KARNAVATI
UNIVERSITY

UNIT-I (INTRODUCTION TO ENTREPRENEURSHIP)

Entrepreneurship: Concept

Entrepreneur: The entrepreneur is defined as someone who has the ability and desire to establish, administer and succeed in a startup venture along with risk entitled to it, to make profits.

The term entrepreneur is a French word, and is derived from the French word “**enterprendre”.** It means **“to undertake”.** It is commonly used to describe an individual who organizes and operates a business or businesses, taking on financial risk to do so.

Around 1700 A.D. the term was used for architects and contractor of public works. In many countries, the term entrepreneur is often associated with a person who starts his/her own new business.

Definition

Adam Smith’s definition – “The entrepreneur is an individual, who forms an organization for commercial purpose. She/he is proprietary capitalist, a supplier of capital and at the same time a manager who intervenes between the labour and the consumer. “Entrepreneur is an employer, master, merchant but explicitly considered as a capitalist”.

Basic theoretical concept & contents of the topic

The entrepreneurship was first established. In the 1700 and he mining has evolved. The entrepreneurship is very an old concept according to which anyone who runs business is called an entrepreneur.

Economic growth hinges upon entrepreneurship. A vibrant entrepreneurial climate. Provides new jobs. Increase assess competitive and produces novel goods and services. The economic development of advance country of the world has been attributed to the growth of entrepreneurs.

The theoretical debate whether entrepreneurs can be created through training and finance intervention has not arrived at any definitive conclusion. While some scholars hold the view that training is an effective intervention in developing latent entrepreneurial traits, There are others who hold the view that these traits grow into enterprise creation only under a conducive environment. Another set of scholars explain entrepreneurship as the result of the interaction the individual, organizational, procedural and environmental factors. It therefore follows that by identifying individuals with latent entrepreneurial traits and making the environment more conducive, it is possible to 'create' entrepreneurs. This kind of intervention assumes added importance in the context of developing countries which are acutely deficient in entrepreneurial resources tanning and financial. Policy makers in both developed and developing nations now pay considerable attention in creating entrepreneurs through various forms of interventions.

Some Facts about Entrepreneurs and Entrepreneurship:

E:xamine needs, wants, and problems to see how they can improve the way needs and wants are Problems overcome.

N: arrow the possible opportunities to one specific "best" opportunity.

T:hink of innovative ideas and narrow them to the "best" idea. Einstein College of Engineering.

R:esearch the opportunity and idea thoroughly.

E:nlists the best sources of advice and assistance that they can find

P: lane their ventures and look for possible problems that might arise.

R:ank the risks and the possible rewards.

E: valuate the risks and possible rewards and make their decision to act or not to act.
N: ever hang on to an idea, no matter how much they may love it, if research shows it Won't work.

E:mploy the resources necessary for the venture to succeed.

U:nderstand that they will have to work long and hard to make their ventures succeed.
R:ealize a sense of accomplishment from their successful ventures and learn from their failures to help them achieve success in the future.

UNIT-I (INTRODUCTION TO ENTREPRENEURSHIP)

Characteristics of an Entrepreneur

Independent & achiever	Opportunity grabber	Information seeker	Believer in quality and efficiency	Systematic planner
Optimistic	Keen learners	Urge to build	Initiative	Persistent
Risk taker	Goal setter	Hard working	Aggressive catalyst	Dynamic and visionary
Persuasive and networker	Independent and self confident	Well versed in managerial skill and strong team builder	**High IQ, EI**	Go – getter & Never say die spirit

Qualities of a successful entrepreneur

Let us now think about the qualities of a successful entrepreneur. There may be many qualities. Needed to successfully run an enterprise. However, the following qualities are considered important.

(i) Initiative: In the world of business, opportunities come and go. An entrepreneur has to be a man of action. He should be able to initiate action and take advantage of opportunity. Once you missthe opportunity it will not come again. Therefore, initiative on the part of entrepreneur is a must.

(ii) Willingness to assume risk: In any business there is an element of risk. It implies that a businessman may be successful or unsuccessful. In other words it is not necessary that every business shall earn profit. This deters individuals to take up business. However, an entrepreneur always volunteers to take risks to run a business and be successful.

(iii) Ability to learn from experience: An entrepreneur may commit mistakes. However, once an error is committed, it should not be repeated as that will lead to heavy losses. So, one should learn from his mistakes. An entrepreneur, therefore, should have the ability to learn from experience.

(iv) Motivation: Motivation is key to success. This is necessary for success in every walk of life. Once you get motivated to do something you will not rest unless you complete it. For example, sometimes you become so much interested is reading a story or a novel that you do not sleep unless you complete it. This kind of interest in the work comes through motivation. This is an essential quality of a successful entrepreneur. **(v) Self-confidence:** For achieving success in life, one should have confidence in himself or herself. A person who lacks confidence can neither do any work himself nor can inspire others to work. Self confidence is reflected in courage, enthusiasm and the ability to lead. A successful entrepreneur must have self-confidence.

(vi) Orientation towards hard work: There is no substitute for hard work in life. While running a business, everyday, one problem or the other may arise. The businessman has to be vigilant about it and solve it as early as possible. This requires hard work on the part of entrepreneur. He cannot afford to say that now office time is over and I will not work. In some situations, he may even have to work for the whole night. Thus, orientation towards hard work is the secret of success of an entrepreneur.

(vii) Decision making ability: In running an enterprise, the entrepreneur has to take a number of decisions. He should Entrepreneurship 195 therefore be capable of taking suitable and timely decision. In other words, he must take right decision at the right time. In the present world things move very fast. If an entrepreneur does not have the ability to take timely decision, he might miss opportunity and incur loss.

Functions' of an entrepreneur

An entrepreneur frequently has to wear many hats. He has to perceive opportunity, plan, organize resources, and oversee production, marketing, and liaison with officials. Most importantly he has to innovate and bear risk. The main functions of an entrepreneur are as follows:

1.Innovation: Innovation is one of the most important functions of an Entrepreneur according to Schumpeter. An entrepreneur uses information, knowledge and intuition to come up with new products, new methods of reducing costs of a product, improvement in design or function of a product, discovering new markets or new ways of organization of industry. Through innovation, an entrepreneur converts a material into a resource or combines existing resources into new and more productive configurations.

2.Risk and uncertainty bearing: According to Homeliest an entrepreneur performs the function of risk and uncertainty bearing. Every decision pertaining to development of new products, adapting new technologies, opening up new markets involves risk.

Decision making in an environment of uncertainty requires anticipation of risk. Profit is said to be

the reward for anticipating and taking such risks. An entrepreneur develops the art of decision-making under conditions of uncertainty as a matter of survival.

3.Organization building: An entrepreneur has to organize men, material and other resources. He has to perform the functions of planning, co-ordination and control. He has to use his leadership qualities to build a team, generate resources and solve problems. With his organizational skills an entrepreneur builds an enterprise from scratch, nurtures it and makes it grow. His vision sows the seeds for a sound and vibrant organization and synergies are built in the enterprise.

Entrepreneurship

“Entrepreneurship is a dynamic process of vision, change and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions.

Essential ingredients include the willingness to take calculated risks-in terms of time, equity, or career, ability to formulate an effective venture team, creative skill to organize needed resources, the fundamental skill of building a solid business plan and, above all, the vision to recognize opportunity where others see chaos, contradiction, and confusion.’’

IMPORTANCE OF ENTREPRENEURSHIP IN INDIAN ECONOMY

- **Creation of Employment-** Entrepreneurship generates employment. It provides an entry-level job, required for gaining experience and training for unskilled workers.

