE). The objective of this Skill Certification Scheme is to enable a large number of Indian youth to take up industry-relevant skill training that will help them in securing a better livelihood. Individuals with prior learning experience or skills will also be assessed and certified under Recognition of Prior Learning (RPL). Under this Scheme, Training and Assessment fees are completely paid by the Government.

Key Components of the Scheme:

- Short Term Training:

The Short Term Training imparted at PMKVY Training Centres (TCs) is expected to benefit candidates of Indian nationality who are either school/college dropouts or unemployed. Apart from providing training according to the National Skills Qualification Framework (NSQF), TCs shall also impart training in Soft Skills, Entrepreneurship, Financial and Digital Literacy. Duration of the training varies per job role, ranging between 150 and 300 hours..

- Recognition of Prior Learning:

Individuals with prior learning experience or skills shall be assessed and certified under the Recognition of Prior Learning (RPL) component of the Scheme.

- Special Projects :

The Special Projects component of PMKVY envisages the creation of a platform that will facilitate training in special areas and/or premises of Government bodies, Corporate or Industry bodies, and training in special job roles not defined under the available Qualification Packs (QPs)/National Occupational Standards (NOSs).

- Placement Guidelines:

PMKVY envisages to link the aptitude, aspiration, and knowledge of the skilled workforce it creates with employment opportunities and demands in the market. Every effort thereby needs to be made by the PMKVY TCs to provide placement opportunities to candidates, trained and certified under the Scheme. TCs shall also provide support to entrepreneurship development.

- Monitoring Guidelines :

To ensure that high standards of quality are maintained by PMKVY TCs, NSDC (national skill development corporation) and em-paneled Inspection Agencies shall use various methodologies, such as self-audit reporting, call validations, surprise visits, and monitoring through the Skills Development Management System (SDMS). These methodologies shall be enhanced with the engagement of latest technologies.

2) Skills Acquisition And Knowledge Awareness For Livelihood

Promotion (SANKALP):

Skills Acquisition and Knowledge Awareness for Livelihood Promotion (SANKALP) project aims to implement the mandate of the National Skill Development Mission (NSDM), which was launched on 19th Jan, 2018 by Ministry of Skill Development & Entrepreneurship, through its core sub-missions. The project will be implemented in mission mode through World Bank support and is aligned with the overall objectives of the NSDM. The main objectives of the project include strengthening institutional mechanisms at both national and state levels, building a pool of quality trainers and assessors, creating occurrence among all skill training activities at the state level, establishing robust monitoring and evaluation system for skill training programs, providing access to skill training opportunities to the disadvantaged sections and most importantly

supplement the Make in India initiative by catering to the skill requirements in relevant manufacturing sectors.

3)UDAAN

Udaan is a Special Industry Initiative for Jammu & Kashmir in the nature of partnership between the corporates of India and Ministry of Home Affairs and implemented by National Skill Development Corporation. The programme aims to provide skills training and enhance the employ-ability of unemployed youth of J&K. The Scheme covers graduates, post graduates and three year engineering diploma holders.

4) Standard Training Assessment and Reward (STAR) Scheme:

The scheme is for encouraging skill development among the youth by providing monetary rewards for successful completion of approved training programmes.

• The scheme shall be implemented through Public- Private and

Public-Public partnerships.

• The scheme will provide monetary incentives for successful completion of market-driven skill training to approximately Rs.10 lakh in a span of one year from the date of implementation of the scheme.

• After the training programme a STAR (Standard Training Assessment & Reward) certificate will be given by GoI, NSDC which is valid all over India.

5) Deen Dayal Upadhyaya Grameen Kaushlya Yojana:

Features of Deen Dayal Upadhyaya Grameen Kaushalya Yojana

• Enable Poor and Meager to Access Benefits

• Demand led skill training at no cost to the rural poor

• Inclusive Program Design

• Mandatory coverage of socially disadvantaged groups (SC/ST 50%; Minority 15%; Women 33%)

• Shifting Emphasis from

• Pioneers in providing incentives for job retention, career progression and foreign placements

• Post-placement support, migration support and alumni network

Beneficiary Eligibility

- Rural Youth:15 - 35 Yrs
- SC/ST/Women/PVTG/PWD: upto 45 Yrs

6) GREEN SKILL DEVELOPMENT PROGAMME (GSDP):

The Green Skill Development Programme (GSDP) of the Ministry of Environment, Forest and Climate Change (MoEF&CC) is an initiative for skill development in the environment and forest sector to enable India's youth to get gainful employment and/or self-employment. The programme attempt to develop green skilled workers having technical knowledge and commitment to sustainable development. It will help in the attainment of the Nationally Determined Contributions (NDCs), Sustainable Development Goals (SDGs), National Biodiversity Targets (NBTs), as well as Waste Management Rules (2016).
More than 30 programmes have been identified, which will be conducted in 84 institutions across the country.

