

# ENTREPRENEURSHIP DEVELOPMENT

(HANDBOOK)

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&  
Dr Saurabh Chandrashekharan



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**The National Institute for Entrepreneurship and  
Small Business Development (NIESBUD)**

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Director



## PREFACE

Entrepreneurship is recognized as a powerful tool for economic growth and entrepreneurs are endorsed as engines of growth. Entrepreneurship Development is an important mandate of MSDE in the realm of job creation as it is a prominent source of livelihood in terms of self-employment, creation of direct and indirect employment, income generation as well as creation of assets in rural, urban, and tribal contexts.

The National Institute for Entrepreneurship and Small Business Development (NIESBUD), is an apex organization under the Ministry of Skill Development and Entrepreneurship, Government of India, working with the objective of promoting entrepreneurship and providing support services to small businesses in India.

NIESBUD has developed the present national-level handbook on entrepreneurship with the support of the Ministry of Skill Development and Entrepreneurship. The purpose of developing the handbook on Entrepreneurship is to standardize the course on entrepreneurship so that quality can be maintained in the entrepreneurship development programme throughout the country. The developed content will serve the training requirements of first-generation entrepreneurs including learners of ITIs, Polytechnics, JSS, unemployed youth, and community women.

NIESBUD has been at the forefront of entrepreneurship development in our country, promoting the spirit of enterprise and equipping individuals with the skills and knowledge necessary to succeed in the business world. Our mission is to foster a culture of innovation, creativity, and entrepreneurship, and this content is a reflection of our commitment to that cause.

The handbook covers a wide range of topics, including ideation, business planning, marketing, finance, and more. It is designed to provide aspiring entrepreneurs with practical insights and tools that can help them navigate the challenges and seize the opportunities that come their way.

Entrepreneurship is not just about starting a business, it is a mindset that embraces innovation, risk-taking, and resilience. It is about finding creative solutions to problems, creating jobs, and contributing to the growth of our economy. This handbook is a testament to our belief in the transformative power of entrepreneurship and its potential to shape a better future for individuals and communities.

I would also like to acknowledge the valuable inputs received from the experts of the Foundation for Innovative and Technology Transfer - Indian Institute of Technology Delhi, Design Innovation Center Banaras Hindu University, Entrepreneurship Development Institute of India Gandhinagar, Indian Institute of Management Shillong, CCS National Institute of Agricultural Marketing (CCS NIAM), Indian Institute of Foreign Trade, Reserve

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Ministry of Skill Development and Entrepreneurship, Govt. of India

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Bank of India, Ministry of Rural Development, Federation of Indian Chambers of Commerce & Industry, Tata Strive, BOSCH India Foundation, deAsra Foundation, and Successful Entrepreneurs which has helped us in curating the developed content.

Their wisdom and practical advice have made this resource truly comprehensive and relevant for aspiring entrepreneurs.

I would like to extend my sincere thanks to Dr V K Arora, CEO, Anveshan Foundation; Indira Gandhi Delhi Technical University for Women who has developed present content on Startup and Incubation.

I would like to acknowledge the dedicated efforts of Dr Saurabh Chandrashekharan, Senior Consultant, NIESBUD for his support in developing the handbook.

I would also like to extend my sincere appreciation to Mr. P.K. Arora, Senior Advisor, NIESBUD for his efforts in reviewing the content and providing suggestions to enhance the quality of the material.

I encourage all readers to approach this content with an open mind and a thirst for knowledge.



**Dr Poonam Sinha**

धर्मेन्द्र प्रधान  
धर्मेन्द्र प्रधान  
Dharmendra Pradhan



मंत्री  
शिक्षा; कौशल विकास  
और उद्यमशीलता  
भारत सरकार

**Minister**  
**Education; Skill Development**  
**& Entrepreneurship**  
**Government of India**

### Foreword

The National Institute for Entrepreneurship and Small Business Development (NIESBUD) is an autonomous Institute of the Ministry of Skill Development and Entrepreneurship, Government of India dedicated to promoting entrepreneurship and small business development in the country. NIESBUD serves as a premier resource centre for entrepreneurship education, training, research, and consultancy. It aims to create an enabling environment for aspiring and existing entrepreneurs by providing them with the necessary knowledge, skills and support to succeed in their entrepreneurial endeavours.

The Institute offers a wide range of programs and initiatives to cater to the diverse needs of entrepreneurs at different stages of their journey. NIESBUD also engages in research and consultancy activities to generate insights and best practices in the field of entrepreneurship. It collaborates with various national and international organizations to promote entrepreneurship development and foster an entrepreneurial ecosystem.

The present National Level Entrepreneurship Development Content developed by NIESBUD aims to equip aspiring entrepreneurs with the knowledge, skills, and mindset required to navigate the dynamic business landscape successfully. It covers a wide range of areas, including ideation, business planning, market research, financial management, marketing strategies and legal aspects of entrepreneurship.

I commend NIESBUD for their relentless efforts in promoting entrepreneurship and nurturing the spirit of enterprise across the country. I believe that entrepreneurship is not just a career choice; it is a mindset and a way of life. It is through the collective efforts of organizations like NIESBUD along with the support of government initiatives and policies that we can create a vibrant ecosystem that nurtures and empowers entrepreneurs.

I wish all the readers the very best in their entrepreneurial endeavours and hope that this content serves as a valuable resource in their journey towards success.

Dharmendra Pradhan

सबको शिक्षा, अच्छी शिक्षा



कौशल भारत - कुशल भारत



**Rajeev Chandrasekhar**  
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**Minister of State for Skill Development &  
Entrepreneurship and  
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**कौशल विकास और उद्यमशीलता एवं  
इलेक्ट्रॉनिकी और सूचना प्रौद्योगिकी राज्य मंत्री  
भारत सरकार**



### **Foreword**

The National Institute for Entrepreneurship and Small Business Development (NIESBUD), an autonomous Institute under the Ministry of Skill Development and Entrepreneurship, Government of India is dedicated to promoting entrepreneurship and small business development in the country.

Entrepreneurship plays a vital role in driving economic growth, job creation, and sustainable development. It is through the entrepreneurial spirit and innovative ideas of individuals that we can realize our nation's full potential.

The National Level Content on Entrepreneurship developed by NIESBUD will serve as a comprehensive guide for individuals seeking to start their entrepreneurial journey or enhance their existing ventures. I commend the efforts of NIESBUD for their unwavering commitment to promoting entrepreneurship and nurturing the spirit of enterprise. Their efforts in curating and compiling valuable insights, practical advice, and best practices from experts in the field of entrepreneurship are commendable.

I encourage aspiring entrepreneurs, students, professionals, and anyone interested in entrepreneurship to make the most of this publication. The knowledge shared within these pages can serve as a guiding light and provide valuable insights to individuals pursuing their entrepreneurial dreams.

I firmly believe that entrepreneurship is a driving force for progress and prosperity. By empowering individuals with the necessary skills, knowledge, and support, we can create an ecosystem that nurtures innovation, fosters economic growth, and leads to a better future for all.

**Rajeev Chandrasekhar**

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MINISTRY OF SKILL DEVELOPMENT  
AND ENTREPRENEURSHIP



## Foreword

The National Institute for Entrepreneurship and Small Business Development (NIESBUD) is an autonomous Institute of the Ministry of Skill Development and Entrepreneurship engaged in training, consultancy, research, and publication in order to promote entrepreneurship. The major activities of the Institute include Training of Trainers, International Programmes, Management Development Programmes, Entrepreneurship Development Programmes, Mentoring Programmes, Cluster Intervention and Research.

NIESBUD has proved to play a pivotal role in building an entrepreneurial ecosystem not only in India but also in other countries through training and development programmes. The Institute has provided training to 13,43,426 trainees as of March 31, 2023 through 50719 different training programmes. This includes 5317 international participants hailing from more than 145 countries throughout the globe.

The Institute has developed the comprehensive national level content on entrepreneurship with the support of Ministry of Skill Development and Entrepreneurship in order to bring in uniformity and standardization in Entrepreneurship Development education and have measurable learning outcomes.

NIESBUD's commitment to fostering entrepreneurship is evident in this comprehensive content. It covers a wide range of topics, including idea generation, feasibility analysis, financial planning, marketing strategies, and operational management. By addressing these critical areas, this content provides aspiring entrepreneurs with a holistic understanding of the entrepreneurial journey.

I would like to commend NIESBUD for their commitment to promoting entrepreneurship and skill development. Their dedication to creating relevant and practical content reflects their understanding of the evolving needs of entrepreneurs in our country.

I encourage all aspiring entrepreneurs to leverage this resource to unleash their potential and contribute to the growth of our nation.

**Atul Kumar Tiwari**



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Joint Secretary



भारत सरकार  
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MINISTRY OF SKILL DEVELOPMENT  
AND ENTREPRENEURSHIP

## Foreword

The National Institute for Entrepreneurship and Small Business Development (NIESBUD), an autonomous Institute under the Ministry of Skill Development and Entrepreneurship, Government of India plays a vital role in fostering the spirit of entrepreneurship and facilitating the growth and development of small businesses in India.

NIESBUD has developed the national level content on entrepreneurship which encapsulates the collective wisdom and expertise of industry practitioners, academicians, and subject matter experts in the field of entrepreneurship.

In today's rapidly evolving business landscape, entrepreneurship plays a vital role in fostering economic growth, job creation, and innovation. This content is designed to empower aspiring entrepreneurs with the necessary tools and knowledge to navigate the complexities of starting and growing a successful business.

I am confident that this content will serve as a valuable resource for individuals looking to embark on their entrepreneurial journey. By providing insights into various aspects of entrepreneurship from conceptualization to scaling, it will enable entrepreneurs to make informed decisions and overcome challenges.

I would like to acknowledge the dedicated efforts of NIESBUD in developing this resource. Their collaboration with industry experts and practitioners has ensured that the content remains relevant, practical, and aligned with the evolving needs of entrepreneurs.

I encourage all individuals interested in entrepreneurship to make use of this valuable resource. Whether you are a budding entrepreneur or an established business owner looking to expand your horizons, this content will serve as a guide and companion throughout your entrepreneurial journey.

**Hena Usman**

Director General, NIESBUD



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# CHAPTER 1

## ICE BREAKING

### Content

- *Introduction*
- *Opening Up*
- *Establishing common objective, and*
- *Understanding of the requirements of EDP.*



Ice-breaking is an important idea that helps participants in getting to know one another.

It takes youth a significant amount of time to get comfortable and openly share their views and personal stories in front of their peer group and faculty. They feel judged and there is a need to make them feel comfortable and welcomed in the new setting.

You, as the facilitator, play a critical role in guiding these young learners discover their entrepreneurial skills and motivating them to inculcate an entrepreneurial mindset.

Ice breakers are warm up exercises, activities, and games that are designed to ease your interaction with your group of participants and promote comfortable communication amongst the participants themselves.

Ice breakers can help participants, who are strangers at this stage, know something about each other and build on that information to engage with one another by way of conversation.

Ice breakers can also be theme or topic based and may be used to introduce a new topic to the group.

- **Why are ice-breaking exercises important to EDP?**

Ice breakers create a trustworthy environment, where students get to know each other by sharing their personal interests, hobbies etc. They facilitate interaction and building of new friendships.

Ice breakers help to convert a heterogeneous group of audience into a homogenous group. Icebreakers are helpful when people do not know each other and when we want them to own the outcomes of the activity. They help to decrease tension and discomfort and increase bonds amongst participants.

Before starting on the journey of understanding entrepreneurship, the facilitator should use ice breaker activities that helps in the creation of a trusting, comfortable environment, in which students feel safe to experiment and engage with each other and the facilitator.

Ice breakers are also helpful to break the audience out of a dull or bored state especially during early mornings or after lunch. Facilitators must open each session with a personal anecdote; and share their personal fears and challenges, to encourage the youth to do the same.

Indicative questions that you may use for conversation with your respective partners:

- What is your name?
- How many members are there in your family?
- What is your dream holiday destination?
- If you won a million rupees in a jackpot, what is the first thing you would buy?
- If you could spend the day with an actor/ actress, who would it be?

Now write down your learning's

- What was the take away of this activity?

- Why have we gathered here?

- **Expectations Setting**

Write your expectations from the program.



The activities help to create a trusting and relaxing environment wherein the faculty gets to know the students, and the students lower their barriers to engage with the faculty and each other.

The activities help the students understand the common purpose of the Course – Creating an entrepreneurial mind set and entrepreneurial skills and understand why each of them have enrolled in the Course.

## CHAPTER 2

# ENTREPRENEURIAL MOTIVATION

### Content

- *Process of identity formation*
- *Role of personal values, attitude and behaviour in decision-making*
- *Efforts, Choices and Decisions influence Aspirations*
- *Key to achieve Aspirations – Goal Setting, Perseverance and Commitment*
- *The Motivator in You*

### What is Entrepreneurial Motivation?

Motivation is the driving force that gets people to act in the ways they do. The level of motivation varies from person to person, and with time. Motivation is an internal urge that pushes an individual to undertake something new or strive to perform better than others.

Both positive (such as sudden financial abundance) or negative motivations (like scarcity) may make a person take a risk and start a new business. Non-financial motivational factors may include status, respect, prestige, responsibility, etc.

Entrepreneurs are considered change agents who understand the importance of building something new from scratch. They understand the importance of going the extra mile to achieve their life's aspirations, and do not mind putting in the effort despite the challenges involved.

“Entrepreneurial motivation may be defined as the process that activates and motivates the entrepreneur to exert a higher level of effort for the achievement of their entrepreneurial goals. It refers to the forces or drive within an entrepreneur that affect the direction, intensity, and persistence of his / her voluntary behaviour as an entrepreneur.”

We, as individuals, are just one of the many humans, however, in our own little world; our lives mostly revolve around me and myself. What do I want to do? What do I want to become? Who will I get married to? Will I be able to do this or how will I achieve what I want? Yet, there are times when we are distracted, lost or confused. Question ‘Who am I?’ have puzzled many. Often we compare ourselves to those more successful than us. We expect others to function as per our viewpoint. We assess ourselves in terms of the marks we score in a subject. While it is important to understand our relationship with others, it is equally important to recognize our own individuality. This lesson aims to do just that – find ourselves!

### • Identity Formation

Following is the sequence of events in a normal human life represented in the flow chart:

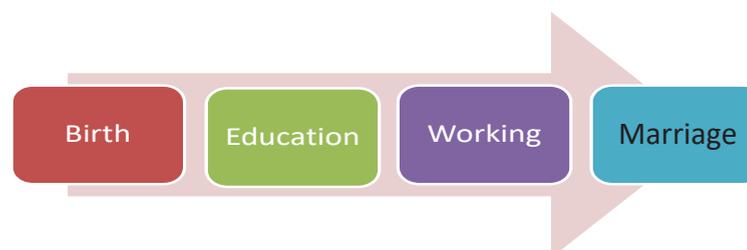


Fig. : Events in Human Life

At each stage think about something that you could identify personally as ‘yours’. For example as soon as you come into this world you were seen belonging to a particular background, with a particular religion and definitely a surname. Did you choose any of this at birth? Not likely! Similarly in the other stages, see if you identify yourself with that was given to you or that was chosen by you.

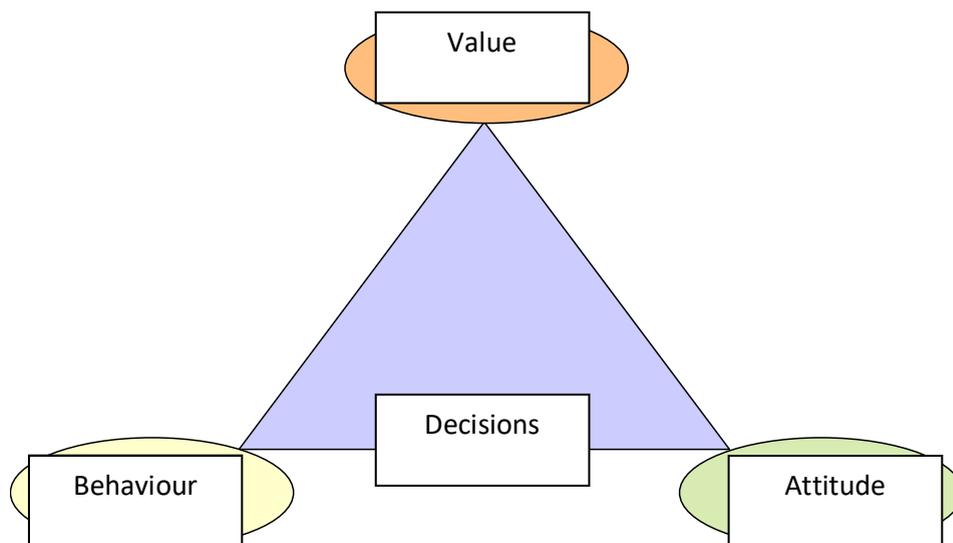
Name	Profession
Caste	Stream
Origin	Residence
Surname	Place of work
Religion	

Fill in your particulars for both the columns. Which of the above are mostly acquired at birth. Which ones are chosen and can be easily changed as per individuals choices and circumstances?

These pointers are called identities. Identities maybe given or chosen. They define us and even others can identify us through our given and chosen identities.

- **Role of Values, Attitude and behavior in Decision-Making**

Life is a triangle between attitude, behaviour and values. The interdependence of the three determines our decisions. These decisions can be directly or indirectly related to our aspirations. Think of three decisions you made in the past week and how it shaped your day or week. It could be as small as deciding to wake up later or earlier, deciding what to eat or not to eat or even what to wear or not to wear, as long as it had an impact on something you did and the way you did it.



**Fig. : Decision Making Triangle**

The line between us and our aspiration is not straight. There are many factors involved in the process. Let’s continue our journey towards understanding our aspirations and how some of our decisions influence them.

- **Efforts, Choices and Decisions influence Aspirations**

### ***The Story of Dashrath Manjhi***

*You may have heard or read about Dasharath Manjhi. He lived in a village nestled under the Gehlaur hills near Gaya in Bihar. He was a daily wage labourer and used to travel from his village to his place of work, every day over the Gehlaur hills. His wife would try to bring him hot food every day. While bringing him lunch one day she slipped from the hill and was grievously injured. She died of injuries as the nearest medical help was across the hill. Overcome with grief Manjhi set out to dig a tunnel by hand through the hill, so that no one in his village has to go through such a mishap again. After twenty-two long years he carved a 110 km long road with hammer, chisel and a firm determination. "When I started hammering the hill, people called me a lunatic but that steeled my resolve." He said, "Though most villagers taunted me at first, there were quite a few who lent me support later by giving me food and helping me buy my tools".*

### **What qualities did Manjhi possess that made him achieve his almost impossible goal?**

Can we say that it were his values and attitude that changed his behaviour? Close your eyes and take a deep breath. Surround yourself with your aspirations. Now you are what you aspire to be. Open your eyes. Recall the story of Dashrath Manjhi and create a story of the journey you will chart to reach your goal. What are the personal hurdles you can come across and how do you plan to adjust your behaviour, attitude and values to overcome the hurdles? What kind of societal pressures and circumstances you may have to tread past to reach your goal? Who could help you? I hope you have successfully written your own story. Now, read it and feel inspired.

### ***The Phogat Sisters***

*You may know about the famous Phogat family. The movie Dangal was based on their life . It was evident that the collective efforts and individual efforts of the father and the two daughters led them to succeed in the international arena of wrestling. Let's list some of the efforts the father took at an individual level and also collectively to achieve his dream. He challenged family and society while he taught his daughters to wrestle, which was considered a sport for men. He motivated his daughters to wrestle with boys in public arena and earn name. We can also observe in the movie how the choices and decisions of the elder daughter impacts the way she performs in her matches. Her personal choices impacted her relationship with her family, especially the father. They even had an adverse effect on her professional capabilities as a wrestler.*

*She then went into deep introspection to learn from her mistakes and decided to take decisions based on her personal values. Her efforts, dedication and her sister's support ultimately led her to create history. Thus, we must remember that we always have a certain degree of power and responsibility in our personal, professional and social domains. When mixed in right proportions, these create a balance that will help us reach our goals.*

- **Key to achieve Aspirations**

Have you ever gone for a visit outside your town, to a distant place? You didn't just get up one fine day and set out for the journey, did you! You or someone must have planned the trip for a number of days, booked tickets, arranged for an accommodation, packed appropriately and so on. It requires planning. Just as reaching your destination is your goal here, your aspiration in life is also a goal. You need meticulous planning to reach this goal.

- **Goal Setting**

Let's consider Anamika's situation.

Anamika is a good, hardworking student. She loves architecture. She takes care of the interior decorations in her home. She realizes that she wants to be an architect but is not sure where to start. She has just appeared in her senior secondary examinations. She decides to write down on paper what she has to do to achieve her goal. Let's look at how she is planning to go about it:

- i. I will apply to various colleges to pursue architecture course.
- ii. I will set up my own architectural designing and consulting firm as soon as possible.
- iii. I will start my own architectural firm start designing architectural drawings for clients.
- iv. I want to make best architectural designs so that my clients get the best services.
- v. I will be popular among my clients professionally and personally.

Discuss with students - Anamika's goal setting is ambitious but it doesn't sound practical. If we were to look at these points:

- i. How will Anamika apply?
- ii. When will she apply?
- iii. Which architectural course will she apply to?
- iv. What are the colleges that she can apply to, keeping in mind the availability, fees and accessibility?

***Are these some questions that need to be catered to during the process of setting goals.***

<b>P.</b>	I will apply online or through direct forms which I may submit through mail or by hand.
<b>S.</b>	I will apply to so and so colleges.
<b>M.</b>	I will apply to at least five colleges.
<b>A.</b>	I will be applying to these colleges keeping the fee structure and distance in mind.
<b>R.</b>	I will only apply for B. Arch. or polytechnic colleges as I cannot apply for M. Arch. yet.
<b>T.</b>	I have to apply before July so as to not miss the deadline of submission of forms for a course preferably of four years which will give me time to gain experience before further studies.

Carefully look at the first column of the table. You will notice that the letters **PSMART** are written there. Let us try to understand what PSMART means:

**P** goal -> is **performance based** which requires Anamika to decide how she is going to apply to a course which will help reach her passion.

**S** goal-> is **specific, a goal that** clearly states which colleges she plans to apply to.

**M**->stands for **measurable** goal which tells precisely how many colleges she has decided to apply that match her marks, eligibility criteria and needs.

**A** and **R**->**are the achievable and relevant** goals which are made keeping the structural and viable points in mind such as the fees or distance and nature of the course which match her eligibility at the point of time.

Can you guess what **T** stands for?

**T**-> is the **time-bound** goal which refers to applying on time and completing the course in specified number of years. Anamika can start her enterprise and also strengthen her financial condition to pursue further studies after she achieves this goal.

In other words, set new targets and climb new mountains to move forward in life. A goal is the aim or the end result a person wants to achieve. Most entrepreneurs would say that their goal is to be successful. Being successful is a vague goal as success too is relative. The meaning and definition of success is different for different people. Thus, a goal needs to be definite.

### ➤ **Perseverance and Commitment**

Efforts, performance, time management, planning are all terms that we have to materialize but what is it from within us that compels us to act upon these terms?

Do you remember the rather popular dialogue from the movie Wanted, “Ek bar jo meine commitment kardi, phir mein apne apki bhi nahi sunta.” (Once I have made a commitment, I don’t even listen to my own self over the commitment.) We all make commitments, big or small. Commitment is the other intrinsic factor aids in keeping the promises one has made and also to reach their goals. It has to be first instilled as a habit, then it becomes an attitude. Let’s observe the following two cases:

#### *Case I*

*Sahil’s new year’s resolution is to complete his diploma in business administration through Distance mode. For that he will have to devote certain hours of each day to his studies. He starts studying and is managing fine when suddenly his father takes ill. His father is unable to go to the shop he runs thus Sahil has to take up the responsibility. It takes time for him to manage the entire shop alone. He is also worried about his father’s deteriorating health. In the idle hours at the shop Sahil takes to studying and completing his course syllabus. There are distractions but he keeps trying.*

### Case II

*Sameer realizes his poor test results are due to huge amounts of hours spent on his cell phone. WhatsApp, Facebook, YouTube you name it! This weekend he has planned to limit himself on the cell phone by just checking it in the morning and at night for important messages and calls. Sameer checks his phone the next morning as planned but ends up spending two hours on it playing games, watching suggested videos and so on. His mother sends him to get some grocery and instructs him to return early as she has to leave for the doctor. Sameer buys the grocery and starts talking to his friends on the way and returns in an hour. Mother is obviously unhappy. He doesn't touch the phone till night and when he does he goes on till 2.30 a.m. in the morning.*

*Who can you say is a committed individual in the above two cases? What attributes of the person made you say that he is committed? What attributes of the person made you feel that he is not as committed?*

Commitment, we must remember, is not about making and fulfilling promises to only one self but also acting upon commitment made to others. This behavior is evident which transforms itself into an attitude and gets instilled in us as a value ultimately also helping us in the process of planning to reach our goals.

To keep our commitment strong and intact, it's very important to keep reminding ourselves about the promises we have made to others and ourselves. People like Sahil may have these values already instilled in him because of practice or nature, but many of us are like Sameer. Let's think about some commitments and the ways in which we can remind ourselves about them and keep them.

We must always remember that the most important source of commitment comes from within therefore the need to fulfil it is also intrinsic. No matter how many reminders, if we are unable to remind ourselves about consequences of failure to keep with our commitment, we will not do it. Always think about the satisfaction achieved after having met a commitment and long-term gains. This can be done by trying to be around your inspiration as often as possible or having their pictures, sayings, story, read ups around you always. You don't have to be it, you have to feel it. Feeling leads to being. Commitment is one weapon that can deter the most adverse of circumstances, people or structures and results in further strengthening you.

#### • **The Motivator in You**

*A man was passing through a group of elephants. He was very surprised to see that elephants were being held only by a small rope which was tied to their front leg. He noticed that the elephants could, at any time, break away from their bonds but for some reason, they did not. He saw a trainer nearby and asked why these animals just stood there and made no attempt to get away. 'Well, the trainer said, 'when they are very young and much smaller we use the same size rope to tie them and, at that age, it's enough to hold them. As they grew up, they are conditioned to believe they cannot break away. They believe the rope can still hold them, so they never try to break free.' The man was amazed. These animals could at any time break free from their bonds but because they believed they couldn't, they were stuck right where they were.*

## Pause & Ponder

Like the elephants, how many of us go through life hanging onto a belief that we cannot do something, simply because we failed at it once before or have never taken the step to try it out thinking we do not have the potential or skill?

- a) What do you think the rope symbolizes in the story?
- b) Why do you think elephant never tried to break free?
- c) Do we also have such ropes tied to our feet? If yes how can we let ourselves be free?
- d) What message does this story convey?

Failure is part of learning; we should never give up the struggle in life. Life is ever evolving; circumstances keep changing – sometimes very good, at times average and other times very harsh and difficult. There could be all sorts of difficult situations in our life when we feel like giving up. Sometimes it happens too soon and at times when the success was just few steps away. We give up even before we really started the new activity. Other times we give up just before making this huge breakthrough to success. The mind just feels that enough is enough and it feels that how much more effort would be required to succeed and it can really scare us. Under any circumstances don't give up beforehand under the pressure of silly emotions!

## CHAPTER 3

### ENTREPRENEUR & ENTREPRENEURSHIP

#### Content

- Entrepreneurship
- Entrepreneur
- Benefits of Entrepreneurship
- Qualities of an Entrepreneur
- Social Entrepreneurship

#### **The Mitticool Clayman**

*Mansukhbhai Prajapati remoulded his family's struggling pottery business to produce the Mitticool range of ingenious earthenware, including a fridge that works without electricity.*

*Originally from Morbi village in Rajkot, South Gujarat, Prajapati, a tenth standard dropout, began working at a tea-stall after his father discouraged him from entering the family's pottery business as the income was negligible. Later, he became a supervisor at a roof-tile manufacturing company and eventually, in 1989, returned to his passion for pottery by producing tavdi or tawa (frying pan) from clay.*

*It was this abiding interest in innovation that led him to develop the Mitticool water filter, way back in 1997. A lot of rigorous experimentation went into his work on the Mitticool refrigerator, which he launched in 2002.*

*It takes about seven days to make one Mitticool fridge. The special terracotta clay used is baked at 1,200 degree Celsius to harden it. Like any clay pot used to cool water, the fridge too works by keeping the inside temperature 10 degrees lower than the outside.*

*The refrigerator harnesses water's power to remove heat through evaporation. A top upper chamber stores water, which gradually drips down the sides to the refrigerator—evaporating, and removing heat gradually from the inside chamber. A small faucet tap is also provided at the front lower end of chamber to tap out the water for drinking use. This fridge requires no maintenance other than basic cleaning and helps reduce electricity bills, saving many rural families a substantial sum of money. Measuring 27 inches high and 15 inches wide, the fridge costs between Rs.3,000 to Rs.3,500.*

*In addition to the fridge, Mitticool sells a variety of other clay-made products that are affordable to the poor. Mitticool sells at least 50 refrigerators, 500 clay water filters, 500 pressure cookers, and 1,000 frying pans a month. Around 20 units of Mitticool have been exported to the UK, Africa and Nairobi. Prajapati has now been invited to Africa to set up a unit there. He attends about 2-3 exhibitions a year to market his products in hopes they will catch on in the international markets.*

## • Entrepreneurship

The word “Entrepreneurship” is derived from the French verb *entreprendre* which means “to undertake”. The term entrepreneurship thus refers to the following:

- The process of identifying opportunities in the market place, arranging the resources required to pursue these opportunities and investing the resources to exploit the opportunities for long term gains. It involves creating wealth by bringing together resources in new ways to start and operate an enterprise.
- The processes through which individuals become aware of business ownership then develop ideas for, and initiate a business.
- “The art of identifying viable business opportunities and mobilising resources to convert those opportunities into a successful enterprise through creativity, innovation, risk taking and progressive imagination” ...ILO Youth Entrepreneurship Manual, 2009.

Entrepreneurship is a practice and a process that results in creativity, innovation and enterprise development and growth. It refers to an individual’s ability to turn ideas into action involving and engaging in socially-useful wealth creation through application of innovative thinking and execution to meet consumer needs, using one’s own labour, time and ideas. Engaging in entrepreneurship shifts people from being “job seekers” to “job creators”, which is critical in countries that have high levels of unemployment. It requires a lot of creativity which is the driving force behind innovation.

## • Entrepreneur

An entrepreneur is any person who creates and develops a business idea and takes the risk of setting up an enterprise to produce a product or service which satisfies customer needs. Entrepreneur refers to the person and entrepreneurship defines the process. Both men and women can be successful entrepreneurs; it has nothing to do with gender. All entrepreneurs are business persons, but not all business persons are entrepreneurs.

*Think of a person who sits by the roadside leading to your home and who has been selling the same type of food, from the same size of saucepan or pot, from the same table top, and may not have been able to change their standard of living to any appreciable extent. Such a person may be a business person but not an entrepreneur.*

An entrepreneur is therefore a business-minded person who always finds ways to improve and grow in business. An entrepreneur can also be defined as a professional who discovers a business opportunity to produce improved or new goods and services and identifies a way in which resources required can be mobilised.

Finally, an entrepreneur is someone who constantly scans the environment looking for changes that can provide opportunities for creating new growth-oriented businesses.

### ***A Dream of Pinnacle***

*This is the story of the mountainous region of Uttarakhand, where nature becomes a blessing and a curse with people in the daily routine. In such difficult situations and limited resources, achieving or attempting to achieve the goal holds very much importance. In 1971, Satya Prakash Nautiyal was born in a middle class family in the border area of Bhawan in Tehri district.*

*After receiving his early education from the village school, he went to the Food and Science Training Institute at Kotdwar in 1990 to pursue one year diploma in food processing and after completing his diploma he worked with Frooti company. During early stages in his career he worked in the Food Inspection and Control Department of Hotel Industries. In 1995, he joined an NGO, which was working in food processing techniques. He worked till 2002. After working here, his desires to work for himself started to hit him. This was the reason that he started working on food processing in 2003 by forming his own organization named Hit Committee. For setting a unit of processing of fruits grown in the mountainous Himalayan regions, he applied for a loan of three lakh rupees under the rural employment guarantee program. But his loan could not be approved due to unavailability of margin money and lack of support from relatives.*

*It is said that in difficult circumstances someone breaks and someone breaks the record. Meanwhile, he met the regional head of NIESBUD, whose guidance and efforts resulted in his loan being approved within six months and his firm Shikhar Foods came into existence. Starting with six employees, Shikhar Foods started manufacturing juices, jellies, pickles, marmalade, etc. made from fruits and vegetables, which were marketed and sold from door to door. In the initial phase, it was difficult to provide the salary to the employees and loan installment to bank. In such a situation, NIESBUD encouraged him to participate in exhibitions and fairs.*

*NIESBUD supported him by writing a letter to the organizers of the exhibition and requested to give him stall for free. The result of which was that even after distributing free samples in the three-day exhibition, they earned Rs 80,000/-. Customers found a new taste in their product and the price was more reasonable than others.*

*He closed his loan in 2008, after that he set up a food processing unit at Kanatal, Tehri, with a financial support of Rs.4,84,000/- through Uttarakhand State Council for Science & Technology (U Cost). In view of his outstanding work, he was awarded the President's Award in 2010. He is also playing the role of technical partner in food processing programs being organized by NIESBUD.*

*Today, the total turnover of his organization is 70-80 lakh rupees and in the hill districts of Uttarakhand, he is giving employment to several more individuals. Satya Prakash Nautiyal showed the ability to convert resources around him into success. He is an inspiration for the coming generations and entrepreneurs.*

Entrepreneurs assume significant accountability for the risk and the outcomes of new enterprises, ventures or business ideas. An effective and successful entrepreneur shows creativity and innovation in business and is an example for other people.

- An entrepreneur is an individual who:
  - has the ability to identify and pursue a business opportunity;
  - undertakes a business venture;
  - raises the capital to finance it;
  - gathers the necessary physical, financial and human resources needed to operate the business venture;
  - sets goals for him/herself and others;

- initiates appropriate action to ensure success; and
- Assumes all or a major portion of the risk!
- An entrepreneur is a job-creator not a job-seeker.
- An entrepreneur is a person who:
  - Has a dream.
  - Has a vision.
  - Is willing to take the risk
  - Makes something out of nothing

### ➤ **Benefits of entrepreneurship**

- Entrepreneurship allows one to undertake different forms of self-employment.
- Entrepreneurs are their own bosses giving them an opportunity to get more job satisfaction and flexibility of the work force.
- Encouragement of the processing of local materials into finished goods for domestic consumption as well as for export
- Healthy competition encourages higher quality products in the market thereby making more goods and services available to consumers.
- Development of new markets
- Promotion of the use of modern technology in small-scale manufacturing to enhance higher productivity.
- Freedom from dependency on the jobs offered by others
- Possibility of achieving great accomplishments
- There may be tax advantages

### ➤ **Qualities of an Entrepreneur**

In order to be successful, an entrepreneur should have the following qualities:

#### **I. Opportunity-seeking**

An opportunity is a favourable set of circumstances that creates a need for a new product, service or business. It includes access to credit, working premises, education, trainings etc. An entrepreneur always seeks out and identifies opportunities. He/she seizes an opportunity and converts it into a realistic and achievable goal or plan.

#### ***The Nirma Story***

*Karsan Bhai Patel, the creator of Nirma Washing Powder, who was working as a factory chemist in Gujarat Mineral Development Corporation, started making detergent powder in his kitchen for poor rural women of Gujarat and selling his product by visiting different villages. His efforts culminated in the whitish yellow detergent powder named Nirma. The idea behind was need and the problem of the society that could not afford other brands of detergent powders because of their high cost. Today, Nirma is one of the world's biggest detergent powder manufacturer. The brand sells over 8 lakh tonnes annually. It holds 40% of the Indian market, with a turnover of more than Rs. 2500/- crores. This is creative effort and risk taking ability of a person who turned out to be an entrepreneur.*

## II. Persevering

An entrepreneur always makes concerted efforts towards the successful completion of a goal. An entrepreneur perseveres and is undeterred by uncertainties, risks, obstacles, or difficulties which could challenge the achievement of the ultimate goal.

### *Kaafal*

*Kanika was born in Devbhumi Uttarakhand in 1989. She was high on aspiration and had zeal to do something big in her life. While pursuing her B.A. in Home Science she started working for social cause. Time passed and after obtaining her M.A. she started fashion designing and worked in a multinational company. But she wanted to do something else in her life. She left the luxury of living in the city and returned to look after her ancestral heritage.*

*She received training through NIESBUD and on advice obtained a loan of Rs. 10 lakhs under Prime Minister Employment Guarantee Program. She established a cloth manufacturing unit named "Kaafal" in her village Bisra. She worked day and night and brought awareness in her community about her venture. People living in hills have very tough life as they have to struggle even for basic amenities. In such conditions, Kanika made dreams for people in her area which lacked roads and people struggled to get basic amenities like water. She went to peoples home, gathered them and taught them cutting, tailoring, embroidery and linked them to the market all over India. Her aim was to ensure that women from her village are able to meet their own needs and earn a living. Kanika worked for 16 hours a day and brought a firm in existence which has present turnover of over Rs. 1.5 crores.*

*Getting through all obstacles and hindrances her firm provides employment to around 150 people who are engaged in various processes like cutting, tailoring and embroidery. Kanika aims to provide employment to 900 people in future so that people do not have to migrate to cities to earn a living and thus enable them to lead good quality life within their own community.*

## III. Risk Taking

The best entrepreneurs tend to:-

- Set their own objectives where there is moderate risk of failure and take calculated risks
- Gain satisfaction from completing a job well
- Not be afraid of public opinion, skepticism
- Take responsibility for their own actions

### **Importance of risk-taking**

- Build self confidence
- Create a feeling of leadership
- Create strong motivation to complete a job well

An entrepreneur needs to consider the following issues before taking a risk.

- Is the goal set realistic?
- How big is the potential reward for this risk?

- How big is the potential loss?
- What is the probability of failure with this risk?
- How can I minimise the potential negative effects of taking this risk?

Examples: starting a business based on market study, share, forming cooperatives or associations etc.

- What kind of support or resources do I need to have in place to help minimize or prevent potential negative effects from this risk?
- What further information do I need before taking this risk?
- What past experiences do I need to review in order to inform the strategy for taking this risk?

### ***Story of Shambhavi***

*My name is Shambhavi Mishra. My father is a Government Servant who works with an Auto Electronic factory in Dehradun. I have completed my education from Dehradun. My mother is a home maker. I have one sister.*

*I have done my Masters in Business Administration in Human Resources from the Institute of Co-operative Management. After completing my MBA I started my career as a HR Executive with IMT Gurgaon. My father wanted me to do Government job but I had a strong inclination to do business of own from childhood. I was not happy with the work environment at my job.*

*In the present era, at some places women are confined in their home where as on the other hand they have also proved them at other places. In this changing environment, when women are nowhere less than men in getting success at work place. Seeing all this I got aspiration to fulfill what I wanted from my life and I moved ahead.*

*I decided that I will establish my identity with my business. My determination was strong. I left my job and came back to Dehradun. I started moving further to establish my business but could not take decision about the nature of business to pursue.*

*There is no substitute to strong will power in getting success in life. Humans bind themselves in boundaries and limits own functionality and ability. In order to get success it is very much important to fix our goal in life. From childhood I wanted to establish my own venture.*

*I participated in the entrepreneurship training conducted by NIESBUD. The training was very much inspirational. During the training I learnt the business technicalities as well as the skills needed to establish and run an enterprise. I strongly feel that women should stand strong in front of hurdles and difficulties in life and move ahead on the road to success.*

*The training provided by NIESBUD provided an enlightened path for my entrepreneurial journey. During the training I learned about entrepreneurial skills, personality development, crisis management, financial systems, cohesiveness and harmony with the competitors in the same field. All this encouraged me to become an entrepreneur.*

*I was told whole process to start my business. The Regional Centre of NIESBUD helped and mentored me. I obtained a loan of Rs. 4 Lakhs under Pradhan Mantri Employment Guarantee Program. I started my venture in name of Star Cyber Cafe. While working in my Cyber Café I developed confidence in myself and started a Computer Training Centre. Now I am running a Computer Training Centre along with my cyber Café. I am also a Village Level Entrepreneur (VLE) of Common Service Centre. I earn Rs. 20,000/- a month and also have employed two people in my centre. Further I have plans to expand my venture.*

An entrepreneur has foresightedness to look in for an opportunity. Also he has willingness to assume the risks involved in innovations.

#### **IV. Demanding for efficiency and quality**

##### **Efficiency**

- Being efficient means producing results with little wasted effort.

##### **Quality refers to:**

- The ongoing process of education, communication, evaluation and constant improvement of goods/services to meet the customer's need in a way that exceeds the customer's expectations;
- A characteristic of the product or service that makes it fit to use. It makes a product, process, or service desirable.
- The ability of a product or service to meet a customer's expectations for that product or service.

The importance of quality management in entrepreneurship is reflected in the income statement of the business. There is always a demand for quality products and efficient services. Quality plays an important role in this new era of globalisation because it confers certain benefits which include:

- **Reduction of waste:** Striving to maintain quality means examining all processes that contribute to the creation of a product, to remove non-productive processes and waste. If businesses keep to their standard of maintaining the quality of the product, the number of defective products will be reduced. Consumers prefer to buy quality products. Hence the quality products/services help in increasing the share in market and ensure that they will not be returned.
- **Cost-effectiveness:** Striving to ensure quality helps businesses to minimise the chances that they will make mistakes. As a result, the costs of re-doing work or changing the product after it has been sold are greatly reduced.
- **An increase in market share:** Customers prefer to buy the same product again and again if they are satisfied with the quality. If they are satisfied with the quality of a product, then they will not only purchase the product/services more than once, but they will also recommend it to their friends. As a result, this contributes to an increase in the company's market share.

- **Better profitability:** Better quality of product satisfies customers. Increased customers means increase sales, increased shares in market and consequently increased profits.
- **Social responsibility:** By providing quality products and services, a company is more likely to be able to fulfill its responsibility to the community and meet standards set by government.
- **Reputation:** Quality of goods and services improves the reputation of the business for competition in the market and growth.

## V. Information-Seeking

Successful entrepreneurs do not rely on guesswork and do not rely on others for information. Instead, they spend time collecting information about their customers, competitors, suppliers, relevant technology and markets. Gathering relevant information is important to ensure that the entrepreneur makes well informed decisions.

### Types of information that are important for business

An entrepreneur should have sufficient information and seek additional information on various factors that are relevant to his/her intended new business activity. The different types of information required are indicated below:

#### Market

- Market segments for low, middle and high income groups
- Competitors and similar products
- Sales forecast
- Strategic business location

#### Supply

- Machines/equipment
- Raw materials
- Other assets like office furniture
- List of suppliers and prices

#### Infrastructure

- Business premises available
- Size of premises and rooms
- Power, water & other facilities
- Transport facilities

#### Business Management

- Organisational form of the business
- Needs in accounting & accounting courses
- Availability of qualified personnel
- Training facilities for staff and owner

## Finance

- Micro-finance loan conditions
- Government financial facilities

## Legislation

- Commercial code
- Business registration process
- Tax obligations
- Tender procedures

## VI. Goal Setting

A Goal - is a general direction, or long-term aim that you want to accomplish. It is not specific enough to be measured. It is large in scope, not necessarily time-bound, and is something that people strive for by meeting certain objectives which will hopefully add up to eventually achieving the goal.

Objectives - are specific and measurable. They can be output objectives, or they can be attitudinal or behavioural. But most of all, they can be measured. They are concise. They are specific. Think of the word object." You can touch it, it's there, it's actual, and it's finite. An entrepreneur must have a goal and an objective which is specific, measurable, attainable relevant, and time bound (SMART).

## VII. Planning

Planning is making a decision about the future in terms of what to do, when to do, where to do, how to do, by whom to do and using what resources. An effective entrepreneur therefore usually plans his/her activities and accounts as best as they can for unexpected eventualities.

## VIII. Persuasion and Networking

### Persuasion is

- a way of convincing someone to get something or make a decision in your favour
- Inducing or taking a course of action or embracing a point of view by means of argument, reasoning, or entreaty; to convince
- to succeed in causing a person to do or consent to something; to win someone over, as by reasoning or personal forcefulness
- to cause to believe; to induce, urge, or prevail upon successfully

### Importance of Persuasion in Business

- We purchase goods from people
- We sell goods to people
- We need support from people
- We work with people.
- Without people be they suppliers, workers, and most importantly customers, there is no business.

**Networking** is an extended group of people with similar interests or concerns who interact and remain in informal contact for mutual assistance or support.

## Business Networks

In a business environment where we are in, we network with customers, suppliers, competitors, various firms, different organisations, government offices and family, etc

Factors that affect persuasion and networking

- Socio-cultural background and perceptions
- Communication skills (both verbal and non-verbal).
- Negotiation skills

## IX. Building Self Confidence

Self-confidence is the state of being certain that a chosen course of action is the best or most effective given the circumstances. Confidence can be described as a subjective, emotional state of mind, but is also represented statistically as a confidence level within which one may be certain that a hypothesis will either be rejected or deemed plausible. Self-confidence is having confidence in oneself when considering a capability. Overconfidence is having unmerited confidence-believing something or someone is capable when they are not.

### Characteristics of a self-confident person

A person with self-confidence may exhibit some of the following characteristics:

- Risk-taking: willing to take risks and go the extra mile to achieve better things.
- Independent: entrepreneurs like to be their own masters and want to be responsible for their own decisions.
- Perseverance: Ability to endure and survive setbacks and continue to build confidence in whatever you do in your business.
- Able to learn to live with failure. Entrepreneurs are going to make mistakes. They are human. But they learn from these mistakes and then move on.
- Ability to find happiness and contentment in work.
- Doing what you believe to be right, even if others mock or criticise you for it.
- Admitting mistakes and learning from them.

