

MSME AND BUSINESS ENTREPRENEURSHIP



Class 11

BUSINESS STUDIES

**THE CONCEPT OF
ENTREPRENEURSHIP**

**ENTREPRENEURSHIP DEVELOPMENT
(ED) : CONCEPT, CHARACTERISTICS
AND NEED**

**The Concept of
Entrepreneurship**

ENTERPRENEUR (PERSON)



Entrepreneurship (Process)



Enterprise (Outcome)

What Seek an Enterprise?

Entrepreneur seeks an enterprise because it results in creating goods and services which bring happiness, joy, comfort and peace. Every human being looks for a world full of happiness, joy, comfort and peace. In order to bring this, the entrepreneur looks for opportunities for converting challenges into comfort. Setting up of an enterprise is setting up a venture, which brings about change.

Need and Importance of Entrepreneurship

Entrepreneurship is important for national growth and social development. Most of the developing countries have the history of long years of foreign domination. They have attained freedom recently. The most common problem they are facing is to conserve the outflow of limited national wealth and fulfilling the demand for consumer goods and services by locally producing them. They are also facing the problem of foreign exchange. These countries need to import capital goods and technology and the major source of foreign exchange is export.

In short, we can say that the present conditions demand developing countries to :

- i) Produce import substitute goods to stop outflow of national wealth.**
- ii) Produce more and more consumer goods and services to meet the increasing demand of these goods locally.**
- iii) Produce goods for export purpose to earn more and more foreign exchange**

- **All the above mentioned requirements can be met by more and more entrepreneurs. Entrepreneurs bear the cost and risk of launching a new venture, developing new products, adapting new technology and developing new markets. So, entrepreneurs offer a new strategy of development.**

MSME AND BUSINESS ENTREPRENEURSHIP

shows how entrepreneurship helps in increasing national production.