- **Innovation-** It is the hub of innovation that provides new product ventures, market, technology, and quality of goods, etc., and increase the standard of living of the people.

- **Impact on Society and Community Development-** A society becomes greater if the employment base is large and diversified. It changes society and promotes facilities like higher expenditure on education, better sanitation, fewer slums, a higher level of homeownership. Therefore, entrepreneurship assists the organization in a more stable and high quality of community life.

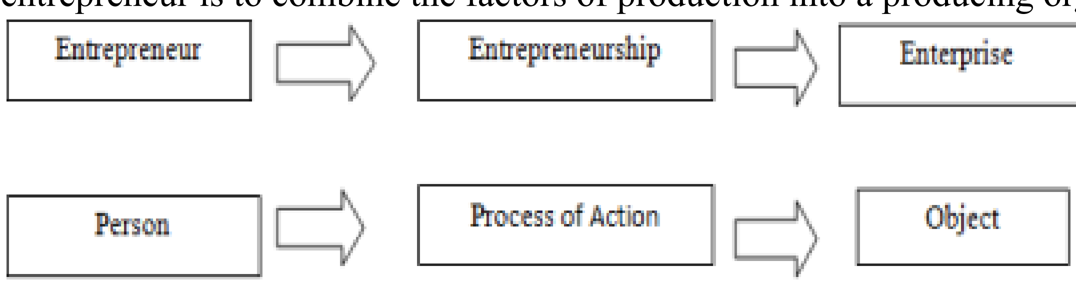
- **Increase Standard of Living-** Entrepreneurship helps to improve the standard of living of a person by increasing the income. The standard of living

means, increase in the number of consumption of various goods and services by a household for a particular period.

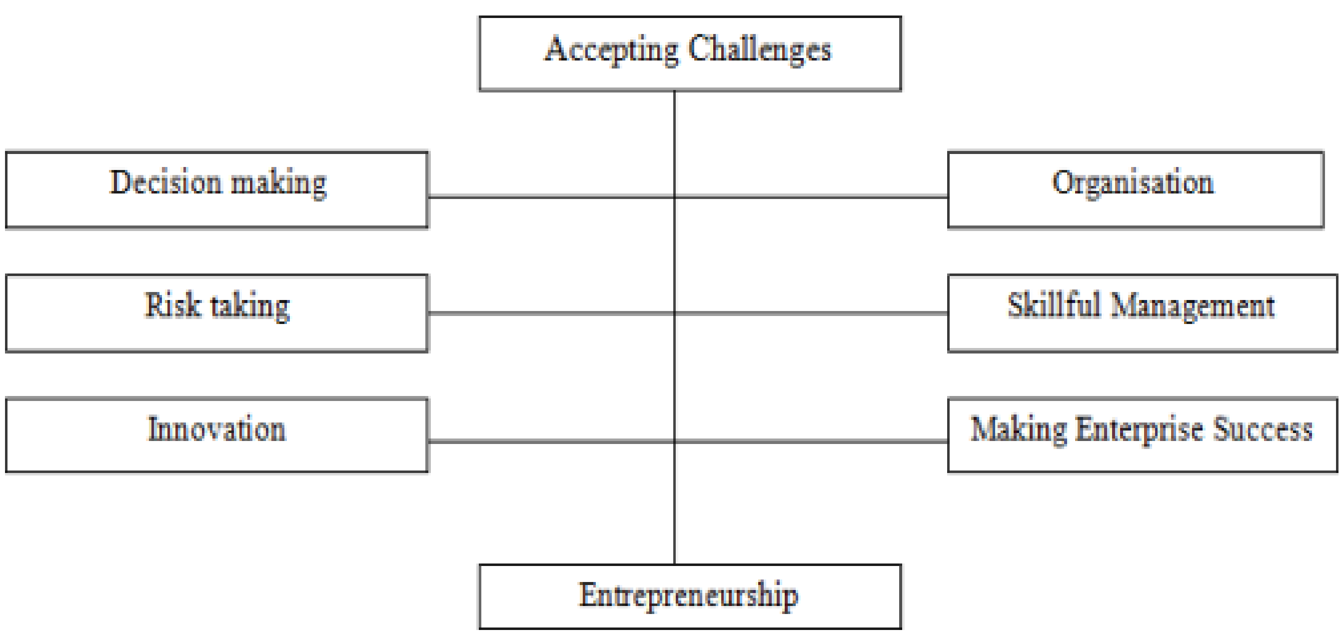
- **Supports research and development**- New products and services need to be researched and tested before launching in the market. Therefore, an entrepreneur also dispenses finance for research and development with research institutions and universities. This promotes research, general construction, and development in the economy

Concept of Entrepreneurship

Entrepreneurship is a multi-dimensional task defined differently by different authorities. Centillion was the first to use the term ‘entrepreneur’. He portrayed an entrepreneur as one discharging the function of direction and speculation. According to J.B Say, an entrepreneur is to combine the factors of production into a producing organism.



Characteristics of Entrepreneurship



UNIT-I (INTRODUCTION TO ENTREPRENEURSHIP)

Evolution of Entrepreneurship

In 17th century, the evolution of entrepreneurship can be related with the relationship between risk and entrepreneurs. Entrepreneurship is the person who signed the contract agreement with the government to provide a service or supply products that have been determined. The contract price is fixed. Then, the entrepreneurs are fully responsible for the gains and losses of the business. John law, a Frenchman was one of the entrepreneurs in that period. The founder of the royal bank of France and the Mississippi Company, which had an exclusive fanchise to trade between France and the new world. Monopoly on French trade eventually led to collapse of the Company. Richard Cantillion, an economist defines entrepreneurs earlier. in his view, the entrepreneur is risk insurers. Merchants, farmers, craftsmen, and so is an entrepreneur. They buy things at a certain price and sell it at a price that is uncertain, with the risks.

In the 18th century, the person with capital was differentiated from the one who needed capital. The entrepreneur was distinguished fron the capital provider. One reason for this differentiation was the industrialızation occurring throughout the world. Eli Whitney was an American inventor best known for inventing the cotton gin. This was one of the key inventions of the industrial Revolution. Thomas Edison, the inventor of many inventions. He was developing new technologies and was unable to finance his inventions himself. Edison was a capital user or an entrepreneur, not a provider or a venture capitalist.

In 19th and 20th century, Entrepreneurs are not always associated with the management. According to Merriam-Webster's online dictionary, an entrepreneur is one who organizes, manages, and assumes the risk of a business or an enterprise. The entrepreneur organizes and manages an enterprise for personal gain. The materials consumed in the business, for the use of the land, for the services he employs, and for the capital he requires. Andrew Carnegie is one of the best examples of this definition. Carnegie, who descended from a poor Scottish family, made the American Steel Industry one of the wonders of the industrial world.

In the middle of the 20th Century, the function of the entrepreneurs is to recreate or revolutionize the pattern of production by introducing an invention. Innovation, the act of introducing some new ideas, is one of the most difficult tasks for the entrepreneur. For example, Edward Harriman, who reorganized the railroad in the

United States and John Morgan, who developed his large banking house by reorganizing and financing the nation's industnes. Besides, the Egyptian who designed and built great pyramids out of stone blocks weighing many tons each, to laser beams, Supersonic planes and space stations.