### **Pause & Ponder**

i. Think about your life so far, and list the five major achievements in business/personal life.

- a) .....
- b) .....
- c) .....
- d) .....
- e) .....

ii. Think about your strengths in running a business. Write four of them which you are most proud of?

- a) .....
- b) .....
- c) .....
- d) .....

iii. *Think about what's important to you, and where you envision your business in the future. What is the goal of your business?*

.....  
.....

iv. *Build the knowledge and skills that you need to succeed. What do you need to know, do or learn in order to accomplish the business goal stated above ?*

.....  
.....

v. *How do you think you can acquire this knowledge and these skills so that you will be able to move forward confidently?*

.....  
.....

vi. *When you are starting, do not try to do anything clever or elaborate. There is no need to be perfect – just enjoy doing simple things successfully and well. Focus on the basics, set small goals and achieve them, and you will find yourself accelerating towards success! So, what basics or initial steps will you take towards reaching your goal?*

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### **X. Listening to others**

An entrepreneur does not simply impose his/her idea on others. Rather, he/she listens to other people in their sphere of influence, analyses their input in line with his/her own thinking and makes an informed decision.

### **XI. Demonstrating leadership**

An entrepreneur does not only do things by him/herself, but also gets things done through others. Entrepreneurs inspire, encourage and lead others to undertake the given duties in time.

#### ***Pause & Ponder***

“Let us see if you are aware of your leadership abilities? To be a ‘wholesome leader’, you need to know where you are. Now we will take the following quiz to understand the leader in ourselves better. Remember that there is no ‘right’ or ‘wrong’ answers. This is not a test; have fun!

***For each of the given below statements, mark your response and count your score as per the given Score Grid***

**Always = 3, Sometimes = 2, Never =1**

- 1) I believe that having fun together is an important goal for any group.
- 2) I keep an open mind and encourage people to share their opinions.
- 3) I consider what's best for the group and its goals, not just what I want for myself.

- 4) I'm polite to the team, such as by saying please and thank you.
- 5) When opinions are different, I look for things we agree about, rather than choosing sides.
- 6) I realize mistakes will happen, and I try to learn from them.
- 7) I get others involved in making important decisions.
- 8) When there's a problem, I focus on finding a positive solution, rather than complaining or blaming others.
- 9) I listen carefully, and I urge my team to respect everyone's ideas.
- 10) I try to understand the feelings of each person on the team.
- 11) I stay flexible and calm when people disagree with me.
- 12) I give others praise for their great work and ideas.

**Now Count your total score and find your leadership quality**

Score	Quality
36-28	You're doing a great job as a wholesome leader! Keep encouraging and helping others.
27-30	You have lots of positive leadership skills. Keep up the good work as you learn more skills.
19-12	With practice, you can grow as a leader. Look at the question for which you marked 'never' or 'sometimes' for ideas and work on them.

## • Social Entrepreneurship

Social entrepreneurship is which combines the passion of a social mission with an image of business-like discipline, innovation, and determination.

Social Entrepreneur aims for value in the form of large-scale transformational benefit that accrues either to a significant segment of society or to society at large. Moreover, the social entrepreneur targets his/her programs at the under served, neglected, or highly disadvantaged population that lacks the financial means or political clout to achieve the transformative benefit on its own.

### ***Operation Flood – The man behind Mr. Verghese Kurien***

*This has been the story of a young engineer who was born in Calicut and was later known as the Father of the White Revolution and was honored with some of the most prestigious Government awards like Padma Vibhushan, Ramon Magsaysay and Krushi Ratna. He breathed his last on 9th December 2012, but he will always be remembered for his immense contribution to the farmers, to the Amul Brand and to the millions of consumers of dairy products.*

*The year was 1964 when our Prime Minister Mr. Lal Bahadur Shastri was invited to Anand to inaugurate the new cattle-feed plant of Amul. He was supposed to return back by end of the day but after reaching Anand he insisted to stay there to learn about the success of the co-operatives.*

*He visited almost all the co-operatives with Dr. Kurien and was impressed with the process with which Amul was sourcing the milk from farmers and at the same time helping them to improve their economic condition. Later, he returned to Delhi and asked Dr. Kurien to replicate the Amul pattern across the country. The combined effort resulted in creation of the National Dairy Development Board (NDDB) in the year 1965. Dr. Kurien took charge of NDDB and began the herculean task of replicating the overall pattern*

*of the working at Anand to other parts of the country. By this time the demand for milk was growing at a faster rate than the supply. India could have easily become the largest importer of milk like Sri Lanka if sufficient steps not been taken at that time by the Indian government and NDDB.*

*Money was the biggest problem faced by NDDB during that period and was a critical resource needed to revolutionize the milk industry. To deal with it, NDDB tried to pursue the World Bank for loans and other grants with no conditions at all. When the President of the World Bank came to India in 1969, Dr. Kurien told him – “Give me money and forget about it”. A few days later, World Bank approved the loan for NDDB without even a single condition. This help was part of an operation, later known as Operation Flood – which was done to replicate the Anand working pattern across India.*

*Operation Flood was subsequently implemented in India in three phases, adding around 0.1 million cooperatives and 5 million milk producers. Dr. Kurien also took several other measures such as developing milk powder, developing several varieties of dairy products, emphasizing on the health of cattle and development of vaccines etc. In 1973, he also set up GCMMF (Gujarat co-operative Milk Marketing Federation) – an individual marketing unit of Amul to sell the Amul as a brand in India as well as abroad. He also founded IRMA – Institute of Rural Management Anand in 1979, to pass on the gained knowledge to future generations and to place rural India on the map of India.*

*As a result of these combined efforts, Amul currently boasts of 15 million milk producers pouring their milk in 1,44,246 dairy co-operative societies across the country – a huge chain that has resulted in India’s being the largest milk producing country today.*

## • **Tips to strengthen entrepreneurial skills**

If you do not have enough of the qualities and abilities necessary to open/strengthen your own business there are many ways to improve your business skills and alter your characteristics. You can:

- Talk to people in business so you can learn from them.
- Get some training, enrol in a course to study specific areas you need to improve in.
- Get work as an assistant/ apprentice to a successful business person.
- Read books that will help you develop your business skills.
- Read articles about businesses in the newspaper and think about their problems and methods.
- You might want to think about finding a partner who complements your strengths and weakness, instead of going into business entirely on your own.

- Increase your motivation by making a plan for your future.
- Study successful business people and learn that your success depends mostly on your own efforts.
- Develop the ability to consider and assess a problem and take risks.
- Think about and learn how to deal with crises situations better
- Talk to your family about the difficulties of running your own business and persuade them to support you.
- Become more open to new ideas and other people's views.
- When things go wrong, analyse what happened and improve your ability to learn from mistakes.
- Increase your commitment to work and realise that only hard work brings success.

# CHAPTER 4

## BUSINESS OPPORTUNITY IDENTIFICATION

### Content

- *Business Idea*
- *What makes a Good Business Idea*
- *Generate your own Business Idea*
- *Innovations Leading to Entrepreneurial Ventures*
- *SWOT Analysis*

- **Business Idea**

Every business is born from an idea. Business ideas should come from observation, to find a potential opportunity, or try to forecast what people or other businesses might want. Business ideas are sometimes developed from someone's education and past experience. It should be known that by considering your natural talent you might find the seed for a good business idea. It is an idea about what products you are going to offer, what services you are going to provide or what goods you are going to sell; where and how you are going to sell them and who are you going to sell them to.

A business idea is therefore a short and precise description of the basic operations of an intended business. A good business starts with a good business idea. Before you can start a good business you need to have a clear idea of the sort of business you want to run.

A successful business meets the needs of its customers. It gives people what they need or want. Your business idea will tell you;

- **Which** need your business will fulfil for its customers.
- **What** product or service your business will sell.
- **Who** your business will sell to.
- **How** your business is going to sell its products or services.

### ***Success Story Of OYO Rooms***

*Ritesh Agarwal is the young Founder & CEO of OYO Rooms. With a current valuation of nearly 360Cr, OYO rooms does nothing out of the box but provides travellers the coolest yet cheapest efficient, young, standardized rooms with no add-ons attached to it!*

*Ritesh was born in Orissa, Bissam Cuttack. Till the time he was in 10th standard, he was sure what to do with life. Ritesh realized that, the biggest pain on the face of this earth while travelling was to find a good, affordable & most importantly "available" hotel to stay in but like always, most of us ended up staying in a crappy place with equally crappy staff, food, etc. which killed the whole trip.*

*This got him motivated to create an online yet social community to bring information about all good places together on one platform.*

*OYO Rooms was nothing but an idea to create India's largest chain of efficient, young, standardized rooms with an intention to build the coolest chain of no add-on rooms which might not have Spa, Gym etc like the star hotels but will live upto the basic standards & high expectations for prices like never before.*

*And to make sure the hotels met their expectations; OYO Rooms reached out to prospective hotels or a hotel owner could also reach out to them, and OYO's team would visit the place, audit the hotel to understand the changes that would be required to standardize the property as per OYO standards, and shares the same with the hotels.*

*Since then; OYO Rooms has gone on to become technology driven network of standardized branded budget hotels and has also widely expanded its presence.*

Business ideas are identified through positive, creative thinking. They can come from different sources such as ideas built on local resources, local needs, local activities, interests and hobbies.

### **1. WHICH**

*Which need does your product or service satisfy for your customer?* Your business idea should always have the customer and the customer's needs in mind. It is important to find out what your future customers want when you work out your business idea.

### **2. WHAT**

*What type of product or service will your business sell?* Your business idea should be based on products you know about or services you are good at. They must be products or services that people are willing to pay for. Analysing various business ideas will help you to focus on the type of business you will be good at.

A product is an object that people pay for. It may be something you make yourself or it maybe something you buy to re-sell. Tools, baked goods, clothes and retail goods are all products.

A service is something you do for people, which they pay for, for example, shining shoes, delivering messages, keeping money safe in a bank and repairing items.

### **3. WHO**

*Who will buy your products or services?* Customers are an essential part of every business. It is important to be clear about the customers you intend to sell to. Will you sell to a specific type of customer or to everyone in an area? There must be enough people who are able and willing to pay for your products and services or the business will not make a profit.

### **4. HOW**

*How are you going to sell your products and services?* If you plan to open a shop this is clear, but a manufacturer or service operator can sell in many different ways. A manufacturer can, for example, either sell directly to customers or to retailers.

Starting a business is not an easy job - it takes lots of work and a lot of planning. The effort and money it takes to start a business may all be lost if you don't start the right business. The right business begins with a good business idea.

Running a business is like juggling. You have to balance knowing what the customer wants, your skills and experience, knowing what it costs to provide it, and knowing how much the

customer is willing and able to pay. You have to keep your eye on all of these factors because they are always changing. If you can juggle what customers want, what you can provide, with the right costs and prices – you make profit. If you fail to pay attention to any on one of these, your business will not be successful.

- **What makes a Good Business Idea**

A good business idea is one that is based on;

- A product or service that customers want.
- A product or service you can sell at a price customers can afford and which will give you a profit.
- The knowledge of skills you have or you can get.
- The resources and money you are able to invest.

**All good businesses begin with a good idea that has been well thought through.**

Assessing your abilities and experience; your work experience, practical knowledge, technical abilities, hobbies, contacts and family background can also be important factors for business success. Many small jobs you do around your home can be ideas for starting a business, for example growing vegetables, cooking, looking after children, dancing, fixing watches or machines, washing clothes, sewing etc. Your interests and hobbies can give you ideas of anew business. Telling stories, drawing pictures, fishing, listening to music, playing football, baking cakes are all hobbies that can be turned into business ideas.

### ***The Jaipur Blue Pottery Story***

*A lively and vibrant persona exemplified – that is what Leela Bordia is all about. One can see the magnitude, grace and fortitude instilled in this powerhouse of a lady who has strived all her life for the upliftment and betterment of her fellow countrymen and has been accredited with reinstating the glory and stature of Blue Pottery - this once upon a time nearly extinct and dying craft form.*

*The resurrection journey of Blue Pottery commenced during the year 1978, when Leela Bordia was engaged in social welfare activities in the villages in and around Jaipur district of Rajasthan, India. During her forays she chanced upon noticing some artisans selling their wares of traditional Blue Pottery items. She was instantly attracted to the vibrancy, grace, feel and demure kind of styling of the traditional Blue Pottery merchandise on display. She however saw that despite having the skills of this fine craft, the craftsmen appeared to be in a paltry state of affairs. She realized that the craftsmen had no means of marketing their products and had to sustain on the meagre sum of money that they made when a sale was made by them, which was by no means a regular feature for them.*

*At that time, the traditional Blue Pottery items consisted of big vases, pots and other heavy items. This naturally needed a big and rich customer owing to the size and material cost of the products. Leela Bordia pondered on the possibilities of innovating away from the well trodden path of Blue Pottery items and envisioned small, delicate and day-to-day useful items made with the same materials. The result of her ingenious vision and dedication to the craft brought forth beauty and intricacy in the form of enchanting door knobs, beads, curtain rods, ashtrays, candle stands, lanterns, coasters, decanters, perfume bottles and other astonishing but useful items.*

*With the basic objective of doing good for the Blue Pottery craftsmen, Leela Bordia started Neerja International to help the craftsmen in marketing and promoting the Blue Pottery items. Her endeavors had both tales of ups and downs but steadfastly Leela Bordia strode onwards and turned the tide in her favour. Leela Bordia has traversed these last 3 decades to instill smiles and self reliance abilities in the small villages in and around Jaipur District.*

*Her policy of 'We shall succeed jointly', rather than 'I shall succeed solely has always held her in high esteem in the hearts of her co-artisans, well-wishers as well as the Indian and Foreign Print Media who have spoken volumes on her.*

*Today, Leela Bordia and her firm Neerja International are synonymous with the name of Blue Pottery objects. She has not only reinstated this intricate craft back to its lost glory of the yesteryears, but has also been the originator of innumerable new and innovative Blue Pottery articles.*

*Her work has been flawlessly accepted by one and all and the Awards and Felicitations ornamenting her Office over the years are proof enough of her excellence and recognition.*

*Leela was able to revive the dying craft as well as increase the standard of living of the artisans who were associated with this traditional craft. In fact, when the former US President, Clinton visited Jaipur, all "Jaipur Blue Pottery" which was gifted to his mother in law, was from Neerja International.*

*(Source : <https://www.neerjainternational.com/mrs-leela-bordia>)*

- **How do people find good business ideas?**

Ideas are everywhere, but they need to match what customers want and can pay for. A good business idea is based on the needs of customers. If a business makes a good product but nobody needs it, the business will be a failure.

The people who might want to buy a product or service are called the market for the product. Every good business idea is based on knowledge of what the market wants.

The market differs from place to place depending on who lives in the area, how they live and what they spend their money on. When you know about the people in your area you can find many business ideas that you might have ignored.

- **Generate your own Business Idea**

Maybe you do already have a business idea? This is a good sign. It shows that you are committed to starting a business and you have already started the work of "thinking". But you should be careful not to hold on too tightly to your first idea. There are many opportunities and the first idea can lead to an even better idea.

When generating a business idea, it is best to try and keep an open to mind. The first goal should be to think of as many ideas as possible and make a list of all the business opportunities you can think of. Business ideas can be generated through:

- Using experiences
- Visits to your local business area
- Investigating your environment
- Brainstorming

## ➤ An Idea List

Begin an ideas list for your own business. Choose any ideas that might be suitable for you and write them down in the activity box below. In this list, jot down ideas you will generate as you carry out other exercises to generate business ideas, here is an example:

Idea List for My Own Business	
Ideas	Description
A catering service delivering lunches to office	I know about and enjoy cooking. No one else does this in town. There will be lots of customers. I can find out what they want and know how much money is needed to start. It will probably be tiring with many deliveries to make. I would enjoy meeting so many people.

## ➤ Using Experiences

### Your Own Experiences

Look at the list of your experiences and contacts, which you have. Are there any possible business ideas that you can derive from your own past experience? Brainstorm for each type of experience.

Start with yourself. What has been your experience as a customer, in the market place?

Have you ever searched all day for some item and not been able to find it anywhere? Think about the products or services you yourself have wanted at different times and had difficulty in finding.

### Other People's Experiences

Listen carefully to what other people say about their experiences – they are all potential customers.

Ask your family and friends about their experiences. Expand your social knowledge: talk to people you don't usually talk to - perhaps elderly people, or teenagers, or people from different ethnic groups or social class. Try talking to members of the opposite sex. Go to a different church. Have tea in different restaurants.

Ask people about their problems in finding the product or service they want.

## ➤ Investigating Your Environment

You can use your creativity to find more business ideas in your area. Look at the list of businesses in your area. If your list covered a large enough section of your local market, you are probably beginning to see what industries or services your local economy depends on.

Example: Neeraj's town is a farming centre and therefore depends on agriculture as the main economic activity. It provides services to many surrounding villages. Maybe your town depends on mining, fishing, industry or tourism. Perhaps there are a number of educational or other public institutions that employ many people in your area.

It may be useful to brainstorm for good business ideas by considering all the resources and institution in your area. For example think about;

- Resources from nature,
- people's abilities and skills,
- institutions,
- industries,
- import substitution,
- waste products,
- publication,
- trade fairs and exhibitions.

- **Brainstorming**

Brainstorming is a way of opening up your mind and helping you to think many different ideas. You start with a word or topic and just write down everything that comes into your mind. You continue for as long as you can, putting down everything even if it seems irrelevant or odd. Good ideas can grow from very strange beginnings.

Brainstorming works best when carried out with another person or a group of people, but you can also try it on your own. Many large companies use this method to come up with new product ideas.

- **Analyse Your Business Idea and Select the Best One**

By now you probably have quite a few possible ideas for your own business - at least five or perhaps over twenty. Your next task is to take this list and try to bring it down to between three and six ideas- the ones that are most suitable for you.

You can select the most suitable ideas from your list by thinking carefully about each idea. There is probably still a lot you don't know about the business on the list but the questions below will help you settle on one feasible idea.

Go through your list of business ideas and make notes about each by answering these questions:

**Which**

- Which customer needs do you want to satisfy?
- Which customer needs will your product or service satisfy?

**What**

- What product or service do your customers want?
- What quality of the product do your customers want?
- What do you know about the product or service for this business?

**Who**

- Who are your likely customers for this particular business? Will they be enough in number to keep your business viable?
- Who are your competitors?

## How

- How will you be able to supply goods and services the customers want?
- How much do you know about the quality of goods and services the customers want?
- How does running this sort of business suit your personal characteristics and abilities?
- How do you know there is need for this business in your area?
- How do you imagine yourself running this business in ten years' time?

### ➤ **Other Important Areas to Consider**

- Where can you get advice and information about this business?
- Will this be the only business of this kind in your area?
- If there are other similar businesses, how will you be able to compete successfully?
- Why do you think this business will be viable?
- Does this business need equipment, premises or qualified staff? Do you think you will be able to get the finances to provide what is needed?
- Where will you get the resources to start this business?

### ➤ **Innovations Leading to Entrepreneurial Ventures**

An entrepreneur is also known to be a person who habitually creates and innovates to build something of recognised value around perceived opportunities.

Creativity and innovation are the distinguishing marks of the entrepreneur. That is why they disturb markets and can challenge large established businesses. Creativity is a continuous activity for the entrepreneur, always seeing new ways of doing things with little concern for how difficult they might be or whether the resources are available. But creativity in the entrepreneur is combined with the ability to innovate, to take the idea and make it work in practice. Once the project is accomplished, the entrepreneur seeks another “mountain to climb” because for him or her creativity and innovation are habitual, something that he or she has to keep on doing.

Let us look into some innovations that led to successful ventures:

<b>Penicillin</b>	
<b>Inventor</b>	Sir Alexander Fleming, a scientist
<b>What he was trying to make</b>	Ironically, Fleming was searching for a “wonder drug” that could cure diseases. However, it wasn't until Fleming threw away his experiments that he found what he was looking for.
<b>How it was created</b>	Fleming noticed that a contaminated Petri dish, he had discarded, contained a mold that was dissolving all the bacteria around it. When he grew the mold by itself, he learned that it contained a powerful antibiotic, penicillin.

<b>Potato Chips</b>	
<b>Inventor</b>	George Crum, a chef at the Carey Moon Lake House in Saratoga Springs
<b>What he was trying to make</b>	A plate of fried potato
<b>How it was created</b>	One day, a customer sent back his plate of potatoes many times and kept asking for them to be more fried and thinner. Crum lost his temper, sliced the potatoes insanely thin and fried them until they were hard as a rock. To the chef's surprise, the customer loved them and wanted more! And this is how potato chips came into existence.
<b>Microwave Ovens</b>	
<b>Inventor</b>	Percy Spencer, an engineer (with the Raytheon Corporation)
<b>What he was trying to make</b>	The engineer was conducting a radar-related research project with a new vacuum tube.
<b>How it was created</b>	Spencer realized that the candy bar in his pocket began to melt during his experiments. He then put popcorn into the machine, and when it started to pop, he knew he had a revolutionary device on his hands.
<b>Ink-Jet Printers</b>	
<b>Inventor</b>	A Canon engineer.
<b>How it was created</b>	After resting his hot iron on his pen by accident, ink was ejected from the pen's point a few moments later. This principle led to the creation of the ink jet printer.
<b>X-Rays</b>	
<b>Inventor</b>	Wilhelm Roentgen, a physicist
<b>What he was trying to make</b>	He was interested in investigating the properties of cathode ray tubes.
<b>How it was created</b>	When light through tubes he noted that sheets of fluorescent paper in his lab were illuminated even though his machine had an opaque cover.

### ➤ **SWOT Analysis**

Once an idea or opportunity is realized, it needs to be qualified or assessed. Not every idea has the potential to transform into a real business and generate income and be sustainable. Out of all the ideas or opportunities and after careful scrutiny one such idea or opportunity is taken

to the next stage where it is developed into a real business by proper and meticulous planning. There are many factors upon which an idea is qualified and then developed. One of the most known and easy ways to assess an Idea is SWOT analysis. It helps you focus on possible problem areas and potential advantages of each idea.



### Inside the business

To analyse the strengths and weaknesses of a business an entrepreneur should look inside the planned businesses. What will the business be good at and what are its weaknesses?

- i. **Strengths** are the specific positive aspects, which will give your proposed business an advantage over similar business ventures and competitors. It could be that you propose to offer a better quality product or to have a location, which is located near your customer.
- ii. **Weaknesses** on the other hand are specific aspects that your business will not be good at. Perhaps your costs will be high because your business is located far from suppliers and you will have to pay more for transport.

### Outside the business

To analyse the opportunities and threats of your proposed business an entrepreneur should look outside the business i.e. the external environment. What aspects of the external environment will benefit the business and what aspects will negatively affect the business?

- i. **Opportunities** are on-going potential developments around you that will be good for your business. It could be that the demand for the product you are proposing will increase because of the influx of tourists.
- ii. **Threats** are probable events that may affect your business negatively. For example, the business idea could be so simple that other people may start similar businesses in your area and reduce your share of the market.

## Pause & Ponder - Application of the Module

Now that you have your ideas, look at the examples for business ideas below to see if some of them are here:

### 1. Bakery & confectionery

- Breads of all sorts
- Biscuits
- Cakes, cookies from cassava, soya, banana

### 2. Grain utilisation

- Fried and packed nuts, soya seeds, maize
- Peanut butter

### 3. Metal works

- Windows/gates/doors
- Tools for carpentry
- Machinery/equipment
- Furniture (e.g. shelves, beds)
- Motor bodies

### 4. Wood work

- Ropes/strings
- Bags/sacks
- Belts
- Wall decoration
- Floor, car carpets
- Table ware
- Furniture, bed covers

### 5. Art work

- Jewellery
- Making accessories

### 6. Green vegetables

- Processed and packed green leaves Vegetables

### 7. Milk from cattle, goats and sheep

- Ghee
- Butter
- Yoghurt
- Milk-packing

### 8. Coffee

- Wet, dry coffee processing
- Drinking coffee powder

### 9. Fish

- Fish ponds
- Fish drying
- Fish feeds making and packing
- Piggery, poultry feeds making

### 10. Textiles

- Bed covers
- Towel
- Tie & dye
- Sweaters

### 11. Leather

- Tanning
- Shoes, Sandals
- Wallets
- Belts
- Handbags

### 13. Honey

- Honey processing
- Wax making

### 14. Wood

- Furniture
- House fittings
- Body building (e.g. lorries, boats, wheelbarrows, shelters)
- Toys and carvings
- Matchsticks

### 15. Clay

- Bricks
- Tiles (roofing, facing)
- Pots, cups, plates
- Clay carvings (sculptures)

### 16. Fruit processing

- Fruit juice
- Fruit jam & jelly

### 17. From the service sector

- Motor vehicle repair
- Electrical repairs
- Cab
- Retail shop, grocery
- Laundry and dry-cleaning
- Stationary store
- Book store
- Cafeteria/restaurant

# CHAPTER 5

## STEP BY STEP PLANNING

### *Content*

- *Process of Entrepreneurship Development*
- *Initiation Phase*
- *Planning Phase*
- *Implementation Phase*
- *Closing Phase*

Entrepreneurship development is the means of enhancing the knowledge and skill of entrepreneurs through several classroom coaching and programs, and training. The main point of the development process is to strengthen and increase the number of entrepreneurs.

This entrepreneur development process helps new firms or ventures get better in achieving their goals, improve business and the nation's economy. Another essential factor of this process is to improve the capacity to manage, develop, and build a business enterprise keeping in mind the risks related to it.

In simple words, the entrepreneurship development process is about supporting entrepreneurs to advance their skills with the help of training and coaching classes. It encourages them to make better judgments and take a sensible decision for all business activities.

### **Process of Entrepreneurship Development**

The below-mentioned steps will illustrate the steps for an entrepreneur to plan, organize and launch the new ventures.

- **Discover** – Any new process begins with fresh ideas and objectives, wherein the entrepreneur recognizes and analyzes business possibilities. The analyzing of opportunities is a risky task, and an entrepreneur looks out for inputs from other persons, including channel partners, employees, technical people, consumers, etc. to reach an ideal business opportunity.
- **Evaluation** – The evaluation of an opportunity can be done by asking several questions to oneself. For instance, questions like whether it is worth taking a chance and investing in the idea, will it attract the consumer, what are the competitive advantages and the risk linked with it are asked. A reasonable and sensible entrepreneur will also analyze his skills and whether it matches his entrepreneurial objectives or not.
- **Developing a plan** – After the identification of an opportunity, an entrepreneur has to build a complete business plan. It is the most important step for new business as it sets a standard and the assessment criteria and sees if a company is working towards the set goals.
- **Resources** – The next step in the process of entrepreneurial development is resourcing. Here, the entrepreneur recognizes the source of finance and from where the human resource can be managed. In this step, the entrepreneur also tries to find investors for his new business.

- **Managing the company** – After the hiring process and funds are raised now its time to start the operation to accomplish the desired goals. All the entrepreneur will decide on the management structure that will be assigned to resolve the operational problems whenever it occurs.
- **Harvesting** – The last step in this process is harvesting, where an entrepreneur determines the future growth and development of the business. Here, real-time development is compared with the projected growth, and then the business security or the extension is initiated accordingly.

## CHAPTER 6

# ENTREPRENEURIAL SUPPORT ECOSYSTEM

### *Content*

- *Entrepreneurial Environment*
- *Role of Entrepreneurial Environment*
- *Government Support Ecosystem*
- *Start Up, Incubation and Acceleration*

Entrepreneurial environment encourages and supports an entrepreneur to start, develop and grow an enterprise. When an entrepreneur decides to start an enterprise or engage in an entrepreneurial endeavour they may not always be ready with an idea.

However, the entrepreneurial environment leads a potential entrepreneur to conceive a business idea or recognize a business opportunity. Or, an entrepreneur may have a business idea but not have the right support system to evolve it into a real enterprise. Even in such a case the entrepreneurial environment encourages an entrepreneur by providing all the possible resources and support necessary for them to convert the existing idea into a business.

### ➤ **Components of the Entrepreneurial Environment**

- **Economic Conditions**

Economic conditions can be categorized into two, intrinsic and extrinsic.

#### *Intrinsic*

The intrinsic economic conditions are the economic condition of an entrepreneur, how much the entrepreneur is able to invest in an idea or opportunity in monetary terms before or without any financial assistance. These exist in the immediate control of an individual.

#### *Extrinsic*

An example of the extrinsic condition is the financial capability of the people who can buy what an enterprise sells. These conditions help an entrepreneur to decide the initial size of the enterprise.

- **Social Conditions**

Social conditions where an enterprise exists are the societal norms, feelings and environment. An example to understand the social conditions is a society where there is evident gender inequality. In such a society where there is still inequality among genders, an enterprise that promotes the well being and empowerment of women would not be successful. Social conditions help in directing the enterprise towards social acceptance.

- **Technological Conditions**

Now a day's importance of technology has increased many folds. In India, technological advancement is not uniform and thus some areas are more technologically advanced than the others. If an enterprise that requires higher levels technological instruments and processes exists in a place where technology is not prompt, may face challenges.

- **Government Support & Initiatives**

Enterprises need approvals and certifications from government bodies that may be state government bodies or central government bodies. There are a number of financial schemes the government launches to boost and encourage entrepreneurship. Also, government educates and skills entrepreneurs to start an enterprise and run it successfully.

- **Role of Entrepreneurial Environment**

- *Deciding the right enterprise*

It is an important step for an entrepreneur to decide the nature and quantum of the entrepreneurship. Every enterprise is created in response to certain environmental components, such as technological conditions in the past decade have changed the meaning of business in significant way which in return has led to the emergence of the e-commerce market.

- *Deciding the size to the enterprise*

An enterprise that needs an investment of a certain will be categorised as either a micro, small or medium enterprise and thus other government regulations will be applicable on the basis of the categorisation.

- *Further development of Entrepreneurial Environment*

A number of entrepreneurs have been able to make it big in the world of entrepreneurship. This has provided encouragement to other entrepreneurs. At the same time such an environment has brought about a change in attitude of the society towards entrepreneurship. The government too has given and is still giving entrepreneurship the due importance.

- *Assisting the growth of an enterprise*

When an enterprise is started it requires a lot of support. However, since conditions change as a result of different reasons, it is essential to understand that the change brought about may not be as favorable as before. The right mix of the components will help the growth of an enterprise.

- *Encourages innovation*

Innovation is an essential characteristic of entrepreneurship. It is therefore important that innovation is encouraged and supported in all aspects. There are some pre requisites of innovation such as financial support and liberty, on which innovation is able to build upon.

- *Economic growth of the country*

The eventual result of an entrepreneurial environment is growth in the number of enterprises which further results in the economic growth of the entire country. It also gives enterprises an option to export and import from outside the country which again is an indirect way to economic development of the country.

- *To substitute for Job creation*

It is essential for any government to create jobs in order to reduce unemployment. Entrepreneurship ensures the creation of income opportunities for an entrepreneur which may not necessarily be linked to jobs.

## ➤ Government Support Ecosystem

The Government of India has undertaken several initiatives and instituted policy measures to foster a culture of innovation and entrepreneurship in the country. In the recent years, a wide spectrum of new programmes and opportunities to nurture innovation have been created by the Government of India across a number of sectors. From engaging with academia, industry, investors, small and big entrepreneurs, non-governmental organizations to the most under served sections of society.

The prominent schemes intended to support and inculcate entrepreneurial ecosystem in India are:

### I. Start Up India

Startup India is a flagship initiative of the Government of India, intended to catalyse startup culture and build a strong and inclusive ecosystem for innovation and entrepreneurship in India.

Under the Startup India Initiative these 3 major support are provided to the startups:

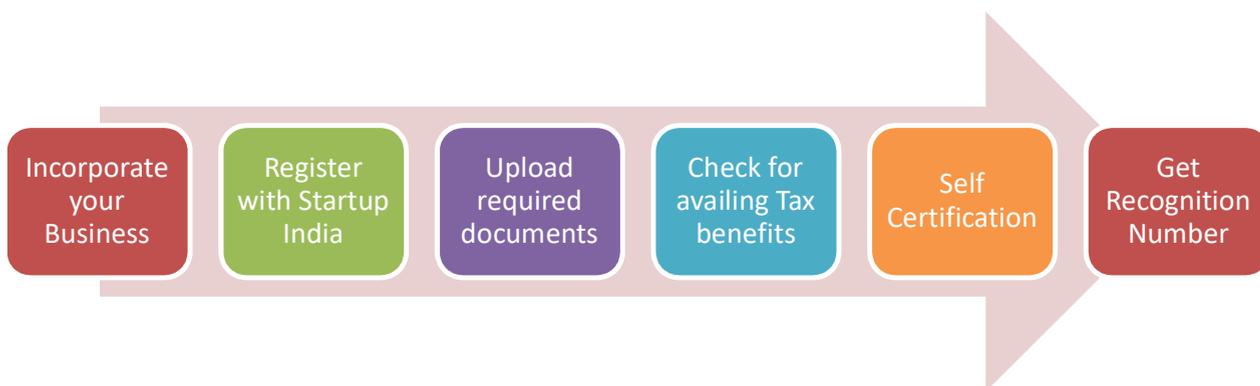
- 1. Simplification and Hand holding** - Easier compliance, easier exit process for failed startups, legal support, fast tracking of patent applications and a website to reduce information asymmetry.
- 2. Funding & Incentives** - Exemptions on Income Tax and Capital Gains Tax for eligible startups; a fund of funds to infuse more capital into the startup ecosystem and a credit guarantee scheme.
- 3. Incubation & Industry-Academia Partnerships** - Creation of numerous incubators and innovation labs, events, competitions and grants.

### Startup India Portal

A dedicated web portal (<https://www.startupindia.gov.in>) has been developed to support startups and entrepreneurs in India, connecting them to tens of thousands of other startups, as well as other key stakeholders such as investors, mentors and incubators.

The portal aims to reduce knowledge asymmetry in the startup ecosystem and better equip entrepreneurs for success by providing them with essential information and valuable online resources.

### How to register your startup with Startup India



For Further Information go through the following resources:

- StartupIndia Journey [https://www.youtube.com/watch?time\\_continue=7&v=orzNC8lClKk](https://www.youtube.com/watch?time_continue=7&v=orzNC8lClKk)
- Visit <https://www.startupindia.gov.in> – Startup Portal

## II. Stand Up India

The Stand Up India scheme is based on recognition of the challenges faced by SC, ST and women entrepreneurs in setting up enterprises, obtaining loans and other support needed from time to time for succeeding in business. The scheme therefore endeavours to create an ecosystem which facilitates and continues to provide a supportive environment for doing business.

The objective of the Stand Up India scheme is to facilitate bank loans between **10 lakh and 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 share holding and controlling stake should be held by either an SC/ST or Woman entrepreneur.

The scheme which covers all branches of Scheduled Commercial Banks is accessed in three potential ways:

- Directly at the branch or
- Through Stand Up India portal ([www.standupmitra.in](http://www.standupmitra.in)) or
- Through the Lead District Manager (LDM)

For Further Information go through the following resources:

- Visit <https://www.standupmitra.in/>

## III. Prime Ministers Employment Generation Programme, PMEGP

The scheme is implemented by Khadi and Village Industries Commission (KVIC) functioning as the nodal agency at the national level. At the state level, the scheme is implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs), District Industries Centres (DICs) and banks. In such cases KVIC routes government subsidy through designated banks for eventual disbursement to the beneficiaries / entrepreneurs directly into their bank accounts.

The maximum cost of the project/unit admissible in manufacturing sector is ₹ 25 lakhs and in the business/service sector, it is ₹ 10 lakhs.

### Categories of Beneficiary's Rate of subsidy under PMEGP (of project cost)

Categories of beneficiaries under PMEGP	Beneficiaries contribution (of project cost)	Rate of subsidy (of project cost)	
		Urban	Rural
<b>Area (Location of project/unit)</b>		Urban	Rural
<b>General category</b>	10%	15%	25%
<b>Special (including SC /ST /OBC / Minorities /Women, Ex-service-men, Physically handicapped, NER, Hill and Border areas, etc.</b>	5%	25%	35%

**The balance amount of the total project cost will be provided by the banks in the form of term loan and working capital.**

### **Who can apply?**

Any individual, above 18 years of age. At least VIII standard pass for projects costing above Rs.10 lakh in the manufacturing sector and above Rs. 5 lakh in the business / service sector. Only new projects are considered for sanction under PMEGP. Self Help Groups (including those belonging to BPL provided that they have not availed benefits under any other Scheme), Institutions registered under Societies Registration Act,1860; Production Co-operative Societies, and Charitable Trusts are also eligible.

Existing Units (under PMRY, REGP or any other scheme of Government of India or State Government) and the units that have already availed Government Subsidy under any other scheme of Government of India or State Government are NOT eligible.

### **How to apply?**

The State/Divisional Directors of KVIC in consultation with KVIB and Director of Industries of respective states (for DICs) will give advertisements locally through print & electronic media inviting applications along with project proposals from prospective beneficiaries desirous of establishing the enterprise/ starting of service units under PMEGP.

The beneficiaries can also submit their application online at <https://www.kviconline.gov.in/pmegportal/pmegphome/index.jsp> and take the printout of the application and submit the same to respective offices along with Detailed Project Report and other required documents.

For Further Information go through the following resources:

- Visit <https://www.kviconline.gov.in/pmegportal/pmegphome/index.jsp>

## **IV. MUDRA**

Under the aegis of Pradhan Mantri Mudra Yojana (PMMY), MUDRA has created products/schemes. The interventions have been named 'Shishu', 'Kishore' and 'Tarun' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur and also provide a reference point for the next phase of graduation / growth to look forward to :

- Shishu : covering loans upto 50,000/-
- Kishor : covering loans above 50,000/- and upto 5 lakh
- Tarun : covering loans above 5 lakh and upto 10 lakh

With an objective to promote entrepreneurship among the new generation aspiring youth, it is ensured that more focus is given to Shishu Category Units and then Kishore and Tarun categories.

Within the framework and overall objective of development and growth of micro enterprises sector under Shishu, Kishore and Tarun, the products being offered by MUDRA are so designed, to meet requirements of different sectors / business activities as well as business/ entrepreneur segments.

The funding support from MUDRA are of two types:

- Micro Credit Scheme (MCS) for loans up to 1 lakh finance through MFIs.

- Refinance Scheme for Commercial Banks / Regional Rural Banks (RRBs) / Small Finance Banks / Non Banking Financial Companies (NBFCs). - for term loan and working capital loan up to an amount of 10 lakh per unit

### **Purpose of Mudra Loan**

Following is an illustrative list of the activities that can be covered under MUDRA loans:

#### 1) Transport Vehicle

Purchase of transport vehicles for transportation of goods and passengers such as auto rickshaws, small goods transport vehicles, 3 wheelers, e-rickshaws, taxis, etc. Tractors/Tractor Trolleys/Power Tillers used only for commercial purposes are also eligible for assistance under PMMY. Two Wheelers used for commercial purposes are also eligible for coverage under PMMY.

#### 2) Community, Social & Personal Service Activities

Salons, beauty parlours, gymnasium, boutiques, tailoring shops, dry cleaning, cycle and motorcycle repair shops, DTP and Photocopying Facilities, Medicine Shops, Courier Agents, etc.

#### 3) Food Products Sector

Activities such as papad making, achar making, jam/jelly making, agricultural produce preservation at rural level, sweet shops, small service food stalls and day to day catering / canteen services, cold chain vehicles, cold storages, ice making units, ice cream making units, biscuit, bread and bun making, etc.

#### 4) Textile Products Sector / Activity

Handloom, powerloom, khadi activity, chikan work, zari and zardozi work, traditional embroidery and hand work, traditional dyeing and printing, apparel design, knitting, cotton ginning, computerized embroidery, stitching and other textile non garment products such as bags, vehicle accessories, furnishing accessories, etc.

#### 5) Business loans for Traders and Shopkeepers

Financial support for on lending to individuals for running their shops / trading & business activities / service enterprises and non-farm income generating activities with beneficiary loan size of up to 10 lakh per enterprise / borrower.

#### 6) Equipment Finance Scheme for Micro Units

Setting up micro enterprises by purchasing necessary machinery / equipments with per beneficiary loan size of upto 10 lakh.

#### 7) Activities allied to agriculture

'Activities allied to agriculture', e.g. pisciculture, bee keeping, poultry, livestock-rearing, grading, sorting, aggregation agro industries, diary, fishery, agri-clinics and agribusiness centres, food & agro-processing, etc. (excluding crop loans, land improvement such as canal, irrigation and wells) and services supporting these, which promote livelihood or are income generating shall be eligible for coverage under PMMY.

## Mudra Card

MUDRA Card is a debit card issued against the MUDRA loan account, for working capital portion of the loan. The borrower can make use of MUDRA Card in multiple drawals and credits, so as to manage the working capital limit in cost-efficient manner and keep the interest burden minimum. MUDRA Card also helps in digitalization of MUDRA transactions and creating credit history for the borrower. MUDRA Card can be operated across the country for withdrawal of cash from any ATM / micro ATM and also make payment through any 'Point of Sale' machines.

For Further Information go through the following resources:

- Visit <https://www.mudra.org.in/>

## V. Udyog Aadhaar

Udyog Aadhaar is a government registration that is provided along with a recognition certificate and a unique number in order to certify small/medium businesses or enterprises.

Introduction of Udyog Aadhaar was to simplify the process for the business owners to register their business under Micro Small Medium Enterprise or MSME. The process of obtaining Udyog Aadhaar Number is free-of cost, paperless and results in instant registration.

### Benefits of Udyog Aadhaar

- a) The business owner will get protection against delay in Payment.
- b) You can also avail collateral free loans from the bank.
- c) The business owner can avail octroi benefits.
- d) Claim stamp duty and registration charges.
- e) Rate of interest from the banks can be reduced.
- f) The business owner who opts for Udyog Aadhaar can get a concession on Electricity bills.
- g) Exemption of 1% interest on Overdraft.
- h) Reimbursement on the payment made for obtaining the ISO certificate.
- i) Reservation of products for exclusive manufacturing by MSME and SSI.
- j) Avail Excise Exemption.
- k) Avail exemption while applying for government tenders.
- l) Exemption under direct tax laws.
- m) Enjoy easy bank mortgage.

For Further Information go through the following resources:

- Visit [https://udyogaadhaar.gov.in/UA/UAM\\_Registration.aspx](https://udyogaadhaar.gov.in/UA/UAM_Registration.aspx)

## VI. Make in India

Designed to transform India into a global design and manufacturing hub, the Make in India initiative was launched in September 2014. It came as a powerful call to India's citizens and business leaders, and an invitation to potential partners and investors around the world to overhaul out-dated processes and policies, and centralize information about opportunities in India's manufacturing sector. This has led to renewed confidence in India's capabilities among potential partners abroad, business community within the country and citizens at large. The plan behind Make in India was one of the largest undertaken in recent history. Among several other

measures, the initiative has ensured the replacement of obsolete and obstructive frameworks with transparent and user-friendly systems. This has in turn helped procure investments, foster innovation, develop skills, protect intellectual property and build best-in-class manufacturing infrastructure.

For Further Information go through the following resources:

- Visit <https://www.makeinindia.com/home>

## • **Startups, Business Incubation & Acceleration**

Earth is the third planet of our Solar System and the only one which has life. Life in terms of plants, trees, animals, birds, reptiles, insects, fish, invertebrates, and mammals exists on earth only. Among a huge number of mammals, the most crucial creation by nature is the human being. Presence of humans on the earth has become the decisive factor for everything, every place and everyone on earth. All kinds of resources on earth are being utilized by human beings for their needs and satisfaction.

Today the basic needs of a human being are food, shelter, clothing, security, internet, and entertainment. To fulfill these needs, all humans need funds. With the age and stage, every human develops some skills, professionalism, and expertise to earn money and arrange funds. And, when we ponder about the ways to earn and arrange funds, there are three major career and earning tracks that are generally chosen by us as a human.

- A. Being an employee
- B. Being a professional and
- C. Being an entrepreneur

For an appropriate kind of job satisfaction, the mindset of an individual should align with his/her work. For example, people with a job-oriented kind of mindset are more satisfied being an employee, a professional mindset is essential for successful professional and entrepreneurial mindset is required for being a successful entrepreneur.

In the upcoming time, economy through 'entrepreneurs and startups' will contribute majorly for any country. Every country (and region) is supporting the 'Startup Ecosystem' including proper training platforms, mentors and facilitators, incubation centers, accelerators, investment structure, established corporate, dedicated government departments and international linkage.

In India too, from the last decade, Government is pushing to boost the 'Indian Startup Ecosystem' through various ministries, policies, and infrastructure. A large percentage of young and talented population of India has become an asset for the country that is why today more than seventy-five thousand startups, and a hundred unicorns are established in a short span of time.

In the present era, where the world economy is taking a new shape, it is the responsibility of each one of us to support the ecosystem within our best capacity and become one of the significant contributors in the startup ecosystem.

## • **Entrepreneur and Startup**

The term 'Entrepreneur' was first evolved in France in the thirteenth century. At that time, the root word 'Entreprendre' had a meaning '**to do something.**' Sixteenth century was the duration when first time the term was used in business world with an improved definition as

**'someone who undertakes'** a business venture. The word 'Entreprendre' got popular after the Industry Revolution 1.0 in the eighteenth century. This was due to it being the first time when the person was implied as to initiate and to **innovate**. Later it was also related with risk component.

