

Subject: Entrepreneurship & Start-up

Chapter:1

Introduction to Entrepreneurship & Start-up

Definition: Entrepreneurship

- Entrepreneurship is the **ability and readiness to develop, organize and run a business** enterprise along with any of its uncertainties in order to make a profit with innovative idea. The most prominent example of entrepreneurship is the starting of new businesses.

Definition: Entrepreneur

A person who makes money by starting or running businesses, especially when this involves taking financial risks and innovative idea.

Traits(Qualities) of an Entrepreneur

- 1.Flexibility
- 2.Foresight
- 3.Optimistic
- 4.Risk taker
- 5.Resourcefulness
- 6.Managerial skill
- 7.Achievement Motivation
- 8.Initiative
- 9.Creativity
- 10.Assertive
- 11.Positive outlook

12. Perseverance

13. Enterprising nature

14. Quick decision Maker

Functions of Entrepreneurship

1. Optimum use of scarce economic resources

2. Creation of employment opportunities

3. Technology & Innovation development

4. Enhancement in Physical happiness

5. Promotion of Economic Co-operation

6. Exchange of culture & civilization

Types of Entrepreneurship

- ☐ Small Business Entrepreneurship
- ☐ Scalable Startup Entrepreneurship
- ☐ Large Company Entrepreneurship
- ☐ Social Entrepreneurship

1. Small Business Entrepreneurship-

- ☐ These businesses are a **hairstylist, grocery store, travel agent, consultant, carpenter, plumber, electrician**, etc.
- ☐ These people run or own their own business and **hire family members or local employee**.
- ☐ For them, the profit would be able **to feed their family** and not making 100 million business or taking over an industry.

- ☐ They fund their business by **taking small business loans or loans** from friends and family.

2. Scalable Startup Entrepreneurship

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

3. Large Company Entrepreneurship-

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

4. Social Entrepreneurship

- ☐ Educational programs, a non-profit organization that works to improve the quality of education in rural areas of India.
- ☐ providing banking services in underserved areas,
- ☐ and helping children orphaned by epidemic disease.
- ☐ Food at lower cost
- ☐ Trust's Dharmshala at tourist place
- ☐ Selling notebook at lower cost.

Intrapreneurship

The term intrapreneurship refers to **a system that allows an employee to act like an entrepreneur** within a company or other organization.

Motivation for Intrapreneurship

- ☐ **Provide the right culture** – one that encourages thinking outside of the box and different perspectives.
- ☐ **Challenge your staff.** Make sure there is time set aside for idea generation, problem solving and business proposals. Encourage collaboration and critical thinking.
- ☐ **Be clear what your business is looking for.** Do you need to improve a particular product or solve a problem?
- ☐ **Offer incentives**, whether this is monetary or simply praise and recognition.
- ☐ **Empower your team by giving them ownership of their ideas and time to test them.**
- ☐ **Acknowledge that the idea or project may fail.** Make sure you don't have a blame culture and that you learn from both successful and failed projects. If your staff fear failure, they'll come up with less innovative ideas.

Types of Business Structure

1. Sole Proprietorship
2. Partnership Firm
3. Joint stock company
4. Co-Operative Society

1. Sole Proprietorship

The **individual person owns and manages the business** is known as the Sole proprietorship.

Characteristics of Sole Proprietorship

- ❖ Capital contribution by single owner.
- ❖ Single handed management & control
- ❖ Unlimited liability- Property risk
- ❖ Result by single owner
- ❖ Quick decision making is possible
- ❖ Personal contacts with employees & consumers
- ❖ Best Suited for the businesses with less capital, having local market, production, distribution

Advantages of Sole Proprietorship

- ❖ Simple formation & easy dissolution.
 - ❖ Quick decisions and prompt action
 - ❖ Business secrecy can be maintained.
 - ❖ Single claimant on the returns
 - ❖ Personal contacts with employees
 - ❖ Close contacts with customers
 - ❖ Simple Management
 - ❖ Careful management due to close matching between efforts and returns
- Provide self employment.