In 21st century, Entrepreneurs are known as a hero for Free Enterprise market. Entrepreneur of the century created many products and services and is willing to face a lot of risks in the business. According to Kuratko & Hodgetts, most people say entrepreneurs are pioneers in creating new businesses. In the year 2005 Hisrich, Peter and Shepherd regarded entrepreneur as an organizer who controls, systematize, purchases raw materials, arranges infrastructure, throw in his own inventiveness, expertise, plans and administers the venture. The Future of entrepreneurship will be growth with development of technologies. The modern technologies and internet have improved the ways of conduct business. Entrepreneurs now have the luxury of putting their business idea into action through the click of button.

ROLE OF ENTREPRENEURSHIP IN NATIONAL

ECONOMY Wealth Creation and Sharing:

By establishing the business entity, entrepreneurs invest their own resources and attract capital (in the form of debt, equity, etc.) from investors, lenders and the public. This mobilizes public wealth and allows people to benefit from the success of entrepreneurs and growing businesses. This kind of pooled capital that results in wealth creation and distribution is one of the basic imperatives and goals of economic

Create Jobs:

Entrepreneurs are by nature and definition job creators, as opposed to job seekers. The simple translation is that when you become an entrepreneur, there is one less job seeker in the economy, and then you provide employment for multiple other job seekers. This kind of job creation by new and existing businesses is again is one of the basic goals of economic development. This is why the Govt. of India has launched initiatives such as Start up India to promote and support new startups, and also others like the Make in India initiative to attract foreign companies and their FDI into the Indian economy

Balanced Regional Development:

Entrepreneurs setting up new businesses and industrial units help with regional development by locating in less developed and backward areas. The growth of industries and business in these areas leads to infrastructure improvements like better roads and rail links, airports, stable electricity and water supply, schools, hospitals, shopping malls and other public and private services that would not otherwise be available.

Every new business that locates in a less developed area will create both direct and indirect jobs helping lift regional economies in many different ways. The combined spending by all the new employees of the new businesses and the supporting jobs in other businesses adds to the local and regional economic output. Both central and state governments promote this kind of regional development by providing registered MSME businesses various benefits and concessions.

GDP and Per Capita Income:

India's MSME sector, comprised of 36 million units that provide employment for more than 80 million people, now accounts for over 37% of the country's GDP. Each new addition to these 36 million units makes use of even more resources like land, labor and capital to develop products and services that add to the national income, national product and per capita income of the country. This growth in GDP and per capita income is again one of the essential goals of economic development.

Standard of Living:

Increase in the standard of living of people in a community is yet another key goal of economic development. Entrepreneurs again play a key role in increasing the standard of living in a community. They do this not just by creating jobs, but also by developing and adopting innovations that lead to improvements in the quality of life of their employees, customers, and other stakeholders in the community. For example, automation that reduces production costs and enables faster production will make a business unit more productive, while also providing its customers with the same goods at lower prices.

Exports:

Any growing business will eventually want to get started with exports to expand their business to foreign markets. This is an important ingredient of economic development since it provides access to bigger markets, and leads to currency inflows and access to the latest cutting-edge technologies and processes being used in more developed foreign markets. Another key benefit is that this expansion that leads to more stable business revenue during economic downturns in the local economy.

Community Development:

Economic development doesn't always translate into community development. Community development requires infrastructure for education and training, healthcare, and other public services. For example, you need highly educated and skilled workers in a community to attract new businesses. If there are educational institutions, technical training schools and internship opportunities, that will help build the pool of educated and skilled workers.

Theory of Entrepreneurship

1. <u>Innovation Theory of Schumpeter</u>

A dynamic theory of entrepreneurship was first advocated by Schumpeter (1949) who considered entrepreneurship as the catalyst that disrupts the stationary circular flow of the economy and thereby initiates and sustains the process of development. Schumpeter introduced a concept of innovation as key factor in entrepreneurship in addition to assuming risks and organizing factor of production. Schumpeter defines entrepreneurship as "a creative activity". The concept of innovation and its corollary development embraces five functions:

1. The introduction of a new product with which consumers are not yet familiar or introduction of a new quality of an existing product,
2. The introduction of new method of production that is not yet tested by experience in the branch of manufacture concerned, which need by no

means be founded upon a discovery scientifically new and can also exist in a new way of handling a commodity commercially

3. The opening of new market that is a market on to which the particular branch of manufacturer of the country in question has not previously entered, whether or not this market has existed before,
4. Conquest of a new source of supply of raw material and

5. The carrying out of the new organization of any industry.

2) <u>Need for achievement theory of Mcclelland</u>

According to Mcclelland the characteristics of entrepreneur has two features - first doing things in a new and better way and second decision making under uncertainty.

McClelland said people who have high need for achievement have tendency to win and excel. People who have high need for achievement personally take the responsibility of solving problems and will always try to be better than others. He further explained that people with high need of achievement are more likely to succeed as entrepreneur because it is the need for achievement that motivates and promotes entrepreneurship. According to him a person acquires three types of needs as a result of one's life experience. These three needs are:

- **Need for achievement**. A drive to excel, advance and grow.
- **Need for power**. A drive to dominate or influence others and situations.
- **Need for affiliation**. A drive for friendly and close inter-personal relationships.

The definite characteristics of a high achiever (entrepreneur) can be listed as follows:

- They lay down moderate realistic and achievable goals for them.
- They take planned risks.
- They favor situations wherein they can get individual responsibility for solving problems
- They need actual feedback on how well they are doing.

<u>Leibenstein's X-efficiency Theory</u>

X-efficiency is the degree of inefficiency in the use of resources within the firm: it measures the extent to which the firm fails to realize its productive potential. According to Leibenstein, When an input is not used effectively the difference between the actual output and the maximum output attributable to that input is a measure of the degree of X-efficiency. X-efficiency arises either because the firm's resources are used in the wrong way or because they are wasted, that is, not used at all.

Leibenstein identifies two main roles for the entrepreneur:

- a gap filler and
- an input completer.

These functions arise from the basic assumptions of X-efficiency theory.

The theory concludes that an entrepreneur has to act as gap filler and an input completer if there are imperfections in markets. For using there unusual skills, he gets profits as well as a variety of non-peculiar advantages. According to him there are two types of entrepreneurship.

i. **Routine entrepreneurship –** deals with normal business functions like co-ordinating the business activities.

ii. **Innovative entrepreneurship** – wherein an entrepreneur is innovative in his approach. It includes the activities necessary to create an enterprise where not all the markets are well-established or clearly defined.

4. Risk Bearing Theory of Knight:

A key element of entrepreneurship is risk bearing. Prof. Knight and John Staurt Mill saw risk-bearing as the important function of entrepreneurs. Some important features of this theory are as follows:

1. Risk creates Profit: According to the risk-bearing theory, the entrepreneur earns profits because he undertakes risks.

2. More Risk More Gain: The degree of risk varies in different industries. Entrepreneurs undertake different degrees of risk according to their ability ad inclination. The risk theory proposes that the more risky the nature of business, the greater must be the profit earned by it.

3. Profit as Reward and Cost: Profit is the reward of entrepreneur for assuming risks. Hence, it is also treated as a part of the normal cost of production.

4. Entrepreneur's Income is Uncertain: He identifies uncertainty with a situation where the probabilities of alterative outcomes cannot be determined either by a priori reasoning or by statistical inference. This theory summarizes that

profit is the reward of an entrepreneur effort which arises for bearing non insurable risks and uncertainties and the amount of profit earned depends upon the degree of uncertainty bearing.

5. Hagen's Theory of Entrepreneurship:

One important theory of entrepreneurial behaviour has been propounded by Hagen which is referred to as the withdrawal of status respect. Hagen has attributed the withdrawal of status respect of a group to genesis of entrepreneurship. Hagen considers the withdrawal of status, of respect, as the trigger mechanism for changes in personality formation.