In the era of knowledge management (the twenty-first century), the best fit definition of entrepreneur is a person who i) has the ability to **innovate**, ii) is a **profit concern** and iii) works for the benefit of the **society**. In short, we can conceive it as **IPS** where '**I**' stands for Innovation, '**P**' stands for Profit and '**S**' stands for Society. These three attributes work as a 'Check List' for an entrepreneur.

## **I Innovation for an Entrepreneur**

Innovation is the term which cannot be compromised for being an entrepreneur. To have better understanding of Innovation (for entrepreneurs) the following five concepts have to be meticulously understood.

- A. What is 'Exactly' Innovation** – Any invention and/ or creativity becomes Innovation only if the term 'commercialization' is associated with it. Please note, here we are talking about commercialization and not profit or loss. We need to understand that anything can be commercialized only if it is 'useful' to your customers or future customer and usefulness is directly or indirectly linked with the 'need'. Therefore, the first concept is related with the 'Usefulness'.
- B. Innovation in Business** – Innovation is not merely connected with Product. Innovation may be done or considered in Product(s), Service(s), Process(es), Design(s) and/ or Business Model(s).
- C. Who to Innovate** – In all times, entrepreneur need not to be a creator or inventor, but one should have a sense of opportunity pertaining to business ideas or products which may click into the market. Rather, in maximum cases it is seen that creator or inventors are different people, but it is commercialized by an entrepreneur (here seeker).
- D. Market to Launch** – No matter that any innovation already exists in some other part of the world. For entrepreneur, it's target market is a prime concern. In the target market, if an innovation is introduced for the first time, it may be considered as innovation for an entrepreneur.
- E. Open and Closed Innovation** – Since every budding entrepreneur starts with limited resources in terms of funds, procurements, and energy, it is always suggested to analyze the 'problem to be solved' in the best way. Budding entrepreneur (with limited resources) has to work in the closed Innovation kind of development structure. It manages risk component and enhances 'Adversity Quotient' for an entrepreneur.

## **II Profit Concern**

An entrepreneur must be a profit concern. It does not mean 'Profit making' through all the involved activities but 'Yes', in the long run net profit must be gained (some exceptions for 'Social Entrepreneurs'). Both tangible and non-tangible profits must be concerned while practicing. Actually, it should be 'Startup Valuation Concern' rather than short term profits.

### III Dedicated towards Society

Overall job of an entrepreneur should be dedicated towards society. It further involves following concepts to deem out.

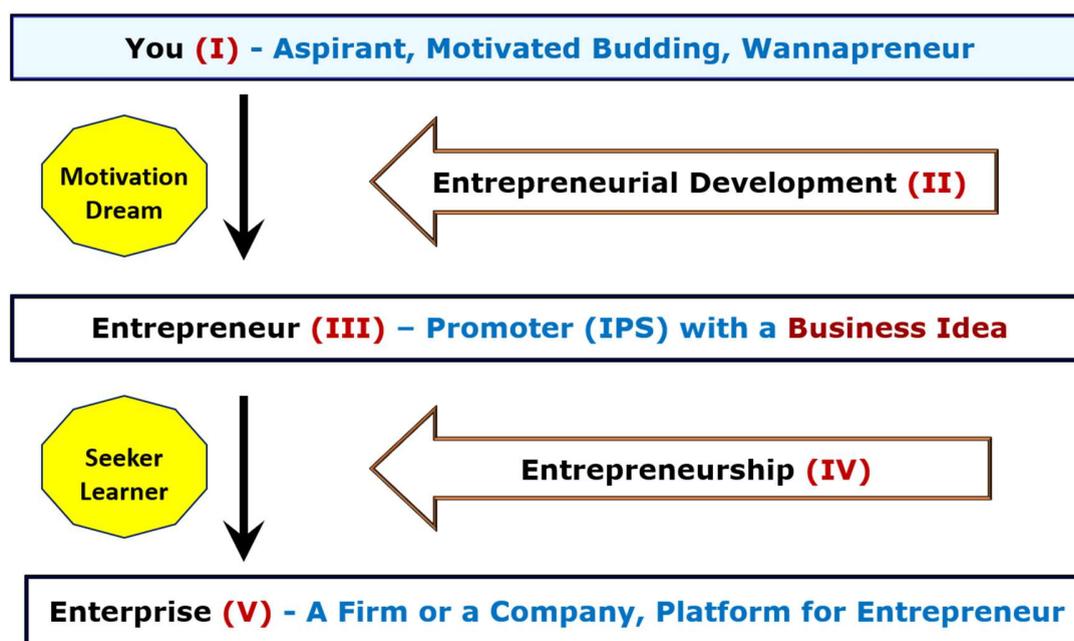
- a. Business Values and Ethics
- b. Inclusive Development
- c. Sustainable (ecological) Development

Therefore, entrepreneurship is based upon 'Socio-Economic Phenomenon'.

An aspirant entrepreneur, who wants to become an entrepreneur should have a clear cut understanding of these 'I', 'P' & 'S'. For any aspirant entrepreneur (or wannapreneur; self-motivated and want to become an entrepreneur) to choose entrepreneurial career track some development pertaining to IQ (Intelligent Quotient), EQ (Emotional Quotient), SQ (Social Quotient) and AQ (Adversity Quotient) is must and that has to be done by different 'Entrepreneurship Development Programs'.

As shown in figure 1, there are total five interrelated terms, i) Person, ii) Entrepreneurial Development, iii) Entrepreneur, iv) Entrepreneurship and v) Enterprise.

Entrepreneurial Development has to be involved with psychological preparation, entrepreneurial mindset, domain knowledge of entrepreneurship and startups, acumen regarding handling functional areas, start-up ecosystem, time-network-stress management etc. To have a better understanding of an entrepreneur, one should have a dream and self-motivation.



**Figure 1: Person to form an Enterprise**

Once a person moves closer to entrepreneurship career track, the first requirement is to have at-least one viable, feasible and sustainable business idea. There is a process of generating such kind of business ideas.

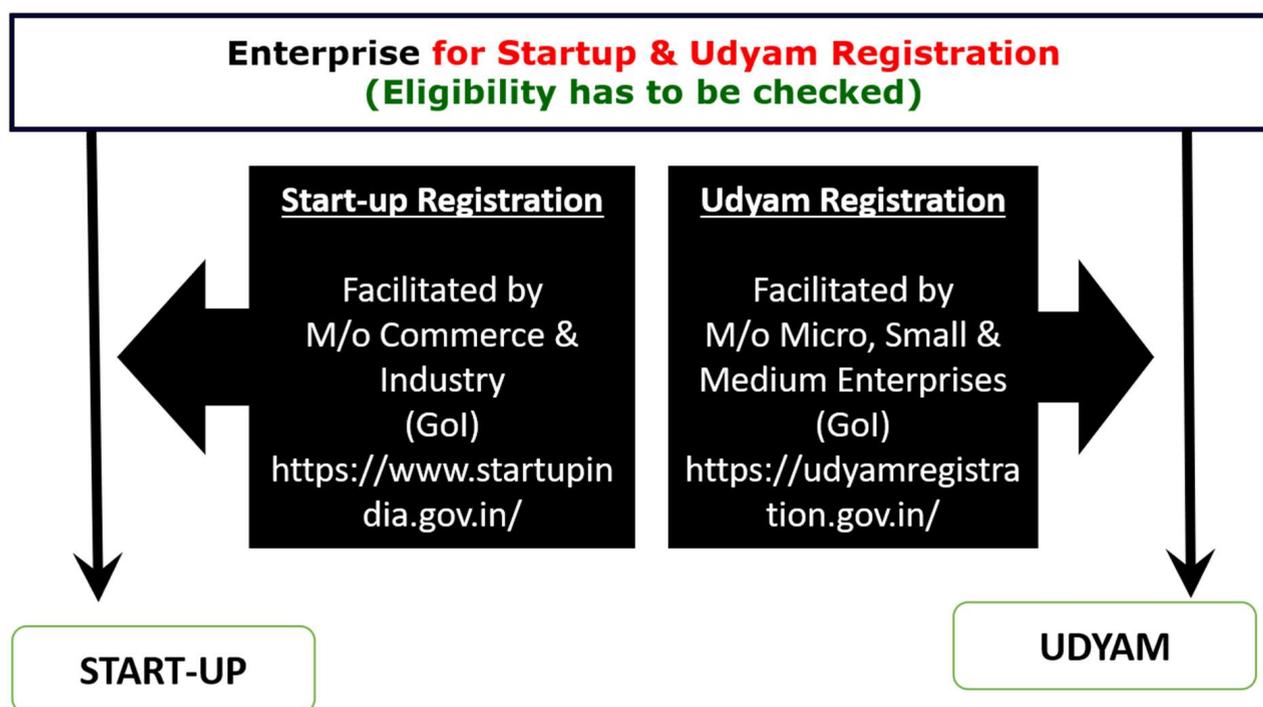
When an entrepreneur is having a business idea with which he or she is emotionally connected and has long term vesting, an enterprise has to be formed. Enterprise has to be considered

as a 'launching pad for entrepreneurs (promoters)'. In India we have various options related to enterprise such as, Sole Proprietorship, Partnership, OPC (One Person Company) Private Limited, Limited Liability Partnership (LLP), Private Limited Company, Public Limited Company, Trust, Society or Section 8 Company.

Depending upon the business, entrepreneurs' choice, mentors' suggestion, one should very carefully choose the type of enterprise.

Entrepreneurship is the quality and characteristics of an entrepreneur (along with his/ her co-promoters/ core team) through which he/ she runs an enterprise. It is the 'Entrepreneurship', which decides the success of an entrepreneur.

Once an enterprise is registered, it is further suggested to go for i) Startup registration (facilitated by DPIIT, M/o Commerce and Industry) and ii) Udyam registration (Facilitated by M/o Micro, Small and Medium Enterprises (refer to figure 2)



**Figure 2: Enterprise to recognize as a Startup and/ or Udyam by GoI**

The Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, GoI has set eligibility criterion to recognize an enterprise as a 'Startup' as mentioned below.

- Incorporated/ registered as a Private Limited Company, a Registered Partnership Firm or a Limited Liability Partnership
- Period of existence and operations should not be exceeding 10 years from the date of incorporation
- Should have an annual turnover not exceeding Rs. 100 Crore for any of the financial years since its incorporation
- Entity should not have been formed by splitting up or reconstructing an already existing business

- e. Should work towards development or improvement of a product, process, or service and/ or have scalable business model with high potential for creation of wealth & employment

If the entity has an innovation in the form of an Intellectual Property (ready for commercialization), it helps in getting DPIIT recognition fast. A good and unique website and pitch deck also help in the process. Website should be user (customers) friendly and Pitch deck should be impressive. Application for applying for Startup is available online in the portal <https://www.startupindia.gov.in/>

After getting the recognition, Startups get many benefits. Some important benefits are mentioned below.

- a. IPR Protection and Patent Applications – Startups registered under DPIIT get a fast-track facility to file an IPR. Trade Marks and Patents are most important for a startup for its valuation. There is a rebate of up to 80 % in the Government fee in filing patent and also approximately 50 % in case of Trade Marks.
- b. Self-Certification - The process of conducting inspections is made simpler. Startups are allowed to self-certify with twelve laws (nine labour laws + three environment laws)
- c. Income Tax Exemption – DPIIT has setup an ‘Inter Ministerial Board (IMB)’ which validates startups for granting tax benefits. IMB validates startups for the Income Tax Exemption on profits under Section 80-IAC of Income Tax Act. There is also a provision for Income Tax Exemption on investments above fair market value received and this is under Section 56 of Income Tax Act.
- d. Easier Public Procurement Norms - Government e Marketplace (GeM) is an online procurement platform for government ministries and departments, and the most widely used channel for public procurement in India. MSMEs, DPIIT recognized startups and other private companies can also register on GeM as sellers and sell their products and services directly to government entities. Besides this, GeM Startup Runway is a new initiative launched by GeM to allow startups to reach out to the universe of government buyers by offering innovative products that are unique in design, process and functionality.
- e. Easy winding up of Company – Through ‘Insolvency and Bankruptcy Code, 2016’ unsuccessful startups, if desire can windup the operations and close down the company within ninety days.

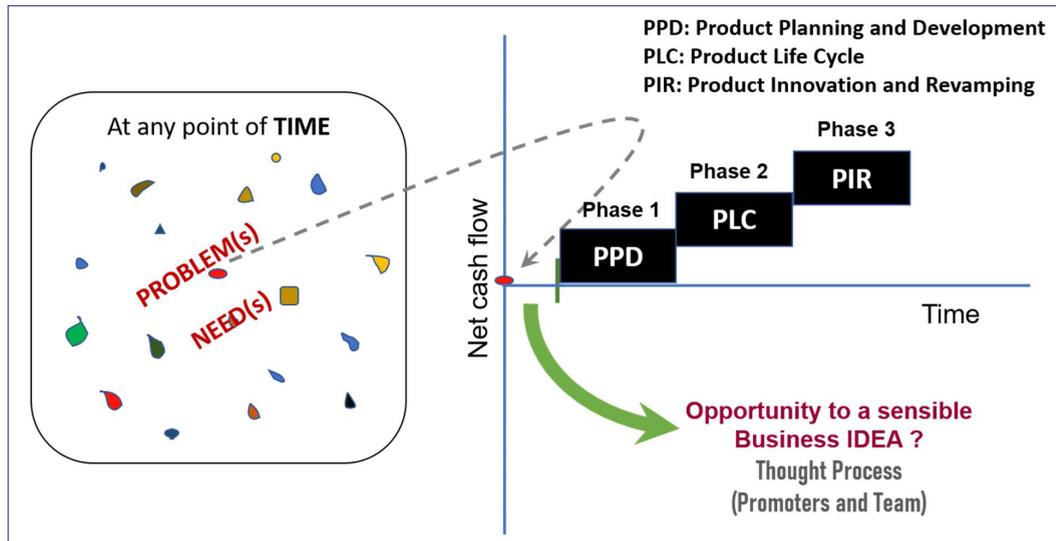
Details of these benefits along with other assistances and schemes are available in the website of Startup India.

- **Generating a Viable Business Idea**

Business environment always gives many opportunities (no matter what is the time/ technology/ place) to the budding entrepreneurs. Entrepreneur with a viable business idea may proceed with the same, if he or she feels confident about it and has checked in the market & environment and approved by a mentor in practice (who is conversant with the sector specific domain).

Selecting an opportunity, out of some or finalizing an opportunity can be done through ‘Strategic Window of Opportunity’ which is done through i) Sensing, ii) Scanning, iii) Positioning and iv) Analyzing. As shown in the figure 3, an opportunity is sensed and finalized to start with

and is put on a graph where on x-axis we have time (proportionate to the growth) and on y-axis we have net cash flow. Initial time is required for a thought process by the promoters and team, including mentors and advisors. Then the business idea (and the product line) enters three phases as shown i.e., PPD (Product Planning and Development), PLC (Product Life Cycle) and PIR (Product Innovation and Revamping).

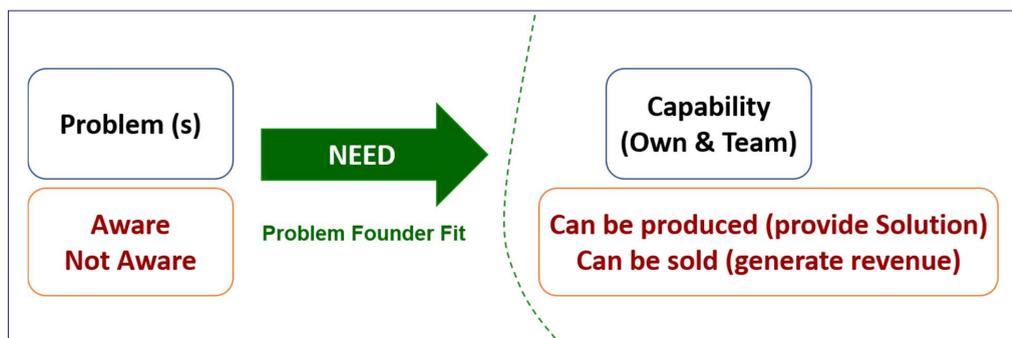


**Figure 3: Strategic Window of Opportunity to PPD**

It is also a fact that in many cases, aspirant entrepreneur doesn't have a business idea or has more than one business ideas. In such cases entrepreneurs are not confident about their business idea(s) and therefore are not sure about the vesting time. Question comes, how to generate a 'viable business idea'.

First step in finding a business idea is the 'Problem Identification' i.e., problem(s) (at present and in near future) facing by the individuals, society, organization, or a group i.e., your customers or your future customers. This problem must be linked with 'the need'. Unless it is not linked with the need, it will not be useful for the customers and will not attract your customers to pay for it (refer figure 4).

Now there could be two types of situations pertaining to the Problem(s) faced by your customers. First, that the customers are 'aware' about the problem they are facing and will generate the need (within no time or less time) and second when the customers are 'not much aware' about the problem they are facing and the need must be conveyed through awareness campaign, advertisements etc. along with introducing the solution (product) in the market.



**Figure 4: Problem Founder Fit**

Remember, your customers will buy only those products (or services-oriented products) which are useful for them and deliver 'value'. In simple ways there should be a proper 'Value Proposition'. Promoters (along with their team) have to ensure that they are capable to provide the 'Value Proposition'. Best possible quality product(s) can be produced at reasonable cost so that both PoC (Proof of Concept) and PoV (Proof of Value) can be achieved.

When the problem, need, solution and capability are fit and aligned, it is deemed as 'Problem Founder Fit (PFF)'. If PFF is not above threshold, the interest and motivation of promoters loose in short span of time. Let us understand from the table below with a few examples.

**Table 1: Problems solved through Business Solutions**

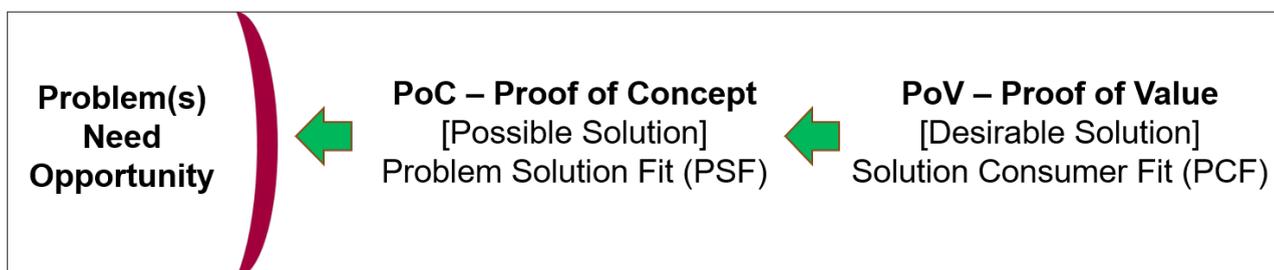
Problems (linked with need)	Solution
Transportation, Taxi, High cost, Limited availability, Tough Journey	OLA, Uber
Maintaining Menu cards, Schemes, Delivery time	Zomato, Swiggy
Retailers Monopoly, MRP Selling	Big Basket, Blinkit
Cash money transfer, Bill Payment Queues	PayTM, GPay
Insurance, variation in quotations, authentication	Policybazaar
Freelancers Services, best connect, professionalism	Upwork, Designhill
Learning Sessions, best talent worldwide	Teacheron, Learnpick.in
Social Networking Service	Sharechat
Cash transection, Technology in transection, no proper award system, transparency	Cred, Pinelabs, Lendingkart
Facilitating Brands/ Startups	Globalbees
Authentic Beauty Products	Mamaearth

Although the table is self-explanatory, but just to explain, at some time people are facing problems pertaining to local transportation. Only few taxi proving services were available and many times they were not providing reasonable and ethical services. Problems were understood by the promoters, need was already there in the market, opportunity was sensed, capabilities were analyzed and finally technology based light asset business model was introduced by Ola and Uber.

Aspirant entrepreneurs must understand the sequence and with a calculated precaution embark onto their entrepreneurial journey.

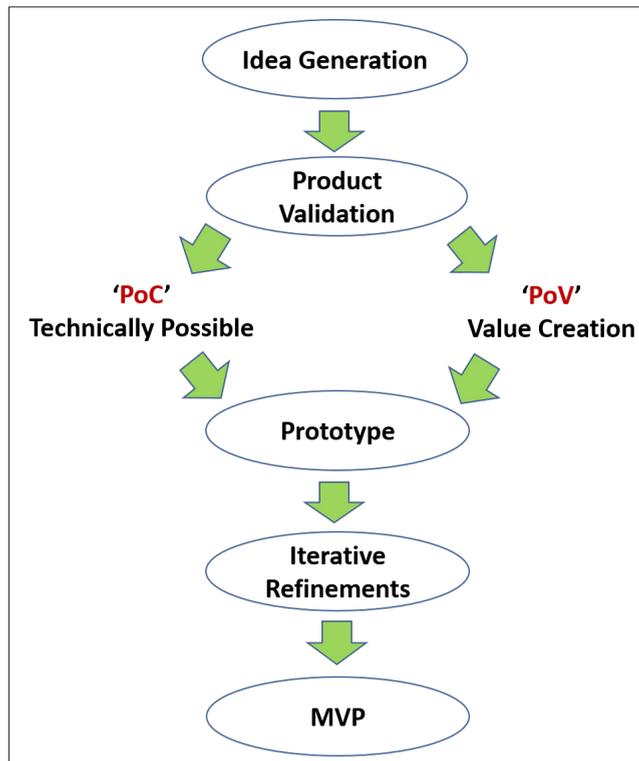
- **Minimum Viable Product**

Once a problem is finalized to work on, Promoters have work for 'Product Planning and Development (PPD)'. Simple steps involved in PPD are shown in figure 5.



**Figure 5: Problem, Need, Opportunity, PoC and PoV**

Proof of Concept (PoC) shows whether the product (or service-oriented product) can be produced, manufactured, or designed or not. Apart from the regular flow of invention and creation, prior art, patenting, licensing, technology transfer and availability of raw materials, machines, manpower are involved in this step. Meeting the expectations shows that there is 'Problem Solution Fit (PSF)' pertaining to the opportunity selection.



Proof of Value (PoV) tells whether the product (or service-oriented product) could be sold in the market i.e., generate Value Proposition or not. Steps like, Value delivering to future customers, Value Analysis, Value Engineering, Value Management and dedication towards societies are involved in the process. Meeting the expectations shows that there is 'Solution Customer Fit (SCF)' pertaining to the opportunity selection.

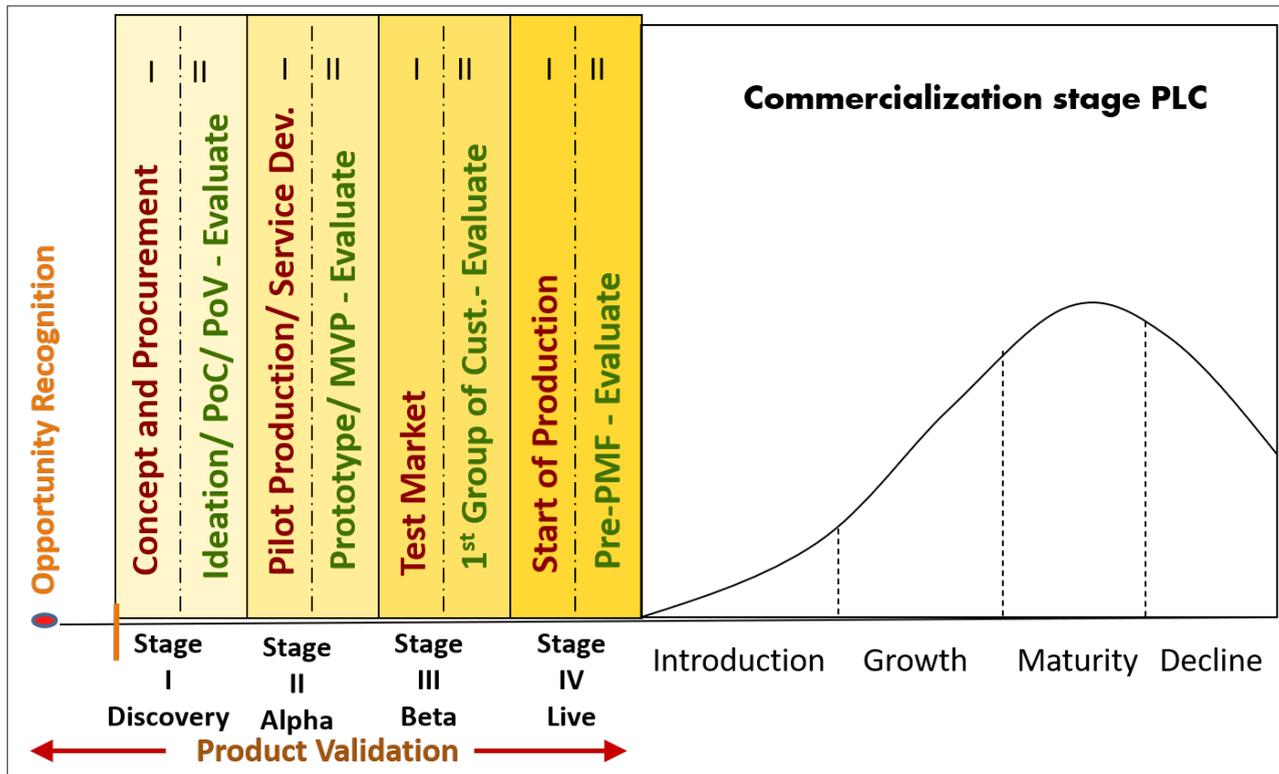
After doing proper diligence, promoters may say that the idea validation is being done. And now we need to go for prototyping followed by iterative refinement and ultimately reaching to a 'Minimum Viable Product (MVP)' as shown in figure 6.

**Figure 6: Idea to MVP**

In between prototyping and MVP, test market is an important step before mass production. In the startup ecosystem these steps are also known as i) Discovery, ii) Alpha, iii) Beta and iv) Live. After each step, team needs to evaluate and assure its correct direction.

As shown in figure 7, after analyzing a problem and need from the market, opportunity is sensed and recognized. If you have more than one opportunity, to begin with, pick the best attainable one on the grounds of your strengths and capabilities. After giving a proper thought process land to the first stage known as **Discovery Stage**. Discovery is the stage when idea is conceptualized, and PoC/ PoV are completed. If we get satisfactory result on evaluation, we move to second stage otherwise rethink about the opportunity and your (along with your team's) capability & strengths.

Moving to the second stage, known as **Alpha Stage**, we need to go for prototyping and finalize a Minimum Viable Product (MVP). If we get desired result, we move to the third stage otherwise review and replan the MVP Methodology. Third stage is known as **Beta Stage**, where test market for the product (or service-oriented product) is done. In the beta stage we choose a small group of people (or customers) and ask them to use the product. Feedback is collected and analyzed for the improvement of the product (or services) and its features. If we get good to excellent response from that small group (may be known as first group of customers), then only we go for huge production, known as **Live Stage**. Since the final production requires capital, therefore all the previous steps (Discovery, Alpha & Beta) have to be completed very carefully with all possible precautions. Along with the final production, promoters need to work for Pre-PMF (Pre- Product Market Fit) simultaneously to laydown future marketing strategies and business model(s).



**Figure 7: Product Planning and Development Process**

Promoters have to do these stages diligently to avoid risk factors and components at later stages of business development and growth.

We should also consider the general pattern of 'net cash flow' since an idea is perceived by the promoters. As shown in the figure 8, let's take x-axis as time where time is approximately proportional to the growth of a business (ideal). On y-axis we have net cash flow (positive side – profit & negative side – Loss). If the Death Valley(s) are not seen, the pattern moves like shown in the figure.

On the x-axis, at different points outcome of the initiative is enunciated below.

Point 'A' – Opportunity occurs, after problem/ need identification

Point 'B' – Business Idea is Generated within the entrepreneurs/ promoters

Point 'C' – Promoters starts working on the project and expenses start

Point 'D' – When lighthouse (first group of) customers are satisfied (value proposition wise) using your product(s).

Point 'E' – Point when you are confident about your product(s) and to capture maximum (first mover) advantages, you need funds for huge production and advertisement appropriation.

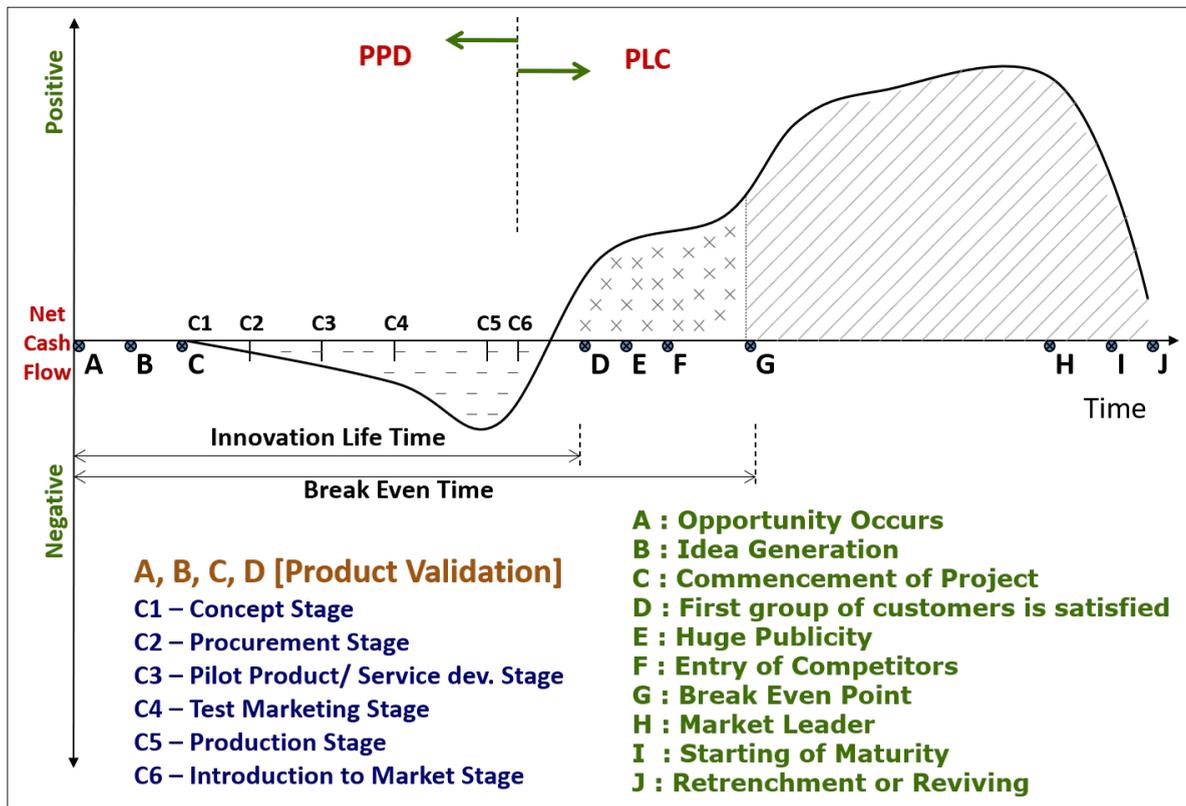
Point 'F' – When product is known and tested in the market and others (competitors) start stepping in the sector/ industry.

Point 'G' – Somewhere here we reach to the break-even point where the areas of negative and positive sides (between C to G) are equal.

Point 'H' – At this point company is well-known in the market

Point 'I' – Start working on Product Innovation and Revamping

Within the domain of 'C' there are total six stages C1 to C6 and these stages are from Discovery to Live (as shown in the figure 7). Prior to C6 it is in the stage of 'Product Planning and Development (PPD)' and after that it is on 'Product Life Cycle (PLC)'.



**Figure 8: Net Cash Flow Vs. Business Growth**

Understanding the ideal flow of a venture, promoter should do the Gap Analysis and plan for function domain strategies. In fact, these strategies are known as 'Startup Strategies'. These 'Startup Strategies' have to be planned by the core team of the startups including Entrepreneurs, Co-promoters, Board Members, Mentors, Advisors and Well-wishers.

- **Valuation of a Start-up**

At every point of venture establishment, promoters require fund. Arrangement of funds is more crucial at the time of a) Huge production and b) exponential marketing support. This fund may be in the form of either debt or equity.

In the 'Startup Ecosystem' getting funds from the investor(s) is very popular. This investment is against equity in the startup company. For such kind of funds, a startup should be 'Investor Ready' with proper 'Valuation'. Generally, valuation has to be done by a renowned professional 'Valuer' or 'Incubation Center'.

Valuation of a Start-up means the 'Worth of a Startup' (at any particular time) in terms of INR or USD. According to the Valuation, Startups are classified as below,

- Minicorn** - Over USD 01 Mn
- Soonicorn** - May become Unicorn soon
- Unicorn** - Over USD 01 Bn i.e., 1000 Mn

**Decacorn** - Over USD 10 Bn  
**Hectacorn** - Over USD 100 Bn (i.e., Super Unicorn)

All the startups are always enthused to know the valuation and the parameters which decide the valuation of their startup.

Although 'Valuation' is dependent upon various attributes like Industry Attractiveness, Value Proposition, Investment Readiness Level, Market Acceptance, Growth Hacking etc., but in basic understanding some decisive factors of a Startup Valuation (at any particular time) are mentioned below.

- a) Entrepreneur(s) background
- b) Mentor's (including other team member's) background
- c) Potential of Business Idea
- d) Recommendations from known personalities
- e) PoC/ PoV
- f) Prototyping/ MVP
- g) IPRs (specially TM, Design, Patent & Trade Secrets)
- h) USP and Wow Factor
- i) Commercialization of Business Model
- j) Key Performance Indicators
- k) Key Result Areas
- l) Assets and Liabilities
- m) Market Segmentation and Size
- n) TAM, SAM & SOM
- o) First/Second/Later mover's advantages
- p) Net Promoter Score (NPS)
- q) Market Mood Index (MMI)
- r) Marketing Appropriation
- s) P/E (Price to Earning) Ratio, Assets Valuation, RoI or Revenue Multiples
- t) Purchase order or future contract order
- u) Recommendation from Known Personalities
- v) Product Market Fitness
- w) Market Share
- x) Growth Prospects (Future Plan/ Milestone/ Potential)
- y) Possibility of getting further investment
- z) Future Plan/ Milestone/ Potential etc.

There are two common terms associated with Startups before and after getting investment, known as Pre-Money Valuation and Post-Money Valuation.

A pre-money valuation refers to the value of a startup before it gets investment(s) and post-money valuation refers to the value of a startup after getting investment(s).

- **Business Incubation and Acceleration Centers**

Incubation and Incubator are the terms which are taking from hospitals medical line to the startup ecosystem. When a baby is born, depending upon it's condition he or she is kept for some hours or days in the 'Incubator'. And when the conditions are normal, baby is handed over to his/ her mother.

Incubators are defined as 'An enclosed apparatus (a) in which premature or unusually small babies (b) are placed (c) and which provides a controlled and protective environment (d) for their care (e)'.

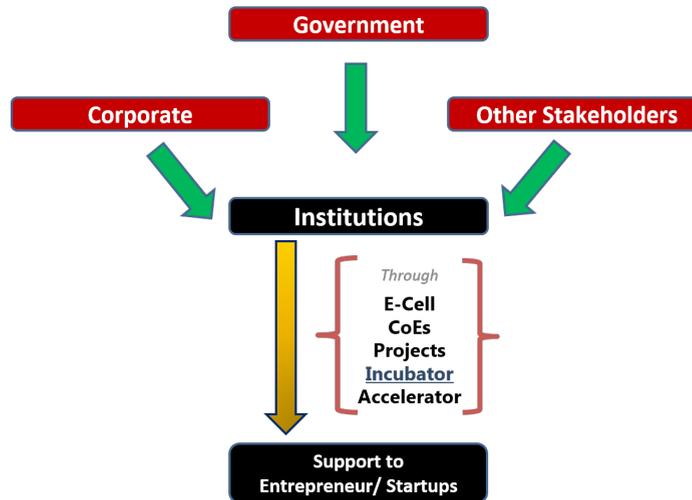
In a similar way, to avoid the disturbance, a startup is placed in a 'Business Incubator' for some time (known as incubation period), and when the condition is improved, at some maturity and self-stable stage, Startups or Business Ventures are moved to the market. Table 2 compares between 'Incubator in reference to babies' and 'Business Incubator in reference to the startups'.

**Table 2: Comparison between 'Incubator' and 'Business Incubator'**

	<b>Incubator</b>	<b>Business Incubator</b>
	<b>Babies (n numbers)</b>	<b>Startups or Incubatees (n numbers)</b>
A	Enclosed Apparatus	Within facilities of Business Incubation Center
B	Premature Or Small Babies	Start-ups
C	Placed	Coworking/ Office Space, Innovation Center
D	Controlled And Protective Environment	Subsidized Rates, Government Support, Corporate Support, CA/ CS/ IP/ Legal Support, ICT
E	Their Care	Seed Fund, Consultancies

Business Incubators are a Prime Facilitator for the Startups in the complete ecosystem. These incubators are of two types on the basis of their vision, mission and ownership i.e., Public or Private. In India most of the Incubation Centers are public in nature where ownership lies with some institutions, Government or Public Authorities. They are registered or incorporated as a Society or a Section 8 Company.

There is a concept of triple helix support to the 'Startups', where three helixes are Government, Corporate and Institutions. One more component as other stakeholders (including international support from friendly countries) is also very much protruding these days. Although, at present time, these supports and facilitations are directly available within the ecosystem for Entrepreneurs and Startups, but generally it is routed through Higher Educational Institutions, Colleges, Universities, Autonomous Bodies and Knowledge Centers.



**Figure 9: Institutional Support to Entrepreneurs and Startups**

So, Institutions are going to play the most important role in the Entrepreneurial or Startup Ecosystem. As shown in figure 9, all the support is coming directly to the Institutions and Institutions are extending these supports (including their own support) to the individual entrepreneurs, startups.

Institutions individually and/ or in association with Government, Corporate, Organization start activities in a) E – Cell (Entrepreneurship Cell), ED Cell (Entrepreneurship Development Cell), Centers of Excellence (say in) in Innovation or AI, IoT, Robotics, SAAS, 3D, Mechatronics etc., c) Projects pertaining to any Innovation, Industry 4.0 etc., d) Incubation Center and/ or Acceleration Center.

Generally, the structure of any incubation center is of two types as i) Public or ii) Private and can be registered as any format. Since in India, mostly Incubation centers are ‘Public Type’, they are registered or incorporated as either of the following options of not for Profit.

- a. Registered as a Society or
- b. Incorporated as a Section 8 Company

Public type incubation centers are started with the fund in the form of grant by Government Ministries (both state of central), Departments, Authorities, Universities and/ or Corporate. Since it is based upon some time period (say three years or five years), sustainability of these incubation centers in terms of continuous flow of funds becomes crucial for the promoters and supporters of such incubation centers. For a long-term holistic development, incubation centers are also pondering and working on revenue-models and also moving on the path of profit making so they can serve for a longer time.

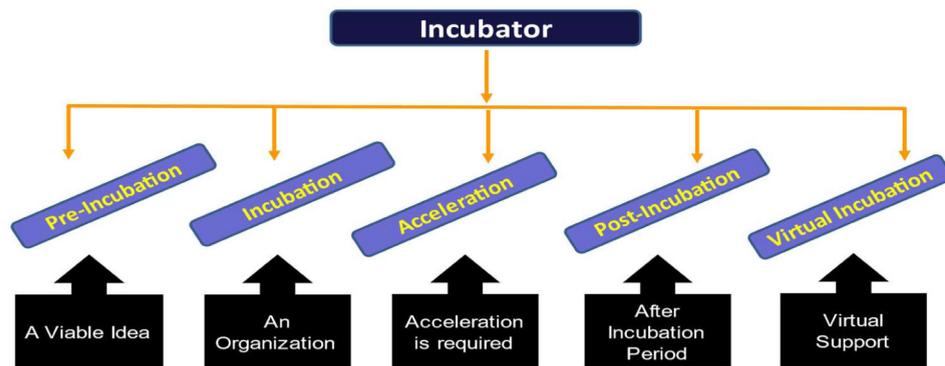
Since most of the creativities, innovations and venture establishments and developments are coming through youth of a country, Universities, Higher Educational Institutes, College are generally preferred for starting innovation & incubation related activities in their campuses. Another reason going for Institutions is the availability of ready (or nearly ready) infrastructure with qualified & experienced faculty members, technical staff and industry mentors.

The ideal way of starting incubation related activities within the campus of any institute and supporting their students and startups is mentioned below as an usher.

- a. Arrangement of space and starting fund – to establish basic infrastructure (say seating space for incubation staff, pre-incubatees, incubatees, visiting mentors and guests).
- b. Incorporation of Section 8 Company – A CA or CS firm in practice may be hired for the purpose.
- c. Separate website/ social/ networking pages for Incubation Center is required to create and design.
- d. Preparation for first Recruitment/ Job Description/ Advertisement for opening positions along with designation.
- e. Framing important incubation related Policies pertaining to pre-incubatees, incubatees, startups, partner institutes, mentors, associates etc.
- f. According to the policies, applications for E-Cell Members, Innovation Ambassador, Pre-incubatees, Incubatees, Virtual Incubatees, mentors are to be invited for joining/ associations.
- g. Selection, Financial, Progress Screening, Promotions, Exit Committees are required to constitute including board members (of section 8 company) and external experts.
- h. Supporting budding entrepreneurs, promoters, startups for innovation, business ideas, PoC, PoV, Prototyping, MVP, Market testing, Company Incorporation and Growth Strategies.
- i. Providing Infrastructural Support and Continuous handholding by the staff of Incubation center, Institutes, Empaneled Mentors/ Firms.
- j. Simultaneously applying (by the incubation center or institute) for other sources of funds from Government (schemes), Corporate and International Organizations.
- k. Collecting Progress Reports from Pre-incubatees, Incubatees and Virtual Incubatees.
- l. Having fruitful MoUs with other stakeholders in the ecosystem to boost the activities.
- m. Compiling achievements of Incubation Center, Incubatees, Startups. Publishing success stories etc.
- n. Enhancing Visibility & Branding and Attracting Competent Entrepreneurs.
- o. Parallely working for revenue models for Incubation center.

With these above steps, an institute may initiate working in the startup ecosystem.

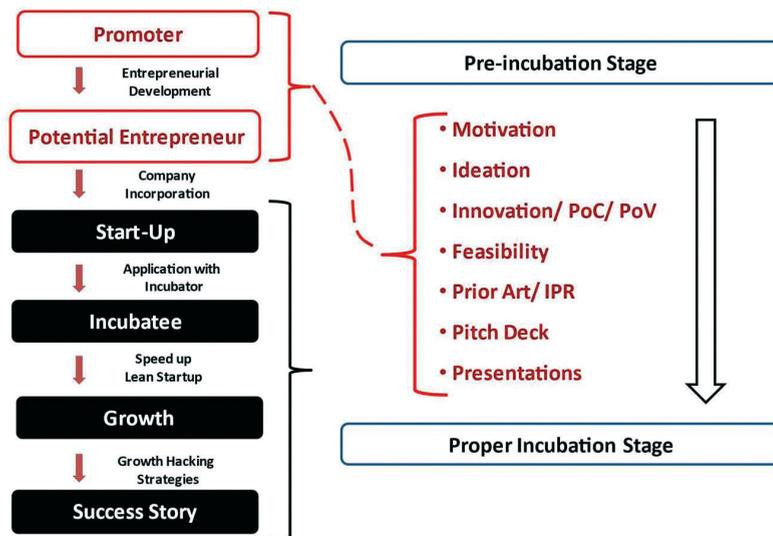
There are various facilitations and supports provided by the Incubation Centers at various levels of early-stage startups such as i) Pre-incubation, ii) Incubation, iii) Acceleration, iv) Post Incubation and v) Virtual Incubation.



**Figure 10: Stages and requirements of Incubation Stages**

Incubation centers accept applications at three stages and these three stages are having different eligibility criterion. These eligibility criterion apart from age, gender, sector, industry etc. (which depends upon the strategic intend of an incubation center), are mentioned below.

- a) Pre-incubation Stage: For pre-incubation stage, eligibility criterion of an applicant is generally the applicant itself. If the person is having one or more viable business ideas, it is always preferred, otherwise, incubation centers help him or her in the process of progress from an 'Aspirant Entrepreneur' to a 'Potential Entrepreneur'. Motivation, Confidence Building, Generation of a Business Idea, PoC, PoV, Prototyping, Design & Patent Registration, MVP(s) and Pitch Deck Preparation are the processes, where incubators handhold a preincubatee.



**Figure 11: Preincubation Management**

Evaluating factors in the screening at this stage are, promoters' background, elevation, team & network, articulation, clarity of business and/ or clarity of investment. Accordingly an applicant should prepare himself or herself.

Organization registration or Company Incorporation is not mandatory at this stage. The main purpose of pre-incubation is to get promoter(s) and Minimum Viable Product (MVP) ready for launching.

As per the terms and discretion of the incubation center, where the applicant wants to apply, firm's registration or company incorporation is compulsory to apply for Incubation.

b) Incubation Stage: To apply for Incubation in any of the Incubators (or incubation centers), applicant is never an individual. It is always a firm (or a company), as eligibility is set by an incubator.

Presently there are more than 600 such business incubators in India and a large percentage of them are funded and/ or supported by any ministries of central government and/ or state government. Data of these incubators are available with the nodal agencies (state-wise), central government portals such as [startupindia.gov.in](http://startupindia.gov.in), search engines etc.

For any incubatee's success story, along with its own credentials, identification & selection of an incubation center is extremely important. The Seven-Considerable parameters pertaining to the selection criterion of an incubator are mentioned below.