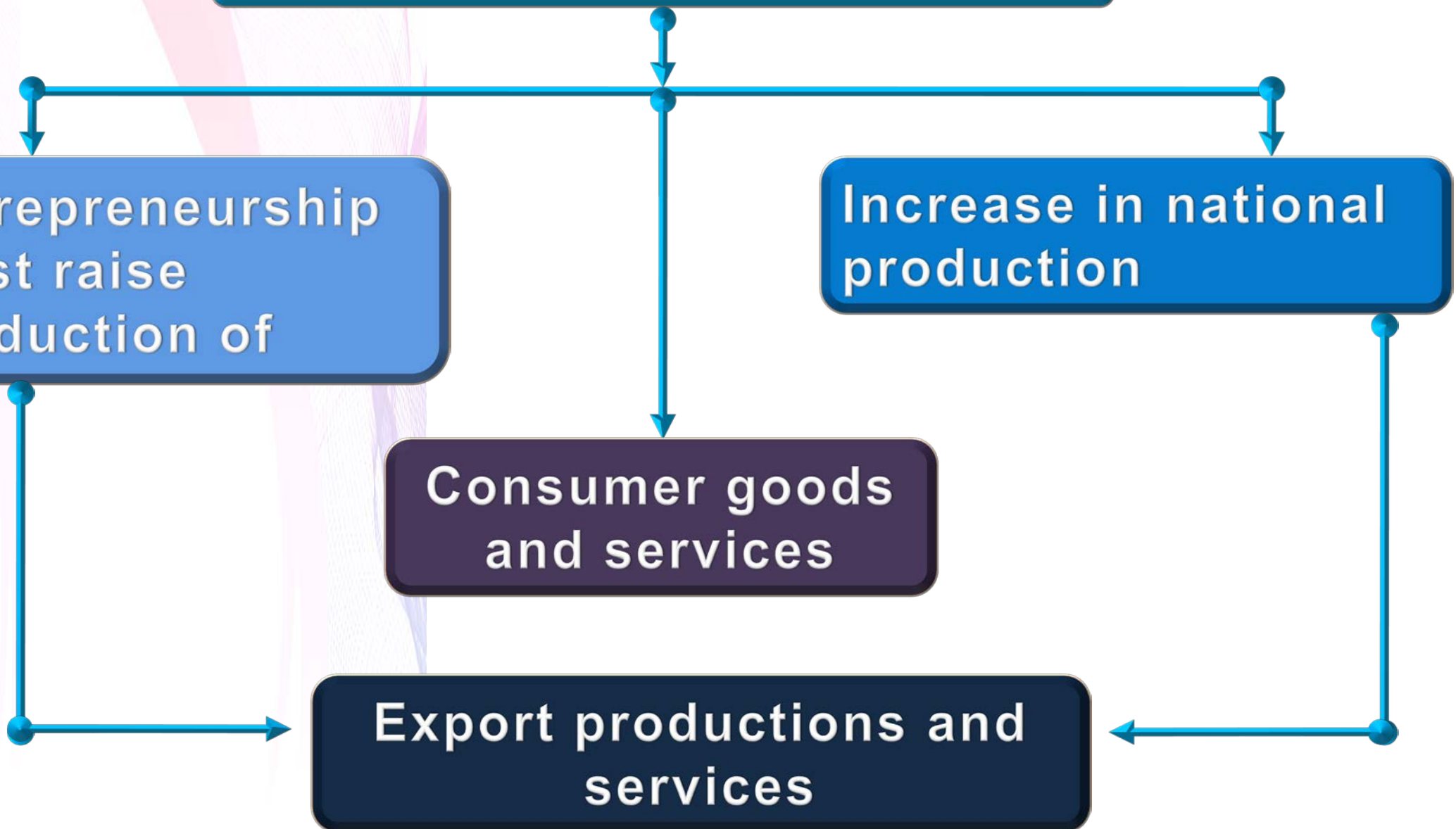
IMPORT SUBSTITUTE GOODS

Entrepreneurship
must raise
production of

Increase in national
production

Consumer goods
and services

Export productions and
services



Need for entrepreneurship can be made more clear from the following points:

- ❖ **Life line of a nation :** Entrepreneurship is a yardstick to measure the development of any country as no country can prosper and grow without development of entrepreneurship. We can see that in U.S., U.K., and other developed countries, there are well developed and well established enterprises. So every nation tries to increase its trade by having more enterprises.

- ❖ **Provide innovation :** Entrepreneur is an innovator who tries new methods of production, new technology, new ways of marketing etc. He develops new business ideas and puts them into action to enhance the process of economic development.

❖ **Growth of economy :** The Entrepreneurs adapt to changes as changes take place in the environment. The changes adopted by entrepreneurs in enterprises even bring changes in the society and economy. Latest technology used by enterprises not only brings growth in the enterprises but it also brings growth of economy at large.

- ❖ **Increased profits** : An entrepreneur always tries to minimise cost. He always tries to get optimum utilisation of resources. The reduction of cost and increase in efficiency always result in increase in profit.
- ❖ **Employment opportunities** : Entrepreneurship not only provides the scope for selfemployment but also offers employment to large number of people as in the case of successful enterprises. Growth in entrepreneurial activities leads to more and more employment.

- ❖ **Social benefits** : Entrepreneurs always try to adopt latest technology and raise the standard of living by providing good quality products and services at lowest cost. By setting up enterprises in backward areas, they try to bring balanced regional growth. By making optimum utilisation of resources, they save scarce resources of society.

PROCESS OF ENTREPRENEURSHIP

Self discovery



Identifying
opportunities



Generating &
evaluating ideas



Planning



Raising start – up
capital



Raising start – up
capital

Entrepreneurs have to follow a sequence of steps before starting an enterprise. Following is the process of entrepreneurship.

- ❖ **Self-discovery** : Under this step, entrepreneur assesses what are his strengths and weaknesses, what all he enjoys doing and his work experience.
- ❖ **Identifying opportunities** : Under this step, he tries to find out the need, want and problems so that he can get an opportunity to overcome the problems and fulfil the need.

- ❖ **Generating and evaluating ideas :** Through various measures such as discussion, brain storming, creativity and his own experiences, he tries to develop new ideas to overcome problems and meet the expectations of customers.
- ❖ **Planning :** Under this step, entrepreneur conducts research, makes business plan and strategies.
- ❖ **Raising start-up capital :** By using business plan, entrepreneur tries to attract venture capitalist and partners.