Disadvantages of Sole Proprietorship

- ☐ Limited amount of capital contribution
- ☐ Absence of the specialization
- ☐ Unlimited liability risking the private property
- ☐ Immature and hasty decisions
- ☐ Entire loss will be bearing by one person
- ☐ Limited span of existence
- ☐ Excessive dependence on the single-man causing chaos in his absence.

2.Partnership Firm

Definition

It is a form of business organization under which business is **owned & managed by two or more persons.**

Characteristics of Partnership Firm

Association of two or more persons

Agreement

Lawful business- not support the illegal businesses

Profit sharing in agreed proportion.

Mutual Agency

Advantages of Partnership Firm

Simple formation

large capital

Division of labor and specialization

Division of the business risk

Maturity and quickness in Decisions

Business secrecy

Flexibility in Business operation

Simple dissolution

❖ Disadvantages of Partnership Firm

Limited Capital

Absence of Good Management

Limited Life-span of Business

No direct relation between Efforts and Rewards

Mutual conflict

Transfer of Capital and Share is difficult

Lack of Public Confidence

3. Joint stock company

it is a business organization that is **owned jointly by all its shareholders.**

Characteristics of Joint stock Company

Artificial Legal Person

Separate Legal Entity & Powers

Incorporation or Registration

Perpetual Succession No effect of Aging or death

Limited Liability up to face value of the share

Common form of shares

Transferability of Shares

Advantages of Joint stock Company

Limited liability of its members.

Transferability of Shares is easy

Democratic management as a company hires a board of directors

Huge capital by Public issues

Diffusion of business risk among large numbers of shareholders

Can create better credit in business circle

Creation of huge employment opportunities.

Improve Standard of living of people

Disadvantages of Joint stock Company

Complex legal formalities

Stakeholders look out for their benefit and it often leads to a conflict of interest.

Misuse of Internal information reduce market price

The decision-making process is delayed due to certain legal formalities like meetings

Lack of initiative and personal interest as found in Partnership and sole proprietorship firm.

4. Co-operative Societies

Definition

It is a voluntary association of persons formed for their common economic, Social, and cultural needs.

Characteristics of Co-operative Societies

Voluntary Association

Open Membership

Service Motive

State Control

Democratic Management

Separate Legal Entity

Distribution of Surplus

Voting Right per person

Restriction on transfer of shares

Advantages of Co-operative Societies

Voluntary organization

Ease of formation

Democracy

Equitable distribution of surplus

Limited liability

Stable existence

Each for all and all for each

Greater identity of interests

Government support

Elimination of middlemen

Low taxes

Role in agricultural progress

Disadvantages of Co-operative Societies

Limited funds

Over reliance on government funds

Imposed by government

Benefit to rural rich

Lack of managerial skills

Government regulation

Misuse of funds

Inefficiencies leading to losses

Lack of secrecy

Conflicts among members

Lack of motivation

Comparison between Entrepreneur and Manager

Particulars	Entrepreneur	Manager
Meaning	persons who establish a company or enterprise and takes a financial risk to get profits.	responsible for administering and controlling a group of people in the company or enterprise.
Position in the company	They are the owners of the company.	They are the employees of the company.
Focus	They focus on business startups.	They focus on ongoing operations.
Risk	They bear all financial and other risks.	They do not bear any risks.
Focus	They focus on starting the business and expanding the	They focus on the daily smooth functioning of the

	company.	company.
Motivation	Their key motivation is the achievements of the company.	Their motivation comes from the power that comes with the position.
Reward	Their reward is the profit they earn from the company.	Their reward is the salary they draw from the company.
Approach	They can be casual in their role and have an informal approach.	Their approach to every problem is formal, and they take a scientific approach.
Nature of decisions	They are risk-takers. They take calculated risks to drive the company.	They are risk-averse. Their job is to maintain the status quo of the company.
Decision making	The decisions tend to be intuitive.	The decisions are calculative.
Specialisation	They do not need to be specialized in any particular trade.	They are trained to perform tasks and are specialists in their domain.