- i) Distance of the incubation center (from the core team residence) and logistics support,
- ii) Infrastructure (including facilitation centers/ maker's spaces) of the incubation center,
- iii) Specialization (sector or industry wise) of the incubation center,
- iv) Core team (especially Head/ ED/ CEO/ COO) of the incubation center,
- v) Associated mentor pool and their availabilities,
- vi) Investor's meet and previous investment stories,
- vii) Feedback of exited, graduated and present incubatees and
- viii) Success stories.

Today, at the time of digital era, nearly all the incubation centers are inviting applications online and most of the incubators are conducting screening round virtually at any online platform.

Before applying to any of the incubation center of your choice along with the required documents and formalities, an impressive pitchdeck (and/ or four minutes video) has to be prepared.

Pitch deck is the presentation (brief description) of the proposed business/ startup/ venture in the form of 10 to 15 slides. Presenting the pitchdeck before the stakeholders or evaluation team is known as Pitching.

Depending upon the stage (such as idea stage, early stage, matured stage, later stage) the format of pitch deck varies. For the early stage, slide-wise suggested pitch deck format is mentioned below.

Slide 1: Firm's Name, Year of Registration/ Incorporation, Registration No/ CIN, Promoter's contact Details and date of last updation

Slide 2: Elevator Pitch, Connection with Business Idea

Slide 3: Problem, Need and Opportunity

Slide 4: Description of the product(s) and/ or service(s)

Slide 5: Available Solutions in the market, USP, IPR, WoW factors

Slide 6: Team Members with expertises

Slide 7: Market Size and Customer Segment (including TAM, SAM & SOM)

Slide 8: Growth Channel (AAARRR Model)

Slide 9: Key Performance Indicators (KPIs) and Key Result Areas (KRAs)

Slide 10: Revenue Streams

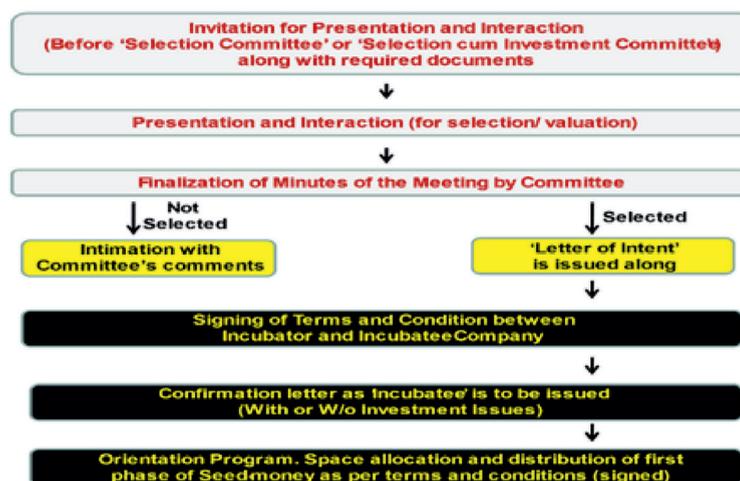
Slide 11: Twenty four months plan

Slide 12: Awards/ Achievements/ Recognition Received

Slide 13: Expectations from an incubation center/ investor/ other stakeholder(s)

Slide 14: Lean Canvas Summary (Optional)

Once a pitch deck is prepared along with the required documents, application for incubation can be submitted with an incubator. Incubation centers follow an SOP after getting all the applications, which is shown below.



**Figure 12: General Selection of Incubatee (SOP)**

Once an applicant is selected as an incubatee with any of the incubation center, it is entitled to get special benefits during the incubation period which is up to three years depending upon the incubation centers. Some of the common benefits (may slightly differ from incubator to incubator) are shown in the figure below.

**Table 3: General Facilitations from an ideal Business Incubator**

Pre-incubation (Through E-Cell)	Incubation	Acceleration	Post-incubation
• Motivation	• Product Refinement	• Advanced support in Marketing & Supply Chain	• Advisory
• Ideation	• Trademark	• License In/ Out (Franchise Model)	• Diversification
• Innovation/ PoC/ PoV	• Human Resource	• Strategic Management	• Portfolio Management
• Feasibility	• Marketing Support	• Bank Loan	• Investment Options
• Prior Art/ IPR	• Office Space/ Lab/ ICT	• Growth Hacking	• Offer for Equity Buyback
• Pitch Deck	• Seed Fund - Grant - Soft loan - Investment	• Investor Ready	• Success Stories
• Presentation	• Mentorship	• Alternate Investment Fund	
• Firm/ Company Incorporation			

Major advantages, which an incubatee can expect through physical incubation are, i) Assistance in company incorporation (if required), Product refinement, IPR assistance, human resource management, assistance in marketing, providing co-working/ lockable space, laboratories, maker's space, mentorship (especially strategic), and provision of seed fund as per the norms of incubation center in the form of grant and/ or soft loan and/ or investment.

c) Acceleration Stage: After a certain time, every incubatee wants to have an exponential growth in the respective industry in terms of revenue, market share, valuation etc. In the startup ecosystem, the role of accelerators cannot be nullified. Apart from the infrastructure within an incubator, many independent accelerators are also working in the ecosystem and most of them are privately owned.

Acceleration for any startup may be linked with one or more than one growth metrics i.e., key performance indicators. In general, this is done through,

- Increase in sales,
- Enhancing reach,
- Product Improve,
- Diversification through pivoting,
- Product width and depth and/ or
- Scope for Investment.

This is not necessary to have acceleration program for startups only. Even aspirant and budding entrepreneurs (at the stage of entrepreneurship development or pre-incubation) can be brought under some acceleration program pertaining to motivation, knowledge domain and skills on functional areas.

Application for any kind of acceleration program is invited online by incubators and accelerators. After screening the application, interviews are scheduled before selection team/ committee.

Acceleration programs are conducted in the form of cohorts by the incubators and the accelerators. In every cohort there are approximately 10 to 30 selected participants. Training imparted at acceleration is pragmatic and ready to practice.

Every acceleration program also provides handholding support for a specified duration.

d) Post-incubation Stage:

After completing the incubation period, ideally an incubatee should be self-sustainable. Incubatees are graduated from the incubation center and this stage is known as Post-Incubation. Many incubation centers continue advisory support even after incubation period. Success stories are measured as milestones for incubators.

Many other benefits may be offered to the post incubatees (along with third parties contract/ agreement) on mutually agreeing (payment) basis.

e) Virtual Incubation

Incubators and Incubatees both are enthusiastic to search and work with the best of each other. Once this bond is formed, it sets an example for the world and future business leaders and professionals. Every good incubator has the right to get self-motivated and hardworking entrepreneurs with adequate IQ, EQ, SQ and AQ. Limiting a best-in-class incubator within a specific region is not a good idea.

This is the region that many of the incubators offer their services all over the country and for this Virtual Incubation has come as a best option.

Apart from physical space, all the facilities are available with virtual incubator. Virtual incubatees are also considered as physical incubatees in terms of success rate. A strong portal and application with all kind of virtual facilities are expected from an incubator providing virtual incubation.

## Conclusion

Present time is dedicated to the startup ecosystem, and in this ecosystem main beneficiaries are Entrepreneurs and Startups (as real doers) and most connected facilitators are 'incubators' which are getting benefits from the Government, Corporate World, International Organization, Consortiums, Universities and Institutes. Right entrepreneur with right incubator is really crucial for aligning edge benefits. Both active components, the Startups and Incubators should be dynamic in nature, quick learners, adopting environment change, and result oriented. Continuous learning from each other has proven key for success.

India is very close to count more than a lakh DPIIT registered startups. Success is matured after converting these startups into successful ventures. In the coming times startups are going to play a significant role in the economic growth of the Country.

## ➤ List of Schemes and programmes promoting Entrepreneurship

<b>Scheme</b>	<b>Rashtriya Mahila Kosh (RMK)</b>
<b>Ministry</b>	Ministry of Women & Child Development
<b>Industry</b>	Agnostic
<b>Objective</b>	Extending microcredit to the women in the informal sector
<b>Link</b>	<a href="http://rmk.nic.in/">http://rmk.nic.in/</a>
<b>Scheme</b>	<b>Vocational/Skill Training - support to training and employment programme for women (STEP)</b>
<b>Ministry</b>	Ministry of Women & Child Development
<b>Industry</b>	MSME
<b>Objective</b>	Provide skills that give employability to women enabling them to become self-employed/entrepreneurs
<b>Link</b>	<a href="http://wcd.nic.in/schemes/support-training-and-employment-programme-women-step">http://wcd.nic.in/schemes/support-training-and-employment-programme-women-step</a>
<b>Scheme</b>	<b>The National Livestock Mission (NLM)</b>
<b>Ministry</b>	Department of Animal Husbandry Dairying & Fisheries, Ministry of Agriculture and Farmer Welfare
<b>Industry</b>	Agriculture
<b>Objective</b>	The Mission is designed to cover all the activities required to ensure quantitative and qualitative improvement in livestock production systems and capacity building of all stakeholders.
<b>Link</b>	<a href="http://dahd.nic.in/about-us/divisions/national-livestock-mission">http://dahd.nic.in/about-us/divisions/national-livestock-mission</a>
<b>Scheme</b>	<b>Agri-clinics and Agribusiness Centres (Gender Neutral)</b>
<b>Ministry</b>	Ministry of Agriculture and Farmer Welfare
<b>Industry</b>	Agriculture
<b>Objective</b>	Aims to tap expertise of Agriculture Graduates to set up Agri-clinic or Agri Business Centre and offer professional extension services to farmers

<b>Link</b>	<a href="http://www.agriclinics.net/AboutScheme.aspx">http://www.agriclinics.net/AboutScheme.aspx</a>
<b>Scheme</b>	<b>SIDBI Make in India Soft Loan Fund for Micro Small and Medium Enterprises (SMILE)</b>
<b>Body in charge</b>	Small Industries Development Bank of India (SIDBI)
<b>Industry</b>	Agnostic
<b>Objective</b>	Provide soft loan, in the nature of quasi-equity and term loan on relatively soft terms to MSMEs to meet the required debt-equity ratio for establishment of an MSME.
<b>Link</b>	<a href="https://www.sidbi.in/files/SIDBI_Ebrochure_SMILE_new.pdf">https://www.sidbi.in/files/SIDBI_Ebrochure_SMILE_new.pdf</a>
<b>Scheme</b>	<b>Annapurna Scheme</b>
<b>Body in charge</b>	Small Industries Development Bank of India (SIDBI)
<b>Industry</b>	Micro, Small and Medium Enterprises
<b>Objective</b>	Financial support for women in hospitality business (food catering via tiffin/lunch packs etc.)
<b>Link</b>	<a href="https://smallb.sidbi.in/bank-schemes/annapurna-scheme-financing-women-establishing-food-catering-unit">https://smallb.sidbi.in/bank-schemes/annapurna-scheme-financing-women-establishing-food-catering-unit</a>
<b>Scheme</b>	<b>Stand-Up India</b>
<b>Body in charge</b>	Small Industries Development Bank of India (SIDBI)
<b>Industry</b>	Agnostic
<b>Objective</b>	Facilitates bank loans between Rs. 10 lakh and Rs. 1 Crore to at least one Scheduled Caste or Scheduled Tribe borrower and at least one women borrower per bank branch for setting up a Greenfield enterprise (75% of the project cost inclusive of term capital and working capital)
<b>Link</b>	<a href="https://www.standupmitra.in/Home/SUISchemes">https://www.standupmitra.in/Home/SUISchemes</a>
<b>Scheme</b>	<b>SIDBI Mahila Udyam Nidhi</b>
<b>Body in charge</b>	Small Industries Development Bank of India (SIDBI)
<b>Industry</b>	Agnostic
<b>Objective</b>	To help women entrepreneurs meeting equity funds requirement with setting up a new business
<b>Link</b>	<a href="https://www.indiafilings.com/learn/sidbi-mahila-udyam-nidhi/">https://www.indiafilings.com/learn/sidbi-mahila-udyam-nidhi/</a>
<b>Scheme</b>	<b>Self-Employment Programme under Deendayal AntyodayaYojana-National Urban Livelihood Mission (DAY-NULM) (Gender Neutral)</b>
<b>Ministry</b>	Ministry of Housing and Urban Poverty Alleviation
<b>Industry</b>	Agnostic
<b>Objective</b>	To reduce poverty and vulnerability of the urban poor households by enabling them to access gainful self-employment and skilled wage employment opportunities, resulting in an appreciable improvement in their livelihoods on a sustainable basis, through building strong grassroots level institutions of the poor.
<b>Link</b>	<a href="https://aajeevika.gov.in/">https://aajeevika.gov.in/</a>
<b>Scheme</b>	<b>Integrated Scheme for Agricultural Marketing (ISAM)</b>
<b>Ministry/ Body in Charge</b>	Department of Agriculture & Cooperation, Ministry of Agriculture (Implementation by NABARD- National Bank for Agriculture and Rural Development)
<b>Industry</b>	Agriculture

<b>Objective</b>	To provide farmers access to competitive markets & provide adequate infrastructure to enable them to realize better prices.
<b>Link</b>	<a href="http://agricoop.gov.in/sites/default/files/finalopguidelines.pdf">http://agricoop.gov.in/sites/default/files/finalopguidelines.pdf</a>
<b>Scheme</b>	<b>Technology Development and Utilization Program for Women (TDUPW)</b>
<b>Ministry</b>	Department of Scientific and Industrial Research (DSIR), Ministry of Science and Technology
<b>Industry</b>	Science & Technology
<b>Objective</b>	Promoting adoption and awareness of new technologies by women especially MSMEs run by women SHGs/entrepreneurs
<b>Link</b>	<a href="http://www.clusterobservatory.in/schemes/SCH054-TDUPW_reviewed.pdf">http://www.clusterobservatory.in/schemes/SCH054-TDUPW_reviewed.pdf</a>
<b>Scheme</b>	<b>Promoting Innovations in Individuals, Start-ups and MSMEs (PRISM) (Gender Neutral)</b>
<b>Ministry</b>	Central Scientific Instruments Organization (CSIO), Ministry of Science and Technology
<b>Industry</b>	Energy
<b>Objective</b>	Provides grants, grant-in-aid support, technical guidance and mentoring to technology solution providers/innovators developing technology solutions aimed at helping MSME cluster
<b>Link</b>	<a href="http://old.csio.res.in/index.php/technology/prism-scheme">http://old.csio.res.in/index.php/technology/prism-scheme</a>
<b>Scheme</b>	<b>Women SHGs Development Fund (Women Specific)</b>
<b>Ministry</b>	Ministry of Rural Development
<b>Industry</b>	SHGs
<b>Objective</b>	providing refinance to banks against the first time loans given to women SHGs developmental activities, financing micro enterprises set up by Women SHGs and supporting the promotion of Women SHGs in the Project Area
<b>Link</b>	<a href="https://financialservices.gov.in/sites/default/files/WSHG%20Operational%20Guideliles.pdf">https://financialservices.gov.in/sites/default/files/WSHG%20Operational%20Guideliles.pdf</a>
<b>Scheme</b>	<b>Pradhan Mantri Kaushal Vikas Yojana (PMKVY) (Gender Neutral)</b>
<b>Ministry</b>	Ministry of Skill Development & Entrepreneurship (MSDE)
<b>Industry</b>	Agnostic
<b>Objective</b>	Provide meaningful, industry relevant skills training to youth (including 10/12 drop outs) across the country; monetary reward (average Rs. 8000/trainee) is given on assessment and certification by third party assessment bodies
<b>Link</b>	<a href="http://pmkvyoofficial.org/Index.aspx">http://pmkvyoofficial.org/Index.aspx</a>
<b>Scheme</b>	<b>BPCL (Bharat Petroleum Corporation Limited ) Start-up Fund</b>
<b>Ministry</b>	BPCL, Ministry of Petroleum and Natural Gas
<b>Industry</b>	Agnostic
<b>Objective</b>	Support projects that aims to establish innovative technology and business process re-engineering ideas with significant business potential, social relevance and focused on environment-protection
<b>Link</b>	<a href="https://ebiz.bpc.co.in/BPCLStartUp/AboutStartup/Scheme">https://ebiz.bpc.co.in/BPCLStartUp/AboutStartup/Scheme</a>
<b>Scheme</b>	<b>Micro and Small Enterprises - Cluster Development Program (MSE-CDP) (Gender Neutral)</b>
<b>Ministry</b>	Ministry of Micro, Small and Medium Enterprises
<b>Industry</b>	MSME
<b>Objective</b>	Enhance productivity and competitiveness of MSMEs as well as aid in their capacity building

<b>Link</b>	<a href="http://www.dcmsme.gov.in/mse-cdprog.htm">http://www.dcmsme.gov.in/mse-cdprog.htm</a>
<b>Scheme</b>	<b>Revamped Scheme of Fund for Regeneration of Traditional Industries (SFURTI) (Gender Neutral)</b>
<b>Ministry</b>	Ministry of Micro, Small and Medium Enterprises
<b>Industry</b>	MSME
<b>Objective</b>	To organize the traditional industries and artisans into clusters and provide them support for marketability of products, sustainability, improved skills, active participation of the stakeholders, improved technologies, advanced processes, market intelligence and new PPP models, so as to gradually replicate similar models of cluster-based regenerated traditional industries
<b>Link</b>	<a href="https://sfurti.msme.gov.in/SFURTI/Home.aspx">https://sfurti.msme.gov.in/SFURTI/Home.aspx</a>
<b>Scheme</b>	<b>Coir Udyami Yojana (CUY) or Rejuvenation, Modernization and Technology up-gradation of Coir Industry (REMOT) (Gender Neutral)</b>
<b>Ministry</b>	Ministry of Micro, Small and Medium Enterprises
<b>Industry</b>	MSME
<b>Objective</b>	To develop the Coir production chain (preferably that of SC,ST,Wome,NER, Andaman-Nicobar & Lakshadweep) with 5% Beneficiary contribution, 55% bank credit, 40% rate of subsidy via the REMOT process; maximum cost of the project should be Rs.10 lakhs plus working capital, which shall not exceed 25% of the project cost
<b>Link</b>	<a href="http://coirboard.gov.in/?page_id=3124">http://coirboard.gov.in/?page_id=3124</a>
<b>Scheme</b>	<b>Atal Incubation Centers (AICS) under Atal Innovation Mission (AIM) (Gender Neutral)</b>
<b>Ministry</b>	NITI Aayog (The National Institution for Transforming India)
<b>Industry</b>	Agnostic
<b>Objective</b>	Provide suitable physical infrastructure (world class incubation facilities) in terms of capital equipment and operating facilities, coupled with the availability of sectoral experts for mentoring the start-ups, business planning support and other financial support
<b>Link</b>	<a href="http://niti.gov.in/writereaddata/files/Final%20Guidelines_AIC-2017.pdf">http://niti.gov.in/writereaddata/files/Final%20Guidelines_AIC-2017.pdf</a>
<b>Scheme</b>	<b>Mahila Kisan Sashaktikaran Pariyojana</b>
<b>Body in Charge</b>	DAYU-NRLM (National Rural Livelihood Mission)
<b>Industry</b>	Agriculture
<b>Objective</b>	To create sustainable livelihood opportunities for women in agriculture, help in their skilling and increase their managerial capacity
<b>Link</b>	<a href="http://mksp.gov.in/">http://mksp.gov.in/</a>
<b>Scheme</b>	<b>Start-up Village Entrepreneurship Programme</b>
<b>Ministry</b>	DAY- NRLM (National Rural Livelihood Mission)
<b>Industry</b>	Non-Farm
<b>Objective</b>	To create sustainable village level enterprises by SHG members under NRLM with the support of continuous capacity building, handholding and mentorship.
<b>Link</b>	<a href="https://aajeevika.gov.in/">https://aajeevika.gov.in/</a>
<b>Scheme</b>	<b>Grant in aid scheme for the welfare of women labour</b>
<b>Ministry</b>	Ministry of Labour and Employment
<b>Industry</b>	Agnostic
<b>Objective</b>	Voluntary Organizations/NGOs(3 years of minimum experience in welfare programs) are being provided funds by way of grants-in-aid to take up action-oriented projects for the benefit of women labor

<b>Link</b>	<a href="https://labour.gov.in/sites/default/files/Grant-In-Aid.pdf">https://labour.gov.in/sites/default/files/Grant-In-Aid.pdf</a>
<b>Scheme</b>	<b>Stree Shakti</b>
<b>Ministry</b>	SBI
<b>Industry</b>	MSME
<b>Objective</b>	Find and support entrepreneurship in Retail trade, Business enterprises, Professionals and self-employed, small scale units or tiny units where the women entrepreneur's stake is more than 51%.
<b>Link</b>	<a href="https://www.sbi.co.in/portal/web/home/stree-shakti-package">https://www.sbi.co.in/portal/web/home/stree-shakti-package</a>
<b>Scheme</b>	<b>Orient Mahila Vikas Yojana</b>
<b>Ministry</b>	Oriental Bank of Commerce
<b>Industry</b>	MSME
<b>Objective</b>	Provide minimum credit needs of Female / Women entrepreneur (individually or jointly must share capital of 51% or more) with 2% concession on the interest rate; no requirement of any collateral security for loans beginning from Rs. 10 Lakhs and up to Rs. 25 Lakhs in case of SSI (Small-Scale Industries).
<b>Scheme</b>	<b>Dena Shakti Scheme</b>
<b>Ministry</b>	Dena Bank
<b>Industry</b>	MSME
<b>Objective</b>	Financing women entrepreneurs related to agriculture, small enterprises, retail trade, micro credit, educational and housing ; the maximum limit and interest rate varies depending on the category e.g priority sector like education or retail can avail a loan up to Rs. 20 lakhs with interest.
<b>Link</b>	<a href="https://www.denabank.com/viewsection.jsp?lang=0&amp;id=0,135,199">https://www.denabank.com/viewsection.jsp?lang=0&amp;id=0,135,199</a>
<b>Scheme</b>	<b>Udyogini Scheme</b>
<b>Ministry</b>	Karnataka State Women Development Corporation (KSWDC)
<b>Industry</b>	MSME
<b>Objective</b>	Assist women to be self-reliant by undertaking the businesses and micro enterprises and prevent them from borrowing money at high-interest rates from the moneylenders for the same. Furthermore, it envisages offering skill development training in addition to the monetary assistance.
<b>Link</b>	<a href="http://www.udyogini.org/">http://www.udyogini.org/</a>
<b>Scheme</b>	<b>Cent Kalyani Scheme</b>
<b>Body in Charge</b>	Central Bank of India
<b>Industry</b>	MSME
<b>Objective</b>	Encourage Women Entrepreneurs to start new project or expand / modernize the existing unit by providing support for their capital & daily expenditure (upto Rs. 100 Lakhs)
<b>Link</b>	<a href="https://www.centralbankofindia.co.in/English/Cent_Kalyani.aspx">https://www.centralbankofindia.co.in/English/Cent_Kalyani.aspx</a>
<b>Scheme</b>	<b>Rural Industry Service Centre (RISC)</b>
<b>Ministry</b>	KVIC (Khadi & Village Industries Commission),
<b>Industry</b>	MSME
<b>Objective</b>	Provide backward forward linkages to khadi & village activities in a cluster, along with services like raw material support, skill up-gradation, training, quality control, testing facilities, marketing promotion, design & product development in order to strengthen the rural clusters.

<b>Link</b>	<a href="http://www.kvic.org.in/oldwebsite/index.php?option=com_content&amp;view=article&amp;id=327&amp;Itemid=28">http://www.kvic.org.in/oldwebsite/index.php?option=com_content&amp;view=article&amp;id=327&amp;Itemid=28</a>
<b>Scheme</b>	<b>Prime Minister Employment Generation Programme (PMEGP)</b>
<b>Ministry</b>	KVIC (Khadi & Village Industries Commission), Ministry of MSME
<b>Industry</b>	MSME
<b>Objective</b>	Bring together widely dispersed traditional artisans/ rural and urban unemployed youth and give them self-employment opportunities to the extent possible, at their place (subsidy varies from 15% to 35%, with 5% to 10% beneficiaries' contribution)
<b>Link</b>	<a href="https://msme.gov.in/schemes/pm-employment-generation-program-and-other-credit-support-schemes">https://msme.gov.in/schemes/pm-employment-generation-program-and-other-credit-support-schemes</a>

### List of Important websites for felicitating Entrepreneurs

- a. <https://www.msde.gov.in/entrepreneurship.html>
- b. <https://msme.gov.in/>
- c. <https://msme.gov.in/all-schemes>
- d. <http://www.kvic.org.in/kvicres/index.php>
- e. [http://dcmsme.gov.in/scheme\\_a.html](http://dcmsme.gov.in/scheme_a.html)
- f. <https://www.dcmsme.gov.in/howtsetup/dis%20address.html>
- g. [https://udyogaadhaar.gov.in/UA/UAM\\_Registration.aspx](https://udyogaadhaar.gov.in/UA/UAM_Registration.aspx)
- h. <https://www.startupindia.gov.in/>
- i. <https://www.standupmitra.in/>
- j. <http://www.makeinindia.com/about>
- k. <https://www.kviconline.gov.in/pmegpeportal/pmegphome/index.jsp>

# CHAPTER 7

## MARKET SURVEY

### **Content**

- *Need for market survey*
- *Methodology of market survey*
- *How to develop an effective survey plan for the selected activity*
- *Market Survey – Report Writing*

Market survey means a collection of first-hand data from customers, vendors, stakeholders, or the general public. Market surveys are usually conducted to gather data so that better marketing, growth, and product decisions can be made. Market Survey is conducted in order to assess the viability of your business idea. This is investigative in nature and having a critique attitude towards business ideas to look out the aspects where you need to put more focus. Further, it reminds the entrepreneurs not to fall out in the syndrome of “Everything is wonder in my proposal”.

### **What does it involve?**

Market Research or Survey may be defined as an objective and systematic collection, recording, analysis and interpretation of existing or potential markets, marketing strategies and tactics and the interaction between markets, marketing methods and current or potential products/ services. Thus it helps to apply a truly analytical approach to decisions which have been taken.

The objective of the survey should be to answer the following questions:

- What is the size of the market and share anticipated for a product/service in terms of volume and value?
- What is the pattern of demand?
- What is the market structure?
- What are the buying habits and motives of buyers?
- What will be company’s strong points in marketing?
- What are past and future trends?

### **Steps in the Survey**

For new entrepreneurs, the process involves all the following steps. Though complete sequence may not adhere to, an attempt should be made to cover all information.

- Defining objectives of the study
- Working out details of the study
- Identifying sources of obtaining information.
- Time and cost involvement for the study
- Working out methodology and action plan
- Selecting samples and deciding contacts and visits
- Preparing questionnaires and plans for surveys and interviews. A model questionnaire is given at the end of module.

- Collecting data and analysis of data.
- Preparation of a report with findings

The operational work can be divided into three major areas :

- a) Table work
- b) Field work
- c) Report writing

For new entrepreneurs a major problem in conducting market survey is not knowing sources and contacts for getting information. The best way is to try for it, without having fear of not getting information. It is because the information itself is not the only important element. What is more important is to get the feel and direct experience of market during personal visits.

The information sources can be divided into:

### **(1) Primary Data Sources**

This is information which originates as a result of the contacts with those who are directly involved in relevant activity e.g. in survey for plastic toys, information obtained from toy manufacturers or traders would be a primary data.

### **(2) Secondary Data Sources**

The data which already exists and may be used for the investigation. They have not been collected for a specific purpose. This information may be obtained from those who are indirectly involved e.g. trade or manufacturer's associations or published data are secondary sources.

### **Tips for conducting market survey**

- It is important to note that for entrepreneurs the survey and getting information is very important, but not for those who are going to supply the information.
- Thus, intelligent efforts will have to be made to get information out of them.

Following tips can help entrepreneurs in conducting the survey effectively and systematically:

- (1) Do not be prejudiced or status conscious. Your own prejudices towards education, caste, communication and your own status consciousness can act as a negative factor in collecting information from various levels of people.
- (2) Keep cool temperament and be patient during the survey, so as not to unnecessarily enter into hot arguments with others. You will have to continuously try to get information with great persistence.
- (3) Keep in mind that you are going as a surveyor and not to collect information for other's use. Do not pass on information to others.
- (4) Make a habit of writing down the information immediately after you visit someone. But try to avoid writing or referring to your papers when interviewing someone.
- (5) Sequencing of questions, your involvement and commitment to get information are the key factors for your success.
- (6) The best way to approach your competitors is to go there as their client, showing interest in selling their products.

At the end of the survey; detailed report on findings must be prepared in written form.

### **Questionnaire For Market Survey**

The following questions and information will help entrepreneurs to collect information and in turn enable them to understand the nature of his business. Here the market survey has been suggested with broader perspective, so that entrepreneur's may have all-rounded commercial information.

#### *(1) For raw Materials*

- (a) Who are the major manufacturers/suppliers of the materials?
- (b) What time is required to get the materials after ordering? Which terms of supply prevail? (Tax structure, price, packing, payment terms etc.)
- (c) What is the standard/minimum packing or minimum order quantity?
- (d) Is the material freely available?
- (e) Are there any shortages (created) in the market at any particular time of the year?
- (f) What was the trend of price changes and availability in the past? (At least for last 2 years)
- (g) Will any government decision affect the availability and the price of the material?
- (h) Will it be advantageous to procure the material locally or purchase from outside? type of machines have been supplied?

#### *(2) For Machinery/Equipments:*

- a) Who are the manufacturers/suppliers?
- b) What capacity, specification, specifications and makes (brands) are available in the market?
- c) What is the price of machines? (consider all applicable taxes, transport, accessories etc.)
- d) What electrical, like motor, starter, switches etc. are required?
- e) What guarantee/warranty of performance is given by manufacturer?
- f) What is the normal repair/maintenance cost per year? Which spares or parts would be frequently required?
- g) What are the terms for ordering-payment, advance, delivery time etc.?
- h) Before taking delivery of machine, whether inspection can be done at the factory?
- i) What is the market standing of manufacturers and list of parties to whom same
- j) Will special type of transport and handling be required?
- k) What are the overall outer dimensions of machines and working (floor) area requirements?

- l) What average (maximum) quality standards and output (production) can this machine give?
- 3) *For Market:*
- (A) From Manufacturers-Competitors:
- a) What is the general factory layout and space occupied?
  - b) Their range of products, installed capacity and utilised capacity and selling price.
  - c) Their normal terms of business.
  - d) What are their future plans for expansion/diversification?
  - e) Salient features of the units like technical skill, finance, other resources etc.
  - f) Their market area and practice
  - g) Any other special problems faced by the units?
- (B) *From Supplier (Trader)*
- a) Who are the present principal traders in the item? Range of products dealt with and general business terms, commissions etc.
  - b) His market area and annual turnover estimates.
  - c) Duration and type of his relations with principal.
  - d) Possibility of trading with him and his expected business terms.
  - e) Normal level of stock he is maintaining and any specific problems he might have in stocking goods.
  - f) His future predictions/comments on business conditions.
- (C) *From Consumers (Customers)*
- a) What is the annual consumption and requirement?
  - b) What are the present sources of supply?
  - c) Customers' loyalty to Brand (Make) and preferences like price, quality, payment terms etc.
  - d) Whether he is satisfied or dis-satisfied with present product and supply?
  - e) What are his purchasing criteria and what purchasing power he holds?
  - f) What is the consumption pattern? (Basis of calculating his requirement)
  - g) What changes in his future consumption is expected? In quantity, quality due to changes in technology etc
  - h) What is the size of his average order quantity and at what time and frequency he places orders?

### **Key Components of Market Survey Report**

The market survey report is a document that reveals the characteristics of your ideal customers, their buying habits, and the value your product or service can bring to them.

Furthermore, the purpose of writing a marketing research report is to make calculated decisions about your business ideas – whether they're worth pursuing or not. Simply put, writing a market research report is a vital part of planning business activities and serves

as a neat way to assimilate all the information about your target market and prospective customers.

The market survey report should entail the following:

Introduction: End Products, End users, Suitability and strength of selecting particular product

Product: Specification, sizes, brands, packing, selling price etc.

Assessment of Demand: Class and type of consumers/clients, Patterns of consumption and frequency of purchase, Product life cycle and present status, Past demand pattern, Future anticipated demand projections, Buying criteria and influencing factors

Supply Position: Current availability of and production Capacities Vs utilization Present indigenous and imported supply sources, their price comparison service etc.

Marketing Practices: Present prevailing marketing practices Distribution, Packing, Forwarding, Credit Policy , Delivery, After Sales Services, Selling price, taxation structure and Commission patterns, Purchasing procedures time and practices, Prevailing

Own Marketing Plans: Own market share of supply - demand gap and Strategies Strengths and special services to be offered if any, Possible clientage and their likelihood of buying from you

## CHAPTER 8

# UNDERSTANDING OF BANKING AND FUNDING

### Content

- *Concept of Market*
- *Marketing*
- *Market Research*
- *Marketing Mix*
- *Digital Marketing*

### Needs versus Wants

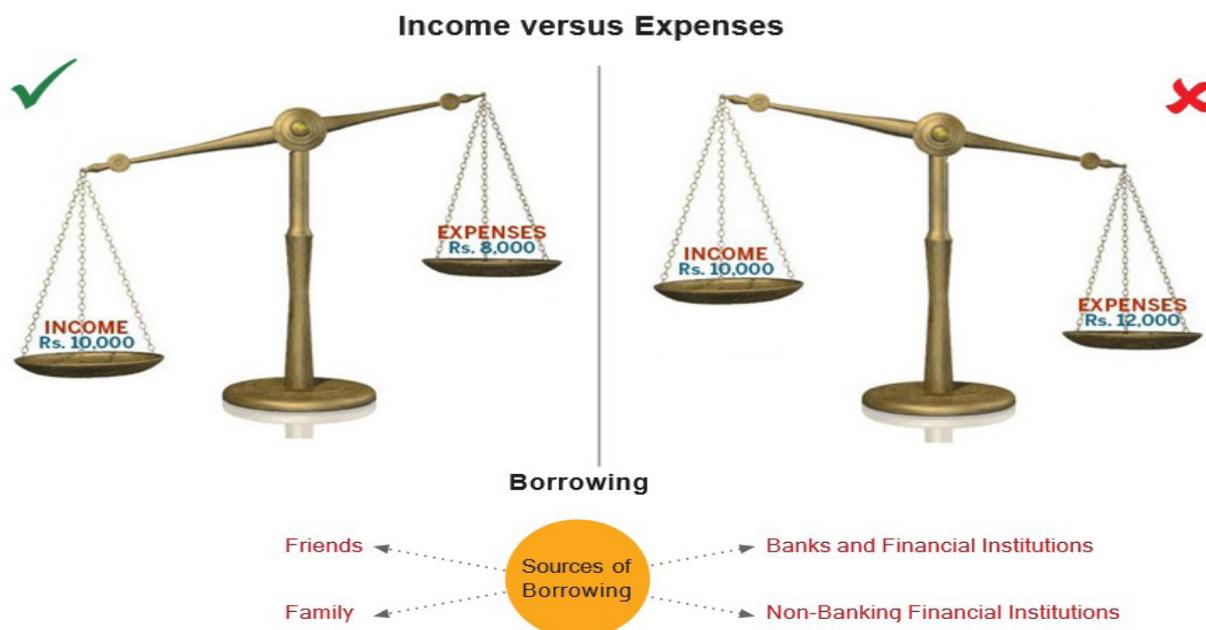
Look at the pictures below:



The first step in managing money successfully is being able to differentiate between NEEDS and WANTS. As we can see from the photos above, NEEDS are a must-have, whereas WANTS are good to have. WANTS can be postponed and acquired later. When we learn to identify our WANTS and inculcate the habit of postponing those WANTS, we should be able to achieve most of our financial goals.

### Budgeting

Budgeting is the art of balancing income and expenses to ensure that expenses are always less than income. The surplus generated, if any, can be invested for future needs.



## Introduction to Banking

As a young child, you may have used a piggy bank. You deposit a small amount of cash or coins into a piggy bank, and when you open it finally, it reveals a handsome amount for you to use. That is how a bank works in real life too. However, it works according to strict rules and also serves many more functions that are important to individuals and businesses. To explain in simple words, a bank is an institution where people deposit their funds as savings and are able to withdraw the same when required. In this sense, a bank acts as a 'vault' for safekeeping of funds. There are situations when people may need funds more than their savings to purchase high-value products such as cars, bikes etc. In such situations, banks also provide 'loan' to the 'deposit holders'.

<p><b>BANKS</b> (Financial institutions which accept deposits and provide loans.)</p>	<p><b>Savings and Current Accounts</b> Provide facilities like Cheque Book, Funds Transfer, Debit Card, and Unified Payments Facility.</p>	<p><b>Savings Account</b></p> <ul style="list-style-type: none"> <li>• Can be opened by one person or jointly.</li> <li>• Nominal interest is paid on an account balance.</li> <li>• Some accounts may require maintenance of minimum balance.</li> </ul> <p><b>Current Account</b></p> <ul style="list-style-type: none"> <li>• Meant for business entities such as proprietorships, partnership firms, public and private companies, trusts, association of persons, etc.</li> <li>• No restrictions on the number and amount of deposits and withdrawals as long as the account holder has funds in the bank.</li> <li>• No interest is paid on the account balance.</li> </ul> <p><b>Savings Accounts for Minors</b></p> <ul style="list-style-type: none"> <li>• A savings account can be opened by a minor of any age through his/her natural or legally appointed guardian. Minors above the age of 10 years are allowed to open and operate savings bank accounts independently, if they so desire.</li> <li>• On reaching 18 years and of age, the age of majority in India, the erstwhile minor should confirm the balance in his/her account. If the account is operated by their natural/legal guardian, fresh operating instructions and a specimen signature of the erstwhile minor should be obtained and kept on record for all operational purposes.</li> </ul>
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	<p><b>Deposits</b></p>	<p><b>Recurring Deposits</b></p> <ul style="list-style-type: none"> <li>• A Recurring Deposit is popularly known as RD.</li> <li>• A certain fixed amount is accepted every month for a specified period and the total amount is repaid with interest at the end of the period. Deposits can be opened for periods ranging from 6 months to 120 months.</li> <li>• RDs are suitable for those who do not have a large amount of savings, but are ready to save small amounts every month.</li> <li>• No withdrawals are allowed. However, the bank may allow the account to be closed before the maturity period. Any default in payment within the month attracts a small penalty.</li> </ul> <p><b>Fixed Deposits</b></p> <ul style="list-style-type: none"> <li>• Fixed deposits or FDs are opened for a particular period, ranging from 7 days to 10 years.</li> <li>• The rate of interest depends on the amount and the term of the deposit.</li> <li>• Interest is usually paid as a lump sum at the end of the term. However, there are also options to receive interest at periodic intervals.</li> <li>• Deposits can be withdrawn prematurely provided the account holder has opted for it.</li> </ul>
	<p><b>Loans</b></p>	<p><b>Personal Loan:</b></p> <ul style="list-style-type: none"> <li>• This type of loan can be used for any purpose. It is usually taken for emergencies like medical expenses, marriage expenses, etc. The interest rate is higher on such loans.</li> </ul> <p><b>Vehicle Loan:</b></p> <ul style="list-style-type: none"> <li>• This type of loan is provided for the purpose of buying a vehicle. The vehicle is hypothecated to the bank and in case of default of the loan, the bank may take possession of the vehicle.</li> </ul>

		<p><b>Home Loan:</b></p> <ul style="list-style-type: none"> <li>• Everyone dreams of having their own home, but buying a home requires a large amount of money, which many people cannot afford. To fill this gap, banks provide home loans.</li> </ul> <p><b>Education Loan:</b></p> <ul style="list-style-type: none"> <li>• Banks offer education loans to students who want to pursue higher studies. Once the student completes his/her course and starts earning, he/she can repay the loan.</li> </ul> <p><b>Agricultural Loans:</b></p> <ul style="list-style-type: none"> <li>• To cater to the needs of farmers, banks offer various types of loans. Farmers can buy seeds, insecticides, tractors and other equipment needed for agriculture using this loan</li> </ul> <p><b>Business Loans:</b></p> <ul style="list-style-type: none"> <li>• It is an unsecured loan which is provided to a self-employed individual and entity. It is typically used by businesses to upgrade or purchase equipment. It is repaid in equal installments at fixed monthly intervals.</li> </ul>
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**Basics of Investment, Insurance and Pension**

An investment is like planting a tree. If monitored regularly and allowed sufficient time to grow, good returns can be expected.



## Introduction to Insurance



Insurance is an arrangement through which one can plan for the continuation of income when certain events like disasters, illness, accident, death, or old age may disrupt one's ability to earn his/her livelihood.



Universally, the insurance business is classified into life insurance and general insurance. Life insurance policies are termed as benefit policies of protection and are normally considered to be a means of protecting one's family against the unforeseen circumstance of death of the earning member.



Further, there are various types of life insurance policies which help in accumulating savings, making life insurance a common long-term investment. Therefore, it is also seen as a savings and investment option catering to an individual's needs at various stages of life. The general insurance industry provides many benefits to society by offering financial protection to individuals, families, businessmen and industries, in the event of unforeseen catastrophes, losses to their assets and property.

## Startup Business Loans

You can avail a Startup business loan from a bank or a financial body in order to raise funds to start a business of your own or expand your current business. The rate of interest charged by the bank will depend on the loan amount availed by you and the repayment tenure.

## Introduction to Pension



It is important to know how much money one will need for retirement as it can vary with one's individual circumstances. Life expectancy, inflation and retirement age are some of the key factors to be taken into consideration while calculating retirement needs.



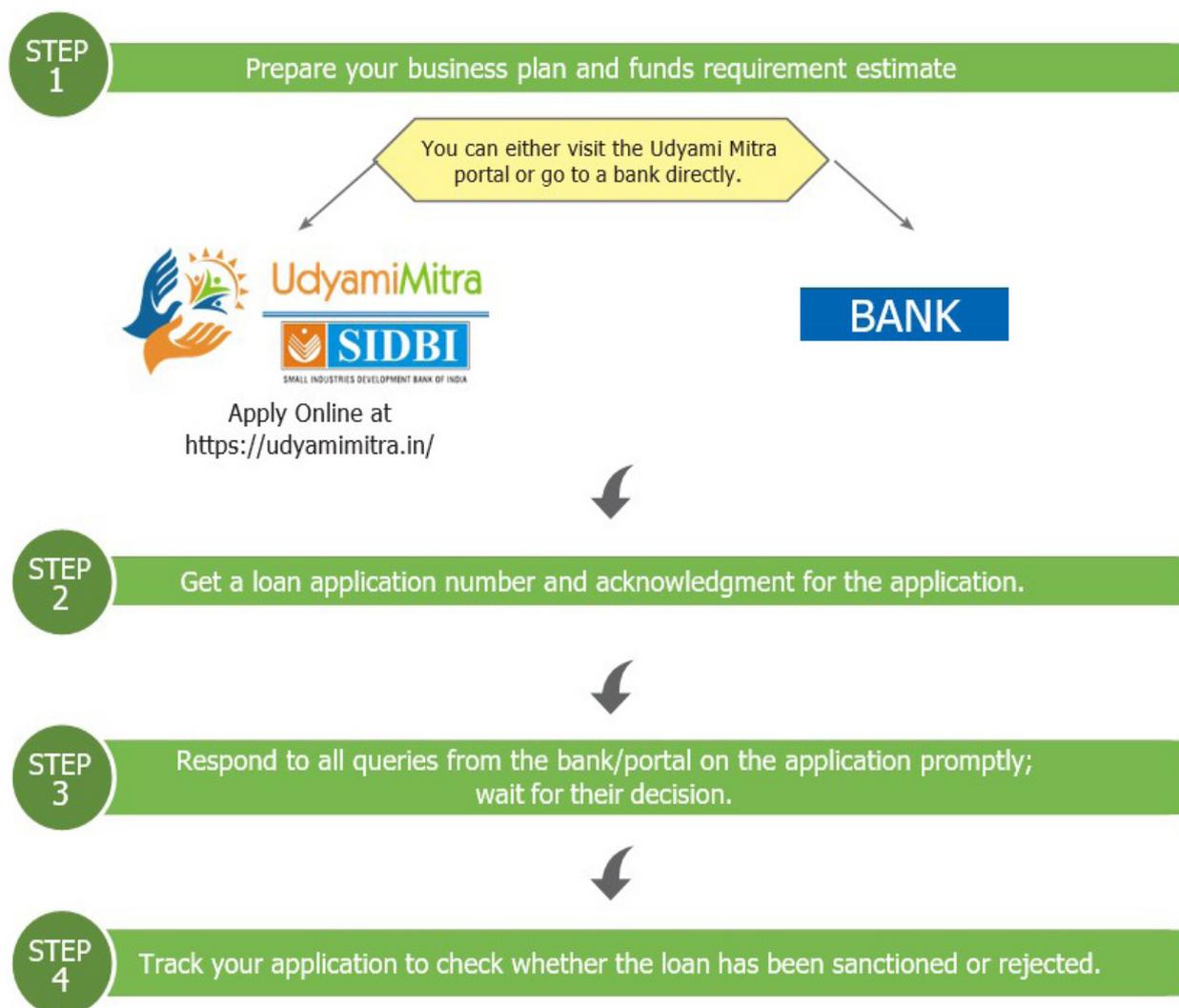
Inflation is the rising cost of consumer goods and services. It affects one's retirement needs in two ways. First, the cost of goods increases which means buying the same amount of goods becomes costlier. Second, due to inflation, retirement savings also lose value. Both these factors must be taken into account when a retirement fund is created.