CH-2-EASE OF DOING BUSINESS

INTRODUCTION:

The ease of doing business index is an index created by Simeon D. at the World Bank Group. The academic research for the report was done jointly with professors Oliver Hart and Andrei Shleifer. Higher rankings indicate better, usually simpler, regulations for businesses and stronger protections of property rights. Empirical research funded by the World Bank to justify their work show that the economic growth impact of improving these regulations is strong.

RANKING:

India is ranked 63 among 190 economies in the ease of doing business, according to the latest World Bank annual ratings. The rank of India improved to 77 in 2018 from 100 in 2017. Ease of Doing Business in India averaged 124.82 from 2008 until 2018, reaching an all time high of
139 in 2010 and a record low of 63 in 2020.

DEFINITION:

Ease of doing business is an index published by the World Bank. It is an aggregate figure that includes different parameters which define the ease of doing business in a country. It is computed by aggregating the distance to frontier scores of different economies. The distance to frontier score uses the 'regulatory best practices' for doing business as the parameter and benchmark economies according to that parameter.
For each of the indicators that form a part of the statistic 'Ease of doing business,' a distance to frontier score is computed and all the scores are aggregated. The aggregated score becomes the Ease of doing business index
PARAMETERS OF EASE OF DOING BUSINESS/ DETERMINANTS OF EASE OF DOING BUSINESS:
The Department for Promotion of Industry and Internal Trade (DPIIT) identified law of land, resolving insolvency, starting a business, registering property, paying taxes and trading across borders as six areas that need improvement
The Department for Promotion of Industry and Internal Trade (DPIIT), under the ministry, is also following reform activities in Kolkata and Bengaluru as these two cities are included by the World Bank this year besides Delhi and Mumbai for preparing the ease of doing business report, with a view to provide a holistic picture of business environment in India, the official said.

1. Starting a business:

Starting a business involves obtaining clearances, and conforming to various regulations under laws such as Companies Act, 2013. The report noted that India merged the application procedure for getting a Permanent Account Number (PAN) and the Tax Account Number (TAN) for new businesses. It also improved the online application system for getting a PAN and a TAN.

2. Dealing with Construction Permits

This topic tracks the procedures, time and cost to build a warehouse—including obtaining necessary the licenses and permits, submitting all required notifications, requesting and receiving all necessary inspections and obtaining utility connections. In addition, the Dealing with Construction Permits indicator measures the building quality control index, evaluating the quality of building regulations, the
strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements.

Municipal Corporations of Delhi, as well as Municipal Corporation of Greater Mumbai, have introduced fast track approval system for issuing building permits with features such as Common Application Form (CAF), provision of using digital signature and online scrutiny of building plans.

- Delhi has uniform building by-laws which allow for risk-based classification regimes for different building types. It has a provision of deemed approval of sanctioning building plans within 30 days.

- For construction permits, the time reduced from 128.5 to 98 days in Mumbai and from 157.5 to 113.5 days in Delhi between Doing Business 2018 and 2020 reports.

- The total number of procedures reduced to 19 in Mumbai and

11 in Delhi.

3. Getting Electricity:

This topic measures the procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse. Additionally, the reliability of supply and transparency of tariffs index measures reliability of supply, transparency of tariffs and the price of electricity

Procedures to obtain an electricity connection (number) :

• Submitting all relevant documents and obtaining all necessary clearances and permits
• Completing all required notifications and receiving all necessary inspections
• Obtaining external installation works and possibly purchasing material for these works
• Concluding any necessary supply contract and obtaining final supply

4. Trading Across Borders

 The Central Board of Excise and Customs (CBEC) has implemented the 'Indian Customs Single Window Project' to facilitate trade. Importers and exporters can electronically lodge their Customs clearance documents at a single point. .

 The number of mandatory documents required for customs purposes, for both import and export of goods, has been reduced to three.

 e-Sanchit, an online application system, allows traders to file all documents electronically.

