Manufacturing Sector

Industries	Investment in plant machinery	Number of Employees
Micro industries	Does not exceed twenty five lakh rupees	Less than 10
Small industries	More than twenty five lakh rupees but does not exceed five crore rupees	Less than 50
Medium industries	More than five crore rupees but does not exceed ten crore rupees	Less than 250
Large industries	More than ten crore rupees	More than 250

Service Sector

Industries	Investment in Equipment's	Number of Employees
Micro industries	Does not exceed ten lakh rupees	Less than 10
Small industries	More than ten lakh rupees but does not exceed two crore rupees	Less than 50
Medium industries	More than two crore rupees but does not exceed five crore rupees	Less than 250
Large industries	More than five crore rupees	More than 250

In a PPP, each partner, usually through legally binding contract(s) or some other mechanism, agrees to share responsibilities related to implementation and/or operation and management of a project. This collaboration or partnership is built on the expertise of each partner that meets clearly defined public needs through appropriate allocation of : Resources, Risks, Rewards and Responsibilities.

The allocations of these elements and other aspects of PPP projects such as, details of implementation, termination, obligations, dispute resolution and payment arrangements are negotiated between the parties involved and are documented in written contract agreement(s) signed by them.

Characteristics of PPPs

(a) A significance level of responsibility and risk that is transformed from the public sector to the private sector.

(b) Risk sharing between public and private sectors.

(c) Long term relationship between parties.

(d) Public service and ultimate regulatory responsibility remains in public sector.

Public Private Partnership Benefits

The advantages of Public Private Partnerships (PPP's) include the following :

(a) Speedy, efficient and cost effective delivery of projects.

(b) It will offer faster project completion and reduced delays on infrastructure projects.

(c) Risks are weighed from initial conceptual stages to determine the feasibility of a certain project.

(d) The operational and project execution risk is transferred totally to the private sector, leaving the public component on a win-win situation.

(e) P_3 allows government funds to be re-directed to other important socio-economic areas.

(f) Reduces government budget and budget deficits.

(g) High quality standards should be obtained and maintained through expected life-cycle of the project.

(h) Public private partnership allows a reduced tax payment from users.

(i) Effective utilization of state assets for the benefit of all users of public services.

(j) Creation of added value through synergies between public authorities and private sector companies, in particular, through the integration and cross transfer of public and private sector skills, knowledge and expertise.

(k) Accountability for the provision and delivery of quality public services through an performance incentive management/regulatory regime.

(l) Innovation and diversity in the provision of public services.

Characteristics of Private Limited Companies

Few important characteristics of private limited companies are :

(a) These companies can be formed by atleast two individuals having minimum paid-up capital of not less than Rupees 1 lakh.

(b) As per the Companies Act, 1956 the total membership of these companies cannot exceed fifty.

(c) The shares allotted to its members are also not freely transferable between them i.e. the shareholders cannot sell their shares on the stock exchange to the public.

(d) These companies are not allowed to raise money from the public through open invitation.

(e) They are required to use "Private Limited" after their names.

(f) The examples of such companies are Indian Oil Corporation Limited, Reliance Industries Limited, Hindustan Petroleum Corporation Limited etc.

Characteristics of Public Limited Companies

Few important characteristics of public limited companies are :

(a) A minimum of seven members are required to form a public limited company.

(b) It must have minimum paid-up capital of Rs. 5 lakhs.

(c) There is no restriction on the maximum number of members.

(d) The shares allotted to the members are freely transferable.

(e) These companies can raise funds from general public through open invitations by selling its shares or accepting fixed deposits.

(f) These companies are required to write either 'public limited' or 'limited' after their names.

(g) Examples of such companies are Bharat Heavy Electricals Limited (BHEL), Gas Authority of India Limited (GAIL), Steel Authority of India Limited (SAIL), National Fertilizers Limited (NFL), Air India etc.

Public Sector Company is a company where the Central Government or State Government or both of them combined together holds the majority of shares. But in Private Sector companies, the private individuals or business houses holds the majority of shares.