### National Pension System (NPS)

The national pension system is a pension plan by the Government of India to provide financial security and stability during old age, when people don't have a regular source of income. It is open to all citizens of the country between the ages of 18 and 60 on a voluntary basis. One can subscribe to the NPS and be able to save and invest systematically during the duration of one's working life. A minimum saving of Rs. 500 per year is required to subscribe to the scheme. When one retires, normally at age 60, one will get a part of the money and the remaining can be withdrawn on a monthly basis. Savings in NPS upto a certain limit are also exempt from tax.

## Loan Application Process



### Timelines as Prescribed by BCSBI for Disposal of Loan Applications

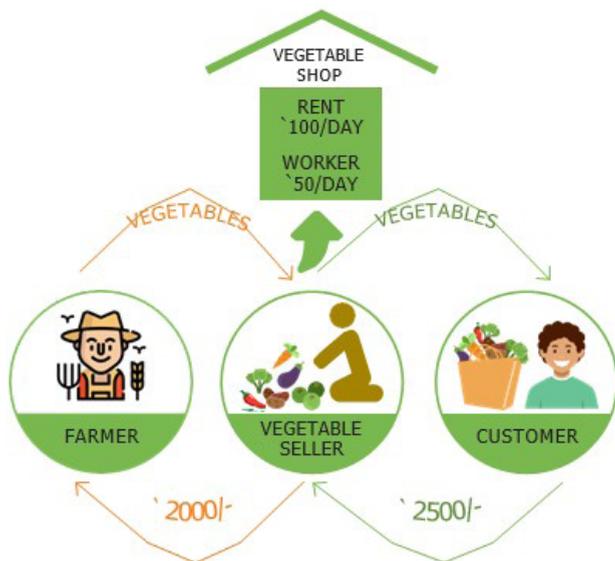
The Banking Codes and Standards Board of India (BCSBI) has prescribed timelines for disposal of loan applications that are complete in all respects and are accompanied by documents as per the 'checklist' provided. The banks which are members of the BCSBI have to adhere to the following:

- MSE loan application for a credit limit or enhancement in the existing credit limit of up to Rs. 5 lakhs: 2 weeks
- For credit limit above Rs. 5 lakhs and up to Rs 25 lakhs: 3 weeks

The Code does not replace or supersede regulatory or supervisory instructions issued by the Reserve Bank of India (RBI) and banks will comply with such instructions/directions issued by the RBI from time to time.

## Must-know Finance Terms for Entrepreneurs

### Scenario 1: Financing with Own Capital



A vegetable seller puts in his own capital of Rs. 2,000 and buys vegetables from a farmer. He pays Rs. 100 in rent per day and Rs. 50 in wages per day to a helper. He sells the vegetables for Rs. 2,500. The Rs. 100 in rent and the Rs. 50 in wages paid are called 'Operating Expenses'. The Rs. 2,000 spent on buying vegetables for selling is the 'Cost of Goods Sold'. The profit in this case is computed thus:

$$\text{Profit} = \text{Selling Price} - \text{Cost of Goods Sold} - \text{Operating Expenses} = 2500 - 2000 - 150 = \text{Rs. } 350$$

### Scenario 2: Cash Credit against Hypothecation of Stock



Suppose the vegetable seller does not have his own capital to buy all the vegetables he requires or he wants to expand his business. In such a scenario, he can take a loan from the bank by offering the vegetables to be purchased as security. This type of financing is called cash credit where the bank lends against self-liquidating security.

The whole amount of the bank loan need not be drawn, only the amount needed based on current requirement. The interest on this type of facility is charged only on the outstanding and not on the entire loan limit.

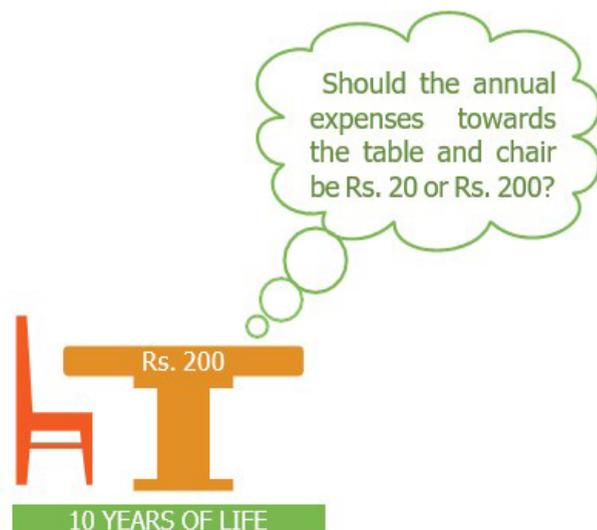
### Scenario 3: Receivables Financing



In business, it is often necessary to provide credit, which means to accept payments from customers on a future date as per agreement. When that happens, there is not enough money to buy supplies for the next day and pay for other obligations like rent and wages. The payments that are to be received at a later date as per agreement are called receivables and the customer who is expected to pay at a later date is called a debtor.

In such a situation, when money from sales is delayed, business need not stop for want of funds. The vegetable seller can go to the bank and request lending against receivables. The bank provides finance against the amount of receivables after reduction of margin. Interest on the loan is charged only on the outstanding amount of the loan.

### Scenario 4: Purchasing Fixed Assets and Accounting for them



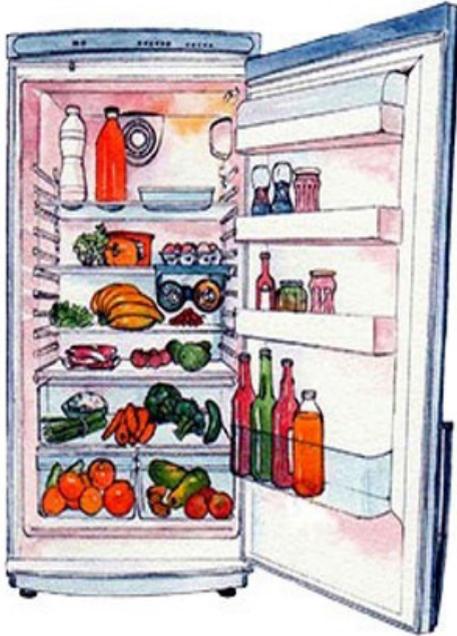
Now that the profits have increased, the vegetable seller decides to buy a table and chair for the shop. Suppose he buys furniture for Rs. 200.

He is now in a dilemma. Should he reduce this entire cost of Rs. 200 from this year's profit, even though he will be using the furniture for the next ten years? If he does, his profit will reduce by Rs. 200. So, instead, the vegetable vendor decides, since the life of the furniture is ten years, that for this year he will allocate funds towards only  $1/10^{\text{th}}$  of the cost. When he does this, the amount to be charged to the current year as expenses is called depreciation.

Items bought for running the business that are going to be used for more than one year are called Fixed Assets. Examples of fixed assets include land, building, machinery, equipment, etc.

Depending on the life of the fixed asset, every year the value of the fixed asset has to be reduced. This reduction is effected by setting apart the reduced amount as an expense which is called depreciation.

## Scenario 5 : Long-term Loans



As the business grows, the vegetable vendor realises that since vegetables are perishable, he had to throw away a fair amount which is not bought by customers. This in turn was eating into his profits. He feels that if he had a cold storage system he may be able to increase the life of the fresh vegetables and cut down on wastage. He makes enquiries for a freezer; a good freezer will cost him about Rs. 20,000. The vegetable vendor learns that he can avail a loan through <http://udayamimitra.in> and applies. His loan is sanctioned at an interest rate of 10 per cent per annum. With the loan money he buys a freezer and is now able to keep the vegetables fresh for an additional two days. This, in turn, lead to an increase in profits for the vegetable vendor.

### Terminologies: Term Loan

Loans that are availed for a specific purpose and are to be repaid over a long period (one year and above) are called 'Term Loans'.

### Some More Financial Terms

<b>Profit &amp; loss statement</b>	: A statement showing income and expenses of the company. This is prepared for a particular period (usually 1 April to 31 March).
<b>Balance sheet</b>	: A statement showing the position of assets and liabilities of the company on a particular date.
<b>Revenue</b>	: Amount received by way of sales of products and services. This includes both cash and credit sales.
<b>Cost of goods sold</b>	: This is the direct material cost incurred in manufacturing or procuring a product that is sold to the customers.
<b>Gross profit</b>	: Gross profit is the difference between revenue and cost of goods sold. It does not include operating expenses like rent, salaries, etc.
<b>Operating expenses</b>	: Expenses that are not directly associated with the production of goods, e.g., rent, salary, and SG&A (selling, general and administrative expenses).
<b>Interest</b>	: Charges paid to the lender of money on the outstanding loan amount.
<b>Depreciation</b>	: Annual charges applied to fixed assets depending on their life. Depreciation is accounted as an expense in the profit and loss account.
<b>Profit before tax</b>	: $\text{Gross Profit} - \text{Operating Expenses} - \text{Interest} - \text{Depreciation}$
<b>Assets</b>	: Current assets such as cash, inventory and non-current assets or fixed assets such as plant & machinery.

<b>Liabilities</b>	: Shareholder capital, current liabilities such as creditors and short-term loans to be paid within one year and term liabilities (liabilities to be paid after one year).
<b>Receivables</b>	: Payments that are to be received from the customers on a future date as per agreement.
<b>Current assets</b>	: Current assets include cash, account receivables and other liquid assets that can be readily converted to cash.
<b>Fixed assets</b>	: Assets that are used for the long term and which are not sold during the normal course of the business.
<b>Cash credit</b>	: Working capital loans to finance current assets and manage day-to-day running of the business.
<b>Term loan</b>	: A long-term loan generally taken to buy fixed assets and which is repaid in installments over a period of time.
<b>Equity capital</b>	: Shareholder's capital which represents ownership interest in the company.

*\*The definitions of the above terms are indicative in nature. They differ from one industry to another and are subject to interpretation.*

### About National Payments Corporation of India (NPCI)



NPCI's product suite is well geared towards furthering digital adoption

**RuPay** | **L1PI** | **BHIM** | **IMPS**  
**n<sup>th</sup>** | **B BHARAT BILLPAY** | **NETC** | **FASTag**  
**PAI** | **CTS** | **NACH** | **NFS**  
**APS** | **₹** | **₹** | **\*99#**

National Payments Corporation of India (NPCI) is an umbrella organization for all retail payments in India. Incorporated in the year 2008, NPCI was set up under the guidance and support of Reserve Bank of India (RBI) and Indian Banks' Association (IBA). NPCI provides infrastructure to the entire banking system of India for both physical and electronic payment and settlement systems.

## Introduction to Digital Banking

Digital banking allows bank customers to avail banking services using the bank's website on a laptop or through a mobile app on a smartphone/tablet. These services include:

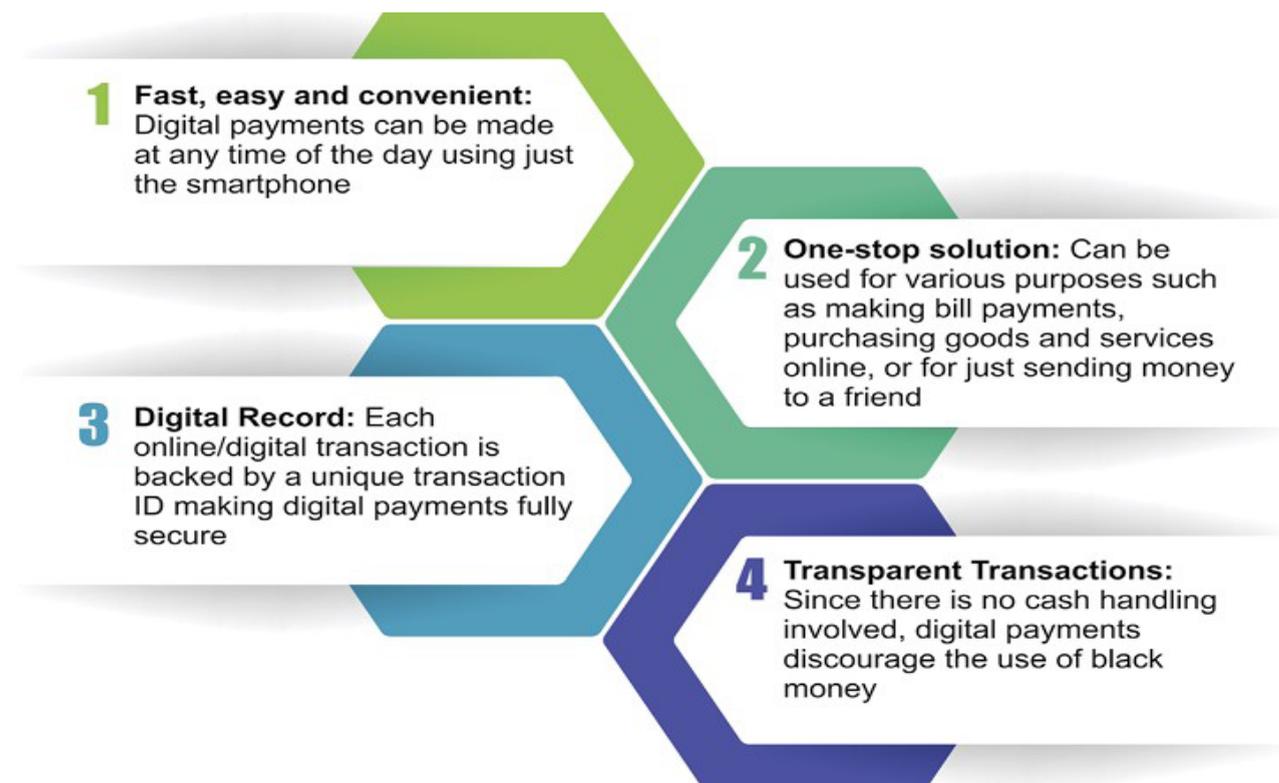
- Checking account balance
- Transferring funds to another account
- Ordering a cheque book
- Changing passcodes

## Understanding Digital Payments

Digital Payments refers to transferring an amount of money to another individual, business or organisation through the internet without the requirement to handle physical cash.

## Benefits of Digital Payments

The trend of digital payments has revolutionised the world of business and lives of people. It has brought in a new era of flexibility of convenience. Let us discuss the many benefits of digital payments.



## Modes of Digital Payments – Card Based

The objective of this section is to make students aware of banking cards, Point of Sale (PoS) and ATM machines. In the previous sections, you have learnt about the importance of banks and the various services they offer.

Apart from cheques, banking cards are also important tools for making convenient transactions. Let's learn about them...

**Debit Cards:** Debit cards serve a dual purpose. They allow the account holders to perform banking transactions through the ATM machine such as deposits, cash withdrawals and access account information.

**Credit Cards:** As the name suggests, credit cards are instruments that provide instant credit to the cardholders. When a credit card is used for making a transaction, the amount is not deducted from the bank account but is provided as credit by the issuing bank. The cardholder is provided with a time period; generally a month, to pay back the amount to the bank.

**Prepaid Cards:** These are 'stored value' cards that are charged with a specific amount. The prepaid cardholder is allowed to transact for the value stored in the card. For example, if the card has a value of Rs.5000, once that value is used up for purchases, more value needs to be added to the card.

### **E-commerce payment**

Whenever there is a purchase of goods and services online through an electronic medium without the use of cash or cheques, it is known as e-commerce payment. You might have observed your parents purchasing things online using their smartphone with the help of a mobile application. That is a popular example of E-commerce. E-commerce payment offers various benefits in the form of:

- Security
- Efficiency
- Convenience
- User-friendliness

### **Internet Banking**

Internet banking allows you to transact on your bank account over the internet using your laptop, tablet or smartphone. When you transfer an amount using Internet Banking, it can be done through different methods, including:

- **National Electronic Fund Transfer (NEFT)** :National Electronic Funds Transfer (NEFT) is a nation-wide centralised payment system owned and operated by the Reserve Bank of India (RBI). The payment mode enables companies and individuals to transfer funds electronically to other companies and individuals. The account holder needs to register the beneficiary account details such as account holder name, account type (savings etc.), account number and Indian Financial System Code (IFSC) which helps to identify individual bank branches.
- **Real-Time Gross Settlement (RTGS)** :RTGS is a real-time settlement system which allows for fast processing of money transfer between any two accounts. 'Real Time' means the processing of instructions at the time they are received; 'Gross Settlement' means that the settlement of funds transfer instructions occurs individually. The payments made via RTGS are final and irrevocable. The RTGS system is primarily meant for large value transactions. The minimum amount to be remitted through RTGS is ₹ 2,00,000/- with no upper limit.

- **Immediate Payment Service (IMPS)** :MPS is a product made available by the National Payments Corporation of India (NPCI). It allows for 24x7 instant funds transfer service that can be accessed on multiple channels like Mobile, Internet, ATM and SMS. The key feature of IMPS is that it is available at all times. The transaction fee for IMPS is nominal, and it allows a transfer limit of Rupees 2 lakhs per transaction.

### **Unified Payments Interface (UPI)**

A system developed by the National Payments Corporation of India (NPCI), UPI helps combine the power of multiple bank accounts into one single mobile app. UPI helps in seamless fund routing and merchant payments. In addition, it also caters to the “Peer to Peer” collect request which can be scheduled and paid as per requirement and convenience.



### **QR Codes, an Easy Way to Pay**

The UPI interface makes it extremely easy and convenient to make payments using the Quick Response codes or QR codes. When you accompany your parents to the market, you may have observed them making payments through QR codes. Let us see how that works:

- The customer scans the UPI QR placed at merchant locations / generated on PoS
- Customer verifies the transaction details like UPI ID, amount, merchant name, etc. and provides confirmation
- The UPI PIN needs to be entered
- Successful payment confirmation is received on the UPI App along with SMS confirmation on mobile

## CHAPTER 9

# DEVELOPING A BUSINESS PLAN

### **Content**

- *Business Plan*
- *Why Business Plan is Necessary*
- *Heads of a Business Plan*
- *Market Analysis*
- *Financial Analysis & Financial Planning*
- *Business Plan Template*

- **Business plan**

A business plan is a written summary of your proposed business. It includes information about the plans, operations and financial details, its marked opportunities and strategies, as well as the entrepreneur's personal background.

A business plan is a document used to summarise an entrepreneur's business aspirations, secure legal authority and mobilise resources to launch the business. Just as you need a map to help you find the route to an unknown destination, you need a plan to help you determine in which direction to go to get your business up and running. Written document explains your overall strategy and objectives in words and numbers. Your first plan should estimate your goals, your expenses, and how much you plan to charge for your services. It should also show how you plan to attract and keep customers. After you actually begin your business, you will find that the plan needs to be reviewed on an on-going basis. A business plan is a changing, dynamic document. There are no guarantees that your business will succeed but a well-written and well-researched business plan plays an important role in a business's success.

- **Why Business Planning is necessary**

- Business plans show you if the business can expect to make a profit in the future. It shows what money to expect to come into and out of the business. For instance, if your costs are expected to be high, there would be need to increase prices.
- A plan will be able to identify parts of the business that require improvement. In so doing, one will be forced to think about every part of the business. To work out a plan, one must therefore think carefully about everything that affects the business.
- A business plan makes it possible to access a bank loan because most banks are interested in knowing the expected sales, costs and anticipated profits as well as cash flows before offering a loan.
- It forces you to think deeply and plan every detail properly before you start your business.
- It helps you to determine the direction you want to move in.
- A business plan serves as a map against which you can determine your process.
- A business plan provides details of resources required and can be given to potential investors/financiers.
- A business plan indicates chances for success and potential critical points.

- **Checklist for business plan: think about the following issues**
  - **The product**
    - Why would customers buy the product/service?
    - Are the product specifications clear and acceptable?
  - **The market**
    - Geographical description of the business location
    - Is there local demand for the product and if not, how can it be created?
    - Who are the big competitors, how can you counteract them and their influence?
    - How many competitors does the business have? If they are many, your market share is low, which means that aggressive promotion is necessary to ensure visibility.
    - Does your product need publicity and if so, what expenses would that incur?
    - What is the trend in the selling price? Is there any seasonality?
  - **Technical factors**
    - Have you selected all the necessary equipment? What are your reasons for this selection?
    - If you buy machinery, check if you have a guarantee and if after sales service is included.
    - Do you know where to source the equipment from? Who is the supplier?
    - Do you have the necessary skills and if not, where can you get them?
  - **Infrastructure**
    - Is the working/selling space adequate for your business operation to function?
    - Are ownership/tenancy documents for the land/shop/workshop in order?
    - If water is required for your business to operate, is it available close by?
    - Do you have/need a supply of electricity?
    - Is transport of raw materials or finished goods a critical factor and if so, how do you plan to handle it while minimising costs?
    - Do you need to register your business? What are the legal requirements?
  - **Financial analysis**
    - Have you done financial calculations of needed costs, resources, income etc?
    - Have all the costs of production been included in your calculations?
    - Does the business generate enough cash from the beginning so as to meet immediate liabilities (e.g. rent, loan repayment).
    - Check your cash flow projections. Are they realistic?
    - Check all estimates of capital required as well as running costs.

- **Heads of a Business Plan**

- **Market Analysis**

A **market** is an area of potential exchange, i.e., there are potential buyers (customers), and people who are willing to sell products or services. Prices are affected by the forces of demand (of products) and supply (by sellers).

A **product** is anything that can be offered to a market for buying, use or consumption that might satisfy a want or need, for example, eggs, coffee, and mangoes.

A **service** is performed when one group offers something to another. A service is not tangible and does not result in ownership of any kind. Examples include training services, and public transport services.

### **Market Research**

Market research is conducted in order to collect information, which enables you to make the right decision on the marketing of your product/service. The main focus within this activity is to find out as much as possible about people's buying habits and your competition.

Market research is a systematic, objective collection and analysis of data about a particular target market, competition, and/or environment, often conducted as the first step in identifying the viability of business ideas. It always incorporates some form of data collection whether it is secondary research (often referred to as desk research) or primary research which is collected direct from a respondent.

Having developed a business idea you first need to know about your potential customers and competitors so you can position your business to maximise customers and overcome competition from others. Market research helps to assess the viability of a business.

Note: It is necessary to define your potential market for the product/service you plan to offer. This could be a village, city, district, region or nearby cities.

### **How to do Market Research**

#### **1) Talk to potential customers.**

- Ask them, for example:
- What products or services they want to buy?
- What do they currently buy?
- Where do they buy?
- Why do they buy from XY?
- When do they buy?
- How much do they buy?
- Which price do they pay?
- What are their preferences?
- Do they get any extras?
- What do they think about your competitors?

## 2) Study your competitors' businesses.

Find about:

- Their products or services, for example quality and design
- What prices they charge
- What exactly do they sell?
- How does their product differ from yours?
- Where do they get their inputs?
- Where do they sell?
- How do they promote their product/service?
- Do they have any special approaches to customer care?
- How can you compete?

**Important note:** Be very careful to carry out your research in a friendly, sensitive way; ask questions and also observe – be aware: nobody likes more competition!

## 3) Ask suppliers and business friends

- Which goods sell in their business
- What they think about your business idea
- What they think about your competitor's product.

### Checklist for Market Survey

**Instructions:** Go out and find a business that most closely matches the “best business” that you identified in previous chapter. Find out if the owner/manager, or an employee has some time to answer some questions for you. Try to gather as much information as you can, based on the categories/potential questions below. If there is time in the two hours that you are out in the field, do the same with a second business, so that you can compare answers. Record what you find out in the middle column. The column on the right is for your own comments, analysis, suggestions, reactions, etc. Remember to be respectful of the person's time – he/she has a business to run – and only take as much time as he/she wants to give. Also, keep in mind that there are some questions that the person may not feel comfortable answering, so be respectful of that as well.

### Checklist: Categories of information to be collected for market survey

Category/ Question to be asked	Information gathered during survey	Further Questions/ Comments
Who are customers		
Working place and costing		
Cost of owning or leasing Premises		
Availability, supply and cost of raw materials		

Category/ Question to be asked	Information gathered during survey	Further Questions/ Comments
Availability of staff		
Cost of working tools and equipment		
Competitors analysis		
Advertising Methods		
Taxation and legal issues		
Challenges		

## ➤ Financial Analysis

### a) BUDGET

Every enterprise must have a budget. A budget is a calculated estimation of the value or price of the project and is always composed of the expenses – the costs of the project – and the income – the resources brought into the project to cover the expenses. Without a budget, it is impossible to control the project, and it is impossible to know if it is feasible. If you do not know how much it costs you will not know how much you need.

#### Income

Include all sources of funds necessary for the project (your organisations own resources, participants' contributions, grants, materials and services donated or loaned and amount requested from backers).

- Estimate the rental cost of material loaned or donated by sponsors.
- The total amount requested must be made clear (and must not exceed the maximum usually granted).
- Calculate total receipts. This figure must be higher than total expenditure (otherwise there will be no profit).

#### Expenditure

- List all expenses connected with the project.
- Estimate the cost of all out goings (in the currency specified on the form).
- Your estimate must be realistic (show how you have arrived at the final sum).
- Expenditure must correspond to the anticipated programme of activities
- Estimate the rental cost of any material loaned by the private sector and include it under expenditure (and receipts).
- Calculate your total expenditure.

#### A Simple format for a Budget

Activity	Amount (in Rs.)
<b>Income (Money In)</b>	
<b>Total Income (money in)</b>	

<b>Expenditure (money out)</b>	
<b>Total Expenses (money out)</b>	
<b>Savings</b>	
<b>= + Surplus/-Deficit (Money In - Money Out)</b>	

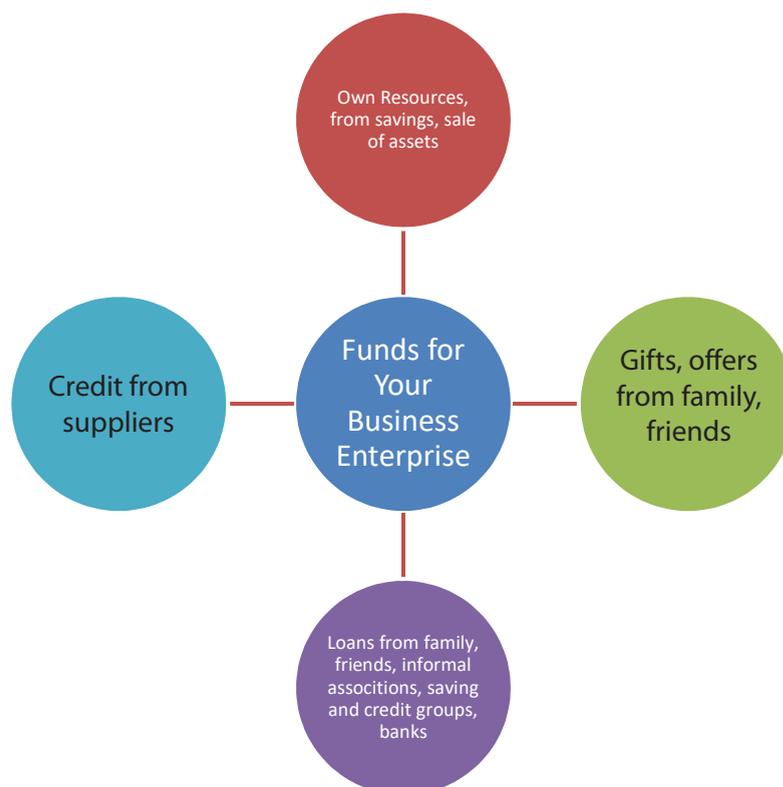
## b) Resource Mobilization

To mobilise resources effectively, consideration must be given to three elements, which together are referred to as a resource mobilisation framework. The three elements of the framework are 'resources', 'mechanisms' and 'resource providers'. If necessary, define each of these three and clarify their meaning by providing some examples.

**Resources** - Money is one of the key resources that all projects need to be able to function and carry out their work. However, there are other resources that are also useful to starting a business. Examples include skills training, staff, inputs (e.g. seeds, tools, land etc).

**Resource mechanisms** - Resource mobilisation mechanisms are the ways that resources can be mobilised from resource providers. Mechanisms are the actual processes of requesting or getting resources – for example, writing proposals, holding fundraising events, selling services, Selling products, face-to-face meetings, etc.

**Resource providers** – Resource providers are the sources of funds and include banks, micro-credit agencies, government agencies, and investors.



The above sources however have both advantages and disadvantages as shown below:

	<b>Advantages</b>	<b>Disadvantages</b>
<b>Own resources</b>	<ul style="list-style-type: none"> <li>• Own decision</li> <li>• Own planning &amp; timing</li> <li>• Full control and benefits</li> <li>• No extra costs (interest)</li> <li>• Self-reliance motivating</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity of individuals limited</li> <li>• Danger of relaxation in business management</li> <li>• No sharing of risks</li> </ul>
<b>Gifts, offers</b>	<ul style="list-style-type: none"> <li>• Free</li> <li>• No extra costs involved</li> </ul>	<ul style="list-style-type: none"> <li>• Not reliable</li> <li>• Not timely</li> <li>• May be tied to other person's agenda, wishes</li> </ul>
<b>Loans</b>	<ul style="list-style-type: none"> <li>• Extra resources</li> <li>• Enforces discipline</li> <li>• Induces external control</li> </ul>	<ul style="list-style-type: none"> <li>• Interest charges</li> <li>• Not timely</li> <li>• Tight repayment regime</li> <li>• External control of ones business</li> <li>• Risk of loss of ones other assets in case of failure</li> </ul>
<b>Credit (esp. from supplier)</b>	<ul style="list-style-type: none"> <li>• Sure way of obtaining supplies</li> <li>• No interest charges</li> <li>• Reduction in operating expenses</li> </ul>	<ul style="list-style-type: none"> <li>• High prices</li> <li>• Inferior supplies</li> <li>• Inflexibility in planning supplies</li> <li>• Dependency on supplier</li> </ul>
<b>Grants/Schemes Support (public or private)</b>	<ul style="list-style-type: none"> <li>• Free</li> <li>• Higher amount</li> </ul>	<ul style="list-style-type: none"> <li>• Consider specific levels (local, regional, national, international), sectors (e.g. health, agriculture, politics) and target groups (e.g. youth, orphans, women)</li> <li>• Strict rules for application and accountability</li> <li>• High competition</li> </ul>

A new entrepreneur should investigate as many sources of funding as possible in order to secure the best terms and conditions of repayment. The most important types of start-up funding are owner's equity, loans and support through government schemes.

### ***Opening Profile***

*Where does an entrepreneur get the funds to turn his or her dreams into reality? Funds come from a variety of sources, but in the case of WALT DISNEY – World's one of the most renowned entrepreneur, it all started with a clandestine paper route.*

*At 10, Walt Disney worked without pay, delivering newspaper for his father's circulation franchise, whenever Walt found a new customer, he bypassed his father and bought the additional papers directly from the newspaper office, thereby, establishing his own route, with the profits from his private venture, which was mere enough to satisfy his sweet tooth, Disney's entrepreneurial career branched out. He started working as a newspaper cartoonist after trying his hands on selling German steel helmets he collected from the battlefield as "genuine war souvenirs"; soon he entered into partnership with "Iweiks", ending the same after giving him half of the partnership later on.*

*When he founded his own production company, he sold its shares to a number of local citizens. Even though Walt's cartoons were extremely popular, he didn't receive any payments for his work and was soon broke. Disney productions went through cycles of feast and famine. The turning point came in 1937, with Snow White and the Seven Dwarfs – a full length cartoon feature becoming a box office success.*

*Over budgeted on one hand and with the outbreak of World War-II, his three new movies – Pinocchio, Bambki and Fantasia, left the only financing alternative open-going public. Becoming a public corporation was even not the ultimate salvation for Disney Productions. Since all other sources of revenue were blocked, Disney entered into a Joint Venture with ABC, the newest and smallest of the broadcasting companies.*

*By 2002, the Walt Disney Company had grown to 112,000 employees then over \$ 25 billion in revenue.*

*Today, around the world, the company has leveraged its brand name across various entertainment avenues.*

As was the case with The Walt Disney Company different sources of capital are generally used at different times in the life of the venture. Financing an enterprise, whether large or small, is a critical element for success in business. Financing is the use and manipulation of money.

Raising money for a business is one aspect of financing. One of the most difficult problems in the new venture creation process is obtaining finance. While capital is needed throughout the life of business, the new entrepreneur faces significant difficulties in acquiring capital at start-up.

#### **i. Owner's Equity**

This is the private money one puts into the business. It is sometimes called risk capital because if the business fails, you lose this money. Investing your own money in a business is risky; however it puts less pressure on the business rather than borrowing. Investing your own capital may be risky but it shows that you have faith in your business idea. This can encourage others to invest with you. If you don't have enough capital you can try and find a partner who may be interested in the same business idea. A partner may or may not work in the business but can invest money in it. Ensure you have clearly-defined terms of partnership to avoid unnecessary misunderstanding later.

#### **ii. Loans**

A loan for start-up capital refers to borrowed money which you will pay back at a later date with interest. The loan may be paid back in full in one or several installments depending on the

agreement. A loan inherently puts significant pressure on the business due to the requirement to pay it back. The more you borrow the more you pay in terms of interest and installments.

You may borrow money for:

- Land and buildings.
- Equipment.
- Working capital.

**These are some of the possible requirements when applying for a loan:**

- A thorough business plan with a business idea that the lending institution believes in.
- Some kind of collateral may be required. Collateral means security that the lending institution has for the repayment of your loan. This may be your business if you own one, your home, machinery and any other equipment.
- Being an account holder or member of a bank, credit institution or association and having operated an account successfully for some time
- Having a certain percentage (part) of the total loan as security in your account
- Information on yourself/yourselves and your ability to repay the loan
- Having a minimum age (mostly 18 or above)
- Referees, guarantors (honest people with a good reputation)

**When is it useful to get a loan?**

- When there is a justifiable financing gap in your business funding plans.
- When there is the need to take up an urgent opportunity that could lead to quick profit.

**Where can you borrow?**

- Banks and financial institutions
- Societies and associations
- Friends, relatives, family members
- Suppliers
- Savings and Credit Cooperatives

**Before one borrows money, they should consider these factors seriously:**

Develop a solid business plan including total funding requirements and running costs for the first few months.

- Develop a financing plan including identifying funding sources.
- Identify and approach financial institutions in your area.
- Obtain the terms and conditions for the loan to be availed.
- Compare them with those of other financial institutions around.
- Check your business plan to establish the implications of such a loan (monthly repayment and interest rates will affect your income/profits). Check if your business can cope with these implications.
- Initiate further discussions with the financial institution or association.

### iii. Venture Capital Finance

It's an alternative form of equity financing for small enterprises. New entrepreneurs, conventional small businesses and privately held middle market companies tend to have a difficult time obtaining external equity capital. It is advocated that these enterprises require 3 types of funding as their business develops :

- a) Early stage financing
- b) Expansion or Development financing
- c) Acquisitions and Leveraged Buyout financing (Diversifying)

These three stages are at times funded by two strong groups of capitalists / investors, referred to as:

- i. Angel Investors
  - ii. Venture Capitalist
- i. Angel Investors**

The early-stage financing is usually the most difficult and costly to obtain, if the entrepreneur fails to do it himself/herself. Two types of financial requirements arise during this stage:

**a. Seed Capital:**

Seed Capital is usually a relatively small amount of funds needed to prove concepts and to finance feasibility studies. This is normally provided by the entrepreneur himself/herself, as it's most difficult financing to obtain through outside funds at this stage.

**b. Start-up Capital:**

As name implies, start up financing is involved in developing and selling some initial products to determine if commercial sales are feasible. Again if entrepreneur fails to finance, it's difficult to arrange from outside because market doesn't have creditability of entrepreneur recognized yet.

Here, the Angel investors are active in financing specifically these two types of requirements, though they are not restricted even to financing second or third stages.

Angel Investors or Business Angels are individuals or virtually invisible group of wealthy investors, in the informal risk capital market, who are looking for equity type investment opportunities in a wide variety of entrepreneurial ventures, big or small. These angels provide the funds needed for all stages of financing, particularly the first stage financing.

**ii. Venture Capitalist**

*Henry Ford, turned to venture capitalists to finance the Ford Motor Company, giving by 75% of his business for \$ 28000 of badly needed capital. It took him years to regain control of his company.*

These are investors and investment companies whose specialty is financing new, high potential, high-technology oriented entrepreneurial ventures. Venture capitalists exhibit following characteristics:

- They are more interested in financing ventures which are in their second or third stage of development

- They often provide initial equity investment to start up a business too, provided such ventures are pertaining to software, biotechnology, high-potential ventures, high-technology ventures or are venture having high potential prospects and returns expected.
- Venture capitalists look for a high rate of return. Thus, they want equity, or some share of ownership in return for their capital.
- They are willing to take the higher risk of losing their capital for a chance of profit from the business's success.
- The venture capitalist sells his or her percentage of the business to either another investor or back to the entrepreneur after specific number of years association or when he finds returns lowering down.
- Mostly small business resort to venture capitalists when they want to start or grow a business but couldn't persuade banks to lend money.
- Though, these investors have a deep insight about the fields in which they make their investment, but they behave like more or less as non-working partners i.e. do not meddle or interfere in the management of the enterprise.

### ➤ **Realistic Planning**

Milestone-planning for the realisation of your business will have an essential influence on the financing and risks associated with the business. Planning helps you to think your way through all the aspects and to analyse the effects of individual steps in implementation.

However, realistic planning is not simple, more so when founding a new business. In spite of this, attempt to carefully sketch the individual steps needed to implement the business plan. In this way, you gain credibility from your backers and business partners and enhance the chances of success for your business.

Four simple rules can help simplify realistic planning for you:

#### **1. Subdivide the tasks into packages**

Since there is a great deal of detailed work to be carried out when setting up a business, there is always the danger of losing sight of the big picture. Thus you should always organize the individual activities in "packages." The business plan should, however, not contain more than ten such packages; you can specify them further at a later date. A concrete objective is to be set for each package.

#### **2. Ask the experts**

Make use of the expertise of specialists in order to underpin major steps in planning. Marketing specialists, for example, could show you how long it will take to develop and conduct a given campaign.

#### **3. Set priorities**

Every overall planning concept comprises a series of events and assumptions that in some cases run in parallel and are linked with one another. Certain activities can, if delayed, endanger the entire project – similar to assembly line production that comes to a halt, if certain parts are lacking. Activities such as these are referred to as the "critical path." You should devote particular attention to them in your planning.

#### 4. Reduce risks!

Try to schedule activities that will reduce risks at the beginning of the implementation. You could, for example, carry out a market survey immediately or just shortly after market entry.

If you do not carry out such surveys or polls until a later point in time and find that there are not enough customers for your product, all your previous work may have been in vain.

#### • Contents of a Business Plan

1	<b>General description of business</b>	<ul style="list-style-type: none"><li>• Name of business, business location and address</li><li>• Nature of business activity</li><li>• Type of business organisation (proprietorship, partnership, private limited, cooperative)</li><li>• Any further explanation summa rising why the business will be successful</li></ul>
2	<b>Personal background</b>	<ul style="list-style-type: none"><li>• Name of business owner(s), promoter(s)</li><li>• Educational, professional background</li><li>• Relevant experience in business-related activities</li></ul>
3	<b>Market plan</b>	<ul style="list-style-type: none"><li>• Business market area and targeted customers/ customer groups</li><li>• Why you will be able to compete with existing products/ services and how do you compare competitors (price, quality, appearance, performance,)</li><li>• Past, current, future (projected) market demand for your product/service (if possible in terms of volume/units per day/months)</li><li>• Suppliers and supply terms and conditions</li><li>• Unit pricing and list of all items/services being offered</li><li>• How you will be selling your produce (direct, dealers)</li><li>• Tip: Include the market research survey report as an annex</li></ul>
4	<b>Business management plan</b>	<ul style="list-style-type: none"><li>• Who will be the actors in this business</li><li>• Specify their roles and the division of labour (if applicable)</li><li>• How will the business work be organised (e.g. working shifts, working times, working conditions)</li></ul>
5	<b>Financial plan</b>	<b>Investments required</b> <ul style="list-style-type: none"><li>• Fixed assets/starting equipment (e.g. land, tools, machinery)</li><li>• Preliminary expenses<ul style="list-style-type: none"><li>○ Pre-operative expenses (e.g. legal fees, licensing fees, bank charges,)</li><li>○ Start-up expenses (e.g. water, electricity connection, cleaning of premises, etc.)</li></ul></li><li>• Working capital (raw materials, rent, water, transport, salary, contingency, electricity, etc.)</li></ul>

<b>6</b>	<b>Sources of raising funds</b>	<ul style="list-style-type: none"> <li>• Total requirements <ul style="list-style-type: none"> <li>○ Own contributions/investments</li> <li>○ Family/friends contributions</li> <li>○ Already secured loans, credits etc</li> <li>○ Total funds available</li> </ul> </li> <li>• Deficit/funding gap <ul style="list-style-type: none"> <li>○ Loan support required</li> </ul> </li> </ul>
<b>7</b>	<b>Operating plan forecast</b>	<ul style="list-style-type: none"> <li>• Projected operating income statement <ul style="list-style-type: none"> <li>○ Income from sales</li> <li>○ Less cost of production and overhead/fixed costs</li> </ul> </li> <li>• Net profit</li> <li>• Break even analysis</li> <li>• Cash flow projection</li> </ul>
<b>8</b>	<b>Major assumptions</b>	Give the assumptions you've made that underpin your plan e.g. assumptions that particular resources will be available
<b>9</b>	<b>Business profile</b>	Summary that shows all major aspects on one page

• **Business Plan Template**

- A. Cover page
- B. Table of contents
- C. Executive Summary
- D. Statement of Purpose
- E. Business Description
- F. Marketing Plan
- G. Organisation and Management
- H. Production Plan/Operational
- I. Risk Reduction
- J. Financial Plan

<b>A. COVER PAGE</b>	<ul style="list-style-type: none"> <li><b>i. Business Name.....</b></li> <li><b>ii. Business Address.....</b></li> <li><b>iii. Name of Presenter .....</b></li> <li><b>iv. Organisation presented to.....</b></li> <li><b>v. Date of presentation.....</b></li> </ul>
<b>B. TABLE OF CONTENT</b>	Give numbers of various key sections of your business plan
<b>C. EXECUTIVE SUMMARY</b>	<ul style="list-style-type: none"> <li>• Give brief overview of your business highlighting the key features.</li> <li>• What is the business about, products/services on offer, market-main customers, human resource</li> <li>• The organisation's structure, financial summary-projected income and assets among others.</li> </ul>

<b>D. STATEMENT OF PURPOSE</b>	Outline the purpose of the business plan
<b>E. BUSINESS DESCRIPTION</b>	<ul style="list-style-type: none"> <li>i. Business Location address</li> <li>ii. Business Ownership( nature of the business)</li> <li>iii. Products/Services offered</li> <li>iv. Industry which the business will operate under</li> <li>v. Justification of the business</li> <li>vi. Short term and long term goals</li> <li>vii. Entry and growth</li> </ul>
<b>F. MARKETING PLAN</b>	<p>Highlight how your plan to market your products/service i.e. how do you intend to reach your target?</p> <ul style="list-style-type: none"> <li>i. Outline the characteristics of the potential customers</li> <li>ii. Competition <ul style="list-style-type: none"> <li>– Who are the main competitors?</li> <li>– What are their strengths?</li> <li>– What are their weaknesses?</li> <li>– How do you intend to capitalise on their weaknesses?</li> </ul> </li> <li>iii. Market share - expected total market share</li> <li>iv. Pricing strategy; outline your pricing strategy</li> <li>v. Advertising and promotion; outline your pricing and promotion strategy <ul style="list-style-type: none"> <li>– Initial plan</li> <li>– Long term strategy</li> <li>– Distribution strategy</li> <li>– Sales tactics; outline your sales tactics</li> </ul> </li> </ul>
<b>G. ORGANISATION AND MANAGEMENT</b>	<ul style="list-style-type: none"> <li>i. Organisation structure (draw your organisational chart)</li> <li>ii. Management team State the composition of your management team, its qualification/post, duties and responsibilities</li> <li>iii. Remuneration of staff</li> <li>iv. Licenses/permits <ul style="list-style-type: none"> <li>– Required licenses/permits</li> <li>– Who will provide the licenses /permits and at what cost</li> </ul> </li> </ul>
<b>H. OPERATIONAL/ PROCEDURAL PLAN</b>	<p>Describe briefly how you will operate your business</p> <ul style="list-style-type: none"> <li>i. Production facilities and capacity utilisation</li> <li>ii. List the machines, equipment and tools required <ul style="list-style-type: none"> <li>– Describe the cost, capacity and supplier of required machines and equipment</li> </ul> </li> <li>iii. Production strategy <ul style="list-style-type: none"> <li>– Outline the materials requirement</li> <li>– What is the material cost</li> <li>– Outline the source</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>iv. Production design development <ul style="list-style-type: none"> <li>– Outline how you will design and develop your product</li> <li>– What will it cost to design and develop your products?</li> <li>– Outline the estimated cost of product/service Direct Material cost+ Direct labour cost+Overheads</li> </ul> </li> <li>v. Relevant regulation <ul style="list-style-type: none"> <li>– List the patents and regulations needed</li> <li>– What is the cost of obtaining the patent trademarks?</li> <li>– List other legal rights will seek</li> </ul> </li> </ul>
<b>I. RISK REDUCTION STRATEGIES</b>	<ul style="list-style-type: none"> <li>i. Outline how you will analyse and reduce business risks <ul style="list-style-type: none"> <li>– Future business risks</li> </ul> </li> </ul>
<b>J. FINANCIAL PLAN</b>	<p>Identify how you will obtain and use business finance</p> <ul style="list-style-type: none"> <li>i. Pre-operational costs <ul style="list-style-type: none"> <li>a. Outline your pre-operational cost</li> <li>b. What is our proposed capitalisation capital? <ul style="list-style-type: none"> <li>– Own contribution (your capital)</li> <li>– Funds from borrowing sources</li> <li>– Total investments</li> </ul> </li> </ul> </li> <li>ii. Identify the working capital requirements <ul style="list-style-type: none"> <li>a. Prepare your income statement (Template A)</li> <li>b. Prepare your balance sheet (Template B)</li> <li>c. Prepare your projected cash flow statement (Template C)</li> <li>d. Outline how you expect to finance your operations</li> <li>e. Outline your initial capitalisation for existing business</li> <li>f. What is your proposed capitalisation?</li> <li>g. What is your break-even level?</li> <li>h. How do you measure your profitability?</li> </ul> </li> </ul>

# CHAPTER 10

## BUSINESS MANAGEMENT

### Content

- *Concept of Market*
- *Marketing*
- *Market Research*
- *Marketing Mix*
- *Digital Marketing*

### • **Concept of Market**

You all must remember the days of Junior School, when you visited your local market, the area as seem to be busy, noisy, crowded place, with several shops, hotels, cafeterias, all beautifully decorated; hawkers and peddlers shouting on the top of their voices to attract customers, some of which, were in hurry while others just go for window shopping.