 A computerized risk management system has brought transparency and reduced the frequency of custom inspections significantly.

 Central Board of Indirect Taxes and Customs has provided a

facility for

(Advance Import Declaration)

5. Registering Property

All sub-registrar offices have been digitized and its records have been integrated with the Land Records Department, in both Delhi and Mumbai.

In Mumbai, all property tax records have been digitized. Property is mutated automatically after registration.The digitization of property records ensures transparency and allows citizens to

ascertain the history of transactions in digital mode.

Online service for charges search at Registrar of Companies

reduces the time taken for this procedure significantly.

Statistics regarding the number of land disputes at Revenue

Courts are available online in both Delhi and Mumbai.

6. Resolving Insolvency

- The Insolvency and Bankruptcy Code of 2016 has introduced new dimensions in resolving insolvency in India. It is India's first comprehensive legislation on corporate insolvency.

 Under Fast-track Corporate Insolvency Resolution Process (CIRP) for mid-sized companies, the process for insolvency shall be completed within 90 days with a maximum grace period of another 45 days.

7. Protecting Minority Investors: This topic measures the strength of minority shareholder protections against misuse of corporate assets by directors for their personal gain as well as shareholder rights, governance safeguards and corporate transparency requirements that reduce the risk of abuse.

• Extent of disclosure index (0–10) : Ability of minority shareholders to sue and hold interested directors liable for prejudicial related party transactions; Available legal remedies (damages,disgorgement of profits, fines, imprisonment,)

• Extent of director liability index (0–10) :

• Extent of conflict of interest regulation index (0–10) : Shareholders’

rights and role in major corporate decisions

• Extent of shareholder rights index (0-10) : Governance safeguards protecting shareholders from undue board control and entrenchment

• Extent of ownership and control index

• Extent of corporate transparency index

• Extent of shareholder governance index

8. Labor Market Regulation: What the indicators measure : Hiring:

(i) fixed-term contracts are prohibited for permanent tasks; (ii) maximum cumulative duration of fixed-term contracts; (iii) length of the probationary period; (iv) minimum wage

Working hours:

(i) maximum number of working days allowed per week; (ii) premiums for work: at night, on a weekly rest day and overtime; (iii) whether there are restrictions on work at night, work on a weekly rest day and for overtime work; (iv) length of paid annual leave. Redundancy(unnecessary) rules:
(i) whether redundancy can be basis for terminating workers; (ii) whether employer needs to notify and/or get approval from third party to terminate 1 redundant worker and a group of 9 redundant workers; (iii) whether law requires employer to reassign or retrain a worker before making worker redundant;
Job quality:

(i) whether law mandates equal remuneration for work of equal value and nondiscrimination based on gender in hiring; (ii) whether law mandates paid or unpaid maternity leave; (iii) length of paid maternity leave; (iv) whether employees on maternity leave receive 100% of wages; (v) availability of five fully paid days of sick leave a year.
10. Paying Taxes

- Reduction of corporate tax from 30% to 25% for mid-sized companies.

- Domestic companies can opt for concessional tax regime @ 22% (effective tax rate: 25.17% inclusive of surcharge and cess). Such a company cannot claim any income tax incentive or exemption. Such companies are not liable to pay the Minimum Alternate Tax (MAT)

- The tax rate for new domestic manufacturing companies is now 15% (17.01% inclusive of surcharge and cess). Companies that have been incorporated on or after 1st October 2019, making fresh investment manufacturing and commencing production on or before 31 March 2023, may opt for such a concessional tax regime. Such companies cannot avail of any other income tax exemption/ incentive under the Income-tax Act.

 A company that does not opt for the above concessional tax regime and avails any tax exemption/ incentive, shall continue to pay tax at pre-amended rates. However, the option of availing of the lower tax regime of 22% can be opted for after the expiry of tax during the holiday/ exemption period. Once the same has opted for it cannot be subsequently withdrawn by the taxpayer. MAT (minimum alternative tax)rate for companies availing
exemptions/ incentives reduced

 Robust IT infrastructure of online return filing for Indian taxpayers.
 The Goods and Service Tax came into effect on 01 July 2017. It subsumes eight taxes at the Central and nine taxes at the State level.

 The Employee State Insurance Corporation (ESIC) has developed a fully online module for electronic return filing with online payment. This has substantially reduced the time to prepare and file returns.