5.2.5. PPP Mode

A **Public Private Partnership (PPP)** is a government service and private business venture which is specially targeted towards financing, designing, implementing and operating infrastructure facilities services through a partnership of government and one or more private sector companies. These schemes are sometimes referred to as PPP, P_3 or P^3.

jointly and individually liable for the actions of the other partners.

5.2.4. Joint Stock Companies (Private & Public Limited)

In a partnership, there can be a maximum of 20 people. Because of this limit, the amount of capital, that can be generated is limited. Also, because of the unlimited liability of partnerships, the partners may be discouraged from taking huge risks and further expanding their business. To overcome these problems a public or a private company may be formed.

Private and public companies are much better investments because of "Limited liability". This means that if an investor has invested Rs. 5000/- in a ABC Company and the company goes bankrupt, the investor only looses the money he has invested. To pay of the debt, the investor's property, bank accounts etc. are "not" used.

Because of this limited liability, many investors are interested in investing in these private or public companies. Hence, a large capital can be generated and a huge business can be run. The major disadvantage of Private and Public companies, is that they have a costly and elaborate process of setting up. They are also closely regulated by the government.

Public or Private companies are also known as **"Joint Stock Companies".** The companies in India are governed by the Indian Companies Act, 1956.

The Act defines a company as an artificial person created by law, having a separate legal entity, with perpetual succession and a common seal. Its meaning is that, the company "is different" from the investors. The investors put in money and capital is raised. But the company is treated as a virtual person. The company is treated as a person who is different from its investors. The company has an identity of its own. If someone sues the company, it does not sue the investors, it sues the virtual person that is the company.

5.2.3. Partnership

A legal form of business operation between two or more individuals who share management and profits. Both owners are equally and personally liable for the debts from the business. The two most prevalent types of partnerships are ; limited partnerships and general partnerships.

Limited and General Partnerships

Limited partnerships are costly and complicated to set up and run and are not recommended for the average small business owner. Limited partnerships are usually created by one person or company (the "general partner"). In many cases, the limited partners are merely investors who do not wish to participate in the partnership other than to provide an investment and to receive a share of the profits.

Limited partners have minimal control over daily business decisions or operations and in return, they are not personally liable for business debts or claims.

Unless one expects to have many passive investors, limited partnerships are generally not the best choice for a new business because of all the required filings and administrative complexities. If one have two or more partners who want to be actively involved, a general partnership would be much easier to form.

The general partner controls the limited partnership's day-to-day operations and is personally liable for business debts (unless the general partner is a corporation or an LLC). If one partner is sued, all partners are held liable. General partnerships are the least desirable for this reason.

(d) Starting a sole proprietorship is much less complicated than starting a formal corporation and also much cheaper.

(e) The owner of a sole proprietorship is not required to file a separate business tax report. Instead, they will list business information and figures within their individual tax return. This can save additional costs on accounting and tax filing. The business will be taxed at the rates applied to personal income, not corporate tax rates.

(f) Sole proprietorships can hire employees. This can lead to many of the benefits associated with job creation, such as tax breaks. Also, spouses of the business owner can be employed without having to be formally declared as an employee. Married couples can also start a sole proprietorship, though liability can only be assumed by one individual.

Disadvantages of a Sole Proprietorship

Forming a sole proprietorship does involve some risks, mainly to the owner of the business, as legally speaking they are not treated separately from the business. Some disadvantages of sole proprietorships are :

(a) The business owner will be held directly responsible for any losses, debts or violations coming from the business.

(b) Owner must pay self employment taxes. Also, some tax benefits may not be deductible, such as health insurance premiums for employees.

(c) Since the initial funds are usually provided by the owner, it can be difficult to generate capital. Sole proprietorships do not issue stocks or other money-generating investments like corporations does.

(d) Sole proprietorships rarely survive the death or incapacity of their owners and so do not retain value.

(e) Risks that are taken by the sole proprietor may result in personal bankruptcy.

(f) The death or prolonged illness of the sole proprietor will lead to the end of the business.

(g) Due to the limitations of a one-person business, the sole proprietor may not be able to raise additional capital from outside sources to expand the business.