- ❖ **Start-up** : Under this step, the entrepreneur launches his enterprise and tries to develop more customers. He also makes changes as per changes in the environment.
- ❖ **Growth** : Entrepreneur tries to expand and grow the enterprise.
- ❖ **Harvest** : This means selling the business and harvesting the reward. Many entrepreneurs sell their existing business and start a new venture.

Startup INDIA SCHEME

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

Startup India is an action plan to develop an eco-system to promote and nurture entrepreneurship across the country. Government is offering various bank financing schemes to promote Startups.

Meaning / Definition / What is Startup?

A Startup is a business enterprise in the form of private ltd. company, partnership, limited liability partnership or sole proprietor, registered in India, which was started less than five years ago and have annual turnover of less than 25 crore.

To be eligible for Startup, the enterprise should not have formed by splitting up or reconstruction and its turnover should not have exceeded R 25 crore since its existence.

**Various Schemes and Ways to fund
startup by Government of India**

The Government of India is taking lot of steps to encourage startup projects. Common schemes / benefits offered by government are:

- ❖ **No inspection** under this scheme no inspection would be carried out at startups for three years regarding labour laws, etc., as they need only self-certification.
- ❖ **Registration** : The Government has launched a mobile app in April 2016 and a portal that will allow startup to get registered in one day. In addition there will be a single window for clearance, approvals and registration.

- ❖ **Income Tax Exemption** : Income tax exemption is available for first three years. This exemption is available only after obtaining a certificate from inter-ministerial board set up for this purpose.
- ❖ **Capital gain tax exemption** : The startup can claim capital gain tax exemption also for first three years.

- ❖ **Benefit in Patent and Intellectual property** : In patent cost, startup can claim an 80% rebate that means if a startup applies for patent the government will give 80% rebate in fees. Even faster patent registration and protection for intellectual property rights are also provided under this scheme.
- ❖ **Funding Schemes for startup** : Government has announced ₹ 10,000 crore fund for new startups and ₹ 500 crore for credit guarantee scheme. Even foreign aid is also provided to startups, for example a softbank of Japan invested \$ 2 billion in Indian startups.

Following are lists of 10 funding options for startups to help raise capital.

- ❖ **Self Funding** : To start business self funding is first option on later stage investors may get attracted.
- ❖ **Crowdfunding as a Funding Option** : Crowdfunding is one of the newer ways of funding a startup that has been gaining lot of popularity lately. It's like taking a loan, pre-order, contribution or investments from more than one person at the same time.



MSME AND BUSINESS ENTREPRENEURSHIP

This is how crowding works-An entrepreneur will put up a detailed description of his business on a crowdfunding platform. He will mention the goals of his business, plans for making a profit, how much funding he needs and for what reasons, etc. and then investors can read about the business and give money if they like the idea. Those giving money will make online pledges with the promise of pre-buying the product or giving a donation. Anyone can contribute money toward helping a business that they really believe in.

- ❖ **Get Angel Investment In Your Startup :** Angel investors are individuals with surplus cash and a keen interest to invest in upcoming startups. Angel investors have helped to startup many prominent companies, including Google, Yahoo and Alibaba. This alternative form of investing generally occurs in a company's early stages of growth, with investors expecting a upto 30% equity. They prefer to take more risks in investment for higher returns.

- ❖ **Get Venture Capital for your Business :**
Venture capitals are professionally managed funds who invest in companies that have huge potential. They usually invest in a business against equity and exit when there is an IPO or an acquisition.

❖ **Raise Money Through Bank Loans :**
Normally, banks are the first place that entrepreneurs go when thinking about funding.

Almost every bank in India offers finance through various programs. For instance, leading Indian banks-SBI, HDFC, ICICI and Axis banks have more than 7-8 different options to offer collateral free business loans.

- ❖ **Get Business Loans from NBFCs :** There is an option. Non Banking financial companies (NBFC) provide services to those who would not have access to conventional banking services. It is increasingly becoming popular for those whose requirements are limited and credit ratings are not favoured by bank.