 With the introduction of the e-verification system, there remains no physical touchpoint for document submission to income tax authorities.

 Instead of filing 3 GST returns, the taxpayer has to now file only

2 returns.

WOMEN ENTREPRENEURSHIP IN INDIA

According to the Women's Financial Network,

two times the rate of men. While women are starting more businesses than men, they find it harder at the outset to grow their businesses and access venture capital. Women entrepreneurs constitute 10 % of the number of entrepreneurs in our country. "All over the world there is a realization that the

best way to tackle poverty and enable the community to improve its quality of life is through social mobilization of poor, especially women into self help groups. Ever since independence a number of innovative schemes have been launched for the upliftment of women in our country. Indian government has taken lot of initiatives to strengthen the institutional rural credit system and development programmes. Viewing it in the welfare programmes of Ninth Five Year Plan (1997-2002) and shifting the concept of Development to Empowerment. The Indian government adopted the approach of Self
Help Groups (SHGs) to uplift the rural poor women. The empowerment of women through Self Help Groups (SHGs) would lead to benefits not only to the individual woman and women groups but also the families and community as a whole through collective action for development.
The Government of India has defined women entrepreneurs based on women participation in equity and employment of a business enterprise. Accordingly, the Government of India (GOI2006) has defined women entrepreneur as "an enterprise owned and controlled by a women having a minimum financial of 51 per cent of the capital and giving at least 51 per cent of the employment generated in the enterprise to women." However, this definition is subject to criticism mainly on the condition of employing more than 50 per cent women workers in the enterprises owned and run by the women.

BARRIERS OR PROBLEMS FACED BY WOMEN ENTREPRENEURS

1. Finance:

The majority of women business owners have had to rely to a significant extent on self generated finance during the start up period of their business. Bank loans and grants have only been used in a minority of cases and have usually been accompanied by some form of self generated finance. The availability of bank credit appears to increase once businesses become established and/or a good relationship with the bank has been developed. Banks are reported to have been more forthcoming in the provision of loans once a business has begun to demonstrate a track record. Because of limited funds, they are not able to stock new materials and spend on advertising.

2. Family restriction

Women are expected to spend more time with their family members. They do not encourage women to travel extensively for exploiting business opportunities.

3. Lack of Education

Women are generally denied of higher education, especially in rural areas and under developed countries. Women are not allowed to enrich their knowledge in technical and research areas to introduce new products.

4. Male-Dominated Society:

Male chauvinism is still the order of the day in India. The Constitution of India speaks of equality between sexes. But, in practice, women are looked upon as abla, i.e. weak in all respects. Women suffer from male reservations about a women's role, ability and capacity and are treated accordingly. In nutshell, in the male-dominated Indian society, women are not treated equal to men. This, in turn, serves as a barrier to women entry into business.

5. Limited Mobility:

Unlike men, women mobility in India is highly limited due to various reasons. A single woman asking for room is still looked upon suspicion. Cumbersome exercise involved in starting an enterprise coupled with the officials humiliating attitude towards women compels them to give up idea of starting an enterprise.

6. Lack of a support network

A robust network and an efficient team are indispensable for entrepreneurial success. Nearly 48% of female founders have reported not having mentors to guide them through their journey.

Networking has become the new go-to for every sphere, personal and professional. Be it seeking jobs or starting up, it is less about what you know and rather who you know. Women must-attend networking and entrepreneurial events catering to them and their industries.

Once you find your network and people who you would like to add to your network, don't hesitate in asking them what you need.

7. Technology

Access to technology and problems with intellectual property protection were regarded as problems for women entrepreneurs. The lack of computer knowledge of employees is a major problem as computer skills are a key part of the business. Another firm used computer extensively for word processing, desk top publishing, e-mail and research purposes but saw no value in increasing their use further.

8. Low risk bearing ability

This is so because right from the childhood, her parents take decisions for her and after marriage her husband takes over. She is protected throughout and thus the risk bearing ability gets reduced.

9. Socio-cultural barriers

Woman has to perform multiple roles be it familial or social irrespective of her career as working woman or an entrepreneur. In our society, more importance is being given to male child as compared to female child. This mindset results in lack of schooling and necessary training for women. As a result this impediments the progress of women and handicap them in the world of work.