Hagen postulates four types of events which can produce status withdrawal:

- Displacement of a traditional elite group from its previous status by another traditional supply physical force.
- Denigration of valued symbols through some change in the attitude of the superior group.
- Inconsistency of status symbols with a changing' distribution of economic power.
- Non-acceptance of expected status on migration to a new society.

Hagen further postulates that withdrawal of status respect would give to four possible reactions and create four different personality types:

(a)Retreatist: Entrepreneur who continues to work in society but remains indifferent to his work or status.

(b)Ritualist: One who works as per the norms in the society hut with no hope of improvement in the working conditions or his status.

(c)Reformist: One who is a rebellion and tries to bring in new ways of working and new society.

(d)Innovator: An entrepreneur who is creative and try to achieve his goals set by himself

6. Weber's Theory of Entrepreneurial Growth:

Max Weber in his theory says religion has a large impact on entrepreneurial development. According to Weber some religions have basic beliefs to earn and acquire money and some have less of it. He calls them a ‘spirit of capitalism’ and ‘adventurous spirit’. According to Max Weber, driving entrepreneurial energies are generated by the adoption of exogenously- supplied religious beliefs.

7. Thomas Cochran’s Theory of Cultural Values

The key proportions in Thomas Cochran’s theory are cultural values, role expectations and social sanctions. According to him, the entrepreneur represents society’s model personality. His performance is influenced by the factors of his own attitudes towards his occupation, the role expectations held by sanctioning groups, and the operational requirements of the job. The determinants for the first two factors are the society’s values.

Changes over time in such variables as population, technology, and institutional drift will impinge on the role structure by creating new operational needs.

It can be noted that various communities and castes like samurai in Japan, family pattern in France, Yoruba in Nigeria, Kikuya in Kenya, Christians in Lebanon, Halai Memon industrialists in Pakistan, Parsees, Marwaries and Gujaratis in India have been the sources of entrepreneurship.

8. Economic Theory of Entrepreneurship

The main advocates of this theory were Papanek and Harris. According to them economic incentives are the main forces for entrepreneurial activities in any country.

There are a lot of economic factors which promote or demote entrepreneurship in a country.

These factors are:

(a) The availability of bank credit

(b) High capital formation with a good flow of savings and

investments (c) Supply for loanable funds with a lower rate of interest.

(d) Increased demand for consumer goods and services

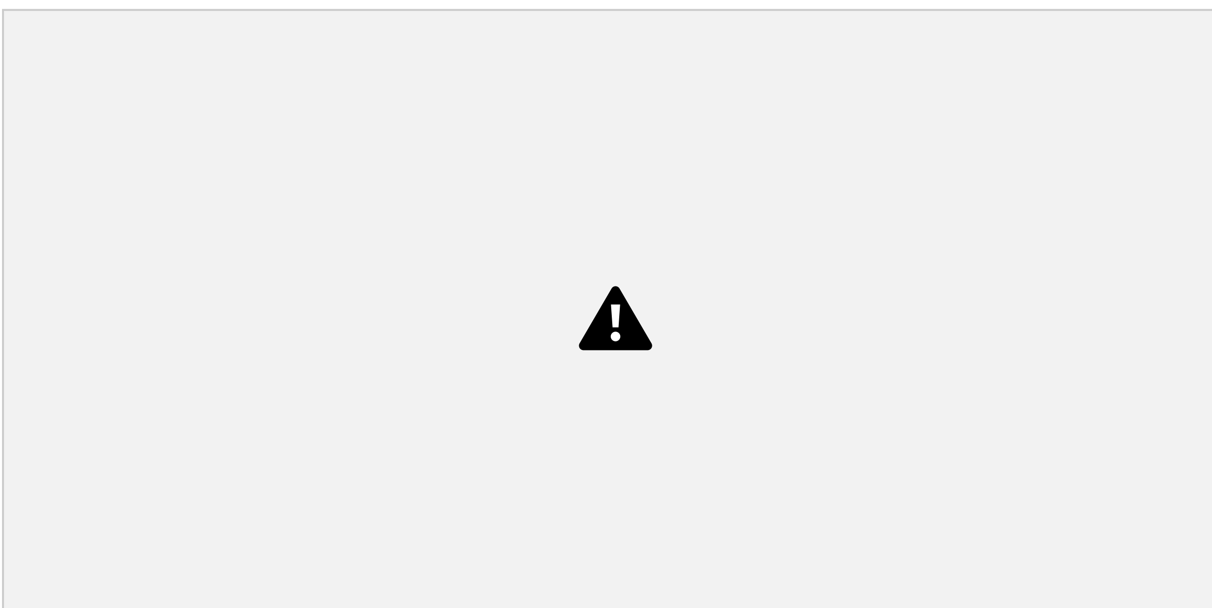
(e) Availability of productive resources.

(f) Efficient economic policies like fiscal and monetary policies

(g) Communication and transportation facilities

UNIT-I (INTRODUCTION TO ENTREPRENEURSHIP)

Types of Entrepreneurship



Based on the Business Type

Depending on the type of business, entrepreneurs are classified into the following

types: • **Trading Entrepreneur**

A trading entrepreneur refers to a person who undertakes business-related activities.

These types of entrepreneurs usually buy finished products in bulk from manufacturers at some discount. They then sell these products directly or with the help of retailers or vendors with profits.

• **Manufacturing Entrepreneur**

The founder of a business to manufacture products is known as a manufacturing entrepreneur. Manufacturing entrepreneurs transform raw materials into finished products according to the customer's needs.

• **Agricultural Entrepreneur**

Agricultural entrepreneurs refer to the types of entrepreneurs who primarily do agricultural work. They participate in a wide range of agricultural activities such as farming, irrigation, agricultural produce, mechanization, technology, etc.

Based on the Technology

Based on technology, entrepreneurs are classified into the following

types: • **Technical Entrepreneur**

Such entrepreneurs are called technology entrepreneurs who use to start and continue industries primarily based on science and technology. These entrepreneurs develop new ideas and turn those ideas into technology-based innovations and inventions.

• **Non-Technical Entrepreneur**

As the name suggests, entrepreneurs who do not set up and run enterprises based on science and technology are known as non-technical entrepreneurs. In short, non-tech entrepreneurs are those who work for innovations using traditional methods. They typically use alternative and exemplary marketing methods and follow non-technical delivery strategies to engage directly with customers.

<u>Based on Ownership</u>

Based on ownership, entrepreneurs are classified into the following

types: • **Private Entrepreneur**

When an entrepreneur starts something personal of his or her own, such as setting up an enterprise, he/she is called a private entrepreneur. A private entrepreneur is the only person who plays the sole proprietor role for a business venture and bears the risk associated with it.

• State Entrepreneur

When a state or government does a business or industrial undertaking, it is referred to as a 'state entrepreneur'. In this case, the government is the sole owner of the enterprise and will bear all the profits and losses involved with it.

• Joint Entrepreneurs

When a business or industrial undertaking is established and operated jointly by the trepreneur and the government, it is called joint entrepreneurship. The

involved are called joint entrepreneurs. In this case, risk and profits are shared by both parties.

<u>Based on Gender</u>

Based on gender, entrepreneurs are classified into the following

types: **• Men Entrepreneurs**

When any business venture is formed, managed and operated by men, these men are referred to as men entrepreneurs.

• Women Entrepreneurs

When any business venture is formed, managed and operated by women, these women are referred to as women entrepreneurs. Besides, if women have a minimum 51 percent share of the capital, they can also be known as women entrepreneurs.