7-M resources

- (1) Man
- (2) Material
- (3) Machine
- (4) Money
- (5) Method
- (6) Management
- (7) Moral values

1. Man - Man in management is referred as a human resource. Even in the automated world no organization can flourish without human resource. For instance a aviation Industry may have automated aircraft still it needs flight crew to cater & assist the needs of their boarded air travelers. In terms of management recruitment ,selection ,training promotion ,grievances

handling. payment of compensation gratuity, termination of services are the few issues that have to be dealt effectively to retain the talent within an organization.

2. Material- Material is a basic ingredient in management be it a service industry or a product industry. Most of the industries locate themselves nearby to the availability of material. For instance a mineral water factories In [India](#) are mostly located in the Himalaya where a fresh source of water, which is also a raw material to these companies are available. Similarly services industries such as banking Insurance Hair Dressing Saloons etc. are located near its existing and prospective clients. Perishable products such as dairy products locate themselves where well connected transportation and distribution facilities are available.

3. Machine -Machine are the basic tools to produce goods or to generate services. Selection of an appropriate machine not only enhances efficiency but also saves times and increases revenue. Tailoring the requirement of the organization, Selections of a right technical machine and equipment, availability of spare parts, evaluation of after sales services, substitutes and technology and the organization budget are the crucial criteria while purchasing a machine. Maintenance and overhauling issues along with its life span also cannot be overlooked. In service Industry Technology matters a lot these days we are having Computers & peripherals as a major machine to serve the service clients.

4. Money- Money issue in management involves right from where an enterprise is established and the owner brings money in the business. Various long term and short term sources of finances are determined, Loans and advances are taken management is done to meet day to day business requirements and the funds involved in meeting those requirements are known as working capital. Investments in assets patents are done and proposals are screened according to the pay back period. In payback period only those investments are preferred which returns the invested money in less time span. Similarly there are other criteria of evaluating investments such is Internal Rate of Return where only those investments are selected which has higher returns. Similarly proposals are also screened on the basis of Net present Value which asserts that a value of a rupee will worth a penny tomorrow.

5. Method- Every thing has a right way to do and this right way is known as a Method in management. In short it means an art of doing. A set of procedures and instructions is known as a method. For instance to obtain a credit card a customer follows a following series of steps filling a credit card application, attaching required documents and submitting to a bank representative. While processing the credit card application The form filled by the customer is checked. Documents are verified and customer verification is done. Credit card is dispatched by generating pin to a courier company for the final delivery to the customer and records are maintained. All these standard procedures are known as method in management.

6. Management- The functions of management involves planning controlling leading organising decision making of business areas in Marketing, Production, Sales, Research & Development, Human Resource, Finance, Operations Etc. It includes Business tactics and strategy application. Few traditional management most heard are Strike when the iron is

hot , No free lunch, etc. There are various levels of management Top level takes all major and crucial decisions and frames organization mission ,vision and objectives .Middle level management gives direction to lower level management of how to implement those business objectives. Policies are framed and work method are determined to get set and Go.

7. Moral Values -Every enterprise exist in a society and must conduct businesss by fair means .It must include the welfare of its stakeholders (also known as Corporate Governance) like shareholders, buyers suppliers,employees.The paramount consideration of welfare must not be overlooked in the blind race of profit making. Government policies rules and regulations also governs this aspect of management .Consumer Courts are opened. Legal penelities againt violation of corporate law are framed and it is anobligatory requirement to abide by these laws and regulations if an organization wants to exist in an society.