- ❖ **Government Programs that Offer Startup Capital :** The Government of India has launched 10,000 Crore Startup Fund in the Union Budget to improve startup ecosystem in India, further the government has also launched various schemes such as

(i) Central Government Schemes

- (a) Bank of Ideas and Innovations programme - in order to boost innovative product companies.**
- (b) Pradhan Mantri Micro Units Development and Refinance Agency Limited (MUDRZ)- To extent benefits to 10 lakh small and medium enterprises.**
- (c) SIDBI - Small Industries Development Bank of India also offer business loans to MSME sector.**

(ii) State Government Schemes

- a) Kerala State Self Entrepreneur Development Mission (KSSEDM),**
 - b) Maharashtra Centre for Entrepreneurship Development,**
 - c) Rajasthan Startup Fest, etc.**
- **These schemes are set up to boost up small business in India.**
 - **Read about Indian government's Startup India Action Plan.**

**INTELLECTUAL PROPERTY RIGHTS AND
ENTREPRENEURSHIP**

Intellectual Property (IP) systems can be critical in helping new ventures transform their innovation potential and creativity into market value and competitiveness. Intellectual Property rights (IPR) allow innovative entrepreneurs to protect their inventions. It also give an edge over your competitor.

What is the IP System?

General definition of intellectual property rights (IPR)

Intellectual Property (IP) is divided into two categories:

- 1. Industrial property, which includes inventions (patents), trademarks, industrial designs, and geographic indications; and**

2. Copyright, which includes literary and artistic works.

Intellectual property rights (IPR) refer to the general term for the assignment of property rights on these assets)


**The IP system as an asset for
innovative entrepreneurship**

The Intellectual Property Right, i.e., IPR is very very important and beneficial for innovative entrepreneur in the following way:

- 1. Innovative potential get market value.**
- 2. Specially upcoming entrepreneur can make their name and place in market with IPR.**
- 3. Research shows more than 25% patent are taken by new and upcoming entrepreneurs.**

- 4. IPR gives the entrepreneur property right on intangible assets.**
- 5. IPR give an edge over your competitor and help you to become leader in your field. Intellectual Property include**
 - I. Copyrights**
 - II. Patents**
 - III. Trademarks**

- ❖ **Copyright** protection gives the copyright holder the exclusive right to copy the work, modify it (that is, create "derivative works"), and distribute, perform and display the work publicly.
- ❖ **Patents** : Patents protect processes, methods and inventions that are "novel" "non-obvious" and "useful" If granted, a patent gives you monopoly on selling, using, making or importing an invention. The requirements for a patent are complex.

- ❖ **Trademarks** : A trademark is like a brand name. It is any word(s) or symbol(s) that represent a product to identify and distinguish it from other products in the marketplace.
- ❖ Example 'Nike '  trademark of Nike company.
- ❖ Trademark gives you a legal protection that no one else can use this trade mark.

SMALL BUSINESS : INTRODUCTION

Small-scale enterprises exist in every country of the world, but in a developing country like India, small-scale enterprises occupy a special place as there is scarcity of capital and abundance of labour and small-scale enterprises use labour-intensive or capital-saving techniques.

Meaning of Small Business

Definition

Immediately after independence small-scale industry was defined by Industries Development and Regulation Act, 1951 as "Any enterprise which employs not more than 50 persons when using power and 100 when not using power and with capital assets not exceeding ₹ 5 lakh".

Later on, in 1959, 1960, 1966, 1975, 1980, 1990 the definition was revised.

Meaning and new classification of small business as per MSME ACT, 2020 (Micro Small and Medium Enterprise Act)

Revised MSME Certification

Composite criteria : Investment & Annual Turnover

Classification	Micro	Small	Medium
Manufacturing & Services	Investment < ₹ 1 crore & Turnover < ₹ 5 crore	Investment < ₹ 10 crore & Turnover < ₹ 50 crore	Investment < ₹ 20 crore & Turnover < ₹ 100 crore

ROLE OF SMALL BUSINESS IN RURAL INDIA

Small-scale industries provide the following benefits in rural area:

❖ **Employment** : Small-scale industries are labour - intensive so they provide additional employment to men and women. Next to agriculture, small business constitutes the most popular occupation of people of India. They also provide employment to agriculturists who remain idle during a part of year.