SCHEMES OF WOMEN ENTREPRENEURSHIP IN INDIA:

1. Annapurna Scheme:

This scheme is offered by the State Bank of Mysore for those women entrepreneurs who are setting up food catering industry in order to sell packed meals, snacks, etc. The amount granted as a loan under this scheme can be used to fulfill the working capital needs of the business like buying utensils and other kitchen tools and equipment.
Under this loan, a guarantor is required along with the assets of the business being pledged as collateral security. Further, the maximum amount of money that is granted is – 50,000 which has to re-paid in monthly installments for 36 months, however, after the loan is sanctioned, the lender doesn't have to pay the EMI for the first month. The interest rate is determined depending upon the market rate.

2. Stree Shakti Package For Women Entrepreneurs:

This scheme is offered by most of the SBI branches to women who have

50% share in the ownership of a firm or business and have taken part in the state agencies run Entrepreneurship Development Programmes (EDP). The scheme also offers a discounted rate of interest by
amount of loan is more than 2 lakhs.
3. Bharathiya Mahila Bank Business Loan

Bharathiya Mahila Bank was started for those women who dream big despite the lack of resources. It provides loans up to INR 20 crores for women entrepreneurs who want to set up a manufacturing business.
Collateral is not required if the loan you are seeking is less than 1 crore.

While the Bharatiya Mahila Bank merged with the State Bank of India, the loan scheme that started in 2017 still stands.

4. Mudra Yojana Scheme

For women who want to start or expand a small business of their own, Mudra Yojana is a scheme that can be helpful. This is not a scheme specifically for women, however, it can be highly beneficial. You can seek a loan for anywhere between INR 50000 to INR 10 lakh.

It is perfect for businesses like beauty salons, opening a small shop or running a home-based business. You don't need any collateral or guarantor for this loan.

The scheme is divided into three categories:

- Shishu: loans up to 50,000/-
- Kishor: loans above 50,000/- and up to 5 lakh
- Tarun: loans above 5 lakh and up to 10 lakh

5. Udyogini Scheme

This scheme provides subsidised loans to aspiring women entrepreneurs from rural and under-developed regions. It extends interest-free loans of up to Rs 3 lakh to women entrepreneurs running or starting

small-scale industries.

The government proposes up to 30 percent subsidy on loans extended under this scheme. Women entrepreneurs between the ages of 25 and 65 with a family annual income of less than Rs 1.5 lakh can apply. The upper limit for income is not applicable for women under special categories, including disabled, widowed, and destitute

6. Dena Shakti Scheme

The Dena Shakti Scheme provides loans up to Rs 20 lakh for women entrepreneurs in agriculture, manufacturing, micro-credit, retail stores, or similar small enterprises. Under the scheme, loans up to Rs 50,000 are offered under the micro-credit category.

The rate of interest is charged as per extant guidelines of Dena Bank, which facilitates loans, and RBI directives. A concession or rebate of 25 basis points in the rate of interest as applicable to existing activities is provided to women beneficiaries, subject to conditions specified by the Dena Bank.

7. Cent Kalyani Scheme

Offered by the Central Bank of India, this scheme is for women business owners in multiple areas across manufacturing and services, including handlooms, food processing, garment making, etc. The purpose of the scheme is to provide loans to meet capital expenditure on plant and machinery, equipment, daily expenses, and others.
Under this scheme, loans up to Rs 1 crore are sanctioned with a 20 percent margin on collateral. Moreover, the interest rates on loans depends on varying market rates.

8. Mahila Udyam Nidhi Scheme

Mahila Udyam Nidhi Scheme was launched by Punjab National Bank and

is geared towards supporting

. The goal is to

promote modernisation and technological advancement in these small scale industries by providing hassle-free loans.

The limit for the loan is Rs. 10 lakhs and the borrower gets 10 years to repay the loan. That includes a moratorium period of up to 5 years.

9. Pradhan mantri rojgar yojna

Also known as PMRY, this is one of the best schemes for women entrepreneurs both socially and financially. The focus of this scheme is on creating skill-based, self-employment through women entrepreneurs and smart minds at work being utilized for monetary independence. This scheme covers both urban and rural areas and was developed through several amendments in cost, eligibility, and subsidy limits. The loan subsidy amount is up to 15% of the project cost with an upper ceiling of Rs. 12,500 per borrower as a restriction. The scheme applies to all types of ventures in industries, trade and services. The age limit is 35 years and loan limit for business is Rs. 2 Lakh while for service and industry, Rs. 5
Lakh.