MICRO, SMALL & MEDIUM ENTERPRISES
सूक्ष्म, लघु एवं मध्यम उद्यम
OUR STRENGTH • हमारी शक्ति

Ministry of MSME, Govt. of India

Classification of business As per MSMED act,2006

1. Manufacturing Unit

2. Service Unit

TYPE OF UNIT	Manufacturing UNIT
1. Micro enterprise	Not more than Rs.1 crore
2. Small enterprise	Not more than Rs.10 crore
3. Medium enterprise	Not more than Rs.50 crore Upto 5 crores

Registration process of an Enterprise

- ☐ The registration procedure under MSMED act, 2006 is as under.
- ☐ The registration is **classified into following two categories** based on **Entrepreneurs memorandum (EM)**

☐ **Registration of EM part I**

- a. For new unit of physical product manufacturing

2. Registration of EM part II

- a. For existing unit
- b. Service unit

Registration process of an Enterprise

- ❑ Registration is done at **DIC- District Industries centre**
- ❑ **26 districts** have one individual DIC.
Central DIC -Udhyog Bhavan at Ghandhinagar

Advantage of Registration with MSME

1. Financial Assistance from Bank
2. Subsidy of 25%
3. Interest benefit
4. Easy Import License
5. Relief in Electricity duty
6. Easy conversion of Agriculture land into NA
7. For CSPO registration(Central store purchase organization)
8. For assistance from State & National Govt.

Registration of Business Enterprises on the basis of Ownership Form

Non- Corporate Form:

1. Self- Help Group:

Registration at DDA(District Development Agency
& DIC(District Industries Center)

2. Sole-Proprietorship:

- Bombay Shops & establishment act
- by Local Panchayat, Nagarpalica, Municipality.

3. Partnership firm:

- Under Indian Partnership act, 1932.
- State Registrar of Firm

4. Hindu undivided family business

- As per Hindu law

Corporate structure:

5. Joint stock company

- Company act 1956 , now 2013.
- By Company Register appointed by central Govt.

6. Co-operative society

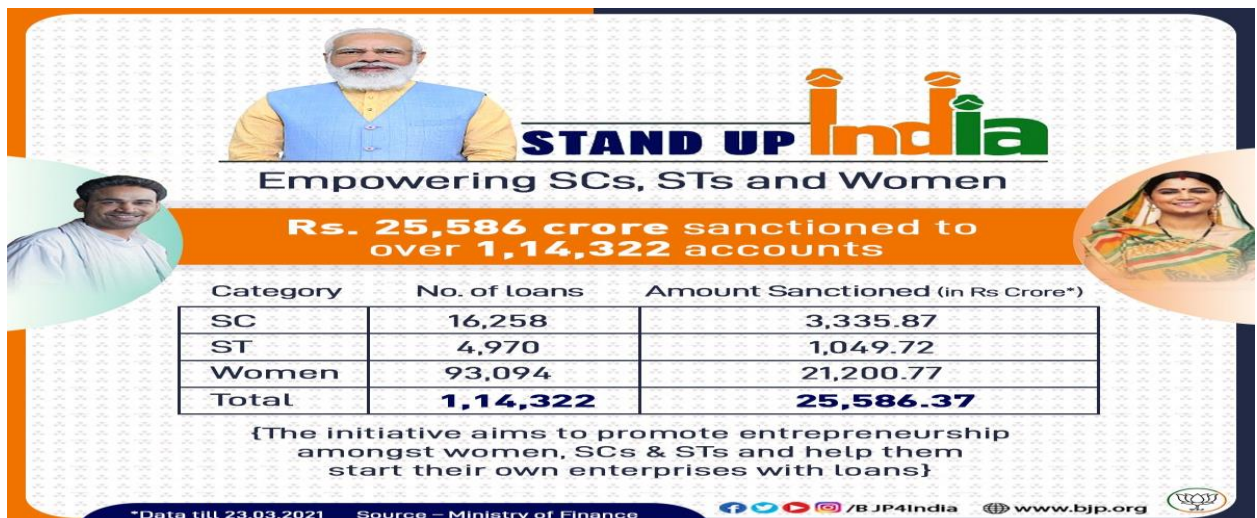
- Central co-operative society act,1912
- Gujarat state co-operative society act,1962

7. Government corporation

- made under Central and Co-operative society act of 1912
- For example- Indian oil corporation

Start-up India

- Startup India is a flagship initiative of the Government of India, intended **to build a strong eco-system for nurturing innovation and Startups** in the country that will drive sustainable economic growth and generate large scale **employment opportunities**.