<u>Based on the Enterprise size</u>

Based on the size of the enterprise, entrepreneurs are classified into the following

types: **• Small-Scale Entrepreneur**

If an entrepreneur has invested up to a maximum of 1 crore in starting an enterprise, including plant and machinery, such entrepreneur is called Small Scale Entrepreneur.

- **Medium-Scale Entrepreneur**

If an entrepreneur has invested a minimum of 1 crore to a maximum of 5 crores in starting an enterprise, including plant and machinery, then such entrepreneur is called Medium Scale Entrepreneur.

- **Large-Scale Entrepreneur**

If an entrepreneur has invested more than 5 crores in starting an enterprise, including plant and machinery, such an entrepreneur is called a large-scale entrepreneur. This includes any investment above 5 crores.

Based on Clarence Danhof Study

An interesting distinction about types of entrepreneurs is the one proposed by the author

Clarence Danhof, which classified entrepreneurs into four groups based on economic development. He based his classification on his study of American agriculture, and he observed that entrepreneurs could be classified depending upon the level of willingness to create innovative ideas; so there can be the following types of entrepreneurs:

1) Innovative

2) Imitative

3) Fabian

4) Drone

1) Innovative: These entrepreneurs have the ability to think newer, better and more economical ideas of business organization and management. They are characterized by the smell of innovativeness, and they are aggressive in experimentation and in putting attractive possibilities into practice. An innovative entrepreneur sees the opportunity for introducing a new technology, a new product or a new market. Schumpeter's entrepreneur was of this type. They are business leaders and contributors to the economic development of a country, as they are very much helpful for their country because they bring about a transformation in life style.

2)Adoptive/Imitative: the imitative entrepreneurs copy or adopt suitable innovations made by the innovative entrepreneurs. These entrepreneurs imitate the existing entrepreneurs and setup their enterprise in the same manner. Instead of innovating, they just imitate the technology and methods innovated by others. These entrepreneurs face lesser risks and uncertainty then innovative entrepreneurs. Imitative entrepreneurs are most suitable for the developing regions because in such countries people prefer to imitate the technology, knowledge and skill already available in more advanced countries. Imitative entrepreneurs help to transform the system of those countries with the limited resources available.

3) Fabian: This type of entrepreneurs are not interested in introducing new changes or desiring to adopt new methods of production innovated by the most entrepreneurs. They are very much skeptical in their approach in adopting or innovating new technology in their enterprise and they love to remain in the

existing business with the age-old techniques of production. They adopt new technologies only when there are not options left to survive in the business venture. Usually they are second-generation entrepreneur in a business family enterprise.

4)Drone: Drone entrepreneurs refuse to copy or use opportunities that come on their way. In fact, these entrepreneurs are very conservative; they always feel comfortable with their old-fashioned technology of production even though the environment as well as the society have undergone considerable changes and they are even ready to suffer the loss of their business. They are laggards as they continue to operate in their traditional way and resist changes.

Traits of Successful Entrepreneur

As entrepreneur is more a true leader and less a manager. He innovates and keeps eye on the horizon. He has long perspective in his work. He focuses on people and inspires trust.

1.Visionary – An entrepreneur understands the environment, being visionary and future-oriented. To establish a successful venture, he must be creative and have board understanding of internal and external environment. He must be visionary leader-a person who dreams great dreams.

2. Urge to achieve – Entrepreneurial leaders are challenged by opportunity. They are willing to work hard to achieve something.

3. Sense of Purpose – Being a leader, entrepreneur sets the stage for top performance. Agreeing on a mission builds strength.

4. Teamwork – An entrepreneurial leader builds teamwork.

5. Persistence – Through the establishment of any new venture, frustration and obstacles will occur. Only through the entrepreneur's persistence will anew venture be created.

6. Open discussion – An entrepreneurial leader encourages open discussion in order to develop a good team for creating something new

7. Strategic expertise – The entrepreneur's success as a leader is related to his ability to link his enterprise or project to the strategy of the business.

8. Risk Taking Quality - Risk taking is the specific function or the entrepreneur. He is motivated to undertake the risks of business. He is an enterprising genius to assume risks involved in introducing new ideas, ventures and new plans. He visualizes new opportunities. He makes plans for expansion of business. All this requires the talent of highest order.

Differences Between Entrepreneur and Manager

The difference between entrepreneur and manager can be drawn clearly on the following grounds:

1. A person who creates an enterprise, by taking a financial risk in order to get profit, is called an entrepreneur. An individual who takes the responsibility of controlling and administering the organization is known as a manager.
2. An entrepreneur focuses on business startup whereas the main focus of a manager is to manage ongoing operations.
3. Achievements work as a motivation for entrepreneurs. On the other hand, the primary motivation is the power.
4. The manager's approach to the task is formal which is just opposite of an

entrepreneur.

5. An entrepreneur is the owner of the enterprise while a manager is just an employee of the company.

6. A manager gets salary as remuneration for the work performed by him. Conversely, profit is the reward for the entrepreneur.

7. An entrepreneur's decisions are driven by inductive logic, courage, and determination; that is why the decision making is intuitive. On the contrary, the decision making of a manager is calculative, as they are driven by deductive logic, the collection of information and advice.

8. The major driving force of an entrepreneur is creativity and innovation. As against this, a manager maintains the existing state of affairs.

9. While entrepreneur is a risk taker, the manager is risk averse.

Intrapreneurship

- The term **intrapreneurship** refers to a system that allows an employee to act like an entrepreneur within a company or other organization. **Intrapreneurs** are self-motivated, proactive, and action-oriented people who take the initiative to pursue an innovative product or service.

- Intrapreneur meaning refers to the ambitious employees in an organization, who have a passion, skill, and drive to convert unique ideas and concepts into new products and services, which would add to the list of offerings of their employer.

Definition:

- Pinchot defined intrapreneurs as "dreamers who do. Those who take hands on responsibility for creating innovation of any kind, within a business".

Intrapreneur

- **Meaning:** An intrapreneur is an employee of a company who uses their entrepreneurial skills within the business to innovate in company processes, services, and products.

- **Objective:** To directly enhance the sustainability and strength of the company that they work for.
- **Primary Motives:** To bolster the revenues and profits of the company they work for by making substantial changes to the company and how they operate.
- **Risk:** Most of the risk is taken on by the company. However, poor ideas and changes for the business may cause intrapreneurs to be fired.

- **Capital and Resources:** All capital and resources that are needed for the project at hand are provided by the company.
- **Works For:** An intrapreneur works for an organization. However, they will have some of the freedoms that entrepreneurs have. For instance, intrapreneurs typically have complete control over a specific project.

❖ DIFFERENCE BETWEEN ENTREPRENEUR AND ENTREPRENEURSHIP

	Individual	Process/Concept
	Person who starts a business	Act of creating and managing a business
	Specific business venture	Broader ecosystem of business creation
	Leader, decision-maker	Framework for business development
	Takes initiative, builds, scales	Encompasses activities like planning, managing, growing
	Innovation, risk-taking, opportunity recognition	N/A (Entrepreneurs embody these)

	Build a successful business	Nurture and develop a business environment
	Ongoing for a specific venture	Long-term; fosters continuous business creation
	Elon Musk (Tesla, SpaceX)	The growth of Silicon Valley startups
	No	Yes (Entrepreneurship is a mindset and approach)

UNIT-I (NTRODUCTION TO ENTREPRENEURSHIP)

❖ DIFFERENCE BETWEEN ENTREPRENEUR AND

INTRAPRENEUR

UNIT-I (NTRODUCTION TO ENTREPRENEURSHIP)

❖ DIFFERENCE BETWEEN ENTREPRENEUR AND MANAGER

Women Enterpreneur

- Women entrepreneurs are those women who think of a business enterprise, initiate it, organize and combine factors of production, operate the enterprise and undertake risks and handle economic uncertainty involved in running it.