With the passage of time, the difference can be now realized from words describing markets as being more sophisticated, neat and clean, with decked up showrooms piled with variety and display making choice difficult, centrally air conditioned, elegant ambience, well equipped with theatres to cafeteria and washrooms all under roof.

The markets of Connaught Place or Chandni Chowk at Delhi are the places which visitors include on their sight-seeing tours. Many amongst you during school excursions or educational tours either sneak out or seek permission to have a quick “look” at the “Markets” of that place merely to do some souvenir shopping for friends and family.

Market are responsible for making the economy strong and stable. It has grown and changed over the period of time and still the process is in progress.

### • **Marketing**

Marketing is the effort to identify and satisfy customers’ needs and wants. It involves finding out who your customers are, what they need and want, the prices, the level of competition. It involves the knowledge and all the processes you undertake to sell your product.

Marketing answers the following questions;

- Who are my customers?
- What are my customer’s needs and wants?
- How can I satisfy my customers’?
- How do I make a profit as I satisfy my customers?

#### ***Miraculous Marketing***

*“A customer came in wanting to buy a small fishing hook, I sold him a set of large ones and some bait. Then I told him, since you bought so much of fishing equipment, why don’t you go up stream and catch some really big ones?”*

*The customer said that it was a very good idea but he did not have a boat. So I told him, "that is not a problem, we have a lovely boat and we can sell it to you". Then I told him, "Now that you have a boat, why don't you go to the woods that the river leads to and camp the night? We will even throw in some Budweiser free for you." The customer said "he loved the idea, except that he did not have any camping equipment." So I told him not to worry that we have some wonderful over that we could sell him. He looked at all that he had shopped and said, "I have done so much shopping, how will carry all of their with me?" and I told him "Don't you worry we have an awesome 4 x 4 truck and we would be more than happy to sell it to you."*

*Walton then asked him, "Are you seriously trying to tell me that a man came to buy fishing hook and you sold him a boat, camping equipment and truck?"*

*The boy replied, "No Sirjee, the customer came in saying he had a headache and wanted a pill for it. I told him fishing was a good way to get rid of the headache."*

Marketing, an ancient art, includes all activities pertaining to creation of place, time and possession utility. It's a process of discovering and translating consumer needs and wants into products and services, creating demand for these products and services and then increasing this demand.

- **Market Research**

Market Research is a stepwise process to collect information related to a market and/or your target audience so that you can identify an idea and design a solution which is a fit and suits the requirements of the customers.

As an entrepreneur, given the amount of competition, it becomes difficult to target all segments. If you try to market your product or service to everyone you will waste both your time and money. Hence, it is important to identify the right market or target audience.

**Let us see the following cases where market research gave a win-win situation to brands.**

*'Amrutanjan' was the market leader in the balm market when Vicks Vaporub was launched. The company had to decide whether to position their product directly against the leader or to carve out a separate niche. After much research work, it was finalised to position the brand 'Vicks Vaporub' exclusively as a rub for colds. Later, once again, based on research, it re-launched itself with a stronger formulation for faster relief. In the next few years, Vicks Vaporub became the largest selling brand for cold remedies.*

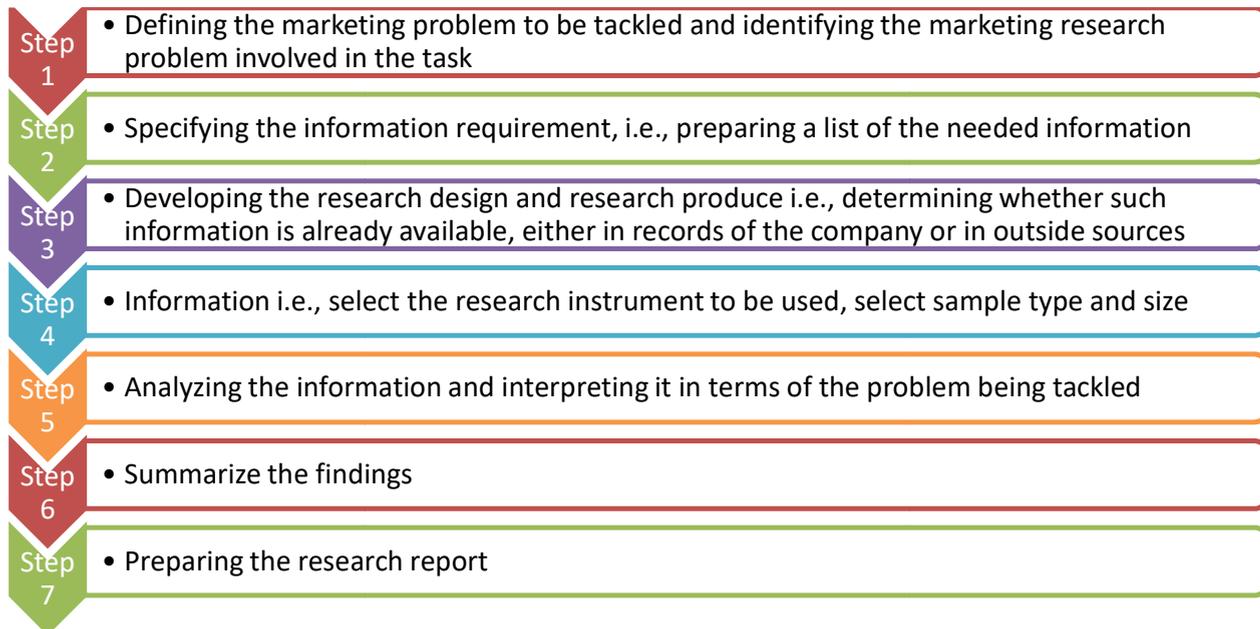
*Dabur Chyawanprash, after some research, went in for a change in packaging and advertising in 1993 witnessing a rise in its market share. Similarly, "Rasna" on receiving poor response initially on its launch conducted detailed market research and thereafter incorporated the strategy of "the influence – the child", the quality of ease in preparation, along with the economy did the magic.*

*Advertisement campaigns reinforced all changes with a winning edge in the form of: Just one under-pack of Rasna makes 32 glass of delicious soft-drinks" – now, Rasna dominates 85% of soft drinks concentrate market.*

*Procter & Gamble calls or visits over one million people in connection with about 1000 research projects undertaken by its different product operating divisions.*

Such rejuvenations by either new formulations, or additional ingredients or improved aesthetic appeal, are normally the result of 'Market Research'.

- **Steps of Market Research**



- **Marketing Mix**

*Marketing mix is the set of areas which an entrepreneur needs to look into so as to promote their products and services.* Marketing Mix is a matrix of 7 P's that helps in practical implementation of the plan going on in the mind of an entrepreneur.

Placement or distribution is a very important part of the product mix definition. An entrepreneur has to position and distribute the product in a place that is accessible to potential buyers. For a good marketing mix, you also need a correct target market to serve your services or a product.

Let us see, understand and apply a Marketing mix.



- **Product**

Product is the item or services you offer your customer. This is the core element of fulfilling their needs. In developing the right product, you have to answer the following questions:

- a) What does the customer want from the service or product?
- b) How will the customer use it?
- c) Where will the customer use it?
- d) What features must the product have to meet the customer's needs?
- e) Are there any necessary features that you missed out?
- f) Are you creating features that are not needed by the client?
- g) What's the name of the product?
- h) Does it have a catchy name?
- i) What are the sizes or colors available?
- j) How is the product different from the products of your competitors?
- k) What does the product look like?

*Mysore Sandal Soap has a total product personality. It is presented as a combination of luxury and tradition. The unique fragrance of sandal oil, the oval shape, the sandal odour and colour, brand name, premium price, and positioning as a luxury soap – everything has gone into the product's personality build up.*

- **Place**

Here are some of the questions that you should answer in developing your distribution strategy:

- a) Where do your customers look for your service or product?
- b) What kind of stores do potential customers go to? Do they shop in a mall, in a regular brick and mortar store, in the supermarket, or online?
- c) How do they access the different distribution channels?
- d) How is the distribution strategy different from your competitors?

*Asian Paints was founded in 1942 as a small Indian partnership firm at a time when the paint industry was fiercely competitive. Asian Paints through its modern manufacturing facilities offers the widest range of paints among all the paint companies in India, in terms of products shades as well as pack sizes. AP captured the top position in the decorative paints segment, with around 39% shares of the organized paint market.*

*The story of Asian Paints (AP) is a story of 'DISTRIBUTION EXCELLENCE' sky-rocketing a company to marketing leadership.*

*The marketing success of AP was based on realisation that the semi-urban market was untapped and the small consumer neglected. To reach those consumers in small towns, the company built a broad distribution network across the whole country. From small towns Asian Paints moved to reach out to the metropolitan market. Today, the network with 18,000 retailers across the country, Asian Paints has achieved an enviable position.*

- **Price**

Price is a very important component of the marketing mix definition. Here are some of the important questions that you should ask yourself when you are setting the product price:

- a) How much did it cost you to produce the product?
- b) What is the customers' perceived product value?
- c) Do you think that the slight price decrease could significantly increase your market share?
- d) Can the current price of the product keep up with the price of the product's competitors?

***Price is Magical***

*In the early nineties, growth in newspaper demand had slowed down considerably. Television had started making a dent into the print medium. Bennett Coleman, owner of the Times of India (TOI) group of newspaper introduced an innovative pricing strategy with the objective of increasing their sales and market shares. Traditionally, newspaper in India have been sold on a monthly basis through they are a daily product. TOI altered this long standard practice.*

*It announced that an all "Wednesdays" the newspaper would cost only Rs. 2 against the price of Rs. 5 on all the other days. Subsequently, Rs. 2/- was extended to all days of the week except Saturdays and Sundays.*

*The aim was to gain a larger chunk of the existing market as also to enlarge the market by tempting the readers with reduced prices on some days of the week. Nearly the circulation trebled in less than two years.*

- **Promotion**

In creating an effective product promotion strategy, you need to answer the following questions:

- a) How can you send marketing messages to your potential buyers?
- b) When is the best time to promote your product?
- c) Will you reach your potential audience and buyers through television ads?
- d) Is it best to use the social media in promoting the product?
- e) What is the promotion strategy of your competitors?

*Nirma took on the then market Leader, Surfby product's positioning through creative advertising. For many years, Amul Butter has been running a unique type of advertising campaign through hoardings in major cities of the country. These hoardings focus on current events, incorporating a catchy slogan through the clever use of words including either 'Amul', 'butter' or both often using the 'Amul' Cartoon characters.*

- **People**

People refers to both, the target market and people directly related to the business. It is important to hire and train the right people to deliver superior service to the clients, whether they run a support desk, customer service, copywriters, programmers etc.

- **Process**

The systems and processes of the organization affect the execution of the service. So, you have to make sure that you have a well-tailored process in place to minimize costs.

- **Physical Evidence**

In the service industries, there should be physical evidence that the service was delivered. Additionally, physical evidence pertains also to how a business and its products are perceived in the marketplace. It is the physical evidence of a business presence and establishment. A concept of this is branding. For example, when you think of –fast food, you think of McDonalds. When you think of sports, the names Nike and Adidas come to mind. You immediately know exactly what their presence is in the marketplace, as they are generally market leaders and have established a physical evidence as well as psychological evidence in their marketing.

**Example of Marketing Action Plan**

Sl. No.	Target Customers	Products to be sold/ supplied	Their preference need for the product (e.g. quality, colour, size)	Mode of delivering	Target sales per month or per week

**Digital Marketing**



Today the whole world is online, thanks to the internet service & mobiles as they have made Internet our way of life, today we use Internet for a lot of things like search, Shopping, Payments, Tickets & Bill Payment.

More than 90 % of the Adult Population is using some social media which also gives business the opportunity to Target these people & make them potential Buyers.

**What is Digital Marketing?**

In a nutshell, digital marketing refers to any marketing methods conducted through electronic devices which utilize some form of a computer. This includes online marketing efforts

conducted on the internet. In the process of conducting digital marketing, a business might leverage websites, search engines, blogs, social media, video, email, and similar channels to reach customers.

Unlike traditional marketing—which is static and often referred to as “one-way” communication—digital marketing is an ever-changing, dynamic process. Stated otherwise, customers cannot interact with business through a billboard or print ad, whereas digital marketing provides an avenue for two-way communication between a business and its actual or prospective customers.

These days, screen time is at an all-time high for many people. Digital marketing takes advantage of this reality, promoting business products and services across the internet. In this way, businesses ensure that their marketing efforts are more likely to reach customers, by targeting them where they spend most of their time.

From startups to enterprise businesses, a multifaceted digital marketing approach can lead to significant commercial benefits. Successful digital marketing strategy generally involves a combination of various methods, including online advertising, search engine optimization and marketing, social media marketing and management and content creation, among others.

### **Why we Require Digital Marketing?**

Given the diversity of digital marketing methods, there is a similarly diverse set of benefits available for digitally savvy benefits. On an over arching level, digital marketing enables businesses to reach customers during everyday activities, such as scanning social media, reading online articles, watching videos, etc. When customers are exposed to marketing in this type of natural and regular manner, it can yield a variety of commercial benefits. More specifically, digital marketing can help businesses achieve any or all the following benefits.

**Global Reach** — Unlike traditional methods, digital marketing is not necessarily bound to a specific geographic area. The internet is available to customers across the globe. This allows businesses to market and sell to customers who live in a different state or country, removing many traditional barriers to entry.

**Low Cost of Entry** — To achieve the global reach of digital marketing through traditional channels, there would be a serious price tag attached. On the other hand, certain aspects of digital marketing can be achieved with a small investment of time and resources. For example, even small or startup businesses can create a website, manage social media, and publish blogs without breaking the bank.

**Measurable ROI** — In order to maximize profits, businesses must carefully evaluate return on investment (ROI). With traditional marketing, ROI can be difficult, sometimes impossible, to measure. On the other hand, digital marketing provides real-time visibility into the effectiveness of each campaign, enabling business leaders to make well-informed decisions to drive revenue and increase profit.

**Improved Targeting** — Digital marketing allows businesses to target very specific demographics of potential customers. By engaging customers in a particular geography, industry or social channel, businesses have a much better chance of reaching their target demographic.

**Dynamic Adaptability** — Digital marketing strategies are extremely malleable and flexible, enabling businesses to adjust course when needed. Unlike long-term, traditional marketing

campaigns, businesses can adjust their digital efforts on the fly, enabling quick pivots when necessary to realize commercial opportunity.

**Immediate Connection** — Before making a purchase, modern customers generally conduct online research and evaluate reviews. The first step in this process typically starts with a search engine. In this way, businesses with developed SEO, SEM and PPC strategies can connect immediately with customers.

**Relationship Building** — The rise of social media has turned it into a dominant communications platform for many customer demographics. Furthermore, customers increasingly want to interact with businesses on their terms and on their preferred platform. As a result, businesses that engage in effective SMM practices can build longtime and loyal relationships with current and prospective customers.

Overall, businesses of every shape and size can achieve powerful benefits through effective use of digital marketing methods. Furthermore, the cost of digital marketing can be tailored to each specific business, stripping many barriers to entry of traditional methods. With so many benefits available for just about any budget, it makes sense why so many businesses are succeeding with digital marketing efforts.

### **Are There Different Ways to Conduct Digital Marketing?**

Digital marketing is a broad term that encompasses many different channels for promoting business interests to prospective customers. As per the needs and goals, there are countless ways to conduct digital marketing. It is not a cookie-cutter exercise. There are several common methods for conducting digital marketing, including.

**Search Engine Optimization (SEO)** — SEO is the practice of improving ranking within major search engines to increase online traffic.

**Search Engine Marketing (SEM)** — SEM leverages paid online advertising to increase website visibility within search engines. SEM is often used in conjunction with SEO.

**Pay-Per-Click (PPC)** — PPC is an online method for advertising where a business only pays for its ads when a person clicks on them.

**Social Media Marketing (SMM)** — SMM is the practice of using social media channels to promote business products or services. The use of social media influencers, often referred to as influencer marketing, is prevalent in SMM.

**Email Marketing** — Email marketing enables businesses to send branded, promotional content directly to prospective customers via email. The use of automated newsletters is common in this context.

**Affiliate Marketing** — Affiliate marketing is a performance-based exercise that enables revenue sharing and pay-per-sale (PPS) compensation within a common network.

**Content Marketing** — Content marketing refers to the publishing and distribution of text, video, or audio materials to customers online. Blogs, videos, and podcasts are common ways for businesses to engage in content marketing.

**Native Advertising** — Native advertising involves blending marketing materials into a medium, making the underlying message and marketing purposes equally important. Sponsored content, in which one business posts its own content on a different website, is a common method of native advertising.

As the list above indicates, there are numerous ways to execute a digital marketing strategy. For most businesses, successful inbound marketing involves the use and application of multiple digital marketing methods.

### **How Much Will Digital Marketing Cost My Business?**

The simple answer is that there is a digital marketing strategy for every budget. The flexibility of digital marketing strategies yields benefits for just about every size of business, from small to large. With such a wide range of methods and strategies, it is not possible to provide a one-size-fits-all price tag for digital marketing.

Instead, it is helpful to examine the digital marketing spend for different levels of business, as small companies will spend less than larger ones. For example:

Basic Digital Marketing — Startups and small businesses do not generally have a large budget available for digital marketing. So, these businesses focus on low-cost methods, typically leveraging websites, blogs, and social media to drive revenue at a low price point. The cost for basic digital marketing can be several hundred dollars per month.

Intermediate Digital Marketing — Medium-sized businesses tend to have established revenue streams and the capability to spend more on digital marketing. This is where SEO, SEM, PPC and email marketing start to become prevalent. The cost for intermediate digital marketing can be several thousand dollars per month.

Advanced Digital Marketing — Large or enterprise businesses will use digital marketing in a comprehensive and often global manner. These businesses tend to have developed strategies across most digital marketing channels. These businesses often spend substantial resources developing a digital marketing strategy across many available channels. The cost for advanced digital marketing can be tens of thousands of dollars per month.

As demonstrated above, the cost of digital marketing varies greatly based on business size, revenue, and goals. Smaller companies will often start with a basic strategy and develop intermediate or advanced methods down the road. Ultimately, it is possible for just about every business to create and implement a digital marketing strategy that meets their needs and budget.

### **How Do I Create and Implement a Digital Marketing Strategy?**

The process for creating and implementing a digital marketing strategy involves many steps and required considerations. In this context, it is critical to devote time and resources to planning and creation. Information, analytics, and research collected while planning and creating can have a tremendous impact during implementation.

It is true that every business has unique needs and goals. Correspondingly, the creation and implementation of a digital marketing strategy will change from business to business. But in common practice, many businesses employ a similar process for creating and implementing a digital marketing strategy, as outlined below.

Identify Marketing Goals — The first step in this process involves identifying specific goals, such as driving sales, generating leads, building brand recognition, or increasing subscribers.

Solidify Sales Process — To maximize the benefits of digital marketing, it is necessary to understand the digital sales process and exactly how customers will make digital purchases.

Isolate Target Customers — Creating a strong target demographic with refined buyer personas helps isolate the ideal customers to purchase business goods or services.

Choose Marketing Channels — Armed with target demographic and buyer personas, it is important to identify the best digital marketing channels to reach those ideal customers.

Set Clear Benchmarks — In order to evaluate a digital marketing strategy, it is advisable to establish clear benchmarks for success and measure progress along the way.

Make Necessary Adjustments — After creating and implementing a digital marketing strategy, it is important to monitor progress toward goals and adjust as needed.

An effective digital marketing strategy must take into the account the individual needs and goals of the business in question. Accordingly, a digital marketing strategy that works for a small “mom-and-pop” store is likely inappropriate for a global brand. The good news is that digital marketing offers a wide range of methods, channels, and strategies. So, businesses of just about any size and in just about any industry can leverage digital marketing to great effect.

### **What is a digital marketing plan?**

In the document where we outline our marketing plan, these items can’t be forgotten. They help us articulate our campaigns and plan them:

- ❖ Short, medium, and long term business goals.
- ❖ The strategies to achieve the goals at the digital level.
- ❖ The channels to use.
- ❖ Action and development plans.
- ❖ Investment and budget.
- ❖ The timing and roadmap.

### **Social Media Marketing**



## **What is Social Media Marketing?**

Social Media Marketing includes increasing website traffic, engagement, brand awareness, and other marketing goals by designing various types of content for different social media platforms. The content can be in the form of videos, blogs, infographics, or any other forms that have the potential to go viral.

If it's done right, social media marketing can be beneficial to you in several ways:

- ❖ Increase brand awareness
- ❖ Boost conversions rates
- ❖ Improve search engine ratings
- ❖ Build top-funnel traffic
- ❖ Lower marketing campaign costs

While Facebook, Instagram, LinkedIn, YouTube, and Twitter are the most popular platforms, there are hundreds of others out there. They come in many flavours, like — microblogging, B2B networking, video sharing, content sharing, bookmarking, Q&A, and so on. Let's dig in a little deeper.

## **Why is Social Media Marketing Useful?**

Social media marketing can be highly beneficial to your business when done right. Here are some reasons why:

- ❖ It improves brand awareness
- ❖ Higher conversion rates
- ❖ Improved search engine rankings
- ❖ Cost-effectiveness
- ❖ Increased top-funnel traffic

## **What are the Channels Used for Social Media Marketing?**

Although there are several channels through which you can perform Social Media Marketing, some of the most used social media platforms are:

- ❖ Facebook
- ❖ Instagram
- ❖ LinkedIn
- ❖ YouTube
- ❖ Twitter

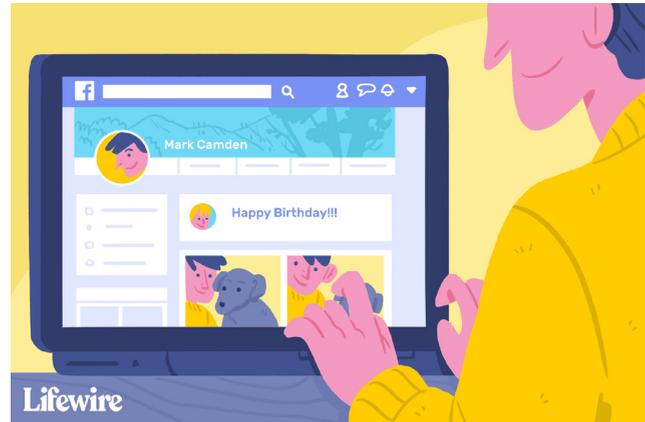
### **1. Facebook**

By far, Facebook is the largest social networking site in the world, and arguably, the most popular social media platform. It allows users with common interests to build online communities. Facebook can also be used to improve brand awareness. If you have a business, you should create a separate Facebook page from your profile. Create original or share engaging content with a little self-promotion here and there. If you look at Coca-Cola's Facebook page, for instance, they don't necessarily use their Facebook page to push their products on people.

Instead, the company publishes a variety of posts about things like recycling and community involvement to build brand awareness. Companies can also leverage user-generated content to promote their brand by sharing how much other customers love their products or services.

What's extra helpful for businesses and marketers is Facebook Insights. Updated weekly, these give your insight into how people are interacting with your posts, or how successful your campaign is. Metrics include

page views, engagement, likes, shares of your posts, and more. It's worth noting that data is only accessible for the last two years, and demographic data like age, gender, and location, are only available once there are at least 100 users.



Here are some features of Facebook you need to know.

- ❖ 62 percent of Facebook users are aged over 35
- ❖ 76 percent of the audience is below the age of 25
- ❖ 75 and 63 percent of females and males respectively are on Facebook
- ❖ Video content provides the greatest amount of engagement
- ❖ Industries that can capitalize on Facebook are food and beverages, news and media, and e-commerce
- ❖ Some of the most liked pages on Facebook are of the brands Samsung, Coca Cola, Amazon, etc.

How Can You Take Advantage of Facebook?

- ❖ Create a Facebook page for your business
- ❖ Create original content that is relevant to your audience and with occasional self-promotion
- ❖ Take advantage of user-generated content like sharing a user's experience of using your product
- ❖ Fix a schedule for posting your content
- ❖ Advertise your posts using Facebook Ads (single image ads, video ads, etc.)
- ❖ Use insights obtained from FB ads for continuous optimization

## **2. Instagram**

Instagram, which is owned by Facebook, enables you to promote your brand or products through photos and videos. It has over 1 billion monthly users. Instagram's popularity is primarily due to its simplicity — all you need is a mobile phone to upload a photo or video. You can also post ads on Instagram, and since Facebook owns it, you can run Facebook ads alongside Instagram ads to boost your posts. Facebook Ads Manager allows you to choose to also advertise on Instagram, and you can also decide whether to post the ad as a story or feed. Instagram is not limited to any industry, but it's used most often in beauty, food and beverage, and eCommerce.

With eCommerce, for instance, customers can purchase products through the platform.

Here are some features of Instagram you need to know:

- ❖ The average number of monthly users on Instagram is 1 billion
- ❖ 43 percent of females are Instagram users
- ❖ 29 percent of the audience is between the ages of 18 and 24
- ❖ Content that works better on Instagram are photos and videos
- ❖ Industries that are successful on Instagram are: beauty, food and beverages, and e-commerce
- ❖ Some of the most followed brands on Instagram are Chanel, Starbucks, and Nike

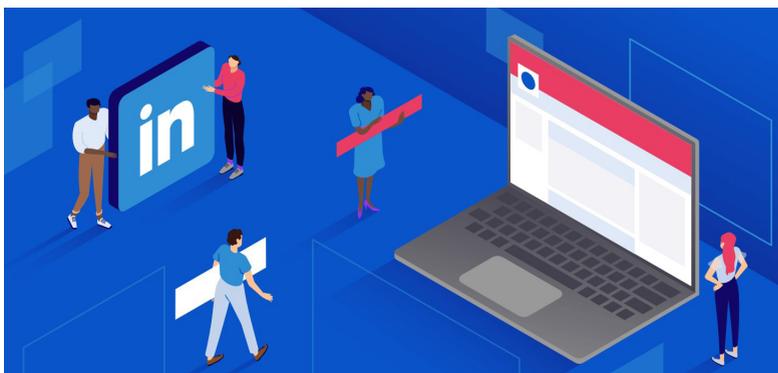


Here Are Some Ways to Take Advantage of Instagram

- ❖ Have a compelling bio, a good profile picture, and a link to your website, and don't be afraid to use emojis
- ❖ Follow relevant accounts from your industry
- ❖ Use plenty of relevant hashtags, and use both video and image content
- ❖ Get shoutouts from other influencers
- ❖ Regularly update your Instagram stories
- ❖ Run contests to boost engagement, and Instagram ads to give your posts a boost

### **3. LinkedIn:**

In the B2B arena, LinkedIn reigns. LinkedIn is a powerful B2B platform that also serves as a sort of online resume for a person or a business. For lead generation, LinkedIn should be the first platform to consider as it is 277% more effective at generating leads than other social media platforms. You can create an engaging business profile for your LinkedIn page by giving information about the products and services you offer, a history of the business, accolades, and so on.



Like Facebook and Instagram, you can also advertise on LinkedIn. Images, videos, and slideshow presentations perform well. You can also “pin” updates on your page to promote specific content and use LinkedIn metrics to determine the success of your ad campaigns. So, LinkedIn marketing is crucial for professionals who are studying how to start social media marketing.

### Let's have a look at some features of LinkedIn

- ❖ Average number of monthly active users is around 675 million.
- ❖ 57 percent of the user base are men, and 24 percent of the user base are millennials.
- ❖ LinkedIn is 277 percent more effective at generating B2B leads.
- ❖ Content that works on LinkedIn are blogs, industry news, and work tips and best practices.

### Here Are Some Ways to Take Advantage of LinkedIn

- ❖ Create an engaging profile for yourself
- ❖ Create a company page for your business
- ❖ Optimize your companies' page for search engines
- ❖ Use more media like images, videos, and SlideShare presentations
- ❖ Boost content that you feel is the best
- ❖ Use LinkedIn ads campaigns (sponsored content, text ads, or dynamic ads)

## **4. YouTube**

YouTube, which is owned by Google, is a video sharing platform with over 1.9 billion monthly active users worldwide. Given the level of engagement that videos get, it's no surprise that if it were a search engine, it would be the second most popular, after Google. Like Facebook and Instagram, the YouTube mobile app is top-rated — 70 percent



of videos are viewed from mobile phones. A ton of industries and some of the world's most successful brands are on YouTube, so if you are a business, you want to be on YouTube.

### Here are some features of YouTube you need to know:

- ❖ Average number of monthly active users: 1.9 billion (YouTube)
- ❖ The highest number of active users are from the US, Brazil, Russia, Japan, and India
- ❖ 70 percent of viewers use their smartphones to surf through YouTube
- ❖ The only thing that works on YouTube: Videos
- ❖ Industries that can capitalize on YouTube: gaming, entertainment, and vlogs
- ❖ Some of the most successful brands on YouTube are LEGO, Red Bull, and Coca Cola

### Now Let's Have a Look at How You Can Take Advantage of YouTube

- ❖ Optimize your video for SEO to get views
- ❖ Upload new videos regularly and fix a schedule for making them live
- ❖ Organize videos on playlists
- ❖ Provide translations for video
- ❖ Use YouTube Ads (skippable and non-skippable ads or display ads)

- ❖ Collaborate with influencers

## **5. Twitter**

Your knowledge on 'How to start social media marketing' is incomplete without knowing about Twitter Marketing. Twitter is a microblogging platform where users create short messages (tweets) with links to other content. It is particularly popular with millennials and has over 326 million monthly active users. Many people around the world use Twitter to get instant news, media, and entertainment. Videos work well on Twitter, and as we keep pointing out, drive more engagement. Another way to help people find your content is by using hashtags in your tweets. Born in a tweet in 2007, hashtags are now widely used across many platforms. They are like a metadata tag, which helps users find specific content.



Because of the 280-character limit, we also recommend using Twitter Cards for social media marketing. Twitter Cards allow you to attach vibrant photos or videos and different media experiences to Tweets, helping to drive traffic to and engagement on your website.

Here are features of Twitter you need to know:

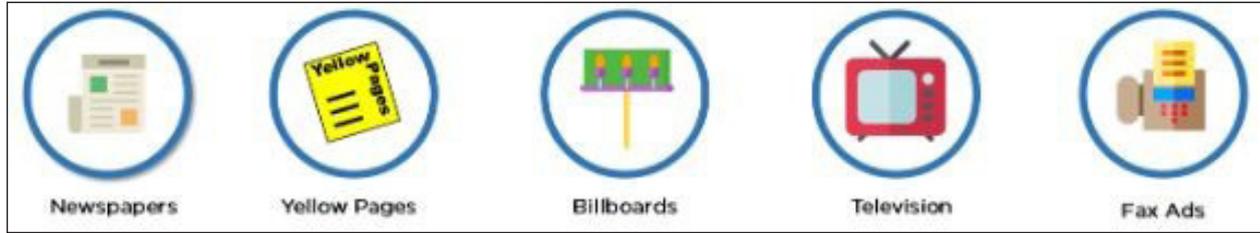
- ❖ Average number of monthly active users: 330 million.
- ❖ 81 percent of millennials use Twitter on their smartphones.
- ❖ 71 percent of the audience in America uses Twitter to get access to news and recent updates.
- ❖ Content that works: videos, infographics, evergreen articles, etc.
- ❖ Industries that can capitalize on Twitter: beauty and fitness, news and media, entertainment
- ❖ Some of the most influential brands on Twitter are: MAC Cosmetics, CNN and PlayStation

Now, Let's Have a Look at How to Make Good Use of the Features Offered by Twitter

- ❖ Implement Twitter cards: images, videos, media experiences
- ❖ Build up a Twitter following
- ❖ Engage with influencers
- ❖ Use Twitter ads (promoted tweets, accounts, and trends)
- ❖ Use appropriate hashtags
- ❖ Use tweet chat to find new connections who might be interested in your product/service

How was Marketing Done Earlier?

Before the introduction of Facebook, Snapchat, Instagram, LinkedIn, or any other social media platform, marketers had to use some innovative methods to market their content. They used:



### Marketing done earlier

And a lot of these marketing practices have evolved over the years, and thanks to social media marketing, the process of marketing products and services has gotten a whole lot tougher. Now, let's have a look at what social marketing.

From marketers being able to expose their products and services to a limited number of people, to have a global audience as their stage - with the advent of social media, marketing has evolved quite significantly. And with the introduction to social media, the role of social media marketing is on the rise too. And this social media marketing tutorial will help you with some data, insights, and quick tips and tricks to win your social media marketing game.

#### Tools for Social Media Marketing

When you start posting more and leveraging multiple platforms, it can become a challenge to manage the process or monitor the success of your efforts in social media marketing. There are several powerful social media management platforms available to automate and keep track of many of the tasks in your campaigns.

Some of these tools have free trial versions or low monthly subscription rates. Regardless of whether you're using a free or paid version of one of these tools, they are worth looking. No matter how many social media platforms you are using. Social media management tools not only help you schedule and organize your content, but they can also help you:

- ❖ Measure the engagement of your posts
- ❖ Find ideas for the new and relevant content
- ❖ Analyses the effectiveness of your campaigns
- ❖ Use insights to improve your campaigns
- ❖ Monitor and analyse how your brand is performing through social listening

#### **Social media marketing helps businesses:**

- ❖ Increase brand awareness
- ❖ Build engaged communities
- ❖ Sell products and services
- ❖ Measure how people feel about your business
- ❖ Provide customer service on social media platforms
- ❖ Advertise their products and services to target audiences
- ❖ Track your performance and adjust your strategy accordingly

## What is a social media strategy?

A social media strategy is a document outlining your social media goals, the tactics you will use to achieve them and the metrics you will track to measure your progress.

Your social media marketing strategy should also list all your existing and planned social media accounts along with goals specific to each platform you're active on. These goals should align with your business's larger digital marketing strategy.

Finally, a good social media plan should define the roles and responsibilities within your team and outline your reporting cadence.

## How to create a social media marketing strategy

A social media strategy is a summary of everything you plan to do and hope to achieve on social media. It guides your actions and lets you know whether you're succeeding or failing.

The more specific your plan is, the more effective it will be. Keep it concise. Don't make it so lofty and broad that it's unattainable or impossible to measure.

In this post, we'll walk you through a nine-step plan to create a winning social media marketing strategy of your own.

### How to create a social media strategy:

Step 1. Choose social media marketing goals that align to business objectives

Step 2. Learn everything you can about your audience

Step 3. Get to know your competition

Step 4. Do a social media audit

Step 5. Set up accounts and improve profiles

Step 6. Find inspiration

Step 7. Create a social media content calendar

Step 8. Create compelling content

Step 9. Track performance and adjust your strategy accordingly

### Step 1. Choose social media marketing goals that align to business objectives

Set S.M.A.R.T. goals The first step to creating a winning strategy is to establish your objectives and goals. Without goals, you have no way to measure success and return on investment (ROI).

- ❖ Each of your goals should be:
- ❖ Specific
- ❖ Measurable
- ❖ Attainable
- ❖ Relevant
- ❖ Time-bound

Business objective	Social media goal	Metric(s)
Grow the brand	<b>Awareness</b> <i>(these metrics illuminate your current and potential audience)</i>	Followers, shares, etc.
Turn customers into advocates	<b>Engagement</b> <i>(these metrics show how audiences are interacting with your content)</i>	Comments, likes, @mentions, etc.
Drive leads and sales	<b>Conversions</b> <i>(these metrics demonstrate the effectiveness of your social engagement)</i>	Website clicks, email signups, etc.
Improve customer retention	<b>Consumer</b> <i>(these metrics reflect how active customers think and feel about your brand)</i>	Testimonials, social media sentiment, average response time (for social customer service/support) etc.

This is the S.M.A.R.T. goal framework. It will guide your actions and ensure they lead to real business results. For example, if you use LinkedIn to drive traffic to your website, you will measure click-throughs. If Instagram is for brand awareness, you might track the number of Instagram Story views. And if you advertise on Facebook, cost-per-click (CPC) is a common success metric.

Start developing a successful social media marketing plan by writing down at least three goals for social media.

### Step 2. Learn everything you can about your audience

Create audience personas

Knowing who your audience is and what they want to see on social media is key. That way you can create content that they will like, comment on, and share. It's also critical if you want to turn social media followers into customers for your business.

When it comes to your target customer, you should know things like:

- ❖ Age
- ❖ Location
- ❖ Average Income
- ❖ Typical Job Title or Industry
- ❖ Interests etc.

Gather data

Don't make assumptions. Think Facebook is a better network for reaching Baby Boomers than Millennials? Well, the numbers show that Facebook's largest age demographic is 30-49.

Social media analytics can also provide a ton of valuable information about who your followers are, where they live, and how they interact with your brand on social media. These insights allow you to refine your strategy and better target your audience.

Jugnoo, an Uber-like service for auto-rickshaws in India, used Facebook Analytics to learn that 90% of their users who referred other customers were between 18- and 34-years-old, and 65% of that group was using Android. They used that information to target their ads, resulting in a 40% lower cost per referral.

### Step 3. Get to know your competition

Odds are your competitors are already using social media, and that means you can learn from what they're doing.

Conduct a competitive analysis

A competitive analysis allows you to understand who the competition is and what they're doing well (and not so well). You'll get a good sense of what's expected in your industry, which will help you set social media targets of your own. It will also help you spot opportunities.

Maybe one of your competitors is dominant on Facebook, for example, but has put little effort into Twitter or Instagram. You might want to focus on the networks where your audience is under served, rather than trying to win fans away from a dominant player.

Use social media listening

Social listening is another way to keep an eye on your competitors.

Do searches of the competition's company name, account handles, and other relevant keywords on social media. Find out what they're sharing and what other people are saying about them.

### Step 4. Do a social media audit

If you're already using social media, take stock of your efforts so far. Ask yourself the following questions:

What's working, and what's not?

Who is engaging with you?

Which networks does your target audience use?

How does your social media presence compare to the competition?

Once you collect that information, you'll be ready to start thinking about ways to improve.

Your audit should give you a clear picture of what purpose each of your social accounts serves. If the purpose of an account isn't clear, think about whether it's worth keeping.

To help you decide, ask yourself the following questions:

- ❖ Is my audience here?
- ❖ If so, how are they using this platform?
- ❖ Can I use this account to help achieve my goals?
- ❖ Asking these tough questions will keep your strategy focused.

### Step 5. Set up accounts and improve profiles

Decide which networks to use, as you decide which social networks to use, you will also need to define your strategy for each. Set up your profiles.

Once you've decided which networks to focus on, it's time to create your profiles. Or improve existing ones so they align with your strategy.

- Make sure you fill out all profile fields
- Include keywords people would use to search for your business
- Use consistent branding (logos, images, etc.) across networks so your profiles are easily recognizable

#### Step 6. Find inspiration

While it's important that your brand be unique, you can still draw inspiration from other businesses that are great on social. Social media success stories, you can usually find these on the business section of the social network's website. (Here's Facebook's, for example.)

Case studies can offer valuable insights that you can apply to your own social media plan.

Award-winning accounts and campaigns You could also check out the winners of The Facebook Awards or The Shorty Awards for examples of brands that are at the top of their social media game.

#### Step 7. Create a social media content calendar

Sharing great content is essential, of course, but it's equally important to have a plan in place for when you'll share content to get the maximum impact. Your social media content calendar also needs to account for the time you spend interacting with the audience (although you need to allow for some spontaneous engagement as well).

#### Set your posting schedule

Your social media content calendar lists the dates and times at which you will publish types of content on each channel. It's the perfect place to plan all your social media activities—from images, link sharing, and re-shares of user-generated content to blog posts and videos. It includes both your day-to-day posting and content for social media campaigns. Your calendar also ensures your posts are spaced out appropriately and published at the best times to post.

#### Determine the right content mix

Make sure your content strategy and calendar reflect the mission statement you've assigned to each social profile, so that everything you post is working to support your business goals.

You might decide that:

- 50% of content will drive traffic back to your website
- 25% of content will be curated from other sources
- 20% of content will support lead-generation goals (newsletter sign-ups, eBook downloads, etc.)
- 5% of content will be about your company culture



Placing these different post types in your content calendar will ensure you maintain the right mix. If you're starting from scratch and you're not sure what types of content to post, try the 80-20 rule:

80% of your posts should inform, educate, or entertain your audience

20% can directly promote your brand.

#### Step 8. Create compelling content

Remember those mission statements you created for each channel in Step 5? Well, it's time to go a bit deeper, a.k.a. provide some examples of the type of content you'll post to fulfil your mission on each network.

If you're not sure what to post, here's a long list of social media content ideas to get you started. The idea here is to Keep your content aligned with the purpose of each network.

Show other stakeholders (if applicable) what kind of content they can expect to see on each network. Ideally, you will generate content types that are both suited to the network and the purpose you've set out for that network.

For example, you wouldn't want to waste time posting brand awareness videos on Twitter if you've designated that channel for primarily customer support. And you wouldn't want to post super polished corporate video ads to YouTube, as users expect to see short, unpolished videos on that platform.

It might take some testing over time to figure out which type of content works best on which type of network, so prepare to update this section frequently.

#### Step 9. Track performance and adjust your strategy accordingly

Your social media strategy is a hugely important document for your business, and you can't assume you'll get it exactly right on the first try. As you start to implement your plan and track your results, you may find that some strategies don't work as well as you'd anticipated, while others are working even better than expected.

- Look at performance metrics

In addition to the analytics within each social network (see Step 2), you can use UTM parameters to track social visitors as they move through your website, so you can see exactly which social posts drive the most traffic to your website.

- Re-evaluate, test, and do it all again

Once this data starts coming in, use it to re-evaluate your strategy regularly. You can also use this information to test different posts, social marketing campaigns, and strategies against one another. Constant testing allows you to understand what works and what doesn't, so you can refine your strategy in real time.

You'll want to check the performance of all your channels at least once a week and get to know the basics of social media reporting so you can track your growth over time.

## Ecommerce



### What is E-Commerce?

E-commerce, also known as electronic commerce or internet commerce, refers to the buying and selling of goods or services using the internet, and the transfer of money and data to execute these transactions. E-commerce is often used to refer to the sale of physical products online, but it can also describe any kind of commercial transaction that is facilitated through the internet.

Whereas e-business refers to all aspects of operating an online business, e-commerce refers specifically to the transaction of goods and services.

The history of e-commerce begins with the first ever online sale: on the August 11, 1994, a man sold a CD by the band Sting to his friend through his website Net Market, an American retail platform. This is the first example of a consumer purchasing a product from a business through the World Wide Web—or “e-commerce” as we commonly know it today.

Since then, e-commerce has evolved to make products easier to discover and purchase through online retailers and marketplaces. Independent freelancers, small businesses, and large corporations have all benefited from e-commerce, which enables them to sell their goods and services at a scale that was not possible with traditional offline retail.

Global retail e-commerce sales are projected to reach Rupees 27 trillion by 2020.

### Types of E-commerce Models

There are four main types of e-commerce models that can describe almost every transaction that takes place between consumers and businesses.

#### 1. Business to Consumer (B2C)

When a business sells a good or service to an individual consumer (e.g., You buy a pair of shoes from an online retailer).

#### 2. Business to Business (B2B)

When a business sells a good or service to another business (e.g., A business sells software-as-a-service for other businesses to use)

	Business	Consumer
Business	B2B	B2C
Consumer	C2B	C2C

### **3. Consumer to Consumer (C2C)**

When a consumer sells a good or service to another consumer (e.g. You sell your old furniture on eBay to another consumer).

### **4. Consumer to Business (C2B)**

When a consumer sells their own products or services to a business or organization (e.g. An influencer offers exposure to their online audience in exchange for a fee, or a photographer licenses their photo for a business to use).

### **Examples of E-commerce**

E-commerce can take on a variety of forms involving different transactional relationships between businesses and consumers, as well as different objects being exchanged as part of these transactions.

#### **1. Retail**

The sale of a product by a business directly to a customer without any intermediary.

#### **2. Wholesale**

The sale of products in bulk, often to a retailer that then sells them directly to consumers.

#### **3. Drop shipping**

The sale of a product, which is manufactured and shipped to the consumer by a third party.

#### **4. Crowd funding:**

The collection of money from consumers in advance of a product being available to raise the startup capital necessary to bring it to market.

#### **5. Subscription**

The automatic recurring purchase of a product or service on a regular basis until the subscriber chooses to cancel.

#### **6. Physical products**

Any tangible good that requires inventory to be replenished and orders to be physically shipped to customers as sales are made.