- The Stand-Up India Scheme seeks to leverage the institutional credit structure to reach out to the underserved sector of people such as **Scheduled Caste (SC), Scheduled Tribe (ST) and Women(all strata)** entrepreneurs so as to enable them to participate in the economic growth of the nation.
- These bank loans will range from **Rs 10 lakh to Rs 1 crore**.

- ☐ With the help of this scheme, at least one scheduled caste or scheduled tribe borrower and at least one woman borrower per bank branch will be provided a loan for setting up a Greenfield Enterprise.
- ☐ The Main objective of stand-up india is to facilitate bank loans between **10 Lakh to 100 Lakh**.
- ☐ Stand up India provides digital portal based on **main 03 pillars**.
- ☐ (1) Handholding Support
- ☐ (2) Providing information on Financing.
- ☐ (3) Credit Guarantee
- ☐ Potential entrepreneur can navigate through interactive portal for **support services such as training,**
- ☐ **skill development programs,**
- ☐ **mentorship,**
- ☐ **guidance etc** or register for loan by accessing the portal.
- ☐ The portal also **provides crucial links** to state & central SC/ST corporations, industry associations of SC/ST and Women.



Student Startup and Innovation Policy (SSIP)

- ☐ Government of Gujarat has developed a policy for providing **assistance to Startups/ Innovation**.
- ☐ Under this scheme, any individual/ group of individuals **having innovative idea/ Concept will be eligible** and/ or Universities/ education institutions, Incubation Centre/ PSUs/ R&D Institutions/ Private and other establishments will be eligible as **an institution to support and mentor to innovators** as approved by Committee.
- ☐ Startups in an economy's technology sectors is an important indicator of technological performance for several reasons.

Goals and Objectives of SSIP:-

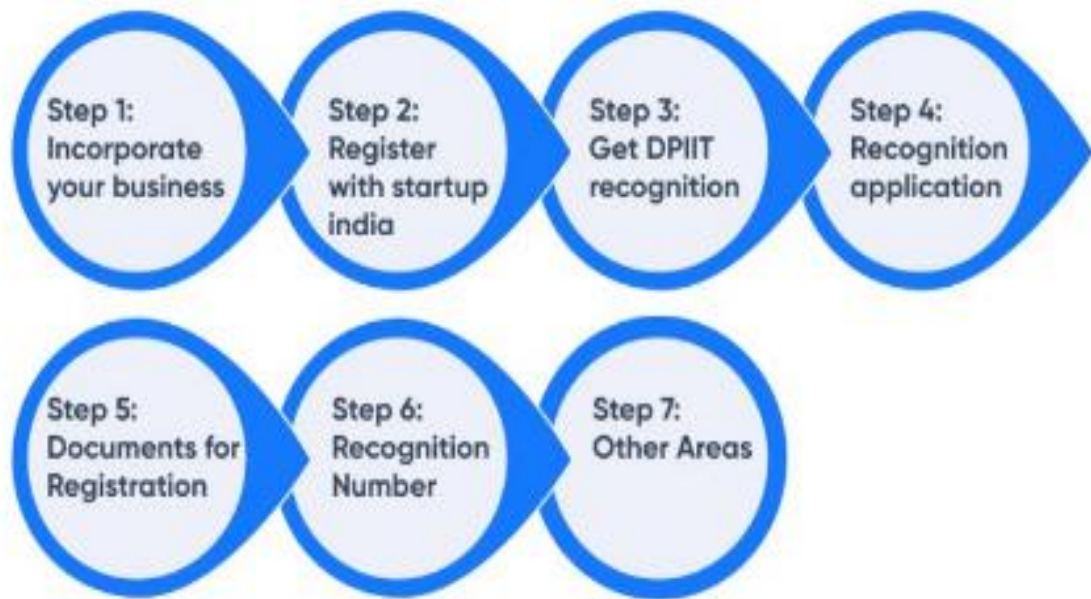
- ☐ Outreach and sensitize **5 million students** for innovation and entrepreneurship, covering at least **1000 Higher Educational Institutions (HEIs) and 10,000 Schools of the State**.
- ☐ **Support to 10,000 student-led Proof-of-Concepts (PoCs/Prototype)**.
- ☐ **Assistance to 5000 IP filings**.
- ☐ Build capacity for at least 500 educational institutions and universities in the State, to have a robust **pre-incubation support system** for beneficiaries.
- ☐ Nurture **1000 school student-led innovations**.