Characteristics of a Sole Proprietorship

The main characteristics of sole proprietorship are as under :

(a) The business is owned by a single individual.

(b) Being small in size, it is managed by the owner himself. However, he may have some paid workers to assist him. In any case, the ultimate control rests in owners hands.

(c) The necessary capital to run the business is provided by the sole owner. However, he may borrow from other sources such as friends or bank as need arises.

5.2.2. Sole Proprietorship

The sole proprietorship is the simplest business form under which one can operate a business. The sole proprietorship is not a legal entity. It simply refers to a person who owns the business and is personally responsible for its debts. A sole proprietorship can operate under the name of its owner or it can do business under a fictitious name. The fictitious name is simply a trade name-it does not create a legal entity separate from the sole proprietor owner. Sole proprietorship is also known as "proprietorship". A sole proprietorship is the most common type of business. There are sole proprietorships everywhere. Small grocery stores and STD booths are mostly proprietorship businesses.

Definition : A business that legally has no separate existence from its owner. Income and losses are taxed on the individual's personal income tax return.

A "Sole Proprietorship" business means that there is only ONE owner. There may be employees or helpers hired under the owner, but there is only one "head" who administers and runs the show.

Advantages of a Sole Proprietorship

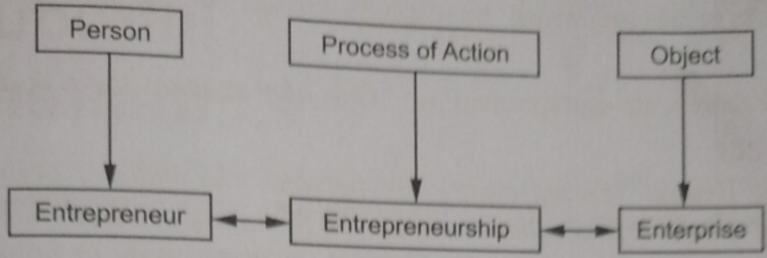
There are many reasons why a person would choose to start their business up using a sole proprietorship structure. Some of the main advantages of sole proprietorships include :

(a) Owners can establish a sole proprietorship instantly, easily and inexpensively.

(b) The sole proprietor has total control and full decision making power over policies, profits and capital investment.

(c) It is easy to close down the business.

Thus entrepreneurship is the process, methodology and qualities, which make possible the achievements and goals of an entrepreneur.



Concept of Entrepreneurship

5.1.1. Need of Entrepreneurship

The need of entrepreneurship arises for the following purposes :

(a) Entrepreneurship promotes small business in the society. Government has accepted the fact that small firms have a crucial role to play in the economic development of the country. Most economist's today agree that entrepreneurship is necessary for stimulating economic growth and employment opportunities in all societies.

(b) Entrepreneurial development is looked at as a vehicle for employment generation through promotion of small business. In this way, entrepreneur plays a very important role to reduce the unemployment problem in the country.

(c) An entrepreneur is a creator of wealth. He generates a capital at a rapid pace. This increases capital formation which is very necessary for the industrial development and enhancing national wealth.

(d) New products and services would be made available to suit the requirements of market. The entrepreneur offers goods at a reasonable price to consumers. In this way, helps in increasing the standard of living.

5.1.2. Entrepreneur

The entrepreneur is a French word and literally translated, means "between taker" or "go between". Usually, any one who runs a business is called entrepreneur. The more precise meaning of entrepreneur is, one who creates his own business, *i.e.*, a person who organises, operates and assumes the risk of a business venture. The word entrepreneur has been defined by many experts giving the characteristics and functions of an entrepreneur.

Oxford English Dictionary (1933) defines entrepreneur as, "*One who undertakes an enterprise, especially a contractor .... acting as intermediary between capital and labour*".

Richard Cantillon was the first to introduce the term 'entrepreneur'. He defined an entrepreneur as, "*The agent who buys means of production at certain prices in order to combine them into a product that he is going to sell at prices that are uncertain at the moment at which he commits himself to his costs.*"