- The female owned businesses increasing at a rate of 5% since 1997.

- World over 1/3rd of the entrepreneurial ventures are run by woman entrepreneurs. Due to economic progress, better access to education, urbanization, spread of liberal and democratic culture and recognition by society, there has been a spurt in woman entrepreneurship in India.

<u>Women Entrepreneurship – Definitions</u>

- Schumpeter – “Women entrepreneurs are those women who innovate, initiate or adopt a business activity”.
- Government of India – “A woman entrepreneur is defined as an enterprise owned and controlled by a woman having a minimum financial interest of 51

percent of the capital and giving at least 51 percent of the employment generated in the enterprise to women.”

<u>Rural Enterpreneur</u>

- Rural entrepreneurship is a term that relates to the establishment of new business units and industries in rural areas. It involves carrying out entrepreneurship activities in the rural economy which results in the overall development of the nation.
- Rural entrepreneurship helps countries in achieving the equitable advancement and development of all areas.
- It serves as a key tool for overcoming all gaps in between urban and non- urban areas whether in terms of infrastructure, job opportunities, health, education etc. The similar growth and development opportunities are provided to the people of village as one available to peoples of cities.

<u>Need For Rural Entrepreneurship</u>

1.High potential of creating employment- Rural entrepreneurship brings in large number of employment opportunities for people living in rural areas. Industries in rural parts are mostly labor-intensive where many people are engaged in distinct activities both directly and indirectly. Rise in unemployment is one of the basic and most highlighted problem of every nation in today’s era. Rural entrepreneurship can be very effective in tackling this problem in positive way by bringing in more job opportunities for people.

2.Brings down income disparity- Rural industries possess a high potential of generating large amount of income for rural population. Establishment of new business setup and industries result in giving better job opportunities with adequate salaries and wages.

3.Proper utilization of resources- The rural entrepreneurship helps in effective utilization of resources available in remote areas. The resources are present in sufficient quantity among rural areas which may remain lie idle if rural entrepreneurship does not exist. When industries will run via rural entrepreneurship programme, then the use of all these resources will enhance productivity thereby favoring nation in some way. In addition to this, labor available in villages also get some work in these types of entrepreneurships.

4.**Reduce migration of villagers-** Migration of people from rural areas to urban areas is one of the critical issues being faced by every nation in today's time. Rural urbanization works on removing this gap in terms of development among urban and non-urban areas. It helps in creating similar growth and development opportunities for peoples of villages as are
available in urban areas. When

people have access to job opportunities in their native areas, they would like to remain at their home instead of migrating to some other places.

5.Earns foreign exchange- Rural market serve as an important source of earning foreign revenue for nation. The products which are manufactured in rural areas are in high demand and exported to several countries all over the world. These products comprise of handicrafts, artifact, handlooms and various other agricultural products.

6. **Foster economic development-** The economic development of remote areas across the nation is increased to great extent by rural entrepreneurship. It focuses on achieving equitable growth and development in both urban and rural areas. More capital is brought into

the rural market by establishing new ventures and industries. All this also results in eliminating the differentiation among areas as slums, town, cities etc.

MSME Act, 2006

Entrepreneurship: Concept

Entrepreneur: The entrepreneur is defined as someone who has the ability and desire to establish, administer and succeed in a startup venture along with risk entitled to it, to make profits.

The term entrepreneur is a French word, and is derived from the French word "**enterprendre".** It means **"to undertake".** It is commonly used to describe an individual who organizes and operates a business or businesses, taking on financial risk to do so.

Around 1700 A.D. the term was used for architects and contractor of public works. In many countries, the term entrepreneur is often associated with a person who starts his/her own new business.

UNIT-I (NTRODUCTION TO ENTREPRENEURSHIP)

Definition

Adam Smith's definition – "The entrepreneur is an individual, who forms an organization for commercial purpose. She/he is proprietary capitalist, a supplier of capital and at the same time a manager who intervenes between the labour and the consumer. "Entrepreneur is an employer, master, merchant but explicitly considered as a capitalist".

MSME Act, 2006

The Act creates the framework required to monitor and control the growth of India's micro, small, and medium-sized enterprises

Definition of MSME

MSME stands for **Micro, Small, and Medium Enterprises**, which are businesses categorized based on their investment in plant, machinery, or equipment and their annual turnover. These categories vary from country to country, but the general criteria are based on the size of the business in terms of assets and revenue.

Classification of Manufacturing Enterprises

1. Micro Enterprises:
 - Investment in plant and machinery does not exceed ₹1 crore.
- Turnover does not exceed ₹5 crore.

2. Small Enterprises:
 - Investment in plant and machinery is more than ₹1 crore but does not exceed ₹10 crore.
 - Turnover does not exceed ₹50 crore.

3. Medium Enterprises:

 - Investment in plant and machinery is more than ₹10 crore but does not exceed ₹50 crore.
 - Turnover does not exceed ₹250 crore.

Key Characteristics

Manufacturing enterprises must produce goods for any of the sectors listed in the First Schedule of the Industries (Development and Regulation) Act of 1951. They utilize machinery and plants to add value to products, giving them unique identities or characteristics.

Service enterprises

Companies that provide or deliver services are referred to as service enterprises and are identified by their equipment investment. Service enterprises are classified based on their investment in equipment. The Act defines specific thresholds to determine

whether a service enterprise is considered micro, small, or medium. Here's the classification:

1. Micro Enterprises (Service Sector):

- Investment: Does not exceed ₹10 lakh (1 million Indian Rupees) in equipment.

2. Small Enterprises (Service Sector):

- Investment: More than ₹10 lakh but does not exceed ₹2 crore (20 million Indian Rupees) in equipment.

3. Medium Enterprises (Service Sector):

- Investment: More than ₹2 crore but does not exceed ₹5 crore (50 million Indian Rupees) in equipment.

These thresholds are aimed at determining the scale of the enterprise and to offer tailored support for their growth, like access to credit, technology, and market assistance under various government schemes.

Amendment 2020

These thresholds are aimed at determining the scale of the enterprise and to offer tailored support for their growth, like access to credit, technology, and market assistance under various government schemes.

Amendment 2020

Salient Features of MSMED Act, 2006

• 'Industry' replaced by 'enterprise' which include service enterprises also. • Ambit of sector enlarged to cover medium enterprises

. • Constitution and establishment of National Board for MSME (Chapter II) and Advisory Committee [Section 7 (2)]

• Simplification of registration procedure

UNIT-I (NTRODUCTION TO ENTREPRENEURSHIP)

- Measures for promotion and development
- Credit Facilities (u/s 10)
- Procurement Preference Policy (u/s11)
- Grants/Funds by Govt. (u/s 12,13)

Significance of the MSME Sector in the Indian Economy

- **Exports**: MSMEs significantly influence India's exports, contributing to more than 45% of the total export value.
- **Inclusive growth:** MSMEs provide **employment** opportunities to rural residents, particularly those from disadvantaged social groups, promoting inclusive growth. second-
- largest employment generator after agriculture, providing jobs to approximately 120 million people in India.
- **Financial inclusion:** MSMEs facilitate financial inclusion by offering banking services and products to people in tier-II and tier-III cities. · **Promote innovation, Stability and resilience:** MSMEs encourage innovation by enabling aspiring entrepreneurs to develop innovative products, enhancing business competitiveness, and driving growth.
- **Contribution to GDP**: With around 36.1 million units across the country, MSMEs contribute 6.11% to the manufacturing GDP and 24.63% to the

services GDP.