- ❖ **Improves Economic Condition** : By providing employment opportunities, the small -scale industries provide more income to people living in rural areas, which improves economic conditions in villages.
- ❖ **Promotion of Artistic and Creative Sense** : Small business set up in rural area provides scope for the promotion of artistic achievement and creativity that has been suppressed in rural areas.

- ❖ **Rural Development** : Small-scale industry set up in rural areas leads to their development which may result in rural reconstruction, sustained growth and removal of regional disparity.
- ❖ **Mobilisation of Local Resources** : Small-scale industries facilitate mobilisation and utilisation of local resources which might otherwise remain unutilised. This helps in tapping resources like entrepreneur skill and small savings specially in rural areas.

**GOVERNMENT ASSISTANCE AND SPECIAL SCHEMES FOR
INDUSTRIES IN RURAL, BACKWARD AND HILLY AREAS**

Keeping in view the contribution of SSI to employment generation, balanced regional growth and promotion of export, the government of India has formed various policies and offered various incentives and benefits for growth and promotion of small-scale business at central level as well as state level. The government assistance are translated into action through various agencies, departments and corporations etc.

Some of the support measures and programmes meant for the promotion of small and rural industries are grouped in following two categories:

- **Institutional Support**
- **Incentives offered by the Government to SSI**

Institutional Support

National Small Industries Corporation (NSIC) : This was set up in 1955 with a view to promoting and fostering the growth of SSI in the country.

➤ **Its main focus was on :**

- i)To supply indigenous and imported machines in easy installments**
- ii)To procure and supply imported raw materials**
- iii) To export products of SSI**
- iv)To provide advisory and mentoring services**

Institutional Support

- v)To provide technological assistance**
- vi)To develop software technology part and technology transfer**

Institutional Support

- **A new scheme of performance and credit rating of small business is implemented through NSIC with following twin objectives:**
 - (a) Sensitising small industries about need of credit rating**
 - (b) Encouraging SSI to maintain good financial track record**

The District Industries Centres (DICs):

- **The DIC programme was started on May 1, 1978 to provide assistance to small-scale industries at the district level.**
- **These centres provide all the promotional activities such as identification of suitable scheme, preparation of feasibility report, arranging for credit etc.**

- **These centres promote entrepreneur attitude in rural areas. DIC is the institution at the district level which provides all services and support to entrepreneur for setting up small scale business, such as identification of suitable scheme, preparation of feasibility report, arranging for credit etc.**
- **Broadly, DICs are trying to bring change in the attitude of rural entrepreneurs. The DIC is emerging as the focal point for economic and industrial growth at the district level.**

**Incentives Offered by Government
for Industries in Rural Area**

- **After Independence, some areas in our country are developing rapidly whereas some areas remain backward and underdeveloped. But balanced regional growth and development is a must due to the following reasons:**
 - i) To provide employment opportunities in all the areas**
 - ii) To develop local skills and resources**
 - iii) To restrict the migration of people to urban areas.**

- **To have balanced regional growth and for the development of rural backward and hilly areas the government has provided the following incentives :**
 - i) Availability of land in these areas at concessional rates**
 - ii) Location of public sector projects in backward areas**
 - iii) Establishment of industrial estates in backward areas**

- iv) Development of infrastructure facilities such as transport, banking power supply etc.**
- v) Offering tax concessions to units located in backward areas**
- vi) Finance at concessional rates to industries set up in these areas**

**vii) Granting subsidies from time to time.
Some of the subsidies offered are :**

- (a)Transport subsidy for carrying raw materials and finished products in these areas.**
- b)Capital subsidy for investment in fixed assets of industries set up in backward areas.**
- c) Infrastructure subsidy. The central government bears apart of the expenses incurred on infrastructure.**

- vii) Special programmes for the development of backward areas have been initiated by the government.**