- ☐ Groom **1500 student Start-ups** and upscale existing Start-ups.
- ☐ **Incubate 500 Start-up** (physical and virtual).
- ☐ Support to 500 Start-up under Start-up Srujan Seed Support (Up to INR 10 Lac).

Support to Individual Students/Beneficiaries by SSIP

- ☐ Maximum **INR 2.50 Lakh per PoC/Prototype /Innovation**
- ☐ **IP Support up to 100% of expenses**
- ☐ Exposure to **Tinkering Lab, Innovation Lab, Incubation Centers**
- ☐ Large scale **sensitization, events, and programs for developing Scientific Mindset.**
- ☐ **Collective/Community level support system** and activities
- ☐ **Capacity Building**

Start-Up registration process in india



Step 1: Incorporate your Business

- ☐ You can **incorporate a Private Limited Company or a Limited Liability Partnership (LLP)** by filing the registration application to the Registrar of Companies (ROC) of your region.
- ☐ You can **establish a Partnership Firm** by filing the application for registration of your firm with the Registrar of Firms of your area.
- ☐ You need to **submit the required documents and fees** to the Registrar of Companies or Registrar of Firms along with the registration application.

Step 2: Register with Startup India

- ☐ Then the **business must be registered as a startup**.
- ☐ The entire process is simple and online. Visit the Startup India website and click on the 'Register' button .

- ☐ Enter your name, email ID, mobile number, password and click on the 'Register' button.

Step 3: Get DPIIT Recognition

- ☐ **Department for Promotion of Industry and Internal Trade (DPIIT) Recognition**
- ☐ This recognition helps the startups to avail **benefits** like access to high-quality intellectual property services and resources,
- ☐ relaxation in public procurement norms,
- ☐ self-certification under labour and environment laws,
- ☐ easy winding of company,
- ☐ access to Fund of Funds,
- ☐ tax exemption for 3 consecutive years and tax exemption on investment above fair market value.
- ☐ For getting DPIIT Recognition, log in with your registered profile (account) credentials on the Startup India website and click on the 'Apply for DPIIT Recognition' option under the 'Recognition' tab.
- ☐ On the next page, click on 'Apply as Company or LLP' or 'Apply as Partnership Firm'. When clicked on the 'Apply for Company or LLP' button, it will redirect to the National Single Window System (NSWS) website. Companies and LLPs should register on the NSWS website and add form 'Registration as a Startup' to get DPIIT recognition.

Step 4: Recognition Application

- ☐ On the 'Startup Recognition Form', you need to fill the details such as the entity details, full address (office), authorised representative details, directors/partner details, information required, startup activities and self-certification. Click on the plus sign on the right-hand side of the form and enter each section of the form.

- ☐ After entering all the sections of the 'Startup Recognition Form', accept the terms and conditions and click on the 'Submit' button.

Step 5: Documents for Registration

- ☐ Incorporation/Registration Certificate of your startup
- ☐ Proof of funding, if any
- ☐ Authorisation letter of the authorised representative of the company, LLP or partnership firm
- ☐ Proof of concept like pitch deck/website link/video (in case of a validation/ early traction/scaling stage startup)
- ☐ Patent and trademark details, if any
- ☐ List of awards or certificates of recognition, if any
- ☐ PAN Number



Step 6: Recognition Number

- ☐ That's it! On applying you will get a recognition number for your startup. The certificate of recognition will be issued after the examination of all your documents which is usually done within 2 days after submitting the details online.
- ☐ However, be careful while uploading the documents. If on subsequent verification, it is found to be obtained that the required document is not uploaded/wrong document uploaded or a forged document has been uploaded then you shall be liable to a fine of 50% of your paid-up capital of the startup with a minimum fine of Rs. 25,000.