Incentives and Subsidies available to small businesses in India 1. Credit Linked Capital Subsidy Scheme (CLCSS):

- 15% capital subsidy on investment in new plant and machinery.
- Maximum subsidy limit of ₹1 crore.
- Aimed at helping small businesses upgrade technology.

2. Prime Minister's Employment Generation Programme (PMEGP): - Subsidy for setting up new micro-enterprises.

- 15%-35% subsidy on project cost, with higher rates for rural areas.
- Focuses on generating self-employment opportunities.

3. Technology Upgradation Fund Scheme (TUFS):

- Subsidy of 15%-25% for upgrading technology, especially in the textile sector.
- Supports businesses in adopting advanced technology to increase efficiency. **4. Credit Guarantee Fund Scheme (CGS):**

- Collateral-free loans for MSMEs.
- Government provides a 75%-85% guarantee on loans up to ₹2 crore through CGTMSE.
- Encourages small businesses to access finance without needing collateral.

5. Interest Subsidy Eligibility Certificate (ISEC) Scheme:

- Provides interest subsidies of 4%-6% on loans for Khadi and Village Industries.
- Reduces the cost of working capital loans.

6. Export Promotion Subsidies:

- Assistance through schemes like Export Promotion Capital Goods (EPCG) and Market Access Initiative (MAI).
- Subsidies for international trade fairs, product development, and packaging.
- Helps small businesses enter and expand in global markets.

7. National Small Industries Corporation (NSIC) Subsidies:

- Single Point Registration Scheme (SPRS) offers tendering subsidies and waives earnest money deposits for government contracts.
- Support for procurement and marketing assistance.

8. Marketing Assistance and Technology Upgradation (MATU) Scheme:

- Subsidies for participation in international trade fairs and exhibitions. -

Financial assistance for product certification and packaging improvement. **9.**

Infrastructure Development Subsidies:

- Financial support under the Micro and Small Enterprises – Cluster Development Programme (MSE-CDP).
- Subsidies for creating infrastructure, such as testing centers, common facility centers, and training facilities.

10. Mudra Loans:

- Collateral-free loans up to ₹10 lakhs through the Pradhan Mantri Mudra Yojana (PMMY).
- Special focus on micro and small businesses, particularly in sectors like manufacturing, trading, and services.

11. Priority Sector Lending:

- Small businesses are part of the priority sector lending category for banks.
- Banks are mandated to allocate a percentage of their loans to small businesses, improving access to credit.

12. Tax Benefits for MSMEs:

- Lower income tax rates for small companies as part of government support for entrepreneurship.

<u>Registering under the MSME (Micro, Small, and Medium Enterprises) or SSI (Small Scale Industries) in India-</u>The Udyam Registration portal is used for registering MSMEs online.

Step-by-Step Process to Register MSME (SSI)

Step 1. Visit the Udyam Registration Portal: Go to the official Udyam Registration website: https://udyamregistration.gov.in.

Step 2. Choose the Registration Option: You will find two options on the homepage:

New Entrepreneurs (who have not registered as MSME).

UNIT-I (NTRODUCTION TO ENTREPRENEURSHIP)

- For those with UAM (Udyog Aadhaar Memorandum) or EM-II (to migrate to Udyam).

If you're a new entrepreneur, click on "For New Entrepreneurs who are not Registered yet as MSME".

Step 3. Enter Aadhaar Number:

- You'll be asked to enter the Aadhaar number of the entrepreneur or the owner of the business.
- Select the type of organization (Proprietorship, Partnership, LLP, etc.).

Note: If your business is a proprietorship, the Aadhaar number of the proprietor is used. For other types of businesses, use the Aadhaar number of the authorized signatory.

Step 4. Verification via OTP:

- After entering your Aadhaar number, you will receive an OTP (One-Time Password) on the mobile number linked to Aadhaar. Enter the OTP for verification and proceed to the next step.

Step 5. Enter Personal and Business Details: After Aadhaar verification, fill in the following details:

- Name of the Entrepreneur/Owner.
- Name of the Enterprise/Business.
- Type of Organization (Proprietorship, Partnership, Company, etc.).
- PAN of the business or individual (if applicable).
- Address of the business.
- Bank Account details (Bank name, IFSC code, and account number).
- National Industry Classification (NIC) Code for your business activities (You can search for the relevant code during the process).

Step 6. Investment and Turnover Details:

- Provide details of your business's investment in plant and machinery or equipment.

- Enter the annual turnover of the enterprise.

Step7. Submit and Generate Udyam Registration Number: - Click on the "Submit and Get Final OTP" button. OTP on your registered mobile number for final verification.

- After OTP verification, your Udyam Registration Certificate will be generated.

Step 8. Download Udyam Registration Certificate:

- Download the Udyam Registration Certificate in PDF format. - This certificate is valid for a lifetime, and there is no need for renewal.

Documents Required for MSME Registration:

- Aadhaar Number (mandatory).
- PAN Card (for businesses or individuals, depending on the type of organization).
- Bank Account Details.
- GSTIN (optional, but mandatory if applicable).

Important Points to Note:

- No Fees: The registration process is entirely free of charge. - Multiple Activities: You can register for multiple business activities under a single Udyam Registration number.
- Mandatory for MSME Schemes: Udyam Registration is mandatory to avail benefits under various government MSME schemes.
- Single Registration: If you own multiple enterprises, you can register all of them under a single Aadhaar number with different Udyam Registration numbers.

Major Incentives to Small Scale Industries

Many incentives are provided both by the Central and State Governments to promote the growth of small-scale industries and also to protect them from the onslaught of the large- scale

Forms of ownership

1. Sole proprietorship- Indian Proprietorship Act 1908

A sole proprietorship is owned and operated by one individual. The owner of a sole proprietorship doesn't need the approval of a board or partner to make daily business decisions. They also get to keep and determine what to do with the business' profits. Here are the advantages and disadvantages of a sole proprietorship:

Advantages

· They're simpler to form than other businesses because it doesn't require a lot of paperwork.

· The owner has sole control of all processes and decision-making. · Filing taxes for this type of business is easier than for other types of businesses.

Disadvantages

· The owner accepts all responsibility for business losses.

· The owner is responsible for raising capital for startup costs. ·

It may be harder to sell the business.

Definition: A sole proprietorship is a business owned and operated by one individual, who is personally responsible for all aspects of the business.

Characteristics:

1. Single ownership
2. Unlimited personal liability
3. No separate business entity

4. Easy to establish and dissolve
5. Simple tax compliance

Example:

Business: Rohan's Photography

Owner: Rohan Sharma

Description: Rohan, a skilled photographer, starts a photography business in Mumbai. He invests ₹50,000 in equipment and registers his business under his name. **2. Partnership- Partnership Act 1932**

A partnership is a form of ownership that involves two or more owners controlling a business. The joint owners may run the day-to-day activities by themselves or through appointed representatives. In a partnership, the owners sign a formal agreement that clearly states a partner's rights, shares and responsibilities.

Business leaders typically divide partnerships into limited liability partnerships and unlimited liability partnerships. Here's how these types of partnerships work: · **Limited liability partnership:** In a limited liability partnership, individual partners don't accept losses caused by another, meaning no legal entity can seize or sell one partner's possessions to pay for the other partner's debts. · **Unlimited liability partnership:** In an unlimited liability partnership, both partners are responsible for the business. If one partner is directly responsible for a loss, all other partners pay for the debt, even if they aren't directly responsible for the losses.