#### **7. Digital products**

Downloadable digital goods, templates, and courses, or media that must be purchased for consumption or licensed for use.

#### **8. Services**

A skill or set of skills provided in exchange for compensation. The service provider's time can be purchased for a fee.

## Different eCommerce models



Let's look at some of the biggest benefits of e-commerce

Convenience:

Online commerce makes purchases simpler, faster, and less time-consuming, allowing for 24-hour sales, quick delivery, and easy returns.

Personalization and customer experience:

E-commerce marketplaces can create rich user profiles that allow them to personalize the products offered and make suggestions for other products that they might find interesting. This improves the customer experience by making shoppers feel understood on a personal level, increasing the odds of brand loyalty.

Global marketplace:

Customers from around the world can easily shop e-commerce sites – companies are no longer restricted by geography or physical barriers.

Minimized expenses:

Since brick and mortar is no longer required, digital sellers can launch online stores with minimal startup and operating costs.

How to use E-Commerce?

Much like starting any business, learning how to start an e-commerce business isn't always easy — but setting up, launching, and maintaining sites where entrepreneurs, designers, and creators of all sorts can sell their wares is more attainable now than ever.

E-commerce businesses

E-commerce businesses — which are businesses that transmit goods, services, and funds over the internet — vary in size and scope, from retail behemoths like Amazon to Etsy craft sites. Online shopping is just one of many areas that have seen extensive growth over the past five years.

Depending on your goals, it might make sense to start an e-commerce business. After all, without the need for a brick-and-mortar location, e-commerce businesses offer greater flexibility, afford ability, and opportunity for many entrepreneurs. So how exactly do you start an online business? This guide is here to help.

We'll break down how to start an e-commerce business in seven simple steps — so that you have all the information you need to get your online business up and running in no time.

How to start an e-commerce business

Although there are notable differences in starting an e-commerce business compared with starting a brick-and-mortar business — there are also several similarities. As we'll discuss below, many of the planning and legal steps you'll need to take will follow the same process (more or less) than any other business. However, once it's time to start your operation, you'll see how different starting an e-commerce business can be.

Step 1: Research the e-commerce space and find your niche

The first step in learning how to start an e-commerce business is performing the necessary research. Just as if you were starting a restaurant and looking into different locations, food

options, and themes, you'll want to investigate the e-commerce area you're interested in and make some decisions about your specific business.

For example, you'll want to consider what exactly your e-commerce business is going to offer. Will you be selling products or services? If you're selling products, are they physical or digital? Where will you source your products? Along these lines, you'll also want to think about the type of business model you want to employ — will you offer single products, packages, subscriptions, or something else?

Additionally, you'll want to think on a broader scale during this process as well: How will you get your products or services to your customers? What will your startup costs look like? Are there legal or other regulations on your product or service that you need to keep in mind?

These lines of questioning, among others, will be integral to the beginning of your business and will help you start to create and write your business plan. This process will give you a better sense of your specific goals and how you're going to reach them. Particularly in the e-commerce space, an important part of this step is finding your niche.

Although the growth of the e-commerce industry is a great benefit for those looking to learn how to start an e-commerce business, it also means more competition. You'll want to perform competitor research and find a space where you think you can establish your brand and find success in selling products and services.

### Step 2: Select your business name and choose a legal structure

Once you've solidified the plan for your e-commerce business, the next step is to choose a name. Like any other business, you'll want to choose a name that's unique, but also that clearly indicates what your business is or does. You'll likely want to consult your local secretary of state's website, as well as the U.S. Patent and Trademark Office to ensure that you're not choosing a business name that's already claimed by another company.

Although you won't want to invest too much time on a website quite yet, it will be worthwhile to check to see if your potential business domain name is available. If your domain name is currently being used, you may consider a different business name, or a different structure, such as "yourbusinessname.co" instead of "yourbusinessname.com."

Next, choose your business's legal structure. The business entity type you pick will have important legal and financial implications for your e-commerce operation. Generally, you'll choose to create a sole proprietorship, general partnership, LLC, or corporation. There are benefits and drawbacks to each of these entity types, so you may decide to consult an attorney or another legal professional for advice on the best option for your business.

If you choose to start a sole proprietorship or general partnership, you won't have to register in the state where you're operating. Instead, your business will be associated legally under your individual name, meaning if you want to operate under the name you've chosen, you'll need to need to file a DBA or "doing business as" application with your local government.

### Step 3: Obtain business permits and licenses

After you've applied for your EIN, you'll now want to obtain any business licenses or permits needed to operate legally within your city and state. As we mentioned above, if you've established your e-commerce business as a sole proprietorship or general partnership, you don't need to register your business with legally operate under a specific business name. For the other

business entity types, however, you will need to register your business with your state and receive a general operating license. Depending on where your business is located, you may also need to acquire a local operating license as well.

Generally, because most e-commerce businesses are home-based, they do not require as many business licenses and permits as brick-and-mortar stores. However, you'll want to determine what the specific requirements are in your area — you can usually find this information online via your state or local government website. For example, most locations require that home-based business owners receive a home occupation permit to legally operate. This type of permit simply shows that by operating your business out of your home, you aren't adding traffic, noise, or problematic conditions to your location.

Some other types of business licenses and permits that you may need include:

- ❖ Professional and trade licenses for certain industries.
- ❖ Sales tax permits.
- ❖ Health, safety, and environmental permits.
- ❖ Signage permits.
- ❖ Building and construction permits.

Step 4: Choose an e-commerce platform and create your website

At this point, you've completed the paperwork required to register and legally start your e-commerce business. In this way, most of our steps thus far have mirrored the process of starting a brick-and-mortar business. Now, however, instead of searching for a location and preparing to set up your physical store, you'll start creating your website and online store.

Like a physical storefront, this website will be the face of your business — it's what your customers will see first and what they'll use to browse and purchases your products or services. Creating your website will be one of the most important parts of starting your e-commerce business. You'll want to consider a few different points as you develop your online storefront:

First, you'll want to think about your domain name, as we mentioned above. You'll want your domain name to (at least closely) match your business name. Along these lines, and perhaps your most significant decision will be choosing an e-commerce platform. Whether an all-in-one software, like Shopify, or an open-source platform, like Magento, your e-commerce platform will be the base you use to build and develop your online store.

Most e-commerce platforms not only allow you to create and launch your online store, but also customize your design, add your domain (or purchase one), manage inventory, take, and ship orders, receive payment, and more.

Although there are hundreds of these platforms available on the market, you might consider any of the following popular solutions for starting your e-commerce business:

### Shopify

Perhaps the most well-known and popular e-commerce software out there, Shopify offers an all-inclusive, user-friendly solution with a variety of add-ons. You can purchase a Shopify subscription in one of four plans, starting with Shopify Lite at \$9 per month (this plan doesn't include a full online store).

### WooCommerce:

If you already have started a WordPress site, or are familiar with the platform, you can download WooCommerce to start selling on your WordPress site. This plug-in is open-source, free to download and includes the full range of e-commerce features. Compared with Shopify, however, WooCommerce is best-suited for business owners who have some technical knowledge to take advantage of its open-source nature.

### Squarespace

Most often thought of as website builder, Squarespace also offers e-commerce capabilities and is known for its modern templates. You can choose from two eCommerce-specific plans from Squarespace — Basic at \$26 per month or Advanced at \$40 per month. Like Shopify, Squarespace is user-friendly and can accommodate business owners of all technical skill levels. However, as a website builder first, Squarespace may not offer as many features, tools, or add-ons as some other alternatives.

### Magento

Finally, if you want to be able to customize every aspect of your online store, you might choose to use the open-source version of Magento. With this e-commerce platform, you can manipulate every element and customize your site — but you also must have the technical skill (or pay for it) to do so.

Although it's safe to say this platform isn't typically suited for e-commerce beginners, if do have the technical skill needed, or the budget to pay to work with a developer, you'll find that Magento likely offers the most of any open-source solution on the market — plus, it's free to download.

As you can see, there is a lot involved with this step and a variety of important considerations to take when choosing the right platform for your e-commerce business. You'll want to think about cost, features, usability, and more — ultimately, as the backbone of your e-commerce business you'll need a functional system that allows you to get up and running and manage your operations on a day-to-day basis.

Once you've decided which solution is right for you, the next thing you'll need to do is work on customizing and launching your site. You'll want to think about how you want your online store organized, what you want the design to look like, what colors you want to use, etc. Depending on your platform and budget, you may decide to create and launch your website yourself, or you might invest in a professional designer or developer for assistance.

### Step 5: Source or develop (and list) products

After you've chosen your e-commerce platform and started your website, you've almost reached the end of the process. At this point, you'll need to source the products you're going to sell. You should have already thought about how you're going to go about this process when you performed your research in step one. You may make your own products, source them from distributors, or — if you're selling your own services, like as a consultant, for example, you may simply have to describe and list these services on your business website.

If you're selling products, as you might imagine, this step will be more complex, as you'll need to consider the inventory you want to start out, as well as what these startup costs will look like. You'll also want to make sure that you take the time to list your inventory on your online

store — thinking about the customer experience, SEO, and the way the process will work from when a customer purchases a product to when they receive that product.

#### Step 6: Market your e-commerce business

There you have it — you've learned how to start an e-commerce business. Now that you have your products or services prepared and listed on your online store, your website is up and running, you're ready to start serving customers. To do this, of course, you'll need to properly market your e-commerce business.

There are a variety of marketing strategies you might decide to utilize — Google ads, social media ads, word of mouth, and more. At the most basic level, you'll want to optimize your business website for SEO and take advantage of any online marketing tools that are included within your e-commerce platform.

As your e-commerce business is up and running and you start to receive orders, you'll want to keep track of which marketing tactics are working and which aren't — especially if you're investing money in them. As time progresses, you'll be able to adjust and change your marketing strategy to find what works best for your business.

#### How much does it cost to start an e-commerce business?

So, now that we've gone through each of our steps involved in how to start an e-commerce business, you may still be curious about one important factor: cost. As you might imagine, by starting an online business, you'll be saving on a variety of costs that are associated with brick-and-mortar stores — rent, property insurance, furniture, and more.

However, although it's perhaps easier to fund an e-commerce business on a tight budget, there are still several different costs that will be required to get started. As is the case with any business, it's difficult to determine exactly how much it will cost to start your e-commerce business. Your startup costs will largely depend on the type of e-commerce business you're starting, the software or platform you choose, how you're sourcing your products, among other factors.

You'll like to want to think about your budget carefully as you start out and keep track of all your expenses along the way. Specifically, you'll want to consider the following costs.

**Business licenses and permits:** Depending on your entity type, location, and what you're selling, you can face a range of costs.

**E-commerce software:** Although it may be free to download an open-source platform, there will be other costs associated with this type of solution (developer fees, hosting, add-ons, etc.). For an all-inclusive platform, on the other hand, you'll be able to find some of the most basic options at low prices.

**Domain name and hosting:** Some e-commerce solutions will include a domain name or hosting within the cost of the platform, and some will allow you to purchase your domain name through them. If you need to purchase your own domain name and hosting, however, you can expect to pay anywhere from 600.00 per year for the domain to around 6000.00 per year.

**Payment processing:** To accept payments online, you'll need to work with a payment processor like Square or Stripe. Once again, some e-commerce software solutions will include their own payment processing with the platform, whereas others will allow you to integrate with your preferred system

Inventory and shipping: Depending on what you're selling, your inventory and shipping costs can range drastically. However, of all the costs we've discussed thus far, your initial investment for inventory will likely be your greatest. You'll want to purchase inventory carefully, especially when you're first starting out — you don't want to spend too much money on products you won't be able to sell. Your shipping costs, of course, will depend on your sales, the shipping services you use, the size of the products you're sending, and the shipping speed options you offer to customers.

Marketing and advertising: As a rule of thumb, it's safe to budget about 6% or 7% of your gross revenue for marketing and advertising. As you're starting out, this can be difficult to estimate, so you'll certainly want to take advantage of any free marketing and advertising options you have available. Then, once you have a better idea of what works well for your e-commerce business, you can start exploring paid options for promoting your store.

### **Tips for starting an e-commerce business**

As with launching any new business, starting an e-commerce business can, at times, feel overwhelming and stressful. As part of the online selling community, you'll have access to a variety of entrepreneurs and business owners who will very likely be willing to offer their tips and best practices to help you as you start out.

- ❖ Start simple
- ❖ Share your business across multiple channels
- ❖ Invest in multichannel selling

# CHAPTER 11

## FINANCIAL MANAGEMENT

### **Content**

- *Costing*
- *Pricing*
- *Breakeven Analysis*
- *Price Setting and Profit Calculation*
- *Cash Flow*
- *Working Capital*
- *Book Keeping*

Successful entrepreneurs need to understand the basic accounting concepts in a simple manner. For that, they need to have very simple and basic arithmetic abilities – addition, subtraction, multiplication, division and basic concept of percentage. This will help the entrepreneurs understand the fundamentals of business – numerically.

### • **Introduction to Costing**

To be able to set your prices and making financial plans, you need to calculate the cost of manufacturing or providing your products or services. Costs are all the money needed to operate your business. Costing is the way you calculate the total cost of making or selling a product, or providing a service. It will allow you to calculate then net profit you can make from your business.

#### ➤ **What is costing?**

Costing is the process of establishing the exact amount paid to produce or provide a product or a service.

#### ➤ **Importance of costing**

- To determine what price you should sell your product/ service.
- To evaluate how much profit/loss your business is making.
- To know which items cost too much so that you can develop alternative ideas.
- To find out how much each product/service costs.

#### ➤ **Costing helps your business to:**

- Set competitive prices for your goods and services.
- Reduce and control costs.
- Make better decisions about business.
- Plan for future needs of the business.

### • **Types of costs**

#### 1. **Fixed costs**

These are costs that do not change with the level of production. They are incurred even if no production takes place e.g. rent of premises.

## 2. Direct cost

Direct cost refers to costs which are directly connected with the production of products or services. Examples include the cost of raw material, stock, cost of labour (wages), transportation and handling expenses

## 3. Variable costs

These are costs that are directly related to the level of production. They increase or decrease in direct proportion to the level of production. For example: raw materials, stock, cost of packaging, transport, handling of goods and electricity (if machines are used).

## 4. Indirect cost

These are costs that relate to the running of the business but not directly to the production process. Examples include maintenance costs, equipment, electricity, and interest on the loan.

- **Product Pricing**

### Prices of products and/or services:

Pricing is the monetary value of a product or services that you charge to cover your total costs (direct and indirect costs) and profit that you desire on each unit of product or service.

### Mark Up

When you add a certain percentage of profit desired on the sale of a product or service, it is called a mark up. For example: If you desire to mark up the cost of a wooden cupboard by 20% and it cost you 13,000 to make, the following is the calculation;

<b>Your cost</b>	=	<b>13,000/-</b>
<b>Mark up - 20%</b>	=	<b>2,600/-</b>
<b>Selling price</b>	=	<b>15,600/-</b>
<b>Your selling price</b>	=	<b>15,600/-</b>
<b>Cost</b>	=	<b>13,000/-</b>
<b>Profit</b>	=	<b>2,600/-</b>

Price is important in all business ventures. This is because it determines the profits that the entrepreneur will make. In setting the price, one has to make marketing mix decisions, estimate the demand curve, calculate the cost, understand the environmental factors, set pricing objectives and determine the selling price.

A formula that articulates how to estimate the selling price is:

$$\text{Selling price} = \text{cost of goods sold/unit} + \text{Operating costs/Unit} + \text{Desired profit/unit}$$

- **Factors that influence pricing**

1. Nature of the market: open market with little competition - abundant supply and low demand normally means low prices, and vice versa

2. Consumer demand for a product; customers generally buy more of a product when prices are low.
3. Costs in the distribution channel; If a product is sold through a middle-person the price charged will be affected by how that middle person treats the product.

**Once the influences on price have been considered, the entrepreneur must develop goals for the product price. These goals could be to maximise profits, maximise sales volume or establish a competitive position. After all of the above factors have been considered, the process of setting the product price begins. It requires research and careful consideration.**

- **Break Even Analysis**

A break even analysis is used to determine the volume of sales your business needs to start making a profit. The break even analysis is especially useful when you're developing a pricing strategy, either as part of a marketing plan or a business plan.

$$\text{Break Even} = \text{Fixed costs} / \text{Revenue per unit} - \text{Variable cost per Unit}$$

Why is it important to determine the cost of goods/services/offered by an enterprise? Let's pick an example of a woman selling tomatoes:

<i>Daily Sales</i>	<i>Amount (in Rs.)</i>
20 kg tomatoes @ Rs. 15 per kg.	300
<b><i>Daily Expenses</i></b>	
Cost of tomatoes: 24 kg @ Rs. 10 per kg.	240
Transport	20
Market fee	10
Total expenses	270
<b><i>Profit</i></b>	<b>30</b>

### **Calculating the cost of the tomatoes per kg**

What determines the cost per kg, apart from the purchase price of tomatoes, the level of wastage and the expenses? Suppose only 10 kg of tomatoes are sold every day. What will be the cost of one kg of tomatoes?

Let's go back to the original figures for the tomato vendor but without the quantity sold and sales figure. Imagine that this is an estimate of costs and selling prices for a proposed new micro-enterprise. You are asked to advise on whether this tomato selling business is feasible. You have to help this woman to work out what would be the minimum level of sales necessary to cover her costs and earn the wage which was earlier agreed to be reasonable.

### **What steps do we need to take to determine this?**

You should be able to realise that the minimum level of sales can be calculated by finding out how much each kg of tomatoes contributes to the fixed costs, that is, how much of the selling price is left after deducting the variable costs per kilogram?

Activity	Amount (in Rs.)
<b>Selling price per kg</b>	15/-
<b>Variable cost per kg (purchase price plus allowance for wastage)</b>	12/-
<b>Margin or 'contribution' per kg</b>	3/-
<b>Total fixed costs and personal drawing/wage</b>	50/-
<b>Number of kg that must be sold to cover total fixed costs and personal drawing/wage (=Rs. 50/3 = 16.66)</b>	17/-

The number of kg that must be sold to cover the fixed cost is 17.

What we have now calculated it is what is called the 'break-even point' for the tomato vendor, that is, the level of sales at which she makes no profit (beyond the wage) and no loss.

This figure provides a vital guide when someone is proposing to start a new micro enterprise, and it is also useful when advising someone whose business is losing money. If it appears possible to reach the break-even point, it may be worth continuing the business, but if not, it may be necessary to make fundamental changes or even to close the business down.

An entrepreneur should be able to realise that the minimum level of sales can be calculated by finding out how much each kilogram of tomatoes 'contribute' to the fixed costs, that is, how much of the selling price is left after deducting the variable costs per kilogram.

### • **Price-setting and profit calculation**

**Profit:** is net income: total earnings after expenses are considered. Profit is the money a business makes after accounting for all expenses. Making profit is the goal of every for-profit company.

**Revenue:** the total amount of sales during a specific period, including discounts and returned merchandise.

**Price:** the sum or amount of money or its equivalent for which anything is bought, sold, or offered for sale.

**Sales Volume:** quantity or number of goods sold or services rendered in the normal operations of a firm in a specified period

**Expenditure:** actual payment of cash or cash-equivalent for goods or services

$$\begin{aligned} \text{Profit} &= \text{Revenue} - \text{Expenditures} \\ \text{Revenue} &= \text{Price} \times \text{sales volume} \\ \text{Expenditure} &= \text{Material} + \text{Labour} + \text{Transportation...} \\ \text{Price} &= \text{Cost} + \text{Profit} \end{aligned}$$

### **Ways to Increase Profit**

In order to increase profit one or both of the following must be done:

- Increase Revenue.
- Reduce Expenditure.
- Revenue can be increased by taking measures on the marketing mix. The marketing mix is a planned mix of controllable elements of a product's marketing plan commonly

termed as 4P's: product, price, place, and promotion. These elements are adjusted until a right combination is found that serves the customers' needs while generating optimum revenue.

**Examples of increasing revenue include:**

- Selling more by reducing price
- Aggressively promoting the product
- Changing places where it is sold.
- Making the product more attractive.
- Increasing quality, etc

Expenditure can be reduced by taking measures on cost components between the producer and consumer. Examples of reducing expenditures include;

- Acquiring supplies from more affordable sources
- Joining with other traders to reduce the cost of transportation or selling costs

- **Cash Flow**

Cash (or money, which means both currency and checks) is the lifeblood of every business. It is the most important asset for the operations of a business. **Cash Flow** refers to the **movement of money** in and out of a business during a specific period of time. It is a record of a company's inflows and outflows. **Cash inflow** is defined as the movement of money into a business and cash outflow is defined as the movement of money out of a business.

**Cash Flow Projection** shows how cash is **expected to flow in and out of your business**. For you, it's an important tool for cash management, letting you know when your outflows are too high or when you might want to arrange short term investment to deal with a cash surplus.

**SUBHIKSHA**

*Subhiksha was started in 1997, having 1600 retail outlets selling grocery, fruits, vegetables, medicines, mobile phones etc. But it was closed down in 2009 due to severe cash crunch and financial mismanagement.*

- **Working Capital**

While one needs a good idea and a well laid out implementation plan, for the business to run successfully it needs adequate capital (among other things).

**Financial Planning is a Tough Job**

*Nagarjuna Finance, a large company (based out of Hyderabad), got into a controversy for failing to return crores of rupees to depositors.*

*Started in 1982, Nagarjuna Finance Limited was a large company with lakhs of investors. But since early 2000, the company started defaulting on repayment of matured deposits. In spite of having good financial collection, it couldn't avoid failure and protect the depositors' money.*

## Need for capital

- a) For procuring or investing in longer term assets – land, building, machinery, equipment etc. These are typically known as Fixed Assets. Once pressed in to service, they last over a reasonably longer period. These are placed in service for carrying out the main activity of the business – production and sales or service etc – and are not traded or sold to receive money (except when they have outlived their life). In other words, money invested on these items does not result in direct cash inflow for the business.
- b) For buying raw materials, packing materials, paying rent, insurance premium, utility bills, wages and salaries and for many other services and/or materials used in the production or service. In other words this is the money needed for the day-to-day operations of the business.

Money needed to fund the normal, day to day operations of a business is known as the **Working Capital**. It ensures you have enough cash to pay your debts and expenses as they fall due, particularly during start-up period as very few new businesses are profitable as soon as they open their doors. It takes time to reach break even point and start making a profit.

### • **Book Keeping**

The activity of keeping records of all the financial transactions in an enterprise is called book keeping.

Rakesh is a trading entrepreneur. He has a store where he sells cosmetics of all imported brands. For him book keeping is an important activity of business. Book keeping depends on a business and its requirement. However, all businesses, big or small, across all locations and fields of operation keep the record of the following transactions:

- Cash transactions
- Details of debtors
- Sales
- Costs
- Bank transactions
- Assets and liabilities
- Salary
- Inventory
- Tax

For all these different transactions there are different books or records. These books or records ensure that all transactions are clearly and unambiguously accounted for by the entrepreneur.

Let us understand the books or record registers that are used to maintain the records of transactions.

### • **Cash Register**

In any business most transactions are done in cash. This means that at the end of the transaction, money is exchanged between the parties. It is to be noted that not all transactions are done in cash; some are done through credit. We will understand what are credit transactions and how credit transactions are accounted for.

## **What is inflow and outflow of money?**

Businesses have various sources from where money comes in and goes to. When money or cash is accepted by an entrepreneur or business, it is called inflow whereas when money or cash is given out, it is called outflow.

Inflow refers to what comes in and outflow refers to what goes out.

Let us see what are the other sources of inflow and outflow of money.

### ***Sources of Inflow***

- Money received as Owners' Equity is the entrepreneur's own money invested in the business.
- Money received in the form of Loans from friends, family, relatives, bank etc.
- Money received from Sales of products or service.
- Money received in the form of Interest Earned from deposits made in the bank.
- Money received as Rent.
- Money received from Sales of Assets such as furniture, machinery, old car etc.
- Money received in the form of Claims Received from insurance claims in case of accident, fire, maturity of insurance policies, etc.
- Money received from Government Subsidies
- Money received from Sale of Scrap
- Money received as cash back through online transactions etc.

### ***Sources of Outflow***

- Money going out in the form of purchase of Land
- Money going out towards cost of construction of building
- Money going out toward the purchase of Plant, Machinery, Furniture and Fixtures, Interior Decoration, Tools, Computers, Raw Material, Packing Material etc.
- Money going out towards Transportation, which may include purchase of a new vehicle as well.
- Money going out towards Salaries, Bonuses, Employee Benefits and Incentives
- Money going out towards Advertising and promotion of goods and services
- Money going out towards rent of Premises
- Money going out towards Interest on Loan
- Money going out towards Insurance Premium
- Money going out towards Travel in the interest of the enterprise
- Money going out towards Sales Commission

## Format of a Cash Register

Date	Description	Ref. No. (Vouchers/ Bills)	Cash Received (in Rs.)	Cash Paid (in Rs.)	Cash Balance (in Rs.)

- i.) In the first column, the date of the transaction is filled.
- ii.) The second column is for the source from where the money has come in or gone out.
- iii.) The third column is for the bill or voucher details of the transaction mentioned in the previous column i.e. column number 2.
- iv.) In the fourth column the amount of the transaction is to be filled in, if the transaction happened is an inflow transaction, where the enterprise receives an amount of money.
- v.) In the fifth column the amount of the transaction is to be filled in, if the transaction happened is an outflow transaction, where an amount of money goes out of the enterprise.
- vi.) In the sixth column the amount of the transaction is to be filled in, if there is a balance amount remaining.

## CHAPTER 12

### BUSINESS LAWS & STATUTORY BUSINESS REGISTRATIONS

#### Content

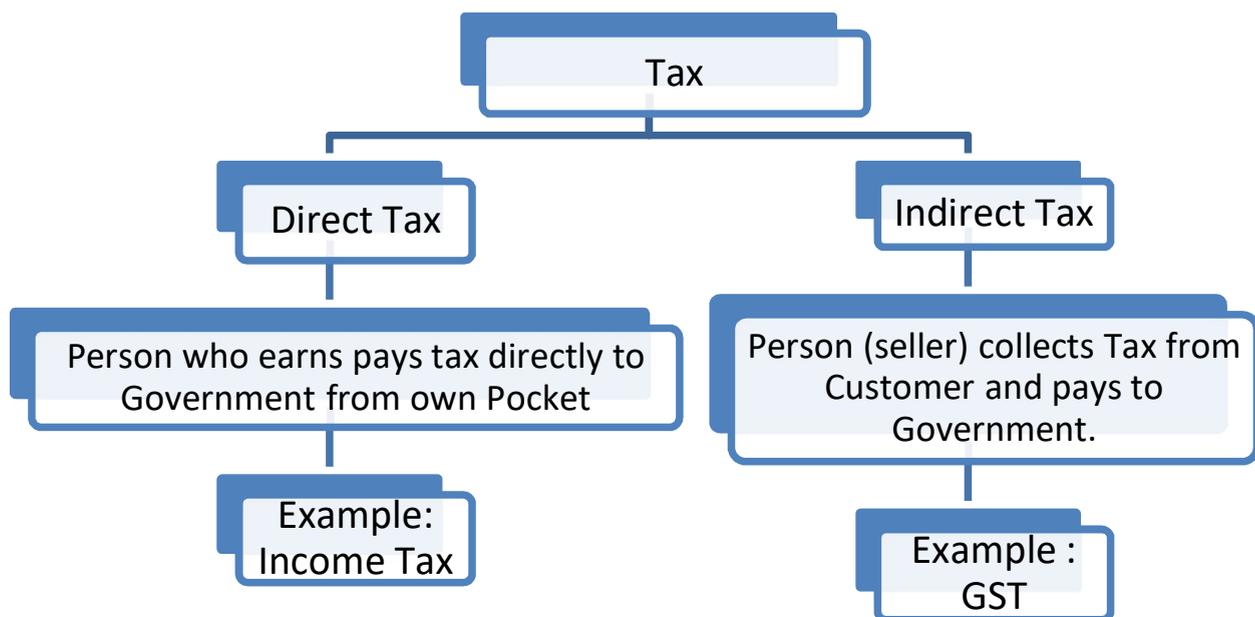
- *Concept of Taxes*
- *Direct & Indirect Tax*
- *Pre & Post GST Tax Structure*
- *GST Slabs*
- *GST Registration*

#### • **Concept of Taxes**

Taxes are the mandatory amount imposed by the Government, both on the earnings; and the expenditure undertaken by an individual. The money your parents pay to the Government in the form of taxes goes to many places such as:

- paying the salaries to the government workers,
- to ensure that roads on which we all travel are made safe and maintained well,
- to provide education as well as health facilities to the public, and
- providing security to public at the borders and in social services.

When your father gets salary or if your father is a businessman, he earns profit, it is considered as income. He is liable to pay taxes on his income directly to the Government. This is known as **Direct Tax**. On the other hand, when your parents go for shopping, they pay taxes on their expenditure to the shopkeeper from where they purchase the items. Now, the shopkeeper who collects taxes from us deposits the taxes to the Government. The taxes we pay are going to the Government, but indirectly through the shopkeeper. These are known as **Indirect Taxes**.



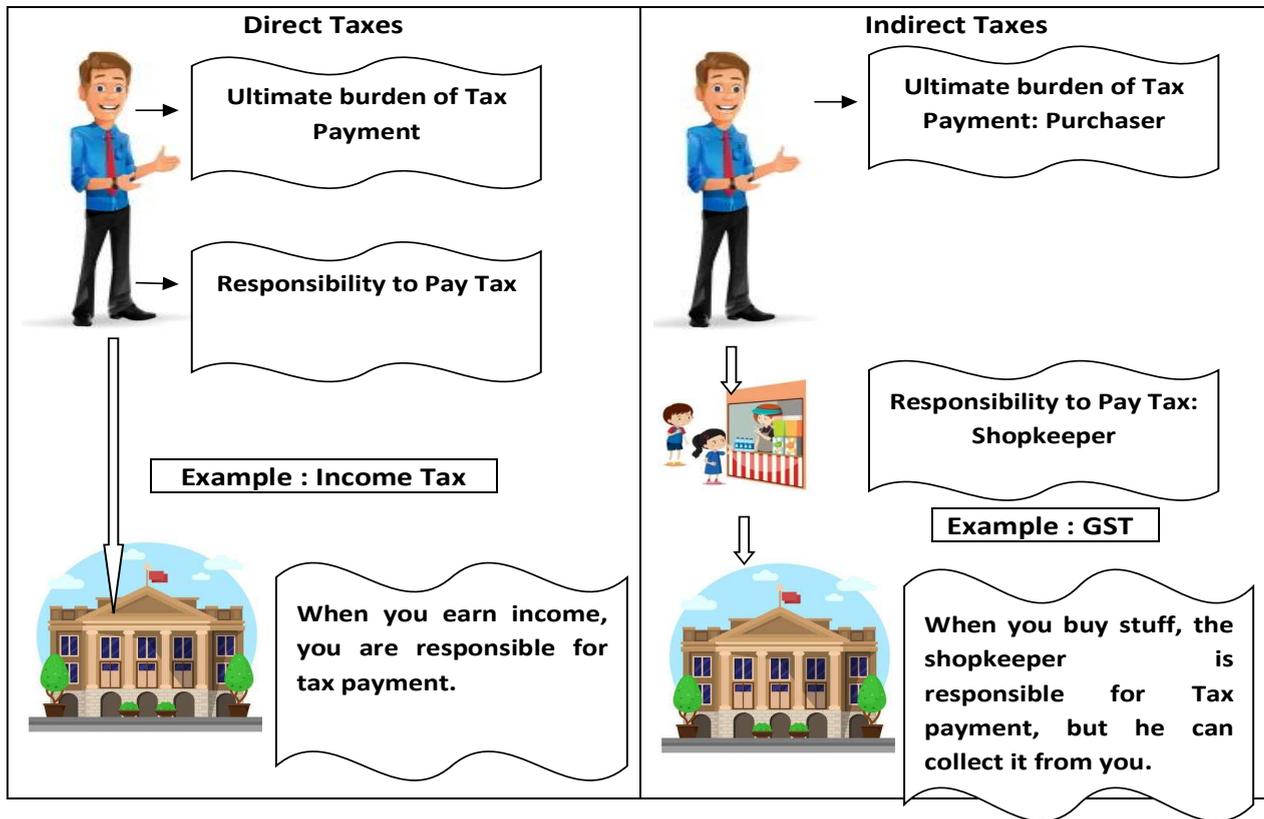


Fig. Direct Tax & Indirect Tax

## • Direct Tax

Tax which is paid directly to the government is known as direct tax. It cannot be transferred to another person. Under this system, the government collects the tax from the person on whom tax is imposed. Under direct tax system, the taxpayer and tax bearer is the same person.

### Income Tax

The direct tax which is paid by individual to the Central Government of India is known as Income Tax. It is imposed on our income and plays a vital role in the economic growth & stability of our country.

### Income

Income, as per the Income Tax Act is set in five categories that anyone who has a source of earning is liable to pay.

#### 1. Salary Income

Payment received from your employer is part of this category including basic pay, annuity, advances, allowance, transport conveyance, perquisites and retirement benefits, among others. The total of all these makes up your gross salary, post exemptions. Form 16, column 6 provides all the details about your *Income from Salary*.

## 2. Rental income

Income in the form of rent received from residential or commercial property that you own is taxable under law as *Income From House Property*.

## 3. Income from Business And Profession

If you are a business owner or salaried professional, or freelancer, then your income in the form of payment or profits will be taxed under this category. The taxable income here will be calculated minus your expenses.

## 4. Capital Gains Income

Gain from the transfer of a capital asset which is held in the form of investment including real estate, jewelry, shares of companies, bonds, etc. is termed as income under this category. Assets that have been received as gifts, e.g. inheritance, are not accounted for in this category unless they are sold.

## 5. Income from Other Sources

Any income received that is not included in the four categories above falls under income from other sources. They can be recurring like interest (earned from post office savings, bank deposits, savings bank deposits, recurring deposits), and non-recurring income is income earned once by way of lottery, game show or gambling.

### **Who is an Assessee?**

An assessee is a person or entity who is entitled to pay the taxes. It could be an individual, a HUF or Hindu Undivided Family, partnership firm, company, Body of Individuals, or AOP (association of persons).

### **What is a Financial Year and Assessment Year?**

The year in which income is earned and advance tax paid is the financial year. Assessment year is the year following the financial year when the income tax department assesses the income tax returns filed by the taxpayer. So for the Financial Year 2020-21, the assessment year is going to be FY2021-22.

### **Deductions**

Given the financial burden, a taxpayer has to bear to ensure his family's future, take care of medical, educational expenses, and provide for the family; the tax laws allow deductions that can be reduced from the gross income. So your gross income minus deductions give you the net taxable income. These deductions are enlisted under Section 80 of the Income Tax Act (Section 80C to 80U). Some of these deductions include:

**Section 80C:** Deductions on investments up to Rs.1.5 lakh. In other words, you can reduce this amount of deduction from your gross income to arrive at the net taxable income.

**Section 80CCC:** Deduction on insurance premium paid towards servicing an annuity.

**Section 80CCD:** Deduction on the contribution made towards pension. This cannot exceed 10% of your salary or 20% of your gross income.

Section 80TTA: Deduction on interest on savings account

Section 80GG: deduction on house rent paid when HRA is not provided

Section 80E, 80EE: Deduction on interest paid on education loan and home loan.

Section 80CCG: Deduction on investments in Rajiv Gandhi Equity Saving Scheme (RGESS)

Section 80D,80DD, 80DDB: Deduction on medical insurance, medical expenses, rehabilitation of differently-abled persons

Section 80 G- Deduction on donations made to eligible organizations, political parties and

Section 80TTB- Deductions on interest income

Section 80RRB- Deductions on royalty on a patent

### **What is a Standard Deduction?**

A standard deduction is a blanket deduction of Rs. 50,000 for salaried taxpayers irrespective of how much he/she earns or invests. Also, 30 percent of house rent income can be claimed under the standard deduction.

### **Income Tax Slabs**

Individual taxpayers must pay income tax based on the slab system into which they fall. Individuals may fall into a different tax bracket depending on their Income. As a result, persons with higher incomes will have to pay more taxes.

The slab system was implemented to keep the country's tax system equitable. The slabs change with each budget announcement. You can find the latest income tax slabs on website of Income Tax Department of the Government of India : <https://www.incometax.gov.in/iec/foportal/help/individual/return-applicable-1>

- **Indirect Tax**

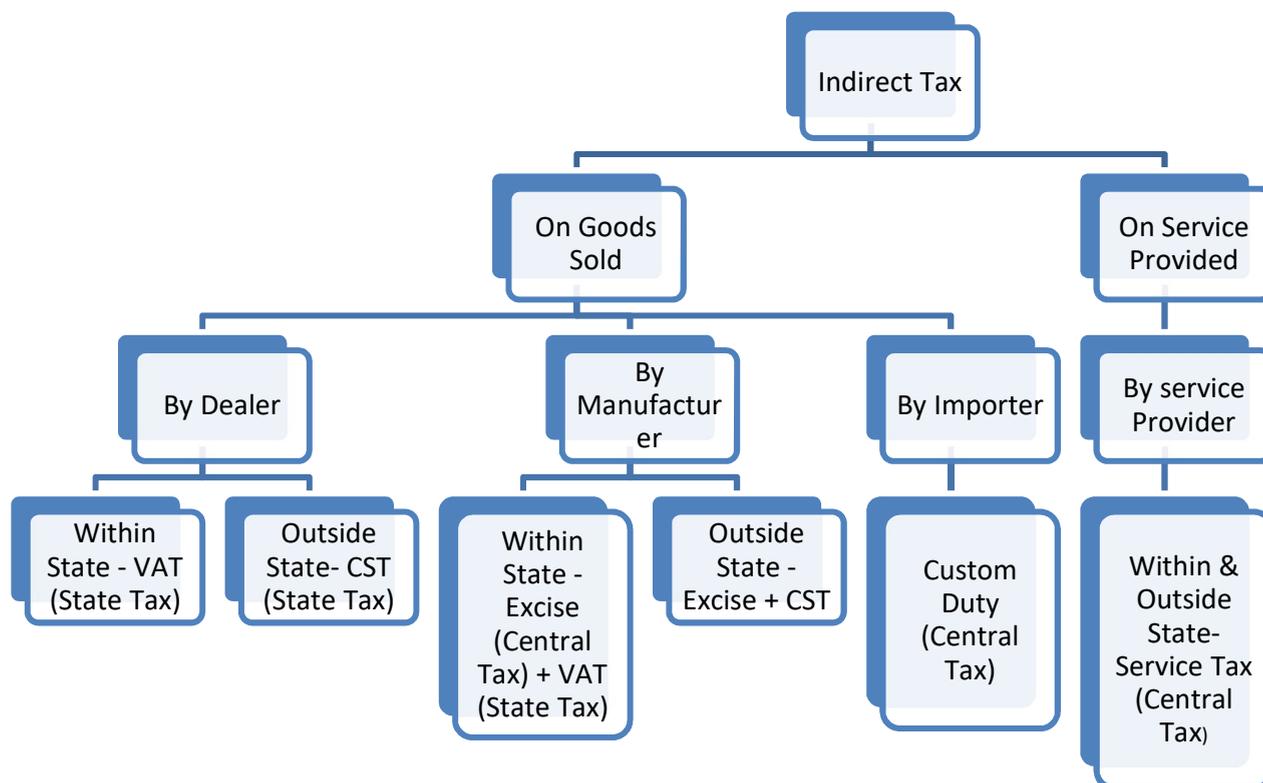
A tax, which is collected by an intermediary from the person who bears the burden of the tax and then pays it to the government, is known as indirect tax. It can be transferred to another person. Example: GST. Indirect taxes are collected by supplier of goods and services and are paid by the consumer of goods and services. Thus, the burden of tax is shifted to the final consumer.

Now, it must be clear that whenever you purchase goods from the market or eat food in a restaurant, you pay indirect tax which is known as GST.

- **Pre GST-Tax Structure**

Let us know about all the different types of Indirect Taxes which existed before GST in detail:

Before introduction of GST, indirect taxes were divided into many types. At each stage of production or selling of goods and services, different types of taxes were paid to the Government.



**Fig.: Indirect Taxes before Introduction of GST**

- **Post GST Tax Structure**

Goods and Service Tax (GST) has been implemented in India since 1st July 2017. It is a single indirect tax with an aim to make the nation a unified common market. It is levied by the government on goods and services provided by the supplier to the consumer. It is applicable in the whole of India (state of Jammu & Kashmir has also been included from 8th July 2017).

GST has subsumed many indirect taxes which were imposed by both, the Central Government and the State Government.

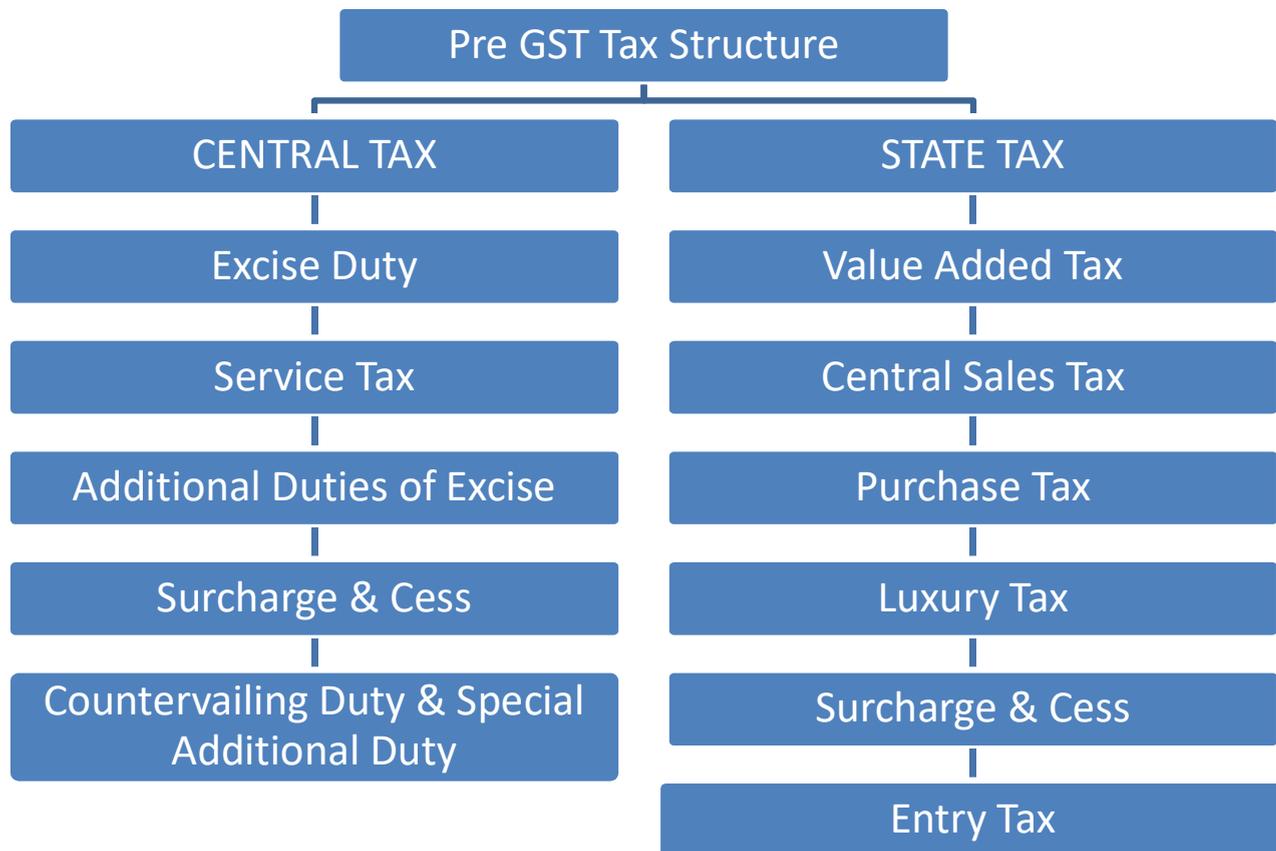
The consolidation of several different taxes into one will help the country move forward by eliminating the cascading of taxes. The reform is also set to pave the way for a common national market, thereby making Indian commodities and services increasingly competitive in both local as well as global markets.

In our new tax system, where we have only one common tax (GST), it is also divided into two parts, Central Government GST and State Government GST. Therefore, GST is based on dual GST model. It means that both the Central Government as well as the State Government will levy tax simultaneously on the common base amount.

GST is sub divided into four different types:

- SGST – State GST, collected by the State Government,
- CGST – Central GST, collected by the Central Government,

- IGST – Integrated GST, collected by the Central Government, and
- UTGST – Union territory GST, collected by the Union Territory Government



**Fig.: Pre GST-Tax Structure**



**Fig. : Post GST Tax Structure**

**GST is a destination-based tax, which means that tax is collected by the State where goods are consumed.**

**It can be summarized as below:**

Transaction	Post GST era	Pre GST era	Tax Implication
Sale within the State	CGST + SGST	VAT + Central Excise/Service tax	Revenue will be shared equally between the Centre and the State
Sale to another State	IGST	Central Sales Tax + Excise/Service Tax	There will be only one type of tax (central) in case of inter-state sales. The Center will then share the IGST revenue based on the destination of goods

- **List of items kept outside the purview of GST**

- Alcohol for Human Consumption
- Petroleum Products
- Electricity

- **GST Tax Slabs**

GST Rates of all items and goods in India				
0%	5%	12%	18%	28%
Almost 50% of the consumer price basket including food grains	Mass consumption items like spices and mustard oil	All processed foods	Soaps, oil, toothpaste, refrigerator, smart phones, hotel room tariff etc.	Luxury cars, pan masala, tobacco, aerated drinks etc.