Here are the advantages and disadvantages of partnerships:

Advantages

- They provide the potential to gain wider access to knowledge and expertise from partners.
- The infusion of capital is easier than it is in other business structures.

- This business type offers the ability to share the burden of startup costs and capital expenditure.
- The division of labor among partners creates a better work-life balance.

Disadvantages

- Partners carry the burden of liabilities, regardless of the partner who is responsible for the debt.

- There's a potential loss of autonomy as all partners deliberate on key decisions.
- There can be more potential for conflict between partners.
- Selling complications can arise if one partner disagrees with the plan to sell the business.

3. Limited liability Partnership/ Company

A Limited Liability Company or Partnership (LLP/ LLC) is a business structure that offers the flexibility of a partnership combined with the limited liability protection of a corporation. In an LLC, the owners (called "members") are not personally liable for the company's debts and liabilities. LLCs are commonly referred to as *Limited Liability Partnerships (LLPs)* and are governed by the *Limited Liability Partnership Act, 2008*. Additionally, companies with limited liability that are not partnerships can register as *Private Limited Companies* under the *Companies Act, 2013*. Here are some advantages and disadvantages of a limited liability company: **Advantages**

- Flexibility to adopt different tax structures
- Potential to earn tax deductions for business losses
- Responsibility for business liabilities doesn't belong to shareholders
- Ability to restructure without seeking regulatory approval

Disadvantages

- It can be challenging to raise capital for this type of business.
- This can be more expensive to form than other structures.
- The salary and profits are often subject to self-employment taxes.

4. Private corporation- companies Act 2013

A private corporation involves individuals forming a group to manage a business. This kind of ownership separates assets and liabilities from the owners. In case of loss, the owners only lose the amount they invested. Those starting a corporation submit a document called the articles of incorporation in the state where their business is located.

Private corporations allow individuals to buy stock from the corporation, giving the business more capital to grow the business or invest in better technology or tools. Individuals who buy stock become part-owners of the corporation. Some advantages and disadvantages of a private corporation include:

Advantages

· No obligation to reveal financial results to the public

· Limited or no shareholder pressure for short-term results

· Limited liability exposure for owners

Disadvantages

· Restricted access to capital markets

· More stringent regulations than a partnership or sole proprietorship ·
Potential for higher administrative costs

· Less control of the business with more shareholders

5. Cooperative- Cooperative Societies act 2002

A cooperative is an enterprise that is privately owned by the same people who benefit from it. The owners of a cooperative, who are also the shareholders, are involved in

the decision-making process. There is no limit to the number of shareholders in a cooperative, which means there is no limit to the number of owners. Owners receive a share of the profits from the cooperative's investments, depending on their shareholdings. The owners of a cooperative elect a board who manages the business. Here are some advantages and disadvantages of a cooperative:

Advantages

· Grants equal rights to members during the decision-making process ·
Brings members together for a common cause

- Provides access to diverse and unique funding opportunities

Disadvantages

- Fewer incentives for angel investors and venture capitalists
- Slower decision-making among owners

6. Nonprofit Corporation

A nonprofit corporation operates to benefit a community or providing a social service. For someone to operate this form of ownership, they're required to prove to a government entity that their services benefit society. These corporations are typically charitable organizations in the fields of science, criminal justice, education and humanitarian affairs.

Non-profits Corporation can be registered under several acts, depending on their structure and purpose:

- Societies Registration Act, 1860: for forming societies.
- Indian Trusts Act, 1882: for charitable trusts.
- Section 8 of the Companies Act, 2013: for forming a nonprofit corporation (often called a "Section 8 company") that promotes arts, science, sports, education, research, or social welfare, without distributing profits to its members.

Here are some advantages and disadvantages of becoming a nonprofit corporation: **Advantages**

- There is limited liability protection for owners' assets.
- You are eligible for tax exemption.
- You are eligible to receive grants.
- You have diverse fundraising opportunities.
- Donations are tax-exempt.

Disadvantages

- There are high startup costs.
- The approval of tax exemption status may take a long time.

· You are not always eligible for tax exemption.

· There might be excessive public scrutiny of how you use funds and donations.

7. Benefit corporation

Sometimes called B corps, benefit corporations aim to benefit the public while also making a profit. Certified B corporations are benefit corporations that have received a third-party certification from the nonprofit B Lab. Certified B corps must achieve a minimum verified score on the B Impact Assessment and are required to gain recertification every three years.

Both benefit corporations and certified B corps are legally required to consider the impact of their decisions on their workers, customers, suppliers, community and the environment. Most government entities require B corporations to submit regular reports that indicate the public benefit stemming from their business. Some advantages and disadvantages of a B corporation and a certified B corps include:

Advantages

· It allows instant networking with like-minded corporations.

· It may benefit from tax exemptions.

· It attracts investors seeking to make a social impact.

Disadvantages

· There are more expansive reporting requirements for both B corps and certified B corps.

· There are stringent standards to maintain status as a certified B corps. ·

The B Lab certification fees range from $500 to $50,000 per year. **8.**

Franchise- Indian Contract Act 1872

- Franchise is a continuing relationship between the parent company (called the franchisor) and an individual business unit (called the franchisee); under which the parent company provides a licensed privilege to the business unit to use its trade mark, in return for a royalty payment made to the parent company.

- **FEATURES:**

I. Based on Agreement
II. Term of 5 Years
III. Undertaking by Franchisee
IV. Specified Royalty
V. Selling Same Product & Similar Shop Decor
VI. Follow Parent Company's Policies
VII. Training to Personnel by Franchisor

9.Licensing

A company that owns rights in a patent, know-how, or other IP assets, but cannot or does not want to be involved in the manufacturing of products, could benefit from the licensing out of such IP assets by relying on the better manufacturing capacity, wider distribution outlets, greater local knowledge and management expertise of another company (the Licensee). *Licenses are regulated under the Trade Marks*

.

1999, Patents Act, 1970, and Copyright Act, 1957, depending on the type. Licensing agreements for IP are contracts that can be enforced under the Indian Contract Act, 1872.

FEATURES:

- Licensors give license for Production
- Gain Access to New Markets
- Improvements in Product
- Royalty Income

Advantage

- Product reaches Market Faster
- R&D Support to Small Companies
- Quick Access to New Technology

- Create New Products & Market Opportunities

Disadvantage

- Extra Expense added to the Product
- Dependent on Agreement & its Renewal
- Financial Commitment even if market not ready

10. Lease

A lease can be defined as an arrangement between the lessor (owner of the asset) and lessee (user of the asset) whereby the lessor purchases an asset for the lessee and allows him to use it in exchange for periodical payments called lease rentals or minimum lease payments(MLP).

The Indian Registration Act, 1908: This act requires that leases of immovable property for a term exceeding one year be registered.

The Transfer of Property Act, 1882: While this act doesn't directly mandate registration, it governs the rights and responsibilities of both parties involved in the lease of immovable property.

FEATURES:

- Renewed Periodically
- Asset goes back to lessor on termination
- Asset sold to third party by lessor
- Asset may be sold to lessee by lessor

Advantages of Leasing

- Balanced Cash Outflow
- Quality Assets
- Better use of Capital
- Tax Benefit
- Better Planning
- Low Capital Expenditure

- Termination Rights

Disadvantages of Leasing

- Lease Expenses
- Limited Financial Benefits
- Debt
- Processing & Documentation
- No Ownership
- Maintenance of Asset
- ‘Limited Tax Benefit

UNIT-I (NTRODUCTION TO ENTREPRENEURSHIP)