- **GST Registration**

In the tax system of any economy, the basic requirement for the recognition of the tax payer is his registration. Under GST registration, every business entity is provided with a unique number. This unique number gives the authority to collect tax from the end consumers on behalf of the government and avail the benefit of input tax credit for the taxes on his inward supplies.

Once the registration process under GST is completed, the 15-digit alpha numeric GST identification number called as '**GSTIN**' is allotted to the supplier of goods and services. The structure of GSTIN is as follows:

State Code		PAN Number										Entity Code		Check Digit
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

The first 2 digits of GSTIN are the State Code, next 10 digits are the PAN issued by the income tax 1961 Act, next 2 digits consist of Entity Code and last digit is known as check digit.

Before GST, manufacturer and producer were required to be registered with Central Excise, while traders of the goods needed to be registered either with VAT department or with CST

department or both. Similarly, service provider too was required to be registered with the Service Tax department.

Under GST, centralized registration is not there. Registrations are to be carried out State wise.

- **Who is Liable for Registration?**

Businesses that have a turnover of upto Rs. 20,00,000/- are exempted from GST registration. The limit for the same for hilly and northeastern states is Rs. 10,00,000/-.

- **Industrial, Labour and Business Laws**

There are basic legal responsibilities and acts which are divided into 5 legal points for every business efficient working.

- **Business Structure Formalization**

There is a need for understanding and applying proper business structure because of the different business structure have different business applications while carrying out the business. There are different forms of business structure such as a proprietorship, partnership, limited liability partnership, and private limited company.

There are different basic legal details such as registration, legal status, taxation, member liability, number of members allowed, etc. Example:- legal status explains that the proprietorship and partnership do not have different legal entities and liability is on the promoter himself and in limited liability partnership, a private limited company separate legal entity is recognized and the promoters are not responsible personally for the liabilities.

- **Licensing Business**

Every business needs licenses according to the type of business carried out. Before launching a startup the appropriate licensing issuing process must start to stay away from the legal battles at the inception. All the licenses vary from business to business. The common licensing applied for most of the business under the law is the shop and establishment act, 1953.

- **Taxation And Accounting Laws**

The government scheme of startup India launched provided many tax exemptions for startups. Different business needs different tax policy to be applied according to the tax and business structure applied. For tax exemptions in a startup, the first 7 years' lifespan has can be availed for tax benefits. The organization must be registered as the limited liability partnership, company. The total turnover for the starting years must not be more than 25 crores annually.

Every firm or business needs to maintain proper accounts and tax audits to adhere to the taxation rules applied and adhered to in the country.

- **Labour Laws**

As every business firm has employees or labour which helps in proper and efficient functioning daily. Many laws related to labours like minimum wages act, gratuity, Provident funds payment, paid holidays to workers, maternity benefits, harassment at workplace, payment of bonus, etc.

Even the government has provided an exemption from labour inspection for a startup if they apply all the major 9 labour laws of the country regularly for worker's benefit:

- The Industrial Disputes Act, 1947
- The Trade Union Act, 1926
- The Inter-State Migrant Workmen (Regulation of Employment and Service) Act, 1979
- The Payment of Gratuity Act, 1972
- The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
- The Employees' State Insurance Act, 1948.
- Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996
- The Industrial Employment (Standing Orders) Act, 1946
- The Contract Labour (Regulation and Abolition) Act, 1970

Proper employee's and worker's policies may help in increasing the morale and efficiency in the working of the workers.

- **Intellectual Property Rights Protection**

Startups many times come up with unique unusual ideas that can be protected in this world using certain laws. Our innovative product, improved process or procedure of making something in a better way can be counted as our innovative property rights.

The startup scheme for intellectual property rights is related to the startup India program. This scheme would make sure the protection and commercialization of intellectual property and manage the trademark, copyright, and designs involved in the business startup. Under these regulations for new startups, the government has reduced the patent fees by 80% The panel would also have the duty to inform people in the market about the procedure of filing for patents or any other intellectual property.

Hence, these are the basic legal steps for a framework of the startup to be formed. The legal knowledge helps to be aware of the process for setting up and availing the benefits provided by the government under different schemes for efficient working and establishing a startup.

## CHAPTER 13

### ESTABLISHING THE ENTERPRISE

#### Content

- *Economic Activities*
- *Classification of Business Enterprises*
- *Forms of Business Enterprises and their Legal Compliances*

- **Economic Activities**

Activities undertaken to earn monetary gains are called economic activities. Activities which are inspired mainly by economic consideration can be classified in three broad categories:

- Manufacturing** - Production of merchandise for use or sale using labour and machines, tools, chemical and biological processing, or formulation, may also refer to a range of human activity, from handicraft to high tech, but is most commonly applied to industrial production, in which raw materials are transformed into finished goods on a large scale.
- Services** - An intangible commodity a type of economic activity that is intangible is not stored and does not result in ownership. A service is consumed at the point of sale. Services are one of the two key components of economics, the other being goods. Examples of services include the transfer of goods, such as the postal service–delivering mail, and the use of expertise or experience, such as a person visiting a doctor.
- Trading** - Not a new phenomenon we've been doing it for centuries! The trade that occurred among the most primitive humans has evolved considerably over time. Trading is the activity or process of buying, selling, or exchanging goods or services.

An enterprise is a separate and distinct unit, institutionally arranged to conduct any type of business activity. It needs to combine the necessary things such as materials, tools, equipment, working space and bring together all of them in a systematic and effective manner to accomplish the entrepreneur's desired objective.

Thus, every business entity needs to select an appropriate legal structure or framework to work in. This legal structure determines the extent of ownership and responsibility of proprietor(s). Appropriate form of organisation strongly influences the enterprise's success and future prospects.

- **Classification of Business Enterprises**

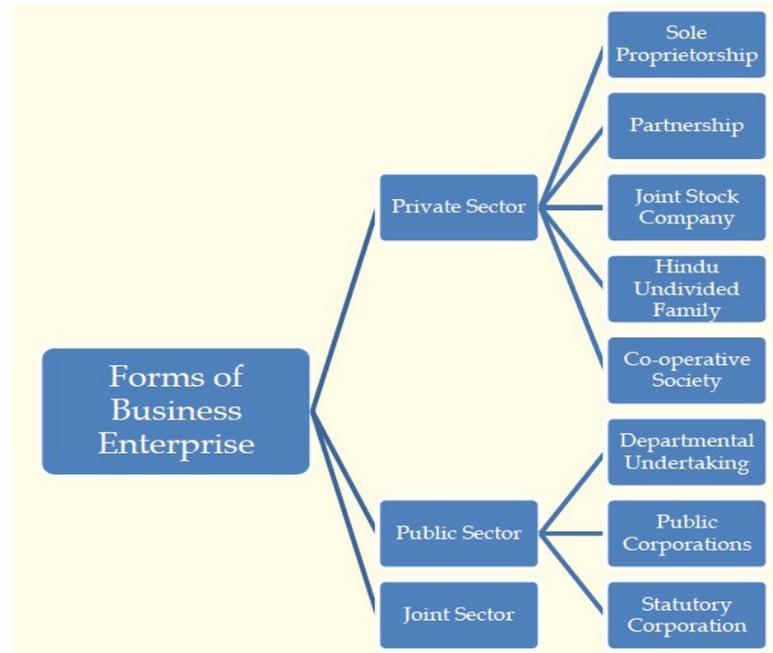
#### Micro, Small and Medium Enterprises?

Manufacturing and Services Sector	
Enterprises	Investment & Turnover
Micro	Investment < Rs. 1 cr. And Turnover < Rs. 5 cr.
Small	Investment < Rs. 10 cr. And Turnover < Rs. 50 cr.
Medium	Investment < Rs. 20 cr. And Turnover < Rs. 100 cr.

- **Forms of Enterprises**

From the point of view of ownership and management, business enterprises may be broadly classified under three categories.

- a) Private sector enterprises
- b) Public sector enterprises
- c) Joint sector



- a) **Private sector enterprises**

**From the point of view of ownership and management, business enterprises may be broadly classified under three categories.**

- I. Private sector enterprises
- II. Public sector enterprises
- III. Joint sector

- I. **Private sector enterprises**

The enterprises which are owned, controlled, and managed by private individuals, with the main objective of earning profit comes under this category.

Private individuals thus could start a venture as:

- i. Sole-proprietorship
- ii. Partnership
- iii. Joint Hindu family business
- iv. Co-operative
- v. Company

## II. Public sector enterprises

When business enterprises are owned, controlled and operated by public authorities, with welfare as primary and profit as secondary goals, they are called as public sector enterprises. Either the whole or most of the investment in these undertakings is done by the Government(s). These enterprises have the following forms of organisation:

- i. Departmental undertaking
- ii. Public corporations
- iii. Government companies

## III. Joint sector

Joint sector is a form of partnership between the private sector and the government where management is generally in the hands of private sector, with enough representation on Board of Directors by the Government too. Resources are mostly borne equally.

**From the entrepreneur's point of view the most commonly opted out forms for starting new venture are:**

- i. Sole-proprietorship
- ii. Partnership
- iii. Company

### i. Sole-Proprietorship

One of the oldest, simplest and most commonly used forms of business organization which is owned, financed, controlled and managed by only one person is called as sole proprietorship, single entrepreneurship or Individual proprietorship.

#### ***The Domino's Story***

*Tom Monaghan, the founder of Domino's Pizza, had a tough childhood, was raised in orphanages and foster homes. In 1960, Monaghan and his brother Jim BORROWED \$ 900 and bought a founding Pizzeria in Ypsilanti, Michigan.*

*Jim left within the year, but Tom hung on, surviving two near – bankruptcies and a fire.*

*Monaghan worked eighteen hours a day seven days a week, whole heartedly making Domino's Pizza – A GIANT MNC world over a household name. Started as sole and today a MNC – a long successful journey of 'one big man'.*

*Did you know companies like Coca-Cola, Apple, Hewlett-Packards, Amazon, Google, Mattel and Walt Disney etc all started their company as Sole Proprietorship and Flipkart, snapdeal etc started a business as sole proprietorship companies in India.*

**Characteristic of a sole-proprietorship company**

- a. Individual ownership
- b. Individual management and control

- c. Individual financing
- d. No separate legal entity
- e. Unlimited liability
- f. Sole beneficiary
- g. Easy formation and closure

### Suitability of sole proprietorship form of business

Before opting for sole proprietorship, an entrepreneur should carefully compare and evaluate pros and cons of this form. Basically, this type of form is suitable when:

- a. Capital requirement is limited
- b. Confidentiality / secrecy is important
- c. Market is local
- d. Goods are of artistic nature or demands customized approach
- e. Quick decision-making is necessary
- f. Size of the venture is small.

### Legal formalities involved

Sole Proprietorship is the easiest form of business done in India since it isn't governed by any specific laws. Under sole proprietorship's, the compliance's are minimal and easy to fulfill. To register a sole Proprietorship, the following documents are required:

- Aadhar Card
- PAN Card
- Bank Account
- Registered office proof

Although sole proprietor doesn't require any specific registrations, he is advised to obtain a few registrations to make his business function smoothly - Registering as SME, Shop and Establishment Act License, GST Registration

## ii. Partnership

A partnership is an association of two or more persons to carry on, as co-owners, a business and to share its profits and losses.

Thus, two or more persons may form a partnership by making a written or oral agreement to carry a business jointly and share its proceeds.

### Characteristics of partnership

#### a. Two or more persons:

Partnership is the outcome of a contract. Thus:

- There must be at least 2 persons to enter into contract to form partnership.
- Minors cannot form a partnership firm as they are incompetent to enter into contract but can be admitted to the benefits of a running firm.

- If these people intend to do banking business, the maximum number can be ten otherwise twenty for the other business.

**b. Agreement:**

The relation of partnership arises from contract and not from status. Though oral agreement is even acceptable but in practice written agreement is much more advisable as disputes can be resolved better with it.

**c. Profit sharing:**

The objective of the business is to make profits and distribute the same amongst partners. Any association initiated to do charity work is not partnership.

**d. Unlimited liability:**

Mostly, the liability of the partners of a firm is unlimited. Their personal properties can be disposed off to pay the debts of the firm if required. The creditors can claim their dues from any one of the partner or from all of them, meaning partners are liable:

- Individually
- Collectively

**e. Implied authority:**

There is an implied authority that any partner can act on behalf of the firm. The firm stands bound by the acts of partners.

**f. Continuity:**

A partnership continues up to the time that all partners desire to continue it. Legally, a firm dissolves on the retirement, death, bankruptcy lunacy, or disability of a partner if not otherwise provided for in the partnership deed.

**g. Utmost good faith:**

Every partner is supposed to act honestly and give proper accounts to other partners. Thus, mutual faith and confidence in one another is the main strength of partnership.

## Legal formalities involved

### Partnership Deed

- Name and address of the firm and all the partners
- Nature of business
- Date of starting of business Capital to be contributed by each partner
- Capital to be contributed by each partner
- Profit/loss sharing ratio among the partners
- clauses as partners may decide by mutual discussion

Indian Partnership Act, 1932 governs the partnerships. Registration of partnership firm is optional and at the discretion of the partners. It is always advisable to register the firm since a registered firms enjoy special rights which aren't available to the unregistered firms.

## Documents to be submitted to Registrar are

- Application for registration of partnership (Form 1)
- Specimen of Affidavit
- Certified original copy of Partnership Deed
- Proof of principal place of business (ownership documents or rental/lease agreement)

If the registrar is satisfied with the documents, he will register the firm in Register of Firms and issue Certificate of Registration.

### iii. Company

According to section 3 of Indian Companies Act, 1956, "A company means a company formed and registered under this act or any previous act." Thus, a company is an association of persons who contribute money in the shape of shares and the company gets a legal entity and enjoys a permanent existence.

#### Characteristics of a Company

A company is distinctive from other forms of organisation because of the following features:

##### a. Voluntary association

A single person cannot constitute a company. At least two persons, voluntarily, must join hands to form a private company, while a minimum of seven persons are required for a public company.

##### b. Artificial person

A company is created by law. Though, it has no body and no conscience, it still exists as a person, having a distinct personality of its own. Because like a human being it can buy, sell and own property, sue others, be sued by others, its called as an artificial person.

##### c. Separate legal entity

A company has an independent status, different from its members. This implies that a company cannot be held liable for the actions of its members and vice-versa. Company has a distinct entity separate from its members.

##### d. Common seal

Being an artificial person, company cannot sign the documents. Hence, it uses a common seal on which its name is engraved. Putting the common seal on papers, is equivalent to that of signatures of a human being, making them binding on the company.

##### e. Limited liability

The liability of the shareholders of a company is normally limited to the amount of shares held or guarantee given by them.

##### f. Transferability of shares

No shareholder is forever wedded to the company. Subject to certain conditions, the shares are freely transferable. The private companies do impose some restrictions on the transfer of shares.

### **g. Diffusion of ownership and management**

In this form of organisation, entrepreneur should clearly understand there exists separation of ownership from management. As the shareholders could be scattered across country here, they give the right to the directors to manage the company's affairs.

### **h. Number of members**

#### **Private company:**

Minimum required members : 2

Maximum members : 50 (excluding employees)

#### **Public company:**

Minimum requirement : 7

Maximum number : No limit

### **i. Winding up**

The mode of incorporation and termination (winding up) is both as per the Companies Act only. It's born out of law and can be liquidated only by law.

## **Choice to be made**

An entrepreneur, under the 'Company' form of organisation has a further choice to incorporate an enterprise either as either a:

- a. Private company or,
- b. Public company

#### **a. Private company**

A private company:

- has a minimum of two and a maximum of fifty members excluding its past and present employees.
- restricts the right of its members to transfer shares.
- prohibits an invitation to the public to subscribe for any shares or debentures of the company, or accept any deposits from persons other than its directors, members or relatives.
- has a minimum paid up capital of one lakh rupees (subject to change)
- uses the word 'Pvt. Ltd.' at the end of its name.

#### **b. Public company**

Under Section 3(i) (ii) of the Companies Act, a public company is a company which is not a private company. By implication, a public company:

- has minimum seven people to commence with no upper limit to membership
- does not restrict any transfer of shares
- invites public to subscribe for its shares, debentures and public deposits.
- has a minimum paid up capital of five lakh rupees.
- uses the word 'Ltd.' at the end of its name.

## Why private company is more desirable

In spite of certain restrictions imposed on a private company, it enjoys certain privileges under the Companies Act. A substantial number of entrepreneurs prefer to form a private company because of the following important privileges:

- Only two members are required to form a private company.
- Only two directors are required to constitute the quorum to validate the proceedings of the meetings.
- Such company can file a statement in lieu of prospectus with the Registrar of Companies.
- It can commence its business immediately after incorporation.
- Holding of a statutory meeting or filing of a statutory report is required by a private company.
- Directors of the private company need not have qualification shares.

## Steps for forming a Private Limited Company

### **Step 1: Obtain Digital Signature Certificate (DSC)**

Digital signatures are required to file the forms for company formation. The registration process is online and the forms require a digital signature. DSC is mandatory for all subscribers and witnesses in the memorandum and articles of association. You must obtain the digital signature certificates from government recognized certifying agencies.

### **Step 2: Obtain DIN (Director Identification Number)**

DIN is an identification number for a director. It has to be obtained by anyone who wants to be a director in a company. One DIN is enough to be a director in any number of companies. To obtain DIN, DIN 3 form is required with basic details of the proposed director along with identity proof like PAN, Aadhaar Card, etc and address proof.

### **Step 3: Name Availability**

Incorporating a Company via RUN (Reserve Unique Name) form: In an attempt to ease procedures for new as well as existing companies, the Ministry of Corporate Affairs (MCA) has introduced RUN web service for the incorporation of a company. RUN gives only one chance for applying and in case of rejection of the name due to any similarity of name with a registered company, an LLP or trademark or due to non-adherence of the Companies (Incorporation Rules) 2014, there are no second chances available. It means you have to be sure of the proposed name and should follow name availability guidelines, existing trademarks to avoid rejection. The applicant has to re-file another RUN form with prescribed fee.

Please note that DSC and DIN shall not be required for filling of RUN form for reservation of name. Only MCA Account is mandatory.

#### **Step 4: Form SPICE INC-32**

Ministry of Company Affairs has introduced Form SPICe (INC-32). It is a simplified proforma for incorporating a company electronically. It serves the following purposes with the benefit of a single application:

- Application for allotment of DIN (Director Identification Number)
- Reservation of company name
- Incorporation of a new company
- Application for PAN and TAN

#### **Step 5: MOA and AOA**

e-MoA(INC-33) and e-AoA (INC-34) refers to an electronic Memorandum of Association and electronic Articles of Association. These forms have been introduced to simplify the process of company registration in India.

Memorandum represents the charter of the company while articles of association contain the internal rules and regulations of the company.

Earlier memorandum of association and articles of association were required to be filed physically. But now these forms are filed online on MCA portal as a linked form with SPICe (INC-32). Both these forms must be digitally signed by subscribers to the Memorandum and Articles of Association.

#### **Step 6: PAN and TAN Application**

Through this single form SPICe, you can also apply for company's PAN and TAN by using forms 49A for PAN and 49B for TAN. The system will auto-generate these forms after the submission of SPICe form. All you have to do is download it, affix digital signatures and upload both forms on MCA portal. If all the details in the form are duly filled in along with the required documents, MCA will approve the registration and a CIN (Corporate Identity Number) will be allocated.

# CHAPTER 14

## SUSTAINABILITY AND GROWTH OF BUSINESS

### **Content**

- *Growth and Development of an Enterprise*
- *Business Risks*
- *Enterprise Exit Plan*
- **Growth and Development of an Enterprise**

Growth is always essential for the existence of a business concern. A concern is bound to die if it does not try to expand its activities. The entrepreneur is an endless challenge seeker. Once their small business is humming along, growth is the next exciting challenge. The decision to extend the scope of one's business must be a result of thoughtful consideration of various factors, including the financial, logistical, even his/her emotional readiness. The rule of thumb is that one should only expand when there are untapped opportunities that can benefit the business. There may be a niche that you want to capture or a location not serviced even by your competitors. Expansion is often one of the most daunting challenges a successful business will face.

An entrepreneur has a dual role to play- one, that of a leader and the other of a manager. The former provides direction and energy while the latter processes the input and gives the output. To ensure the continued efficiency and profitable functioning and growth of enterprise, extra managerial ability is required. The expansion of a concern may be in the activities or acquisition of ownership and control of other concerns. Thus, expansion may be;

- Internal Expansion
- External Expansion

### **Internal Expansion**

Internal expansion results from the gradual increase in the activities of the concern. The concern may expand its present production capacity by adding more machines or by replacing old machines with the new machines with higher productive capacity. The internal expansion can also be undertaken by taking up the production of more units or by entering new fields on the production and marketing sides. Internal expansion may be financed by the issue of more share capital, generating funds from old profits or by issuing long-term securities. The net result of internal expansion is the increase in business activities and broadening the present capital structure.

### **External Expansion or Business Combination**

External expansion refers to business combination where two or more concerns combine and expand their business activities. In the process of combination, two or more units engage in similar business or related process or stages. Sometimes stages of the same business join with a view to carry on their activities or shape, their policies on common basis some other or in coordination for mutual benefit or maximum profits. The combination may be among competing units or units engaged in different processes. After combination, the constituted firm pursues some common objectives or goals.

## • **Business Risk**

Business risk is defined as the possibility of occurrence of any unfavourable event that has the potential to minimise gains and maximise loss of a business. In simple words, business risks are those factors that increase the chances of losses in a business and reduce opportunities of profit.

These factors are not under the control of the business and result in declining profits of the business.

The following are some of the nature or characteristics of business risk:

1. Business risk arises due to uncertainties. Uncertainty is when it is not known what is going to happen in future. Examples of uncertainties that affect a business are, change in government policy, change in demand, change in technology, etc.
2. Risk is an essential part of the business. The risk involved in a business can be reduced to some extent but it is not possible to eliminate the risk involved.
3. Every business has risk which varies in severity based on the type of business. For example a large corporation or business will carry more risk as compared to small scale businesses.
4. Businesses take risk with the motive or expectation of earning profit.

### **Types of Business Risk**

Following are the types of business risk:

1. **Strategic Risk:** Strategic risks are such that can happen to a business at any time. This could be due to the change in customer preferences. Hence, businesses need to have a real time feedback system for recognising customer feedback.
2. **Compliance Risk:** Compliance risk relates to the risk that arises from the changing rules by a regulatory body or government that a company needs to adjust accordingly and implement the same in their operations.
3. **Financial Risk:** Financial risk is related to the financial health of the business. It relates to the companies ability to carry on operations in case of non-payment by some clients.
4. **Operational Risk:** Operational risk is where there is a risk arising from the execution of the processes or operations of the business. It can be due to sudden breakdown of machinery or the system which can result in delay in operations, that can be detrimental to the business.

### **Causes of Business Risk**

Some of the causes of business risk are as follows:

1. **Natural Causes:** Natural causes of business risk include natural calamities like earthquake, tsunami, tornado, famine, floods and drought, etc. Humans and businesses do not have a control over the natural causes and there certainly isn't any kind of preparation that can be undertaken for such a business risk.
2. **Human Causes:** The human causes of business risk are due to the loss of business that arises from changes in customer preferences, employee mindset, agitation by workers, negligence by employees, strikes and lockouts.

3. **Economic Causes:** Economic causes of business risk arise from changes in the different economic factors such as increasing competition, changing market conditions, increase in price of raw materials, production cost and wages.

- **Entrepreneurial Exit**

Given the innovative nature of Startups, a significant percentage fail to succeed. As per surveys, 90 percent of Indian startups fail in the first five years. It is often useful to start planning for an exit in the early stages of the company's life as early planning helps founders structure their business towards their desired outcome.

Your exit strategy can influence many aspects of your business such as its legal structure, the types of revenue models you should adopt, the trade offs between investing for long vs short-term growth, the types of investors you should seek, etc.

At the time of winding up enterprises, regulatory compliances and default penalties are issues founders should stay on top of. Taking in account the exit scenario firms should take in consideration following points:

**a) Manage your cash flow**

Use your cash judiciously and make sure you have good support in managing cash flow. That next round of funding may come later or not at all; Make sure you pay your small suppliers also, not just your big creditors; the small suppliers may resort to unconventional means to get payments back. Keep a dashboard of warning signs if something is going seriously wrong. This could include repeated delays in payment of salaries, taxes and vendor dues.

**b) Co-founder agreements**

Co-founder disputes can lead to a startup falling apart, or lead to complications during tough times. Put in place mediation clauses that will permit opportunities for facilitated negotiation with a neutral mediator at an early stage of the disagreement; this can help prevent disputes from getting ugly and destructive.

**c) Your strength is your weakness**

Entrepreneurs by nature are optimistic and may often believe that some solution will appear and funds or other support will definitely emerge as long as they stay the course and slog on. But this can blind some of them to the fact that they need to spend some time thinking of avoiding a doomsday scenario, and develop an 'Exit Plan B' of shutting down.

- **Planning an Exit Strategy for Your Business**

Every exit strategy has advantages and disadvantages. The chart given below highlights both and may provide you with some considerations. These exit strategies can take a business to its next stage. As the business transitions to the next stage, you may end your involvement or remain with the business in a new role.

Type of Exit Strategies	Description	Advantages	Disadvantages
<b>Merger with Another Company</b>	Company joins with an existing company.	Owner may receive cash and/or stock, resources of both companies are combined, and some of the management may remain constant.	New owners or managers may have different philosophies or ways of doing business, existing staff may have less control, and blending the two cultures may be difficult.
<b>Acquisition by Another Company</b>	Company is bought out by another existing entity	Owner receives cash or stock for the sale and management contract is negotiable for the owner to stay on during transition.	Fit is not always appropriate for the business or employees, and the corporate identity or brand may diminish.
<b>Sale of the Company</b>	Company is sold to individual (s)	Owner may receive cash immediately or over time	May be difficult to find the right buyer at the right price and changes in ownership may be difficult for employees.
<b>Franchise of the Company</b>	The business concept is replicated and the company expands locally, regionally, nationally, or internationally.	Owner receives cash for each franchise, current corporate management is maintained, and the enterprise sees an opportunity for large scale growth.	Process may be difficult and time-consuming, and the business concept may not be appropriate for franchising.

- **Faster Exit for Startups – Start Up India**

The Start Up India Scheme aims to make it easier for Startups to wind up operations. In the event of a business failure, it is critical to reallocate capital and resources to more productive avenues and accordingly a swift and simple process has been proposed for Startups to wind-up operations. This will promote entrepreneurs to experiment with new and innovative ideas, without having the fear of facing a complex and long-drawn exit process where their capital remain interminably stuck.

The Insolvency and Bankruptcy Bill 2015 (“IBB”), tabled in the Lok Sabha in December 2015 has provisions for the fast track and / or voluntary closure of businesses.

In terms of the IBB, Startups with simple debt structures or those meeting such criteria as may be specified may be wound up within a period of 90 days from making of an application for winding up on a fast track basis. In such instances, an insolvency professional shall be appointed



for the Startup, who shall be in charge of the company (the promoters and management shall no longer run the company) for liquidating its assets and paying its creditors within six months of such appointment. On appointment of the insolvency professional, the liquidator shall be responsible for the swift closure of the business, sale of assets and repayment of creditors in accordance with the distribution waterfall set out in the IBB. This process will respect the concept of limited liability.

Success and failures are common place in a business and particularly in an entrepreneur's life. Timely course correction or decisions to pivot or exit will be crucial to the success of a concept or a company. Startups on their part must understand the importance of this phenomenon and take decisions judiciously.

## CHAPTER 15

### LIFE SKILLS & SELF CARE

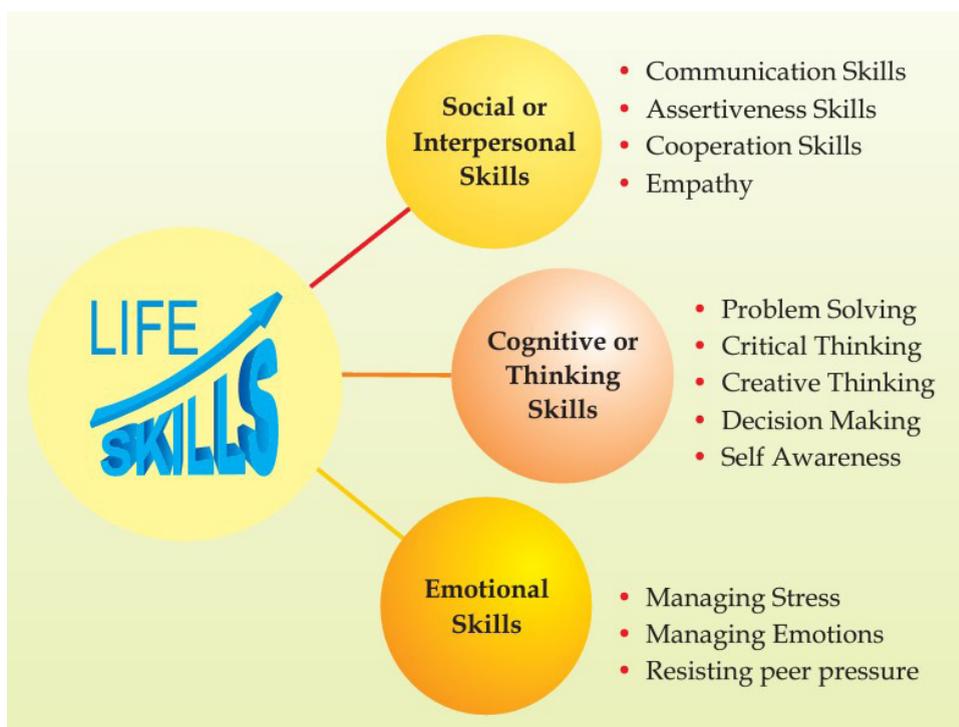
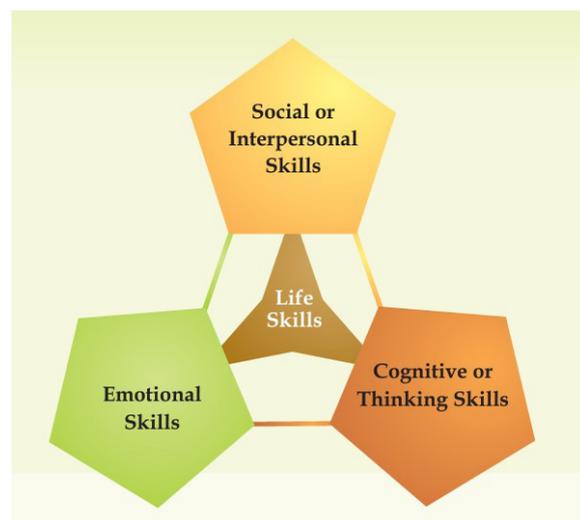
Life Skills are psychosocial abilities that enable individuals to translate knowledge, attitudes and values regarding their concerns into well informed and healthy behaviours. Empowered with such skills, young people are able to take decisions based on a logical process of “what to do, why to do, how to do and when to do”.

WHO defines Life Skills as “the abilities for adaptive and positive behaviour that enable the individuals to deal effectively with the demands and challenges of everyday life”. Here ‘adaptive’ means that a person is flexible in approach and is able to adjust in different circumstances and ‘positive behaviour’ implies that a person is forward looking and even in challenging situations, can find a ray of hope.

#### • Key Life Skills

Life Skills include psychosocial competencies and interpersonal skills that help people make informed decisions, solve problems, think critically and creatively, communicate effectively, build healthy relationships, empathize with others, and manage their lives in a healthy and productive manner. Life Skills fall into three basic categories which compliment, supplement and reinforce each other:

These three basic categories further include the following skills.



WHO has identified ten core Life Skills



**Self Awareness** includes the recognition of 'self', our character, our strengths and weaknesses, desires and dislikes. Developing self awareness can help us recognize when we are stressed or under pressure. It is often a prerequisite to effective communication and interpersonal relations, as well as for developing empathy.

**Empathy** is required to develop a successful relationship with our loved ones and society at large. It is the ability to imagine what life is like for another person. Without empathy, our communication with others will amount to a one-way traffic. It can help us to accept others, who may be very different from ourselves. This can improve social interactions, especially, in situations of ethnic or cultural diversities. Empathy can also encourage nurturing positive behaviour towards people in need of care and assistance, or tolerance, as is the case with AIDS sufferers, or people with mental disorders, who may be stigmatized and ostracized by the very people they depend upon for support.

**Critical Thinking** is an ability to analyze information and experiences in an objective manner. Critical Thinking can contribute to a well balanced way of life by helping us to recognize and assess the factors that influence attitudes and behaviour, such as values, peer pressure and the media.

**Creative Thinking** is a novel way of seeing or doing things that is characteristic of four components-fluency (generating new ideas), flexibility (shifting perspective easily), originality (conceiving of something new), and elaboration (building on others' ideas). Decision Making helps us to deal constructively with decisions about our lives. It can teach people how to actively make decisions about their actions in relation to a healthy assessment of different options and, what effects these different decisions are likely to have.

**Decision Making** skills are all of the skills we need to make an informed, rational decision. Someone with good decision-making skills at work can assess all the facts, understand the organisation's current state and goal state, and choose the best course of action.

**Problem Solving** helps us to deal constructively with problems in our lives. Significant problems that are left unresolved can cause mental stress and give rise to accompanying physical strain.

**Interpersonal Skills** help us to relate in positive ways with people we interact. This may mean being able to make and keep friendly relationships, which can be of great importance to our mental and social well-being. It may mean maintaining good relations with family members who are the most important source of social support. It may also mean an ability to end relationships constructively.

**Effective Communication** means that we are able to express ourselves, both verbally and non-verbally, in ways that are appropriate to our cultures and situations. This means being able to express opinions and desires, and also needs and fears. And, it would also mean being able to ask for advice and help in the time of need.

**Coping with Stress** means recognizing the sources of stress in our lives, recognizing how they affect us, and how we act in a way that helps us control our levels of stress by changing our environment or lifestyle, and learning how to relax.

**Managing Emotions** means recognizing emotions within us and others, being aware of how emotions influence behaviour and being able to respond to emotions appropriately. Intense emotions like anger or sadness can have negative effects on our health if we don't respond to them appropriately.

**All these skills are interrelated and reinforce each other. Together, they are responsible for our psychosocial competence; build our self-esteem and self efficacy and nurture holistic development.**

### **Who needs Life Skills?**

Everyone and anyone who wants to lead a meaningful life, needs Life Skills. They are applicable to all ages of children and adolescents in schools since, young people in this age group seem to be most vulnerable to behaviour related health problems. Life Skills are thus needed for the promotion of good health and well being, rather than as an intervention aimed only at those already at risk.

- **Expression and Communication**

### **The Communication Loop**

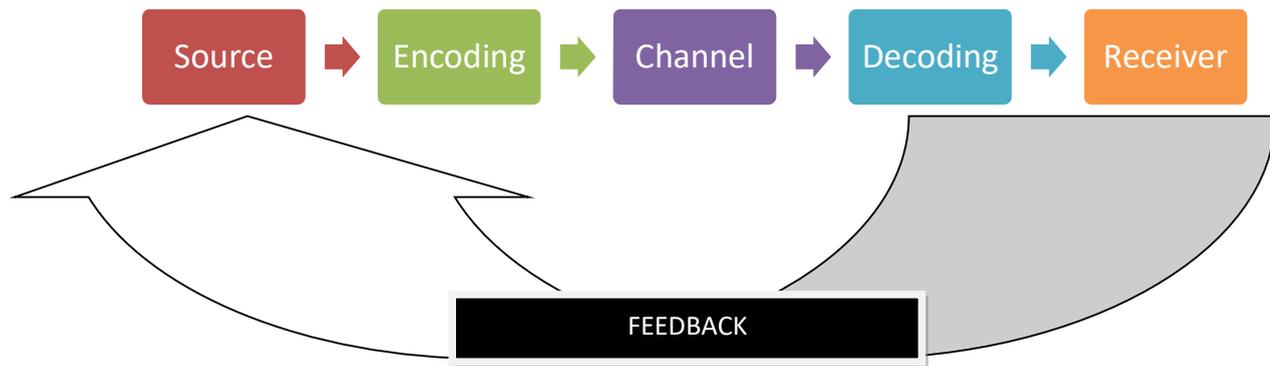
Read the following cases:

- 1) During the Mughal era, royal pigeons were used for carrying royal or state mail. Pigeons were trained and housed in the royal palace. The sender holds the receiver's pigeons prior to release. Messages were written on thin paper rolled into a small tube attached to the bird's leg. Once released, the pigeons used their homing system to deliver the message. The receiver sends another pigeon as an acknowledgement of the message.
- 2) Muskaan has an innovative idea to purify and convert waste water from homes into drinking potable water. She wants to set up a water treatment plant in her village. To obtain the required funds to setup the unit, she approaches a bank with a ten page 'Business Proposal' outlining her plans. The bank agrees to fund her treatment plant and writes a letter to Muskaan asking her to come to the bank for preliminary discussions.

- 3) Sagar is a manager at an electronics firm. He approaches his reporting officer, Kiran, with a request to grant him a month of paternity leave to assist his wife. Kiran empathizes with his situation but says that the current rule provides for only 15 days of paternity leave. However, she informs Sagar that she would take up the matter with her boss and ask him to consider Sagar's request. She asks Sagar to write a formal email in this regard.
- 4) Senthil suffers from hearing impairment and communicates through sign language. He takes deep interest in social issues. The recent lynching of a couple who were involved in an inter cast marriage moved him deeply. He took to social media and uploaded a video registering his protest through sign language along with subtitles. The video went viral which drew the attention of many people to the issue of casteism.

Do you find any commonality in the given situations? Have you noticed that, in all the cases, there's a *sender* of the message, a *receiver* and the *message*.

You might have also seen that the message is encoded by the sender before sending. The message is carried through via a *medium* or a *communication channel* to the receiver who decodes the message. Do you think the process stops here? In all the cases, the receiver sends some sort of message to the sender which is called as the *feedback*. Also, there's an element of disturbance when the message passes through the channels which is called as the *noise*. This whole process is called a 'Communication Loop' and is illustrated below-



### Activity

Now fill in the following table based on above passage. The first row is filled for your reference -

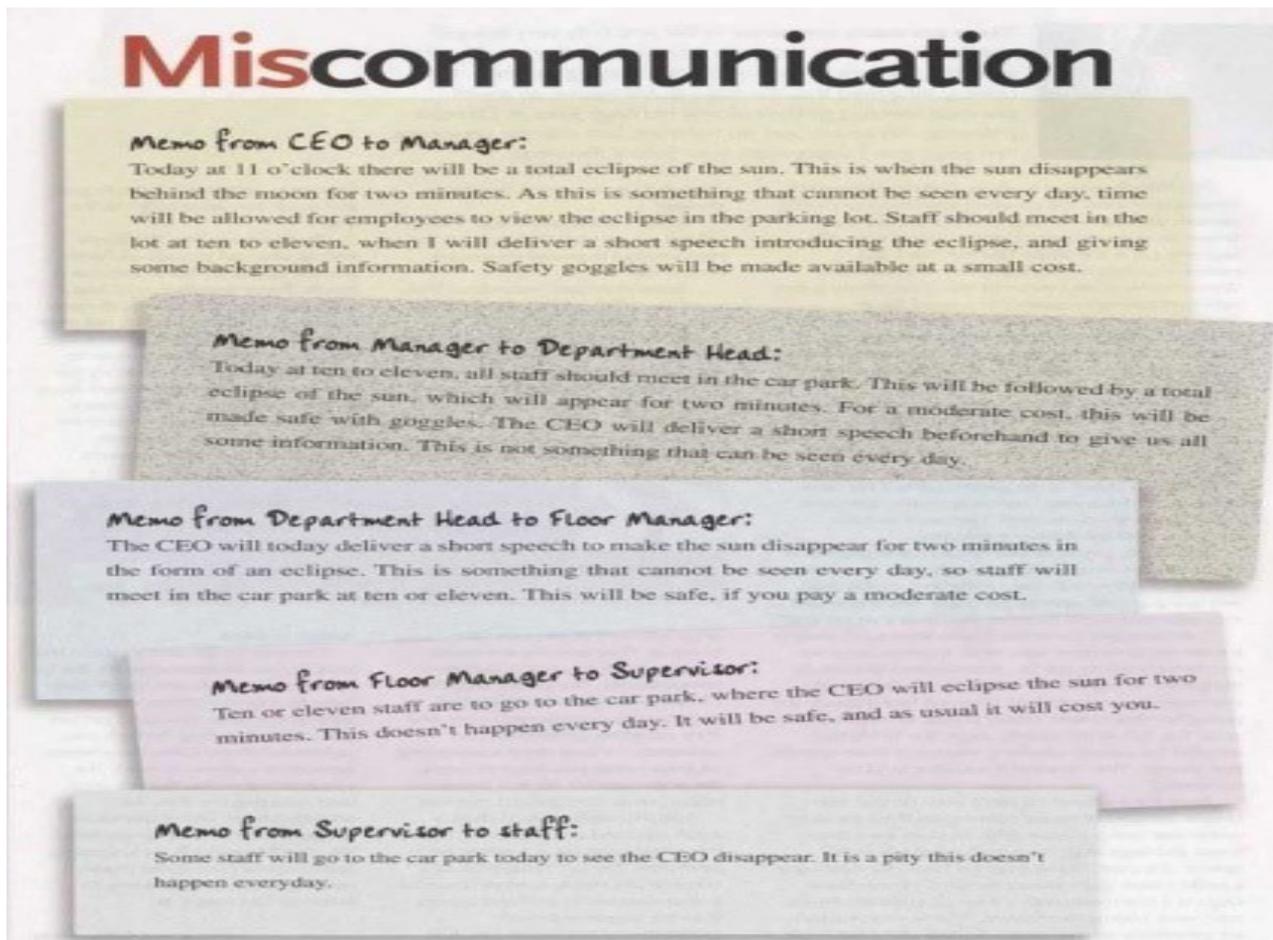
Situation	Sender	Receiver	Channel	Noise	Feedback
<b>Pigeon Post</b>	Mughal Emperor	Royal Court Official	Pigeon	Elements of nature like rain, that can damage the scroll	Pigeon sent by the receiver as an acknowledgement
<b>Muskaan's Business proposal</b>					

Situation	Sender	Receiver	Channel	Noise	Feedback
Pigeon Post	Mughal Emperor	Royal Court Official	Pigeon	Elements of nature like rain, that can damage the scroll	Pigeon sent by the receiver as an acknowledgement
Sagar's leave request					
Senthil's protest					

### Barriers in Communication

Read the case given below:

The CEO of a company feels that his employees should have an opportunity in a safe environment to view a rare "solar eclipse". He conveys his message through a memo so it reaches everyone in the company. The communication flow from the CEO through various departmental heads to the staff is given below:



(Source : <https://in.pinterest.com/pin/414260865696341168/?lp=true>)

Now answer the following:

- Did the message the CEO wanted to communicate reach all the employees of the company in the same manner?

- How accurate was the final memo compared to the initial memo from the CEO?

- Why do you think the contents of the memo changed at every stage of its transmission?

### **Key Take Away**

The communication between the sender and receiver was not clear. The result is confusion and lack of clarity. *Effective communication is when the message conveyed by the sender is understood by the receiver in exactly the same way as it was intended.* When this doesn't happen, the result is miscommunication.

Now tell what would you do to ensure that there wasn't any miscommunication?

### **Key Take Away**

To ensure proper and effective communication, the 7 Cs of communication has to be kept in mind. According to the 7 Cs, communication needs to be:

1. Clear
2. Concise
3. Concrete
4. Correct
5. Coherent
6. Complete
7. Courteous

### **Chinese Whispers**

You may be familiar with the game of 'Chinese whispers'. A person whispers a message into another person's ear and the chain continues till the last person in who says aloud the message whispered into his or her ear. The communication is one way and no questions or clarifications are allowed. Assemble a few your friends and play the game with them. Use the following sentences or any others of your choice.

**“I’d Love eating toasted cheese and tuna sandwiches.”**  
**“The quick brown fox jumps over the lazy dog and says  
hello to the cat.”**  
**“The angry bird’s ate candy and crushed the subway  
surfer.”**  
**“A pink pig and a pesky donkey flew a kite at night.”**  
**“Rabbits rumble, giants grumble, dogs bark in the dark,  
and wolves woo in the blue.”**  
**“Bob the builder rented Oswald’s apartment and  
borrowed Noddy’s car.”**

Now answer the following:

- Did the original message and what the last person in the chain said, match?

- If no, can you identify some reasons as to why they didn’t?

- What would you change in the game so that the message is passed on correctly?

## Non Verbal Communication

Plays, dramas, skits and movies are good examples regarding the power of communication. You must have seen the English comic actor Charlie Chaplin's movies who rose to fame in the era of silent film. Movie like many of the earliest movies did not have any dialogues at all.

How do you think the viewers understood such movies?

In such 'silent movies', the story was told through actions, gestures, expressions and posture. This is referred to as non-verbal communication.

The forms of non-verbal communication is as follows:

Type of Communication	Example
Fascial Expressions	The smiling face of a child upon seeing her/his favorite toy may indicate happiness.
Posture	The raised arms and shoulders of a sportsman after winning a competition may indicate triumph.
Gesture	'V - Sign' displayed by sportsmen as a mark of victory.
Eye Contact	An eye stare by a stranger gives rise to negative emotions.
Touch	A pat on the shoulder by parents on the child's shoulder as recognition of the child's achievement.
Space	The feeling of discomfort in an elevator filled with complete strangers.

